

CONSUMER BEHAVIOR AND PATHWAYS TO SUCCESS FOR BUBBLE TEA FRANCHISE BUSINESSES

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Abstract

This academic article investigates the factors influencing consumer behavior and examines how such behaviors impact the success of bubble tea franchise businesses, which have experienced significant growth in the beverage market. The study focuses on key factors that affect purchasing decisions, including price, product quality, customer service, and brand experience. The analysis draws upon a review of relevant literature, academic articles, and research reports related to consumer behavior and franchise marketing strategies. Findings indicate that consumer behavior is shaped by internal factors such as perceived value and satisfaction, as well as external factors such as promotional strategies and ease of product access. Franchise businesses that align their offerings with consumer expectations are more likely to succeed in a highly competitive market environment.

Keywords: Consumer Behavior, Success, Franchise Business.

Introduction

The popularity of purchasing bubble tea franchises has exhibited a significant growth trend in Thailand. Consequently, consumer interest and emphasis on this business have increased, driving the desire for sales and branch expansion. A franchise business constitutes a relational enterprise between franchisors and franchisees, involving the payment of fees in exchange for sustained business operations and uniform brand identity under a shared name and trademark (Siripat Srichan, 2021). Thus, franchising represents a globally favored business strategy. In Thailand, the franchise sector has experienced continuous growth, with substantial governmental promotion initiated during policies supporting small businesses or local brand franchises, fostering their robust expansion. This has resulted in franchising becoming a popular choice for aspiring entrepreneurs, with the beverage franchise category being the most sought-after (Montri Sriwong, 2022)

In the contemporary era, franchise businesses have gained widespread popularity globally, particularly in Thailand. The bubble tea franchise sector, a rapidly expanding business, plays a pivotal role in meeting consumer demands for diverse beverage flavors and convenient product offerings, which are especially favored among adolescents and working adults. The success of bubble tea franchises is directly correlated with the rapidly evolving consumer behavior in the present age (Supaporn Phichitchumphon & Patcharathai Charutaweeponkul, 2020). Consumer behavior is of paramount importance to business operations and marketing, as it enables companies to comprehend consumer needs, preferences, and decision-making processes. This leads to the development of products, services, and marketing strategies that effectively address consumer requirements, facilitate easier purchasing decisions, and establish a competitive edge in the market, ultimately

contributing to business success (Kotler & Keller, 2016; Solomon, 2017; Schiffman & Wisenblit, 2019)

Franchise Business

A franchise business serves as a market expansion and distribution channel strategy, facilitated through independent entrepreneurs known as franchisees. Franchisors, the companies granting trademark rights, are required to register their trademarks; without such registration, franchise sales are not permissible. Furthermore, franchisors must possess specialized expertise or established business methodologies to impart to franchisees, encompassing comprehensive operational aspects such as marketing, management systems, production processes, and sales strategies. This ensures that all branches maintain standardized operations and align with a unified business direction (Siri Phuphongwatthana, 2007). In Thailand, the bubble tea franchise sector features a diverse array of businesses, each with distinct unique selling propositions, and has experienced consistent growth over the past several years. Current economic expansion has resulted in increased personal incomes and greater purchasing power. Bubble tea consumption has become a prevalent lifestyle choice, leading to heightened competition among both domestic and international brands, which are rapidly expanding their branch networks. Local brands can achieve success through strategic brand positioning, pricing, location selection, service quality, and marketing management. The franchise system involves collaborative investment with experienced individuals, fostering efficient and sustainable business growth. Franchisors, or licensors, must have achieved significant success in their respective businesses, enabling them to replicate their operational methodologies for consistent business expansion (Peerapong Kitiphokawat, 2003)

Advantages of franchise businesses include Pre-established brand recognition and reputation provide a significant advantage. Comprehensive support in areas such as planning, operational procedures, marketing, and procurement is offered. Quality control measures ensure standardized products or services, accompanied by operational manuals. Pre-existing contracts facilitate convenience. Financial assistance (subject to agreements) and guidance on loan acquisition are provided. Sales promotion and advertising programs managed by the franchisor mitigate risks associated with business startups, leading to increased revenue potential and higher returns compared to independent business ventures.

Disadvantages of Franchise Businesses A significant limitation is the lack of autonomy in decision-making, particularly concerning raw materials and procurement. This can result in missed opportunities to compete effectively. Mandatory procurement from the franchisor, even when alternative sources offer lower prices, is often required. Profit-sharing with the franchisor, either as a percentage or a fixed rate, is typically stipulated. Franchise fees, deposits, equipment costs, renovation expenses, and escalating trademark fees are incurred. The franchisor may lack consistent follow-up in training provisions.

Product Line Limitations Specifically, franchisees are prohibited from introducing alternative products or services without explicit consent from the franchisor. Certain terms and conditions within franchise agreements may be deemed inequitable to the franchisee. Despite these inherent characteristics, the franchise model remains a viable opportunity for inexperienced entrepreneurs to initiate successful ventures, offering a proven framework and guidance that surpasses the challenges of independent business operations.

Theoretical Frameworks on Factors Influencing the Success of Thai Franchise Businesses

A primary theoretical perspective in studying factors influencing the success of Thai franchise businesses is Relationship Management, encompassing Customer Relationship Management (CRM). This approach emphasizes customer value and satisfaction. The development of an effective CRM system is grounded in the recognition that not all customers hold equal significance. Cultivating customer loyalty is pivotal for achieving long-term business success. CRM serves as a management tool designed to facilitate organizational processes that meet customer needs, thereby maximizing customer satisfaction. Effective CRM implementation involves several key steps: 1) dedicated collaboration in CRM strategy execution across all organizational levels; 2) accurate data collection by all personnel to support the CRM system; 3) alignment of CRM tools with service delivery systems for enhanced employee and customer usability; 4) utilization and dissemination of essential CRM reports among team members; and 5) a focus on leveraging existing technology effectively, regardless of cost, rather than solely relying on expensive solutions (Kotler and Armstrong, 2013). CRM is fundamentally structured around two key aspects: firstly, the perceived value of products and services from the customer's perspective, encompassing their feedback, opinions, and attitudes; and secondly, customer satisfaction, which reflects an individual's evaluation of their experience relative to expectations. Purchasing decisions are influenced by the extent to which customer expectations regarding product value are met

Consumer Behavior

Consumer behavior encompasses the actions consumers undertake in searching for, utilizing, and evaluating products and services, with the expectation of fulfilling personal or household needs. Consumers exhibit diverse characteristics across demographic dimensions such as age, income, education level, preferences, religion, cultural norms, and values. Consequently, consumer attitudes and perceptions towards products vary, resulting in differentiated consumption patterns (Schiffman & Kanuk, 1994). The process of consumer behavior manifestation comprises the following stages: 1) Stimulus: Triggers that evoke consumer desire or response. These stimuli may originate from internal factors such as physiological needs for food or beverages, or from external factors such as marketing communications or promotional activities designed to stimulate consumer consumption. Marketers predominantly employ marketing stimuli to induce consumer demand for specific products. 2) Buyer's Black Box: This refers to the internal cognitive processes that influence consumer decision-making, characterized by complexity analogous to an aircraft's black box. It encapsulates individual psychological factors such as concepts, values, beliefs, motivations, and other cognitive elements. This stage also involves a consumer's decision-making process, triggered by a perceived need, leading to information seeking, evaluation, and selection of products or services, culminating in positive or negative post-purchase sentiments. 3) Response: The consumer's ultimate response or purchase decision, reflecting their choice to acquire a product or service (Atchara Nuengchamnon, 2022)

Kanokwan Duangkaew (2021) conducted a study on the behavioral factors influencing the purchasing decisions of Yurika Tea bubble tea within the Sukaphiban 3 area. The research findings revealed that, from a behavioral science perspective, significant emphasis was placed on marketing mix factors, including product, price, distribution channels, and promotional activities, rated at a high level. Physical evidence, personnel, and service processes were rated at a moderate level. Regarding the consumption behavior of Yurika Tea bubble tea, respondents concurred with the decision to purchase due to flavor preference, taste, and

attractive promotions, in that order. Service utilization was driven by flavor preference, refreshment, coffee substitution, social trends, and thirst quenching, respectively. Respondents consumed bubble tea 1-2 times per week, primarily during lunchtime, with the original milk tea being the most preferred.

Concepts and Theories Regarding the Marketing Mix

The marketing mix encompasses activities designed to support, stimulate, and fulfill consumer needs, empowering consumers to make informed purchasing decisions regarding products or services. This is achieved through the utilization of marketing tools, comprising four key elements (4Ps): 1. Product, 2. Price, 3. Place (distribution channels), and 4. Promotion. These elements serve as a framework for developing marketing strategies, considering consumer needs and purchasing behaviors, to generate consumer interest in the product (Kotler & Keller, 2016; Lalil Nida Yentool, 2021)

Marketing Strategies for Franchise Business Success

According to an in-depth interview with Asst. Prof. Dr. Thun Chaitorn, the success of franchise businesses depends significantly on effective marketing and management strategies. Several critical factors were identified, including transparency in product quality and standards, efficient management practices, the use of big data analytics, adaptability to change, and diverse marketing promotion efforts. Furthermore, long-term strategic planning, strong brand identity, positive relationships between franchisors and franchisees, high-quality personnel, and localization of products also contribute to sustainable success.

In the case of bubble tea franchises, understanding consumer behavior is essential. Consumers tend to make purchasing decisions based on factors such as price, product quality, customer service, and brand experience all influenced by both internal and external variables. Therefore, businesses must apply an appropriate marketing mix (4Ps), including affordable pricing, convenient distribution channels, and attractive promotions. In addition, Customer Relationship Management (CRM) and the integration of technology are vital for achieving competitive advantage.

Franchise entrepreneurs should demonstrate strong business skills, a willingness to take calculated risks, and the ability to adjust strategies for greater marketing efficiency. The proven track record of franchisors and the scale of their franchise networks remain key factors in attracting potential franchisees.

Thammarong Wiang-in, et al. (2023) examined a causal factor model of strategic information technology management in conjunction with competitive advantage strategies affecting the operational success of franchise businesses in Thailand. The study aimed to investigate the influence of strategic information technology management on the operational success of franchise businesses in Thailand, mediated by competitive advantage strategies. The test results indicated that strategic information technology management has a positive impact on both competitive advantage strategies and operational success. Strategic information technology management positively affects operational success through competitive advantage strategies. Notably, the most significant impact on the operational success of franchise businesses in Thailand was found to be the ability to exchange and learn technology, followed by a focus on technology and innovation development, the flexibility of information technology infrastructure, rapid response, cost leadership, and niche market targeting. This demonstrates that businesses prioritize technology and innovation learning and development alongside competitive advantage strategies in terms of rapid response, cost leadership, and niche market targeting. The testing confirmed that contemporary franchise

business operations necessitate strategic information technology and the establishment of competitive advantages to achieve organizational goals.

Parichat Jitprasong and Kritchon Wongrat (2023) conducted a study on the entrepreneurial characteristics influencing marketing performance through marketing adaptation strategies and competitive advantage in food and beverage franchise businesses. The findings revealed that: 1) Entrepreneurial characteristics, marketing adaptation strategies, competitive advantage, and marketing performance, overall, exhibited high average values. 2) Entrepreneurial characteristics positively influenced marketing adaptation strategies, competitive advantage, and marketing performance. 3) Marketing adaptation strategies and competitive advantage positively influenced marketing performance. 4) Entrepreneurial characteristics positively influenced marketing performance, partially mediated by marketing adaptation strategies. 5) Entrepreneurial characteristics positively influenced marketing performance, partially mediated by competitive advantage.

Sawangpong Sae-jueng (2016) conducted a study on the success factors of entrepreneurs in Thai noodle restaurant franchise businesses in Chonburi Province. The objectives were to investigate the success factors in operating Thai noodle restaurant franchises and to explore the consumption behavior and motivations of consumers patronizing these franchises in Chonburi Province. The research findings identified the following success factors for entrepreneurs: Entrepreneurial Characteristics: 1) Personal factors, 2) Acceptable risk levels, 3) Business skills and knowledge, 4) Entrepreneurial personality, 5) Entrepreneurial preparedness. Business Characteristics: 1) Duration of operation, 2) Organizational size, 3) Funding sources, 4) Business performance, 5) Ability to transfer business practices, 6) Mentoring capabilities, 7) Business uniqueness. Competitive Factors: 1) Competitive factors, 2) Innovation, 3) Accurate information, 4) Government support. Marketing Factors: 1) Product quality, 2) Community involvement, 3) Customer relationship management, 4) Public relations and advertising, 5) Franchise system, 6) Consumer needs responsiveness, 7) Marketing promotions, 8) Location selection. Resource Factors: 1) Employee training, 2) Employee turnover, 3) Employee recruitment, 4) Employee retention. Owner/Manager Factors: 1) Leadership. Porter's Five Forces Model: 1) Current competitors, 2) New entrants, 3) Supplier bargaining power, 4) Buyer bargaining power, 5) Substitute products or services. Factors influencing consumer decisions to patronize food franchise restaurants included: Product: Food cleanliness, delicious taste, standardized taste. Physical Evidence: Cleanliness of utensils and equipment, spaciousness, organized store layout for convenient movement.

Kulrada Phutthaphon and Rapeeporn Srijampa (2021) conducted a study on modern franchise marketing strategies influencing brand engagement in local franchise businesses within the Eastern Economic Corridor. The study aimed to investigate modern franchise marketing strategies employed by local franchise businesses, encompassing social media marketing, online customer relationship management, and customer-perceived service marketing mix. Additionally, it examined the impact of these modern franchise marketing strategies on brand engagement in local franchises from both customer and entrepreneur perspectives. Quantitative research, based on a sample of 400 food and beverage consumers from local franchise businesses in Chonburi Province, revealed that the majority were female, aged 20-29, with a bachelor's degree, an average monthly income of 10,001-20,000 baht, and employed as company staff. Respondents perceived a high utilization of modern franchise marketing strategies by local franchise businesses. The study found that all dimensions of modern franchise marketing strategies, including social media marketing, online customer relationship management, and service marketing mix, significantly impacted brand

engagement in local franchises. These findings were consistent with qualitative research from in-depth interviews with 10 local franchise entrepreneurs, who confirmed that all three dimensions of modern franchise marketing strategies contributed to brand engagement. Consequently, local franchise business entrepreneurs are advised to adapt their marketing strategies to encompass all three dimensions to foster brand engagement.

Bubpha Thanutthamanan, et al. (2023) studied the success factors of franchise businesses in Bangkok and its vicinity in the new normal era. The objectives were: 1) to investigate the causal factors contributing to the success of franchise businesses in Bangkok and its vicinity in the new normal era; 2) to examine the relationship between franchise management strategies and franchise business success in Bangkok and its vicinity in the new normal era, and to enhance the competitiveness of franchise businesses; and 3) to explore appropriate business model development guidelines for achieving franchise business success and international growth in Bangkok and its vicinity. The findings indicated that: 1) Innovation factors, positive psychological factors, customer satisfaction, and success factors received agreement and strong agreement ratings. 2) Innovation and psychological factors did not have a direct impact on franchise business success factors but had an indirect impact through psychological factors and customer satisfaction, while customer satisfaction had a statistically significant direct impact on franchise business success factors at the .001 level. 3) The business model development guidelines suggested that franchise business management should focus on product innovation, process innovation, and strategic innovation, as well as enhancing customer satisfaction through service quality. Entrepreneurs should also possess a psychological drive to achieve their goals for franchise business success and to enhance their competitiveness in the new normal era.

Phattarada Yodprasit (2017) conducted a study on the factors influencing the decision to purchase a franchise business, specifically focusing on the KPN Music Academy franchise in Bangkok and its vicinity. The research found that among the independent variables, reliability and franchise support factors, excluding the trust factor, significantly influenced the decision to purchase the KPN Music Academy franchise among potential investors in Bangkok and its vicinity at a statistically significant level.

Suphasiri Soithongphong (2021) examined the factors influencing the franchise business purchasing decisions of small entrepreneurs in Phitsanulok Province. The findings revealed that all factor dimensions significantly influenced franchise business purchasing decisions, with an overall high level of influence. The factors, ranked from highest to lowest, included: product, brand, reliability, trust, brand loyalty, franchise support, and franchise experience. Hypothesis testing indicated that franchise business purchasing decisions by entrepreneurs in Phitsanulok Municipality were positively influenced by factors at a statistically significant level of .05. The predictive coefficient ranking, from highest to lowest, was: brand, product, franchise support, and brand loyalty. Trust, reliability, and franchise experience factors did not significantly influence franchise business purchasing decisions.

Foo, Chan, Hwa & Har (1998) conducted a study on the perspectives of franchisees regarding franchisor support in Singapore, examining support factors across six dimensions: site selection, sales/field support, ongoing advice and consultation, research and development, advertising and promotion, and supplier selection. 1. The study found that franchisees were satisfied with all dimensions of franchisor support. Furthermore, it revealed franchisor satisfaction with the relationship between franchisors and franchisees.

Conclusion

The price component of the marketing mix significantly influences purchasing decisions for bubble tea beverages. The prominence of price stems from its status as a critical factor for consumers. Affordable and quality pricing increases consumer demand and purchasing decisions. Distribution channels also play a significant role in purchasing decisions. Convenient and accessible locations enhance bubble tea purchasing. Product aspects of the marketing mix impact purchasing decisions; however, limited product variety or quality may restrict consumer demand to promotional periods or seasonal offers. Marketing promotions contribute to purchasing decisions. Effective advertising and promotions generate interest and incentivize bubble tea purchases. However, due to the widespread availability of bubble tea, some businesses may not prioritize marketing promotions. The selection and implementation of marketing promotions depend on current market conditions. The success of these promotions is contingent upon marketers' strategic planning and execution.

The success of a bubble tea franchise business is contingent upon various factors, including the study of consumer needs, consumer behavior and demands, encompassing actions related to decision-making, purchasing, usage, and disposal of products and services to fulfill personal requirements. Marketing factors and brand or franchise popularity also play crucial roles. Franchise business operators should prioritize franchise experience, as potential franchisees often believe that franchise success is partly attributed to the franchisor's expertise, extensive branch expansion, longevity, and prior success in similar business ventures. Therefore, franchise business operators should emphasize business experience through continuous learning and development, drawing from both personal and others' past experiences to enhance and expand their businesses for success and gain recognition from potential franchisees.

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