To my loving parents who support me to pursue my further education
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In spite of the short history of coffee in China, Chinese coffee market has been expanding and gradually becoming an important oversea market for coffee transitional corporations since the 1980s. Meanwhile, the number of independent coffee shops owned by individuals in China is inflating in response to the increasing demand for high quality coffee. The popularity of independent coffee shops reflects a struggle between local and global cultures. Although previous studies about the independent coffee shops in other Asian countries and areas, such as Japan and Taiwan, are abundant, no study has yet addressed independent coffee shops in China. This study helps to fill the gap in the existing literature by exploring the Chinese domestic coffee market. The study was conducted on the owners/managers of independent coffee shops in Beijing, China. Findings reveal the dilemmas faced by the shop owners and how their values reflected through managing coffee shops. In-depth interviews, card sorting and observations were used to collect data. 20 owners of different independent coffee shops participated the interview. As the result, four general themes emerged towards the relationship between the values of shop owners and their business operation: (1) lifestyle, (2) communication, (3) professional, and (4) personalization. Five dilemmas were generated regarding the challenging
factors of operation of independent coffee shops: (1) taste discrepancy; (2) balance of cost and price; (3) choice of ambiance; (4) business subject matters; and (5) the impact of Starbucks®.
CHAPTER 1
INTRODUCTION

Coffee, the bitter black drink that originated in Ethiopia, is gaining momentum in the homeland of tea—China. The process of globalization, together with the soaring Chinese economy, has made China a huge target for transnational coffee corporations such as Nestlé® and Starbucks® that are always searching for potential markets. The great success of Nestlé® instant coffee in China made it the “generic name for coffee” there in the 1980s and 1990s (Bantiwalu & Demisse, 2010), but in 1999, when Starbucks® entered the Chinese domestic market and opened its first café outlet in Beijing, Chinese people finally had the opportunity to enjoy freshly made coffee and to spend a leisurely time in a coffeehouse without traveling abroad. As of 2015, Starbucks® had opened over 1,000 outlets in mainland China (Starbucks, 2015). The astonishing success of Starbucks® in China has made that country the company’s second biggest global market. More importantly, the popularity of Starbucks® has started a national trend for consuming coffee.

Today, although annual consumption of coffee in China is only five to six cups per capita, the rate by which that consumption is growing is impressive, having steadily increased by approximately 16% for the last several five-year periods (ICO, 2015). Walking on the streets of cosmopolitan Chinese cities like Beijing and Shanghai, one finds on every corner a chain coffee shop owned by transnational corporations such as Starbucks®, Pacific Coffee Co., and Costa. Taking advantage of the trend started by such corporations, independent coffee shops are also prospering in the Chinese domestic market. By the end of 2013, the total number of café outlets in China had reached approximately 14,000 (ICO, 2015). The growing passion of the Chinese for coffee not only suggests potential economic opportunities but also indicates changes in their values and consumption habits, which implies a fundamental transformation of the nation at the
socioeconomic and cultural levels. This study will investigate the coffee phenomenon and its far-reaching implications in China from the perspective of independent coffee shop owners.

Compared to modern, standardized chain shops, independent coffee shops in China are products of the struggle between local and global cultures. Coffee, an imported global commodity, is interpreted in localized ways by independent shops, as seen in their menus, ambiances, and services. The local-global dichotomy reflected by coffeehouses in China shows the complex effects of globalization on local markets. The oligopolistic impact of Starbucks® in China, which is well studied by previous scholars (Maguire & Hu, 2013; Venkatraman & Nelson, 2008; Zhang, 2012), illustrates the homogenizing influence of globalization, while the upsurge of independent coffee shops demonstrates that heterogeneous outcomes are also produced by the globalizing process. Thus, independent coffeehouses provide an interesting area in which to examine the negotiation of local cultures under globalization. While many studies have focused on Starbucks® in the context of China (Curtin & Gaither, 2005; Henningsen, 2011; Henningsen, 2012; Venkatraman & Nelson, 2008; Zhang, 2012), no study has yet addressed independent coffee shops in China in particular, so this study will help to fill the gap in the existing literature on the Chinese domestic coffee market.

Another interesting aspect of this subject is the suggestion of some scholars (Henningsen, 2011; Henningsen, 2012; Venkatraman & Nelson, 2008; Zhang, 2012) that coffee consumption in China is directly associated with middle-class identity. The interaction between the cultural meanings carried by coffee and Chinese consumers’ perception of their identity may be explained by both the concept of the circuit of culture and by the model of cultural meaning transfer. The circuit of culture, proposed by British cultural study scholars du Gay et al. (1997), consists of five key moments: representation, identity, production, consumption, and regulation. Unified cultural meanings are produced by the interaction of these five seemingly disparate moments, among which representation and identity are particularly applicable in investigating coffeehouses as a cultural
phenomenon in China and which will therefore be analyzed in detail in the literature review. Through the prism of their own coffee shops, the owners’ identities are negotiated and expressed, and the cultural meanings thereby produced are consumed by customers, further influencing production, which then helps to define and shape middle-class identity. Additionally, the model of cultural meaning transfer (McCracken, 1988) offers a framework for analyzing how meanings of goods are transferred from a culturally constituted world to individual customers. This approach is particularly valuable for making sense of how and why coffee is presented as it is by independent owners and understood as it is by their customers. More generally, by emphasizing cultural categories and cultural principles, this model gives insight into modern Chinese culture and society.

The previous literature on Chinese consumer culture (Croll, 2006; Venkatraman & Nelson, 2008; Watson, 1997) indicated a distinct consumption increase of foreign (especially Western) goods after Chinese economic reforms in the 1980s. When McDonald’s first entered the Chinese market in the early 1990s, it was embraced by the newly emerging Chinese middle class and young professionals as a marker of both their social status and modern identity (Watson, 1997). Similarly, the success of Starbucks® and the upsurge of coffee culture in China illustrate the conflict between deep-rooted cultural values and modern Western influence on the domestic free market. A “Western emulation model” of middle-class consumption in non-Western countries has been broadly accepted by scholars (Maguire & Hu, 2013; Veblen, 1934; Williams & Qualls, 1989), which could explain the coffee phenomenon in China from a macroscopic perspective. However, more detailed analysis at ground level is necessary in the case of independent local coffee shops. The rising middle class and modern Chinese consumer culture and values will be investigated further in the literature review.
The hegemonic influence of Starbucks® in China has made it difficult to introduce high quality specialty coffee and other diversified aspects of coffee culture, especially for independent coffee shop owners. Yet such owners have still managed to play crucial roles in the process of diversification as cultural intermediaries. Their access to resources puts them in a position to introduce ordinary customers to high quality specialty coffee, while their operational and decoration styles allow them to influence consumers’ perception of coffee culture—to show that “coffee” does not only mean the Starbucks® version of coffee.

For all these reasons, studying independent coffee shops and their owners is both pragmatically and theoretically valuable, as it underscores the formative role of cultural intermediaries in the construction of Chinese middle-class identity and taste. What is the landscape of coffee consumption in modern Chinese society? Is there a unique coffee culture in China? How do globalization, and Starbuck-ization, impact the coffee culture in China? By answering such questions, this study will contribute to the understanding of Chinese middle-class consumer culture as it has evolved against the backdrop of globalization.
CHAPTER 2
LITERATURE REVIEW

Globalization and Hegemonic/Homogeneous Power

When McLuhan (1960) first referred to the modern world as “the global village,” it emphasized how the world had contracted through the use of electronic technology and instantaneous information transfer (McLuhan, 1964). This “shrinking” of the globe, along with an “expressive revolution” in the 1960s related to “the change in expressiveness, romance and youthfulness” (Turner, 2005), thereafter played a crucial role in shaping modern media trends. During the latter part of the 20th century, when multinational corporations began expanding globally, clear changes took place in goods, services, labor, capital, and technology (Martin & Nakayama, 2000, p. 17). However, Robertson (1992) defined globalization as “the compression of the world and the intensification of the consciousness of the world as a whole” (p. 8, emphasis added), arguing that globalization cannot only be examined from a materialistic or capitalist world-system perspective (p. 15). Rather, the ways the contracting world affects the individual, culture, and society are equally (if not more) significant in understanding the international integration of capital markets (Robertson, 1992, pp. 32-48).

The far-reaching impact of globalization has been one of the central issues in the study of cultural communication (Shome & Hegde, 2002). Raymond Williams (1997) in Marxism and Literature stated that culture cannot be understood without examining both society and the economy. However, the connection of these three factors is further complicated by the transnational flows created during globalization. The unequal transnational flows of people, trade, communication, ideas, technologies, and finance has produced inequality and fundamental
“relations of disjunctures” that challenge many previous theoretical assertions in the field of cultural studies (Appadurai, 1990).

In the realm of social science, scholars have long debated whether globalization is making global culture more homogeneous or more heterogeneous. Those who support the former thesis have often made arguments about cultural imperialism or commodification based on media studies of oligopolistic control of information by major Western agencies (Hamelink, 1983). On the other hand, scholars who say heterogeneity is increasing have argued that the ruptures of global media consumption and migration result in more diversified cultural productions that reflect both a cultural struggle and identity struggle (Appadurai, 1990; Shome & Hegde, 2002).

The dispute over homogenization and heterogenization is also seen in studies of global consumer culture. After examining McDonald’s development across the US, Ritzer (1983) suggested that multinational franchises make the global market more uniform and limit the diversity of local culture. On the other hand, Ger and Belk (1996) looked into the effects of a Western-rooted global consumer culture upon less affluent nations and noted alternatives to this homogenized consumer culture that include nationalism, consumer resistance, local appropriation, and creolization. A more recent study on independent Scandinavian coffeehouses by Kjeldgaard and Ostberg (2007) challenged both the homogenization and heterogenization theses, concluding that, though there was no unified consumer culture in Scandinavian coffeehouses, the hegemonic influence of a multinational brand, Starbucks®, was clear.

In considering the complex impacts of globalization on both the material and the cultural levels, Carrington and McDonald (2008) argued that in modern societies “the ‘economic’ and the ‘cultural’ are … irrevocably ‘hybrid’ categories: so what we think of as purely ‘economic’ processes and practices are in an important sense cultural phenomena” (p. 74). In the present study, the practice of visiting coffee shops and the consumption of coffee during these visits (apparently a
purely economic practice) is examined as an emerging cultural phenomenon in China that is related to the global context—an approach acknowledging the hybrid reality.

The Circuit of Culture and Cultural Meaning Transfer

Circuit of Culture

Originating in modern cultural studies, the circuit of culture model was proposed by du Gay et al. in a case study of the Sony Walkman (1997). In that study, culture was not interpreted as a comprehensive and broad concept referring to a distinct “way of life,” but simply as referring to “shared meanings” of an artifact or practice. The circuit of culture is comprised of five key moments: representation, identity, production, consumption, and regulation (see Figure 1). Du Gay et al. (1997) suggested that the five seemingly disparate moments “continually overlap and intertwine in complex and contingent ways” (p. 4) and that all complete analyses of cultural productions should take account of this circuit. The process in which distinctive moments overlap and interact is called “articulation,” and through this process a unified meaning is produced by the connection of two or more different moments (du Gay et al., 1997).
Two key moments of the cultural circuit are particularly important for examining Chinese coffeehouse culture: representation and identity. As Hall (1997) argued, the meanings of cultural practices, such as consuming coffee in coffeehouses, are not hardwired in themselves, but rather they acquire meaningful interpretations through symbolic systems. Representation stands for the discursive process through which cultural meaning is established: “We give things meaning by how we represent them” (Hall, 1997, p. 3). Though language is the primary means of representation, the concept refers not only to words but to “any system of representation—theory, painting, speech, writing, imaging through technology” (du Gay et al., 1997, p. 13). For instance, the discourse of certain commodities’ cultural meanings or practices is often related to media representation or advertising. Thus, Chinese coffee and coffeehouse culture is represented by the advertisements for, and appearance of, coffee shops and consequently results in part from...
their owners’ ideologies regarding coffee and lifestyle. This highlights the power differences between the participants involved in a cultural circuit:

We should perhaps learn to think of meaning less in terms of “accuracy” and “truth” and more in terms of effective exchange—a process of translation, which facilitates cultural communication while always recognizing the persistence of difference and power between different “speakers” within the same cultural circuit. (S. Hall, 1997, p. 11)

The accentuation of the process of “effective exchange” directs attention away from the literal interpretation of meanings carried by goods and toward the interaction of different “speakers” and how they are related and different in terms of power.

Identity is closely related to representation, as well as to other moments in the circuit. Identity has been defined as the subjective concept of oneself as an individual (Vignoles, Regalia, Manzi, Golledge, & Scabini, 2006), or, within the context of the cultural circuit specifically, as comprised of “a multitude of socially constructed meanings and practices, such as class, ethnicity, nationality, and gender” (Curtin & Gaither, 2005, p. 102). Identity is formed, negotiated, and expressed through the symbolic system of representation, an important linkage between two moments in the circle of culture (Woodward, 1997). Furthermore, during the moments of production or consumption of a product or a practice, individuals or groups may experience the “typical ‘subjects-for-the-product’ ” identification depicted in representation (du Gay et al., 1997). In other words, one can move closer to the ideal identity through consuming the symbolic meanings of an artifact (Dittmar, 2008).

Against the backdrop of globalization, the interplay between different cultural and economic factors produces changes in patterns of producing and consuming whereby “new shared meaning” is also created. Some sociologists and theorists have called this change of identities caused by globalization an “identity crisis,” which they argue characterizes modern contemporary societies (Woodward, 1997). In addition to the crises caused by transnational migration and capital
flows, crises of identity also happen at the local level as a result of global forces. Laclau (1990) observed that in modern society no fixed identity is established with a single clear core or center (e.g., race, ethnicity, or sexuality), but rather identity formation is influenced by multiple centers, including social class and occupation. Laclau referred to this transformation from a single determining force to a multiplicity of centers that shape social relations as “dislocation.” He also argued that social class is one of the essential centers of identity formation and a “master” determinant of all social relations.

The emphasis on social class, symbolic consumption, and new identity is reflected in a study by Zhang (2014) of Chinese Starbucks® consumers. Interviewing Chinese consumers about their opinions on coffee culture, Zhang (2014) found that a majority of participants associated coffee drinking with a xiaozi [petty bourgeois] person, as well as with the means to express unique identities, such as being part of the younger generation. In light of the far-reaching impacts of social class and identity, the current study will investigate what identities are formed by drinking coffee in independent coffee shops as well as how these identities relate to the representation of coffee/coffeeshouse culture from the perspective of coffee shop owners.

**Cultural Meaning Transfer**

In arguing for the mobility of meaning of consumer goods, McCracken (1986) proposed a model indicating how consumer goods’ cultural meanings transfer from the world to individuals. According to McCracken (1986), the cultural meaning of consumer goods resides in three locations: the culturally constituted world, consumer goods, and individual consumers. The movement of meaning follows a trajectory through the instruments of “advertising, the fashion world, and consumption rituals (possession, exchange, grooming, and divestment rituals),” as illustrated in Figure 2. This model of cultural meaning transfer underscores the importance of cultural context in understanding cultural phenomena, as well as in coordinating social behaviors.
and productive activities. As McCracken (1986) suggested, culture is a “lens” for individuals to make sense of phenomena and, at the same time, a “blueprint” of human activity.

![MOVEMENT OF MEANING](image)

Figure 2-2. Movement of Meaning (McCracken, 1986)

As this study is particularly interested in how the meaning of coffee is transferred and then represented by independent coffee shops from the owners’ perspective, it is necessary to look into each stage of the movement of meaning. The cultural meaning in the culturally constituted world is composed of “cultural categories,” which divide the world up into discrete segments, and “cultural principles,” which suggest how to organize and weigh cultural phenomena (McCracken, 1986). In other words, cultural principles are the guidelines for classifying and structuring the segmentations of cultural categories. Both cultural categories and cultural principles are substantiated by consumer goods and material culture.

It is worth noticing that “cultural categories and cultural principles are mutually presupposing, and their expression in goods is necessarily simultaneous”: the meaning of goods
carries both the categories and the principles of the culture where it circulates. From the perspective of cultural experience, cultural categories and principles cannot be analyzed separately, and of course other cognitive psychological factors, such as schema and motives, also play a role in instigating the act of consumption (Applbaum & Jordt, 1996).

Cultural categories and cultural principles need to be considered situationally and dynamically, according to different cultural contexts. For instance, McCracken (1986) stated that in North America, “cultural principles have the same indeterminate, changeable, elective quality that cultural categories do.” Those qualities (especially indetermination) have been only rarely seen in other cultures. Applbaum and Jordt (1996) suggested that many goods are linked to unique meanings that are altogether different in other cultures. For instance, in America and Europe, where there is a long-established history of coffee drinking, coffee is often associated with masculinity, vice, and the commonplace. As Weinberg and Bealer (2002) contended in The World of Caffeine, “Coffee has become associated with all things masculine and with the artist, the nonconformist or political dissident, the bohemian, even the hobo, as well as the outdoorsman” (p. 130). However, Chinese Starbucks® consumers who have only recently developed their appreciation for the black drink consider coffee to be foreign, exotic, modern, and xiaozì [petty bourgeois] (Zhang, 2012).

Material objects embedded in a cultural context are one of the most important vehicles for substantiating cultural categories and principles (McCracken, 1986). Thus, it is necessary to pay attention to Chinese consumer culture in order to establish concrete details of what kind of conceptual cultural grids are constituting the world as well as to discover how cultural categories are organized in modern Chinese society. The scrutiny of consumer culture also sheds light on the terminal location of the movement of meaning: the individual consumer.
The Chinese Middle Class and Consumer Culture

The Emerging Middle Class

Coffee and coffeehouse consumption is closely associated with a particular group of people in China: the middle class. In a qualitative study conducted by Maguire and Hu (2013), Starbucks® consumers who were interviewed claimed that coffee drinking and visiting Starbucks® stores were middle- or upper-class behaviors. In this case as in many others, the predilections and desires of the rising middle class have shaped consumption patterns in the context of modern China.

Before the economic reform in the late 1970s and the process of globalization, class identity was a “delicate issue” in Chinese society, which looks back over 2000 years of feudal history, and the middle class did not really exist (Elfick, 2011). However, to accelerate the economy, the Chinese Communist Party decided to open the country to the rest of the world in 1987’s Third Plenum of the Eleventh Central Committee meeting. The economic reform was originally initiated in four southeastern coastal regions (Shenzhen, Zhuhai, and Shantou in Guangdong province, and Xiamen in Fujian province) (Yeung & Hu, 1992). In the early 1980s, Deng Xiaoping, considered the chief architect of China's economic policies, further proposed the notion of xiaokang [a relatively comfortable life] (Deng, 1983). This led to the later prevalence of the slogan Shi yi renmin ben xiaokang [One billion people striving for a relatively comfortable life] (Zhang, 2001). The huge success of the “open policy” boosted the country’s GDP (which grew 6.1% annually on average) and income level, and at the same time introduced the global market and global culture to China (Fujita & Hu, 2001). In the late 1980s, income and resource disparities between coastal cities and the hinterlands began to emerge (Fujita & Hu, 2001; Zhang, 2000). Around the same time, scholars (e.g., Hsiao, 2010) also began highlighting income disparities, arguing that the Chinese middle class consisted of “the new rich” who were beneficiaries of the economic growth brought by reforms (Robison & Goodman, 1996). Some scholars suggested that,
besides those who gained wealth due to reform policies such as xiahai [jumping into the sea of commerce], the Chinese middle class was also made up of those who held or had previously held political power in relation to the Chinese Communist Party and of those who directly benefited from guanxi [personal social networks] (Li, 1997; Lu, 2002).

In this study, the Chinese middle class is defined as “the new class of people that has emerged in China with medium incomes, distinct from the two traditional classes of workers and farmers” (Zhou, 2008). While average wealth per adult in China quadrupled from USD 5,670 in 2000 to USD 22,513 in 2015 (“Research Institute,” 2015), a comprehensive recent report (Li, Chen, & Zhang, 2015) suggested that the middle-level annual income in Beijing was 256,016 RMB (approximately USD 40,000) in 2016, almost double the national average. In terms of this new class’s proportional size, the middle-class population accounted for 11.9% of the population in major Chinese cities (Zhou, 2008).

It is important to consider the interaction of education and class, as Mills (2002) has argued that education is an essential factor in upward social mobility. In China, the extent to which education is seen as a vehicle for obtaining middle-class status has been shown by the significant expansion of the population with college degrees (Lin & Sun, 2010) and the fervor for business-related education programs such as MBAs (Flew, 2006). In terms of the roles for which this education prepares the upwardly mobile in China, Mills (2002) asserted bluntly that the new middle class was increasingly associated, not with owning property or other solely economic features, but with certain occupations. In China, the occupations of the middle class include: owners of newly born private and township enterprises; self-employed people, such as petty proprietors and small tradespeople; officials and intellectuals who directly or indirectly serve the Party and government apparatus; leaders of state-owned enterprises; white-collar and senior
managers in joint ventures; managers of private enterprises and social organizations; and professionals in tech and other industries (Zhou, 2008).

It is also noteworthy that many unique characteristics render the Chinese middle class different from the traditional middle class in the Western world and even in adjacent Asian countries. The middle class in Europe (Zhou & Qin, 2010) and in Asian countries such as South Korea (Hsiao, 2010) has historically embraced democratic trends and played a crucial role as a political vanguard. In contrast, due to China’s authoritarian political control, the Chinese middle class is characterized by its “depolarized” nature, its “progressive consumption, regressive politics” (Hsiao, 2010). Members of the apolitical Chinese middle class have, on the one hand, struggled to improve living conditions and have expressed optimism about the country’s future, yet, on the other hand, they have felt “uncertainty” and “insecurity” around their status quos (Hsiao, 2010). Also, in a survey, most Chinese people who fell into the sociological category of the middle class denied their middle-class identity: only about 10% of those surveyed identified themselves as part of the middle class in 2007 (Li, 2010, p. 149).

For these reasons, some scholars (e.g., Goodman, 2008; Zhou, 2008) have been skeptical about the presence of a true middle class in modern Chinese society. Li & Zhang (2009), for instance, argued that, instead of a traditionally understood middle class with political implications, the Chinese middle class was a “social middle” situated in the center of society in terms of their income, education, and occupations.

This well-educated middle class typically shows a preference for coffee, as it becomes a signifier shared by the social group to demonstrate their social identity. When a certain foodstuff is associated with a certain group of people, it becomes an “external symbolic field through which groups identify boundaries and define differences among classes” (Wilk, 1999). In China, the group of middle-class individuals who are more educated and appreciate Western culture and
lifestyle are also defined as *xiaozì* [petty bourgeoisie]. By drinking coffee and visiting coffeehouses, Chinese consumers get the satisfaction of knowing, or imagining, themselves to be a part of the *xiaozì* group (Henningsen, 2012).

The association between *xiaozì* lifestyle and coffee has been well demonstrated from a textual and literary perspective. Henningsen (2012), after analyzing the guestbooks of Starbucks® locations in major Chinese cities, stated that customers described their experiences at the stores as “*xiaozì*” and that they saw the coffeehouse experience as “authentic” and a way to express their individualism. The class connotations of coffee were also dramatized by a magazine article entitled “I’m finally able to drink coffee together with you after 18 years of endeavor” (我奋斗了 18 年才和你坐在一起喝咖啡) (Maizi, 2004), which generated heated media and public discourse in China about inequality “between the country-born migrants and their city-born counterparts” (Wang, 2014). In this article, coffee drinking was used as a clear symbol of the more affluent urban lifestyle. Furthermore, Cai Zhiheng (蔡智恒) in his bestselling novels *The First Intimate Touch* (第一次亲密接触, 1999) and *Irish Coffee* (爱尔兰咖啡, 2000) associated coffee with both “*xiaozì*” and romantic love (Henningsen, 2011). Clearly, coffee means more than just coffee in China.

**Consumer Culture and Consumer Values in China**

The examination of consumer culture bridges the gap between coffee and coffeehouses as material goods and their imbued cultural meanings, as consumer culture sheds light on “the sociocultural, experiential, symbolic, and ideological aspects of consumption” that “address the dynamic relations between consumer actions, the marketplace, and cultural meanings” (Arnould & Thompson, 2005).

Consumer culture was defined by Lury (2011) as “the significance and character of the values, norms and meanings produced” during the practice of consumption. Dittmar (2008) points
out that disciplines such as sociology, anthropology, communications and others have long recognized “the profound role of symbolic, experiential, and socio-cultural dimensions of consumption” (p. 6), concerns that go beyond consumers’ behavior and economic factors. The study of consumer culture views the process of acquisition, consumption, and possession as a holistic cycle, positing that the examination of the multidimensional meanings of goods should not be limited to the act of purchasing (Dittmar, 2008). Arnould and Thompson (2005) asserted that the symbolic presentation of goods in media (e.g., in advertising and the fashion industry) contains “lifestyle and identity instructions that convey unadulterated marketplace ideologies” (p. 875). More sweepingly, consumer culture functions as the “rules” of a society by which patterns and interpretations of consumer behavior are produced (Arnould & Thompson, 2005).

Economic reforms have transformed the old collective consumption pattern in China and triggered a “comrade to consumer” consumer revolution (Croll, 2006, p. 16). During the pre-reform period in the 1960s and 1970s, under Mao’s ideology of a socialist and egalitarian economic system, consumer goods and resources were directly allocated by either the government or danwei [workplaces]. Even basic supplies necessary for living, such as food and fuel, relied on piao [rationing booklets/coupons] (Zhang, 2001). At that time, China’s economy was characterized by “collective consumption” (Bian, 1994) or “massified consumption” (Lu, 2000). The consumption of the entire nation was homogeneous, with everyone sharing a similar diet, similar clothes, similar houses or apartments, and similar leisure activities.

After the economic reforms, that all changed. In China’s New Consumers, Croll (2006) elaborated three phases of this transition in consumer identity and consumption patterns, represented by changes in the san da jian [three big items] most commonly desired and purchased. During the “decommercialization” period (Lu, 2000) in the 1960s and 1970s, the most popular three items were bicycles, sewing machines, and wristwatches, demonstrating the shift of
consumption from food to non-food items. The second phase in the revolution began in the 1980s, a period centered on the extensive and increasing availability of durable goods, especially electronic goods. In this phase, the “three big items” shifted from color television sets, refrigerators, and washing machines to mobile phones, air conditioners, and video recorders (VCRs), and even hi-fi units and microwaves. The late 1990s was considered the beginning of the third phase in Chinese consumer revolution, when the *chao ji san da jian* [three super big things] consisted of a computer, a car, and an apartment or house. In addition, consumers craved home furnishings, travel, and recreation. The ratio of “hard consumption” (of food and other essentials) to “soft consumption” (of entertainment and leisure activities) shifted from 3:1 in 1984 to 1:1.2 in 1994. Increasingly, the new Chinese consumers demanded luxury items and foreign goods (Watson, 1997, p. 68).

Previous literature has suggested this craving for foreign goods and brands is one of the most significant features of Chinese consumer culture. The sweeping economic reforms opened the Chinese domestic market to foreign and joint-venture businesses ranging from multinational Western “do-it-yourself chains” (Croll, 2006, p. 89) to McDonald’s (Watson, 1997) and Starbucks® (Venkatraman & Nelson, 2008). These foreign businesses not only introduced foreign goods such as hamburgers and coffee, they also ushered in “hedonic or emotional” attributes connected to these foreign goods. Especially before the specific cultural connotations of different goods in their original, Western context were widely known, a direct association between consumption of any foreign goods and a “middle class” identity was established in China (Kim, Forsythe, & Moon, 2002), since imported goods were often used to demonstrate social status in non-Western markets (Mueller, 1987).

For these reasons, scholars of sociological and cultural studies have proposed a “Western emulation model” of middle-class consumption (Maguire & Hu, 2013; Veblen, 1934; Williams &
Qualls, 1989). According to this model, the nouveau riche of Chinese consumers have been aping the choices and habits of Western consumers, whose class status and freedom are deemed desirable (Kim, Forsythe, & Moon, 2002). One study found that high-profile Western goods and brands were considered to provide a guarantee of quality in the open market (Eckhardt & Houston, 1998), and several studies have shown that Chinese consumers tend to manifest economic or social status through the consumption of Western goods. For example, Watson’s book *Golden Arches East* (1997) describes a Western fast food fever initiated by McDonald’s expansion into China in the early 1990s:

Yuppies…were proud of their newly attained habit of eating foreign fast food…Young professionals arrive in small groups or come with girls- or boyfriends and enjoy themselves in the restaurant for an hour or more. Eating foreign foods, and consuming other foreign goods, has become an important way for these Chinese yuppies to define themselves as middle-class professionals. (p. 50)

However, the attitude toward foreign goods is not homogeneous in China. While the open market and increasing purchasing power allowed some fascination with foreign goods to take root, anti-Western sentiment and a selective consumption style for foreign goods gained momentum at the same time. This countervailing resistance to foreign goods and ideas was highlighted by an online petition against Western lifestyles and the celebration of Western holidays started by several Chinese intellectuals (Lin & Wang, 2010, p. 245). The same sentiment was also embodied in a more recent episode in which Chinese media fulminated against a Starbucks® outlet in the Forbidden City as an insult to Chinese civilization, claiming its presence “tramples on Chinese culture.” The outcry eventually led to the closure of the outlet under tremendous social pressure in 2007.

The reason behind such resistance is twofold: first, foreign goods were seen as contrary to traditional Chinese values; second, foreign goods and lifestyles were suspected to carry the threat of cultural imperialism. The implications of Western individualism, materialism, and hedonism
carried by foreign goods seem irreconcilably opposed to a collective Chinese society where Confucianism (Croll, 2006, pp. 67-69) and “thriftiness and simple living” have long been valued (Lin & Wang, 2010), and fears were growing that the “modern and global” ideology embodied by consumption of Western goods would erode China’s distinctive culture and identity, eventually leading to “cultural oblivion” (Croll, 2006, p. 67). The extravagant consumption patterns of the middle and upper classes, accompanied by the fascination with foreign goods, stood in stark contrast to the frugality and self-constraint of commoners, demonstrating the internal cultural struggles caused by globalization.

Bourdieu and the Taste of the Rising Middle Class in China

Bourdieu suggested that preferences in food tastes and in consumption in general are correlated with social positions or class: “Individuals in various social positions differ in their consumption tastes according to their distance from necessity and the symbolic value of certain food items” (Bourdieu & Wacquant, 1992, p. 133). This relationship between social position and the consumption of certain foods is well illustrated in the case of the adaptation and popularization of coffee in China.

In Bourdieu’s theory about consumption tastes and social class, two factors explained why different individual tastes for food exist: capital volume and the habitus of people. Capital volume refers to a person’s possession of economic capital (an individual’s financial status based on income, property, and other material goods) and cultural capital (based on level of education) (Bourdieu, 1984, p. 128). Bourdieu (1984) indicated that it is important not to overlook or reduce the impact of cultural capital, as economic capital by itself cannot explain why in some cases people with similar incomes have different food consumption preferences (p. 114). Meanwhile, the habitus is “a set of attitudes and orientations typical of a particular social group” (Bourdieu, 1984, p. 123). In other words, individuals’ economic and cultural conditions contribute to the formation
of preferences or tastes for certain foods. Taste, instead of economic and financial indicators, were used by Bourdieu to define social class, since individuals “distinguish themselves by the distinctions they make, between the beautiful and the ugly, the distinguished and the vulgar, in which their position in the objective classifications is expressed or betrayed” (Bourdieu, 1984, p. 6). In this case, the rising Chinese middle class with higher levels of education and disposable income developed a fancy for a cup of joe.

On Coffee and Coffeehouses

Coffee Production in China

In the late 19th century, coffee was first introduced in China by a French missionary who planted some coffee bushes in Yunnan province (Dharmananda, 2003). During the 1980s, with the encouragement of transnational coffee corporations like Nestlé® as well as governmental support, coffee production in Yunnan soared dramatically. At the same time, other provinces in southwest China began to produce small amounts of Robusta coffee. At present, Yunnan is still the area that produces the most China Arabica coffee, accounting for about 95% of total Chinese coffee output (ICO, 2015).

In a recent report, the International Coffee Organization (2015) stated: “Coffee production in China has escalated rapidly over the last twenty years… output in crop year 2013/14 reached 1.9 million bags, and has been roughly doubling every five years” (p. 6). This would make China the 14th largest producer of coffee in the world, ahead of Costa Rica but behind Nicaragua, while ten years ago it was only 30th worldwide, producing 361,000 bags (ICO, 2015, p. 7). This expansion of local production has contributed to the reduction of local retail prices in China (Bantiwalu & Demisse, 2010), making the drink more accessible.
Coffee Consumption in China

Coffee drinking as a fashionable new phenomenon in China originated in Shanghai, which for historical and geographical reasons has been more influenced by Western countries (Dharmananda, 2003). Nowadays, coffee consumption is highly concentrated in major Chinese cities such as Beijing, Shanghai, and Guangzhou. Coffee consumption and the frequenting of coffeehouses are considered symbols of the modern Western lifestyle by younger members of the Chinese middle class and returnees from abroad (Bantiwalu & Demisse, 2010).

Although the present coffee consumption in China still cannot compare with some Western countries, the astonishing growth rate, along with the huge population base, create a glimmer of hope for the gloomy international coffee market. According to Zhang (2014), Chinese per capita consumption of coffee came to 83 grams, or 5 to 6 cups, per year, with that number reaching approximately 20 cups in urban areas and big cities. An International Coffee Organization report (2015) indicated that “coffee consumption in China came to around 1.9 million bags in 2013/14, and has been growing at some 16% per annum over the last ten years.” Most of the coffee consumed in China is instant coffee, which “makes up around 99% of retail sales by volume and 98% by value, although fresh roasted coffee is growing at a faster rate” (ICO, 2015, p. 1).

Globalization and Coffee in China

In the 1980s, globalization played a crucial role in boosting the Chinese economy and introducing Western cultures, values, practices, and commodities. Although China’s economic reform and “opening up” started in the late 1970s, the most intensive effects of globalization and economic liberalization showed themselves during the period of 1985 to 1994 (Fujita and Hu, 2001). During this period, the success of economic reforms boosted the average city worker’s income to almost 14 times its level of 20 years ago (Dharmananda, 2003).
In addition to the increase in income, young Chinese people also developed more sophisticated intellectual needs as the result of higher education levels. Around this time, 15% of the Chinese population attained a higher level education. The combination of exposure to Western influence and new intellectual needs gave the “chattering class of new-wave intellectuals” novel perspectives on their disposable income. Coffeeshops rapidly gained popularity among young intellectuals, as they fulfilled intertwined needs to discuss modern music and Western ideas about democracy, and to enjoy a steaming cup of java (Dharmananda, 2003).

**Starbucks® in China**

When Starbucks® opened its first store in Beijing in 1999, it changed Chinese people’s long-held perception of coffee. Before the arrival of Starbucks®, gourmet coffee could only be found in independent coffee shops in coastal cities such as Shanghai, to meet the demand of Western businessmen (Dharmananda, 2003), while Nestlé®, the first coffee brand selling instant coffee in the Chinese market, was the “generic name for coffee” at this time (Bantiwalu & Demisse, 2010). However, Starbucks® soon achieved great success in China. In the company’s 2015 fiscal annual report, they claimed that, by the end of September 2015, 1026 stores had opened in mainland China, and this number was expected to grow rapidly in the future (Starbucks, 2015). According to Duggan (2015), the company is looking to double their Chinese outlets to over 3,000 stores by 2019. Starbucks® is so pervasive and influential that is has become a new symbolic name for coffee and coffee culture for mainstream Chinese consumers.

These Starbucks® consumers in China mainly consist of young professionals and other members of the middle class. By creating an “inspirational, progressive, professional and intellectual image,” the company targeted a wide range of modern citizens, including “upper-middle class ‘modern Chinese,’ white collar workers, college students, etc.” (Zhang, 2012). A previous study suggested that perception of Starbucks® in China is related to the adjectives
“modern,” “fashionable,” and “individual,” signifying a higher social, educational, or occupational status (Maguire & Hu, 2013). Scholars have argued that this perception could largely be explained by the Chinese cultural context and its traditional collectivist values such as guanxi [social relations] and mianzi [face] (Jap, 2010; Podoshen, Li, & Zhang, 2011).

The popularity and prosperity of foreign coffee chains like Starbucks® in China have also drawn a great deal of attention from the Chinese public and media. In 2000, Starbucks® opened a store in the middle of the Forbidden City, which was soon widely criticized by the Chinese public and social elites as “inappropriate.” An online protest was initiated that argued the store diminished or even trampled on Chinese culture (Watts, 2007). The store was eventually closed in 2007 due to public pressure. More recently, the dominant state television broadcaster, CCTV, criticized Starbucks® for charging higher prices in the Chinese market compared to the prices in Chicago and London (Ding, 2013). Despite these criticisms, the very existence of such media debates over Starbucks® indicates the hegemonic position of the coffee chain in the Chinese domestic market.

**Coffeehouse Culture**

Along with gourmet coffee, a coffeehouse culture was also popularized in China by the pervasive Starbucks® presence. Coffeehouses have a long history as public gathering places for political and intellectual discussions, going back to at least the 16th century in Egypt, Syria, and Turkey (Weinberg & Bealer, 2002). European travelers soon brought the habits of Arabs and Turks to European capital cities, with coffeehouses first arriving in London in 1652, Amsterdam in the mid-1660s, Paris in 1689, and Berlin in 1721. In the US, Boston was the first city to embrace the new drinking venue, in 1689, and seven years later New York had its own coffeehouses (Weinberg & Bealer, 2002, pp. 17-19). Some scholars have suggested the popularization of coffeehouses in Europe played an important role in facilitating intellectual and political developments during the 18th and 19th centuries (Ellis, 2006).
By comparison, coffeehouses were not introduced to China until the 1930s, when foreign entrepreneurs first went to Shanghai to pursue new business opportunities (Dharmananda, 2003). As suggested above, coffee drinking spread more widely in China with the economic reforms and market liberalization of the 1980s (Fujita & Hu, 2001), and coffee shops rapidly gained popularity among the rising Chinese middle class, as it fulfilled a need to express individualism (Henningsen, 2012). The ICO report (2015) estimated the number of café outlets in China had reached 13,834 by the end of 2013 (p. 1).

Despite the explosion in the number of coffeehouses and the fact that independent coffeehouses are multiplying along with those of multinational chains, most of the previous studies on coffee and coffeehouses in China have emphasized major brands such as Starbucks® (Maguire & Hu, 2013; Venkatraman & Nelson, 2008; Zhang, 2012). No unified domestic local consumptionscape of coffeehouses has been clearly articulated by previous studies, perhaps because of the lack of a long tradition of coffee drinking and the relatively short history of coffeehouses in China. In studying the effects of globalization, Thompson and Arsel (2004) staked out a position between the homogeneous and heterogeneous impact of globalization, while asserting that a hegemonic brandscape might be forged by dominant corporations. These researchers focused on “the hegemonic influences that global experiential brands exert on their local competitors and the meanings consumers derive from their experiences of these glocal servicescapes” (p. 632), acknowledging the inescapable influence of the largest brands while pointing out the wide variety of local reactions to this influence. On this point, Kjeldgaard and Ostberg (2007) noted that the impact of Starbucks® on the Scandinavian coffee consumptionscape was “less obvious yet more complicated,” as Starbucks® had not yet entered the Scandinavian market by the time their study was conducted, yet Starbucks® still exerted a complicated
hegemonic influence by stereotyping the image and meaning of a coffeehouse (Kjeldgaard & Ostberg, 2007).

Unlike in the Scandinavian or other European coffee markets, China’s domestic independent coffee shops only arose after the successful debut of Starbucks®. Thompson and Arsel (2004) argued that competing brands (independent coffee shops) emerged in response to the ubiquitous presence of a hegemonic brand (in this case, Starbucks®) produced through the homogenizing process of globalization. For these reasons, it is very possible that newly born domestic independent coffeehouses lie under the shadow of the hegemonic image and meanings of “coffeehouse” created by Starbucks® in China, as a hegemonic brandscape has a far-flung structuring influence on both the domestic economic market and on “consumer lifestyles and identities by functioning as a cultural model that consumers act, think, and feel through” (Kjeldgaard & Ostberg, 2007).

Coffeehouses and the Third Space

“The third space” is a term proposed by Oldenburg (1989) in *The Great Good Place* to signify what he called “the core settings of informal public life” (p. 16). Oldenburg’s third place refers to locations besides the home (a domestic setting, the first place) and “gainful or productive” workplaces (the second place). In contrast, the third place exists for the purpose of socializing (p. 14), typically including coffeehouses, cafés, taverns, pubs, community houses, churches, and so on. More recent studies have expanded Oldenburg’s classification of the third place, suggesting that libraries (Aabø & Audunson, 2012), music clubs, football stadiums (Jacke, 2009), and even homes (originally classified as the first place) could fulfill the function of the third place by providing a welcoming environment and a venue to be visited regularly for interpersonal interactions (Purnell, 2015). Arguing for the necessity of the third place in a healthy society, Oldenburg wrote:
Where urban growth proceeds with no indigenous version of a public gathering place proliferated along the way and integral in the lives of the people, the promise of the city is denied. Without such places, the urban area fails to nourish the kinds of relationships and the diversity of human contact that are the essence of the city. Deprived of these settings, people remain lonely within their crowds. The only predictable social consequence of technological advancement is that they will grow ever more apart from one another. (Oldenburg, 1989, p. xv)

Several characteristics of the third place were detailed by Oldenburg (1989). By analyzing traditional third places such as English pubs and French cafés, Oldenburg claimed that third places usually have groups of regular clientele and normally open in the “off hours” of formal institutions. The importance of proximate location was also addressed, and the atmosphere of third places, which typically feature a cheerful, upbeat, playful mood. Most importantly, the open public spaces offered by third places allow conversations to take place. Oldenburg (1989) stated that conversation is the “cardinal and sustaining activity” of the third place (p. 26), facilitating social equality by the leveling process of creating a “neutral ground.” The open, equal, cheerful character of the third place makes it different from but also similar to a “good home” that provides individuals psychological comfort and support; thus, the third place is a home away from home (Oldenburg, 1989, pp. 20-42).

Coffeehouses gained popularity around the globe as the classic third place after they were exported from the Arabic world, but, for a long time in China after the waning of the teahouse, the third place remained a gray area. In fact, the concept of a public gathering place had almost become foreign to China, until the first McDonald’s restaurant in China opened in Beijing in 1992. Many people patronized McDonald’s to experience equality, hang out with family members and friends, celebrate birthdays, and even have romantic dates (Watson, 1997, pp. 38-76). Later, coffeehouses became the most popular gathering place after the expansion into China by Starbucks®, whose quiet, spacious, and modern ambiance encouraged conversation and was labeled “home” by modern Chinese consumers (Venkatraman & Nelson, 2008; Zhang, 2014).
Coffeeshop Owners as Cultural Intermediaries

It is important to emphasize that Chinese people’s familiarity with both coffee and coffeehouses is not the same as their Western counterparts. Most people in China, even some loyal patrons of Starbucks® and other coffee shop “campers,” do not have knowledge of coffee and coffeehouses equal to that of their Western counterparts. Starbucks® consumers perceive Starbucks® coffee to be authentic high quality coffee (Zhang, 2014), while in fact the drinks offered in China have been modified or localized to cater to Chinese tastes to a large degree. For example, the popular coffee lattes offered in China by Starbucks® have been derided by some as “coffee flavored milk.” The Chinese consumer’s misperception of the authenticity of Starbucks® coffee, produced by the pervasive influence of the hegemonic brand, calls attention to the roles of coffee shop owners as cultural intermediaries.

“Cultural intermediaries” is a term first proposed by Bourdieu (1984) to describe the members of new middle class who “engage in the promotion and transmission of popular culture in order to legitimate relatively new leisure fields” (Blackshaw & Crawford, 2009). Maguire and Matthews (2012) argued that the concept of cultural intermediaries was “a productive device for examining the producers of symbolic value in various industries, commodity chains, and urban spaces.” Studies of cultural intermediaries have largely emphasized two different functions: their involvement in the process of the “mediation of production and consumption,” and their market role in “the qualification of goods, mediating between economy and culture” (Maguire & Matthews, 2012). Cultural intermediaries play an essential role in constructing value, as they have the resources and capacity to influence how various actors in the market engage with goods. (Maguire & Matthews, 2012). For instance, a previous study of the Chinese wine market considered writers and educators, sommeliers and retailers, and importers/distributors of foreign wine all to be cultural intermediaries who are essential in mediating production and consumption.
as well as communicating the cultural meanings of wine (Maguire, 2013). (In this conceptualization, service, ideas, and behaviors are all considered as components of goods along with the material products themselves.)

In the current study, independent coffee shop owners are examined as cultural intermediaries involved in both constructing the emerging market and shaping the expectations of customers by challenging the hegemonic image of coffee and coffeehouses. The examination of owners in the Chinese domestic coffeehouse market offers an opportunity to better understand the negotiation between coffee and identity among professionals in the industry as well as to shed light on the domestic coffeehouse consumptionscape in China.

Based on the previous literature, four research questions are proposed:
RQ1: How do independent coffee shops’ owners present their shops? What are the challenges and issues faced by them operating their shops?
RQ2: How do independent coffee shops’ owners interpret coffee and coffeehouse culture? How coffee and coffeehouse relate to them?
RQ3: What are the motivations of owning independent coffee shops?
RQ4: Does a unique coffeehouse culture exist in China?
CHAPTER 3
METHODODOLOGY

Ethnography was employed as the primary research method in collecting data. Ethnography as a fieldwork method has been widely used by scholars of social science since the early 19th century. It enables investigators to gain “valid and reliable qualitative data through developing of close and continuing contact” with the subjects being studied (Gold, 1997). By establishing direct and sustained social contact with agents, potential bias generated from investigators own views or lifestyle could be maximally avoided (Gold, 1997), as Gold (1997) put that “one could best understand society for what it is – not for what one thinks it might, should, or must be – by studying it from the points of view of its members.” Here, it reveals a strong interest of ethnographers in how certain groups put life together and what it all means to them. This centrality of culture was also stressed in Willis and Trondman’s (2000) study. In addition to interview and participant observation – two of the most popular forms – documents and artifacts, are other data collecting techniques that are commonly used in ethnographic research (Hammersley & Atkinson, 1983). A predominant use of sociological sampling, rather than statistical sampling, is widely seen (Gold, 1997), as ethnographers often use a rich “story- telling” style of data documenting in order to represent human experience by the process of description, analysis and interpretation (Creswell, 2013). The scientific tools provided by ethnography enable this current study to generate meaningful and representative results through the examination of independent coffee shops’ owners as a culture-sharing group.

In order to address the aforementioned research questions, in-depth interviews and participant observations were used as means of data collection. The in-depth interview is a commonly used technique of conducting qualitative research. It involves “intensive individual interviews with a small number of respondents” to investigate and discover their perspectives on
the topic being studied (Boyce & Neale, 2006). Compared to other data collecting method, such as survey, in-depth interviews produce more detailed information, as the participants may feel more comfortable having conversation in a relatively relaxed environment. In addition, following up questions and probes during the interview contribute to the reach of the depth of information (Legard, Keegan, & Ward, 2003).

The interviews were conducted with selected independent coffee shop owners in Beijing. The sampling of informants of interview started with general research of renowned independent coffee shops, which represented the technique of what Fetterman (2010) called “big net approach” (p. 42). The initial informants were asked to recommend other coffee shops/owners. The interviews were conducted in a semi-structured manner in Chinese at the informants’ own shops. A series of designed open ended questions were used to guide conversations. The proposed sample questions were listed in the appendix. In addition, cards sorting was employed as supplementary method.

After several initial interviews, “criterion sampling” (Hammersley & Atkinson, 1983) and “opportunistic sampling” (Miles & Huberman, 1994) techniques were combined in choosing subsequent informants. For example, sampling techniques of selecting informant representative of culture-sharing group based on the criteria established through initial interviews, and taking advantage of opportunities offered by initial informants. In order to reach the widest possible range of sampling categories and to achieve the saturation of each category, a technique of “theoretical saturation” was used when judging when to stop sampling. Theoretical saturation was explained by Glaser and Strauss (1967) in Discovery of Grounded Theory as:

The criterion for judging when to stop sampling the different groups pertinent to a category is the category’s theoretical saturation. Saturation means that no additional data are being found whereby the sociologist can develop properties of the category. As he sees similar instances over and over again, the researcher becomes empirically confident that a category is saturated. He goes out of his way to look for groups that stretch diversity of data as far as possible, just to make certain that saturation is based
on the widest possible range of data on the category. (Glaser & Strauss, 1967, pp. 61-62)

The interviews were recorded, and text transcriptions were converted based on the recordings. The analysis of transcription was using techniques of theme identification proposed by Ryan and Bernard (2003), by which major themes and subthemes were identified through the identification of important key phrases, repetitions, local terms, metaphors and analogies, transitions, similarities and contrasts, theory-related material, etc.

Along with in-depth interviews, participant observations of selected coffee shops were conducted. Participant observation is a central and defining fieldwork method of cultural anthropology and is widely adopted by other ethnographic research of social science (DeWalt & DeWalt, 2002). It was defined by Marshall and Rossman (2006) as: “the systematic description of events, behaviors, and artifacts in the social setting chosen for study” (p.79). Observation under a natural setting contributes to “explore the organized routines of behavior” (Fine, 2003, p.41). It also provides opportunities for researchers to actively change their roles from outsiders to insiders (Jorgensen, 1989). Better sampling guidelines and interview guides can achieved based on the context provide by observation (DeWalt & DeWalt, 2002). The observation field work consists of “active looking, improving memory, informal interviewing, writing detailed field notes, and perhaps most importantly, patience” (DeWalt & DeWalt, 2002, p. vii).

The participant observations were conducted in each selected independent coffee shop. In order to include more consumer activities into the observations, the observations were conducted from 2 p.m. to 8 p.m. during weekdays and 10 a.m. to 8 p.m. during weekends. The exact time periods for conducting observations altered based on situations and the results of interviews (the owners know best about their shops). In order to best saturate categories of independent shops, the observation of a café sometimes occurred without interviewing the owner.
The observation concentrated on two aspects: coffee shop itself and the customers. The observation of each coffee shop included the layout and display of the shop and the menu, which suggested the coffee culture style of the shop. In terms of coffee culture style, a classification generated by Kjeldgaard and Ostberg (2007) was referred to as the initial guideline. Based on the ethnographic body of data and literatures of Scandinavian culture history, the authors classified coffee cultures into three categories: Americana, Culinaria and Viennesia. To be specific, “Americana” refers to the coffee culture style which is heavily influenced by the ideas and operation of Starbucks®. “Culinaria” bears on a set of coffee shops which demonstrate their indexical authenticity through the reference to place of origin. Culinaria type coffee shops stress that “they ‘just are’ as opposed to other places that are ‘trying to be.’” Lastly, “Viennesia”, as the name implies, is related to Vienna and “Danish pastry”. The legitimacy of café with this type coffee culture “is grounded in their craftsmanship in confectionary and pastries.” In other words, Viennesia café is much more similar to a pastry shop while coffee serving as a key is integrated (Kjeldgaard & Ostberg, 2007). What is noteworthy are the authenticities of the three categories are not inclusively illustrated by indexical (“a factual and spatio-temporal link with something else”) or iconic authenticity (“physical manifestation resembles something that is indexically authentic”) (Grayson & Martinec, 2004). The observations of customers’ activities gave clues as to how people used the space offered by coffee shops and how has helped to construct the culture of independent coffee shops. Field notes were taken for data analysis.
CHAPTER 4
FINDINGS

The IRB application for this study was approved and granted on June 27, 2016. The data collection was conducted from June 28, 2016 to August 20, 2016. In-depth interviews with the owners or managers of 20 independent coffee shops were conducted during this period. The selection of coffee shops was based on research on renowned shops according to their geographic distributions. Four types of locations with varying customer demographics were investigated: touristic, business, residential, and educational. Observations were conducted to six selected coffee shops from the 20 shops whose owners or managers were interviewed. The basic information of respondents and their coffee shops is listed below in Table 2-1. With the exceptions of one respondent (R15, see table below) who is an American of non-Chinese descent and one who is Taiwanese (R19, see table below), all other respondents are Chinese natives. For the purpose of maintaining confidentiality, respondents were coded by identifiers which were used to identify quotations in the following sections.

In terms of the selected coffee shops’ geographic locations, I found that independent coffee shops in Beijing are primarily concentrated in central old town areas, art districts, and central business districts. Independent coffee shops are particularly popular in the old town areas where hutongs (narrow alleys) and traditional Chinese courtyards are well preserved. Half of the respondents’ (R1, R3, R8, R10, R12, R14, R15, R16, R19, R20) coffee shops are situated in old town areas. Among which, three of the respondents’ (R1, R14, R16) shops are located at the streets which are developed into modern tourist attractions. These streets are featured by the combination of their authentic sense of traditional Beijing lifestyle and fashionable stores, restaurants, and cafés. Different from the shops in the old town tourist areas, four respondents’ (R4, R9, R11, R13) shops are located in a renowned art district, which was renovated into art
studios and galleries from an abandoned industrial factory. In addition, although R2’s shop is located in the business district, this café is affiliated and physically inside an art gallery. I only obtained one interview with a respondent (R6) whose shop is located in a broad educational district in which several universities and residential communities are situated.

Table 2-1. Summary of the interview respondents and their coffee shops

<table>
<thead>
<tr>
<th>Respondent’s Identifier</th>
<th>Respondent’s Gender and Age</th>
<th>Location Area Type</th>
<th>Age of the Shop</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>Male/ 20s</td>
<td>Touristic</td>
<td>2 years</td>
</tr>
<tr>
<td>R2</td>
<td>Male/ 20s</td>
<td>Business</td>
<td>2 years</td>
</tr>
<tr>
<td>R3</td>
<td>Male/ 20s</td>
<td>Residential (Old town)</td>
<td>7 months</td>
</tr>
<tr>
<td>R4</td>
<td>Male/ 20s</td>
<td>Touristic</td>
<td>2 years</td>
</tr>
<tr>
<td>R5</td>
<td>Female/ 20s</td>
<td>Business</td>
<td>2 years</td>
</tr>
<tr>
<td>R6</td>
<td>Male/ 30s</td>
<td>Educational/Residential</td>
<td>3 years</td>
</tr>
<tr>
<td>R7</td>
<td>Female/ 40s</td>
<td>Business</td>
<td>1 year</td>
</tr>
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<td>R8</td>
<td>Male/ 30s</td>
<td>Residential (Old town)</td>
<td>1.5 years</td>
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<td>R9</td>
<td>Female/ 20s</td>
<td>Touristic</td>
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<td>R10</td>
<td>Female/ 30s</td>
<td>Residential (Old town)</td>
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<td>R11</td>
<td>Female/ 20s</td>
<td>Touristic</td>
<td>13 years</td>
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<td>R12</td>
<td>Male/ 30s</td>
<td>Residential (Old town)</td>
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<td>R13</td>
<td>Male/30s</td>
<td>Touristic</td>
<td>6 years</td>
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<td>R14</td>
<td>Male/ 40s</td>
<td>Touristic</td>
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<td>R15</td>
<td>Male/ 20s</td>
<td>Residential (Old town)</td>
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<td>R16</td>
<td>Female/ 20s</td>
<td>Touristic</td>
<td>5 years</td>
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<tr>
<td>R17</td>
<td>Female/ 40s</td>
<td>Business</td>
<td>2 years</td>
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<tr>
<td>R18</td>
<td>Male/ 30s</td>
<td>Business</td>
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<td>R19</td>
<td>Male/ 40s</td>
<td>Residential (Old town)</td>
<td>3.5 years</td>
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<tr>
<td>R20</td>
<td>Male/ 50s</td>
<td>Residential (Old town)</td>
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Two major patterns emerged from the analysis of the in-depth interviews: general themes and coffee market dilemmas faced by the independent coffee shop/café. The first pattern relates to four overall themes identified from the analysis: 1) lifestyle, 2) communication, 3) professional, and 4) personalization. These themes particularly relate to the respondents’ personal experiences and values in operating their business as well as each shop owner’s unique relationship with coffee as a product. The second section of findings present five challenging factors that appear to be salient to the current independent coffeeshop market in Beijing: 1) taste discrepancy, 2) balance of cost and price, 3) choice of ambience, 4) choice of business subjects, and 5) Starbucks®
effect as a double-edge sword. These dilemmas are discussed by the owners from a variety of perspectives: sociological, commercial, historical, etc. I focus on the respondents’ opinions on the status quo of the independent coffee shop, under the current modern Chinese social condition, as practitioners of the industry. The cases drawn from the in-depth interviews as well as the results of observations and card sorting, will be used to discuss the two patterns in the following sections.

**Themes**

In relation to the respondents’ interpretation of coffee and coffee culture, four common themes are generated from the interviews: lifestyle, professional, personality, and communication. The four themes reflect independent shop owners’ experience of operating a coffee shop and more importantly their values and identities.

**Lifestyle**

The first theme, lifestyle, refers to how the shop owners regard coffee shop operation with their personal life. The daily life activities of the majority of respondents are intermingled with their business. Most respondents are baristas and take a primary responsibility of preparing coffee. Some respondents do not have or only have a few employees. For instance, in R8’s shop, the owner and his wife cover all the daily operations and maintenance of the shop on their own. In the card sorting session, three respondents (R8, R15, R19) indicate that living a particular “lifestyle” is the most predominant purpose of owning a coffee shop. For those respondents, operation of a coffee shop is not only an approach to make a living, but also a mean to live a meaningful and satisfying life. In the interview, R7 expresses that how the coffee shop reflects her outlook on life:
When I decided to open this coffee shop, I told myself that it’s not necessarily going to make any profit. I would be satisfied as long as this shop can make both ends meet. Because I can make a living while get to enjoy the “xiaozi” sentiment of the shop. Every day, I watch people come and go. Some of them are acquaintance, some of them are strangers. I enjoy and never get tired of life like this. (R7, July 29, 2016)

One idea of R7’s comment is that owning and living in a coffee shop offers her the psychological satisfaction beyond financial gain. The satisfaction derives from both the “xiaozi” environment of the coffee shop and the daily encounter of different patrons. Similar to R7’s opinion, R8 also claims that operating his own coffee shop is way to fulfill a desired life status.

Before I opened this shop, I worked for a couple different companies in the telecommunication industry for over 10 years. I lost interest and couldn’t find pleasure from work anymore. So I decided to do something I really enjoyed: to open my own coffee shop, where I do not serve food at all. Because I don’t want to only focus on making a profit, otherwise it would be just like before when I had to go to work for a living. I like the status of life and work provided by a small coffee shop. (R8, August 20, 2016)

Besides utilizing the coffee shop to pursue a certain lifestyle, the daily operation of coffee shop is also closely intertwined with some owners’ personal life as a cornerstone. Three respondents’ (R8, R12, R15) shops are owned and operated by their spouse. According to R1, he and his coworker both met their partner at the coffee shop. The coffee shop is a mean to support the respondents’ family and to be the pivot around which they build social connections. Therefore, coffee and coffee shop contain special meaning for the respondents. R1 believes that coffee drinking is an indicator of an attitude referring to the desire of quality life.

Coffee is a magical guide. It’s a wonderful beverage but more importantly it’s an index for lifestyle. Coffee drinking and going to coffee shops indicate one’s attitude toward his life…It indicates a way of living: the pursuit of quality life. We are not doing this job just for money. The coffee shop is a miniature of a life full of all kinds of beauties. (R1, July 11, 2016)

When asked for the understanding of coffee culture, R12 expresses how coffee relates and affects his life in every aspect.
Coffee is a belief for me. I had never had any other job. I became a barista directly after graduating from college…The job of making coffee is very simple and repetitive…Over time, I developed a special style of thinking and doing which represents me. It affects the way I do other things. For example, my walking pace and a standard of measuring to what extent things could be called done…After so many years working this job, the job becomes my friend. I devote a lot of energy into it. So maybe this is a simple and not significant work for other people, but for me, it’s all of my life. (R12, July 22, 2016)

R12’s comment reflects that working with coffee shaped his way of thinking and living.

During this process also influence the development of his value and identity.

Communication

The communication theme is featured by the need and intention to communicate with patrons as well as the effort to facilitate the communication between patrons. “Interpersonal communication,” “making friends,” “niche” and “living room” are some of the most common mentioned keywords by the respondents regarding the traits of the independent coffee shop. It shows that they consider high quality communication one of the key factors keeping their shop competitive. Several respondents claim that the satisfaction of interacting with their customers is one of the most crucial motivator to keep the business running. The respondents give high priority to the effective communication between their customers. For instance, R12 specifically design his shops physical layout to suit the need of communication with his customers.

I think for a physical store, to prepare good coffee is definitely important, but at the same time it has to make sure to share our coffee in an appropriate way. It requires a proper designed layout – first of all and most importantly, a well-designed bar to facilitate communication. Our bar is relatively open and big. Yet there is not very much stuff on it except for primary equipment. Because redundant stuff interferes the interaction between barista and customers. (R12, June 22, 2016)

Besides introducing coffee related information to their customers, the communication between operators and patrons also can be deep and very personal.

We train and encourage our baristas to communicate with customers. In this way, we can attract a group of customers…Because many customers, especially the ones sitting at the bar, want to share and talk about their feelings and life status
with other people…I personally become friends and keep close contact with many customers...there is a couple who often come to our café, so we exchanged WeChat contact. The wife saw me posted pictures of my hometown in Fujian province and thought it’s a perfect travel destination for their vacation. So they had already planned to go visit my family in my hometown this coming spring festival. (R5, August 17, 2016)

R5’s statement is highlighted by the point that being able to communicate and build up an interpersonal connection with the owners and baristas of the coffee shop is the advantage of independent cafés. The depth of communication is relatively hard to obtain from corporate coffee chain stores. As to this point, R20 made a similar comment on the communication advantage of independent coffee shops. He claims that even as a coffee shop owner himself, he prefers to visit other independent cafés in order to get to know other owners.

At Starbucks®, you will never meet the owner, not to mention getting to know him. By comparison, you can even become friends with the owner in independent shops. This kind of inner satisfaction is desired by many people. (R20, June 29, 2016)

While confirming their own need and satisfaction of interacting with customers, some other respondents point out that the communication friendly environment of independent coffee shop facilitates the formation of new niches for their customers. R1 in the interview expresses his intention of creating an open and conversational environment for his customers:

Over 70% of customers in our shop are frequent customers…My coworkers and I are attempting to provide an environment with close interpersonal relationships. This is a really tiny shop, so when they sit down, most people are right under our nose. So we get the chance to chat with them and become acquaintance with many of them…Our shop sometimes can be a little noisy but lively, so people feel happy and energetic here. Strangers have big chance to become friends with each other. In many cases, people meet each other and find out they share the same hobby, and eventually become friends…The relationship between the independent coffee shop and its customers is hard to achieve by chain stores. I believe that a coffee shop can be a place where you actually live. Many of our patrons consider our shop their second living room or a place they will frequently go visit. They consider the owner their close friend. (R1, July 11, 2016)

R1 believes the conversation provoking environment and the close interpersonal relationship are distinguishing and valuable asset of his coffee shop. as it provides his
customers and himself a social venue to connect with people. In order to achieve the same goal of facilitating communication, R4 meticulously employs a special design for his bar.

Our environment is for communication. It’s really rare that you can see people working on their computer here. Because first of all, people here have the right mood and schedule to relax. And more importantly, we have a circular bar... We want to see the interaction between people. Not only us and our customers, but also the communication between different customers... People sit in a circle talking about music, weather, and of course coffee. We break up the old sitting pattern to make sure no one will be left in the corner doing their own thing. (R4, July 03, 2016)

R4’s coffee shop is located in the middle of a famous touristic art district. He is aware of that the purpose of the most of his customers visiting his shop is to entertain, rather than to study or to work. So he further designs his bar to encourage people gathering around to have conversation with each other.

Figure 4-1. Photo of R4’s café

Two general ideas are expressed by the respondents in the professional theme. First, the independent coffee shop owners take a professional approach in equipping themselves of coffee related knowledge. Second, most respondents keep a professional perspective as to the role of coffee in their personal life.

Coffee roasting and preparation are considered as technical professional skills. In the respondents’ coffee shops which is featured by specialty coffee, state of the art roasting machines, espresso machines, specialty coffee equipment, and the most recently published books about coffee in different language are commonly seen. Respondents spend a tremendous amount of time and devote remarkable amount of energy in acquiring professional skills. Several respondents claim themselves to be certified barista and have had professional experience for over a decade. For example, R13 asserts that he has 13 years’ relative experience in the coffee industry and a couple of successful award winning baristas are his own students. Likely, R12 claim that he has been in the industry for more than 9 years, and has never had any other jobs outside the industry. In the interviews, the respondents who are professionals demonstrate a rich reserve of knowledge and a strong professional interest in coffee.

In the card sorting session, when asked to select the relevant words to describe coffee in general, R16 asserted that coffee is first of all “scientific and technical” without looking at the provided words on the cards. In the interview with her, she expresses her fascination of coffee related professional knowledge.

It was around November or December of 2012, I had been a barista at other coffee shops for three months. At the time I felt coffee preparing is very easy, you know, just machine operating. So I was very satisfied with myself professionally. Then one night, another barista of the coffee shop I worked for took me to this coffee shop. I met a professional barista and roaster, who became my master
later. I remember that night I was not able to understand anything they talked about coffee. Their conversation turned over in my mind. Later on I decided to come here every night after work talking and learning about the professional skills of coffee preparation. About a half month later, I quit my old job and started to work here. (R16, August 7, 2016)

R16’s reminiscence of her career path reflects that she considers coffee preparation is a profound subject requiring time and system learning to master. This scientific and technical perspective towards coffee is in correspondence of her choice of word in describing coffee in the card-sorting session. In the realization of the fact that many independent coffee shop owners take a technical perspective when it comes to coffee preparation and roasting, R15 offers his reflection of this phenomenon:

There is a conflict in western countries: many people drink coffee only because they have to or used to have a cup every day. Those people rarely go a step further to look for the possibilities of the taste of coffee or to trace the beans to their origins. But in Asian areas such like Japan, Taiwan, and China, there was no traditional coffee drinking culture. So people are more likely to study and figure out how to prepare a proper cup. And they learn it in a scientific approach. As a result, the average professional level is a bit higher in those areas, and furthermore there are no cultural conflict towards coffee. (R15, July 17, 2016)

As an American living in Beijing, R15 looks and compares coffee from both western and eastern culture. He points out that the lack of coffee drinking tradition in Asian areas including China on the other hand reduces cultural conflict and also leads to a common scientific and technical perspective held by practitioners.

Furthermore, many respondents employ a professional view to relate coffee with their daily life. Several respondents claim that they only drink coffee in their own shops for the sake of work. Rather than enjoying coffee as a beverage, they more frequently drink coffee for controlling and testing the quality and consistency of products.

My first morning cup starts with testing the coffee grinder every day. I have to know if the products of today are different from yesterday. Plus, when we have new types of beans, I have to test it. I don’t drink coffee to enjoy the slow-pace life. Instead, I drink it as a part of quality control. (R12, July 22, 2016)
One idea of R12’s statement is that coffee in his life is considered as the product of his business more than a functional or leisurely drink. In regard of this idea, R15 expresses his change of perspective after he becomes a practitioner:

Before I opened this shop, I drank coffee when I felt like it. It was a pleasure. Yet, in order to operate this shop, I have to learn and explore the professional field, even though I’m not super interested in this knowledge. Now I find that the more I learned about coffee, the more I’m not able to just enjoy a cup of coffee like before. The pleasure is being lost. (R15, July 17, 2016)

The losing of “pleasure” shows that R15 starts to use a professional perspective on coffee after he becomes a coffee owner. Coffee drinking becomes profession related rather than a leisure activity. Another extreme case is found in R2’s statement:

To be honest, I don’t like coffee. I drink coffee only because of work…It’s a convention of our café that I have to watch the quality at all times to make sure the consistency of the taste. (R2, August 12, 2016)

Different from other respondents, R2 drinks coffee only because of his business. The relationship between coffee and R2 is only based on his profession.

**Personalization**

The personalization theme refers to the independent coffee shop owners’ need of distinguishing and expressing themselves in the form of their coffee shops. Different from corporation owned chain coffee stores, independent coffee shop allows the owners to project their own interest and values through the shop. “sharing personal values” is pointed by six respondents (R3, R5, R6, R7, R8, R15, R16) in the card sorting session as one of the major purposes of owning a coffee shop. Eight respondents (R1, R2, R5, R7, R11, R12, R15, R17) claims that “having a place of one’s own” is another important consideration. This need of being able to express individual values through a personalized space is embodied by the owners’ attempt to integrate personal hobbies into their coffee shops.
The integration is best demonstrated by the “themed cafés.” As its literal meaning implies, themed café refers to the coffee shop revolving around a certain theme. This unified theme is often closely related to the owner’s personal interests, and incarnated by the decorations, products, and services of the café. Themed cafés pervasively exist in Beijing, although in this current study only one respondent (R4) claims his coffee shop, which features vinyl records, as a themed café. Through the author’s observation, the popular themes of themed cafés in Beijing include: cat-themed, movie-themed, time-themed, and hobby-themed. For instance, in one cat-themed café, the owner feeds over 20 cats and allow them to freely engaged with customers; at one café themed by the well-known TV series “Friends”, the shop is decorated to match the living room – the main scene of the sitcom, and the products are named by the famous lines from the sitcom.

Figure 4-2. Photo of the interior of “Friends” themed café

The interior of “Friends” themed café. August 04, 2016. Courtesy of Hui Zhi
Instead of introducing themes, the majority of respondents personalize their coffee shops according to their own taste or interests. In other words, the character of one coffee shop mirrors its owners’ personal interest and values. For instance, R6 and R20 incorporate their passion for travelling into the decoration of their shops; R6 collects antique furniture from the countries he has travelled in and displays them in his café; R20 decorates his café with his photographs taken while travelling.

Dilemmas

Five dilemmas, referring to the challenging factors faced by the independent coffee shop owners, had been identified from the in-depth interviews.

Coffee Aficionado vs. Lay People

The first and the most distinctive dilemma emerged from the interviews is the extreme taste and knowledge gaps existing between coffee aficionados and average customers of coffee shops. The majority of interviewees identifies themselves as coffee lovers, and is highly skilled and knowledgeable about coffee, especially specialty coffee, as a product. Several respondents indicate that they purchase and roast their own beans to satisfy the need of a high quality cup. A couple of respondents, such as R12 and R13, have over 10 years’ experience in the industry and have been lecturers in barista/coffee schools. Talking about coffee, R18 expresses the pleasure of preparing a good cup by wielding professional knowledge:

It is very satisfying, especially when you can make it from the sketch. It starts from the moment when you find a kind of good raw bean. Then you begin to know the bean after the purchase, to know its personality and tempers. Every kind of bean is unique! To get the desired flavor, you have to take your own personality into consideration, manage to get it roasted just right and get it brewed just right… it is a process of gaining harmony with the machine, the device and the beans. (R18, June 28, 2016)

Similarly, R10, who has 9 years’ experience in both coffee and pastry making, expresses her desire for both high quality specialty coffee and the related knowledge:
I don’t drink coffee from chain stores like Starbucks®. Even when I was visiting abroad in Europe counties such as France, I didn’t go to random coffee shops. I only drink coffee when I intentionally visit a coffee shop, as I know they are a good café serving good specialty coffee. I’ve been drinking specialty coffee for a pretty long time. I roast my own beans, and I prepare and cup my own coffee. So I can’t stand for a mediocre or a bad cup anymore. I’d rather be drinking tap water…coffee allows you to unlimitedly pursue perfection. Is the red or green cherry better? How to roast it when it becomes a raw bean? How to prepare it properly? This process is so fascinating. (R10, July 07, 2016)

However, this passion is not shared by ordinary customers. In contrast with independent shop owners’ particular taste and relatively high level of knowledge scale about coffee, the owners agree that both common customer’s acceptance level and the number of coffee drinkers are not sufficient. Some respondents suggest that rather than black coffee or specialty coffee, the average coffee shop customers prefer coffee beverages with milk and sugar. A few other respondents mention that they have to use tea as reference while introducing specialty coffee to their customers. Almost all of the respondents point out that this predicament is related to consumer’s biased perception and limited exposure to high quality coffee.

Many costumers of mine complained about my coffee being “sour”. Some of them will specifically ask for coffee without any tart taste while ordering. They will not be happy if I explain and insist them trying. So I am avoiding recommending a cup with fruity or citrus flavor to a new customer now…Unlike sweetness which most people like by nature, it takes time for people to get used to the bitter and sour flavor. (R12, July 22, 2016)

To be honest, most of my customers don’t know what coffee is. They don’t have the capacity to judge the quality of their cup. It is completely the practitioner’s professional ethic (to serve good coffee). For most of the customers, it is a cup of Geisha if I tell them it is Geisha. They can’t tell the difference. You have to drink a lot to be able to tell and appreciate the nuance. But currently, people come visit and order specialty coffee only because it is trendy…Yet the actual number of coffee drinkers is still very limited, even though the number of independent coffee shops are exploding suddenly since last year. (R16, July 17, 2016)

The statement of R12 indicates that his customers only showed limited appreciation of the actual taste of coffee. Both R12 and R16’s comment highlight the discrepancy between
independent shop owners and the customers they are serving referring to taste and knowledge. They realize that the majority of coffee drinkers in China are not equipped enough to share their love of coffee. Meanwhile, R16’s statement about the expanding number of specialty coffee shops suggests that the group of people that is curious and open to specialty coffee is growing, even though the current growth speed and the customer’s appreciation of specialty coffee do not match shop owners’ expectations.

As to the group of people who patronize independent cafés, the respondents mentioned that the demographics of the coffee drinker showed unique characteristics, which is highlighted by the younger generation. By observing the customers in his café, R20, whose café is located near to high schools in the old town area, noticed:

Talking about the average customer, our Chinese tend to believe that coffee is a western or foreign thing. So only if one has reached a certain level of education and he has experienced coffee drinking, he will decide to visit a coffee shop. Yet this is a rare case for ordinary Chinese people, especially for people over 40. The younger one is, the more likely he will choose to visit a café. We have lots of middle school and high school students for our customer now…Those students have huge consuming capacity, as they get allowance from their parents. (R20, June 29, 2016)

This comment reflects that the lack of coffee drinking tradition is an essential factor causing the divergence of drinking habit between generations, socioeconomic status, and education level. The younger generation and people who are well-established with higher educational level are more likely to be exposed to and consume coffee.

**Price vs. Cost**

Another significant conundrum faced by the independent coffee shops is to balance the retail price and the operating cost. As aforementioned in the literature review chapter, the coffee price in China has been a sensitive topic and criticized by mainstream media for being unreasonably high. Although the criticism from media only aimed at corporate coffee stores
such as Starbucks®, the whole coffee retail industry is actually facing the same situation. I observed that the coffee price at the majority of independent shops I visited is no less than the price of local Starbucks®. For instance, a tall Americano at Starbucks® in Beijing is priced at 22RMB (about $3.3), and the same drink in a similar size at R17’s café is sold at 25RMB (about $3.7). A regular cup of specialty coffee, which is approximately equivalent to the capacity of a tall size cup of Starbucks®, is labeled from 30 to 60 RMB (about $4.5 to $9) in independent cafés. Yet, government reports indicated that in 2014 the annual salary of employees in Beijing was 77,560 RMB (about $11,576) (Liu, 2014). Compared to the average income, coffee is considered as a relatively expensive consumable product. Many respondents state that considering the price they do not buy coffee from other cafés. R18 expresses his concern of the price:

The average income of a white-collar worker in Beijing is about 7,000 (RMB) a month. The number in the U.S. is about 20,000 (RMB), which is more than three times more. But coffee is charged an even higher price here. It makes drinking coffee a high cost activity... The data I got from a e-payment company says that the average cost for an average work day of a white-collar worker is about 60 RMB, which means that it will cost a half of his/her regular expense to consume a cup of coffee. For someone only has 60 RMB quota per day, a 30 RMB cup is completely unaffordable. Or otherwise, there will be no money left for food... Plus, for people who are accustomed to drinking coffee, one cup a day is usually not enough. Coffee is overpriced in China now, which is impeding the development of the whole industry. (R18, June 28)

The café of R18 is located at a big scale central business area, which is mainly occupied by small-medium size enterprises funded by venture capital. His comment on the economic factors of coffee industry particularly emphasized the disproportion between coffee price and the disposable daily expense for average office workers. He considers the high price is a crucial factor encumbering with the acceptance of coffee as well as the growth of the number of coffee drinkers.
In the realization of the direct causal relationship between the unpopularity of coffee and the high price, some respondents such like R18 and R19 started to proactively come up with a strategy and to experiment on their own business to reach more customers by bringing the price down. Taking the advantage of the prosperity of Chinese internet industry and the popularity of mobile applications, R18 tested to shift his business focus from the physical store to virtual operating:

According to the ratio of the coffee price to customer’s average income in the U.S., the reasonable price of a cup of coffee should be eight to 10 RMB (about $1.2 to $1.5). I did an experiment on an online food delivery platform to sell a cup of coffee at 9.9 RMB (about $1.5). It turned into a surprisingly huge success. The web traffic was huge and I sold over 100 cups every day during the two-month promotion period, which was much more than the average Starbucks® delivery orders…I am confident that the order can reach 300 cups per day if I continue doing it. (R18, June 28)

Instead of relying on virtual technology, café owners such like R19 utilizes his connection in the industry to reach more customers:

I used to cooperate with a baron of the coffee industry. We had a discussion about the coffee price in Beijing, and we reached a consensus that there is plenty of space for the coffee retail price to go down. We are both dedicated to make an effort to make it happen. So he suggested that he would offer a free supply of coffee beans, two pounds a day, to share with people who are interested in coffee in our café for free. We hope to spread our passion of coffee out and at the same time to make coffee an affordable cup rather than a pretentious drink for certain socioeconomic status. (R19, August 14)

Although it was a consensus among the respondents that coffee in China is overpriced, some café owners express that the price is on the other hand reasonable considering the operational cost. A few respondents mentioned that first of all the cost of coffee bean is high, as it has to been imported from other country such as the U.S and south American countries. Yet, the most salient factors leading to the high cost of independent coffee shops are related to the labor cost and rent in Beijing as well as the current coffee shop conventions. The labor cost,
and moreover the rent in Beijing are the biggest concerns of the shop owners in balancing the cost.

It’s hard to make a living just relying on a café in Beijing. Actually the cafés in second or third line cities are the one who are making a profit – because the rent there is much lower compared than the rent in Beijing. Also, the labor cost in middle-size and small cities is cheaper. They don’t offer their employees accommodation and lunch. The cafés which are financially doing really good, as far as I know, are all in small cities, some of them even in backward regions. On the contrary, it is hard to survive in big cities like Beijing and Shanghai. In addition, the average salary of the coffee industry practitioners is rising constantly. Last year, when I was in Greece, one coffee shop owner told me during our conversation that they were paying their employees about 350 to 500 euros a month. But I am paying my employees 450 to 1200 euro monthly. From this perspective, Beijing is more expensive than Greece…Rent and labor are the two biggest expenses for a coffee shop in Beijing. So the coffee price is actually not that expensive. (R20, June 29, 2016)

In the interview, R20 also brings up another unexpected fact causing the difficult surviving condition of the coffee shops in Beijing:

The coffee price is completely reasonable if you consider the prolonged staying time. There is a weird phenomenon in China. You can easily find coffee shops which are fully packed. Yet the shop is only barely surviving. This is particularly true for the cafés next to or inside universities…Chinese customers have an ingrained perception of coffee shops: luxurious high consumption place. So most of the people won’t go to visit a coffee shop for no reason. When they decide they are going to visit, they feel obligated to consume and to prolong their stay. Some people even made special trip to visit us, so they won’t leave without a long stay. (R20, June 29, 2016)

The extended stay convention pointed by R20 is partially caused by the high price – the customers intend to extend their stay to compensate the high price they paid for the beverage. After all, the independent coffee shop owners are facing the challenge of surviving under the adverse situation created by the high retail price along with the high operating cost. The high retail price is contributed to the unpopularity of coffee. And the high operating cost is mainly related to the high rent and labor cost of the city.
Quality of Ambience vs. Sentiment of Ambience

When it comes to the ambience of their coffee shop, the respondents held a divergent opinion towards how important it is for the business. I observed two main trends of ambience styles from the independent cafés I visited. The first trend is minimalism in decoration and at the same time maximization in space usage. On the contrary, the other trend is to emphasize on creating desired atmosphere through decoration, which shows a direct intention to express a sensation of “xiaozì”.

For the owners/managers of independent cafés who advocate minimalism in decoration, “simple” and “quality” are the words they associated most with their shops. Most respondents in this category indicate that the focus of their businesses is to draw customers’ attention to coffee itself or the quality of their coffee rather than the physical environment of the shops. This type of coffee shops particularly featured by specialty coffee. In the card-sorting section, the most frequent keyword picked by the owners of this type to describe their shops is “professional.” Most of them also perceive coffee as “professional” or a “lifestyle.” “The love of coffee” is the most common motive for this type respondents to own/manage a coffee shop.

The interior of those shops are focused on expressing the subject matter – coffee. As a result, a contrast between a professional and even extravagant bar packed by the latest devices and coffee equipment and the simple and essential decoration could be found in many stores. Most shops of this type are limited in their accommodation capacities. Some shops, such as R12 and R14’s shops, only have several wooden table and chairs except for their professional coffee bars, while a significant portion of their shops is occupied by the bars. R1’s shop even only equipped with a long bar table shared by both barista as working area and by the customer as dining area. The objects are displayed in the shops are also related to coffee. For instance, some respondents keep a bookshelf with a full collection of books and magazines about coffee
from all over the world. A modern decoration style in particular is commonly implemented. The owner of a café can only accommodate 8 customers simultaneously stated when asked about the consideration of the interior of his café:

    I didn’t think very much about the interior decoration. I just wanted something simple and concise, as long as it works!...My design concept is to be a cool place. So I intentionally employed cement, iron, and wood as the primary elements. (R15, July 17, 2016)

    Similarly, R12, whose shop also embraced the minimalist modern style, expresses the importance of a professional bar for his coffee shop:

    My focus is on the bar – everything on the bar has to be placed comfortably. When I first opened the shop I didn’t think too much about customers. It would be satisfying as long as it can accommodate a couple people. The most important thing is to have an open and big bar to facilitate communication. We don’t need a lot of stuff on the bar expect for the most essential equipment. In this way, the communication between barista and customers won’t be interfered by irrelevant objects. (R12, July 22, 2016)

Another characteristic of the interior of the minimalist style shops I found is that the owners often claim that they either follow their own aesthetics or are inspired by Japanese, Taiwanese, or American coffee shops in terms of their desired ambience.
On the other hand, other independent coffee shops’ owners, who advocate a more detailed decoration style, show the tendency to express a certain sentimental feeling through the ambience. Those sentimental feelings are associated with the romantic pursuits of the owner and “xiaozi” sentiment. Instead of coffee, the subject matters of this type of coffee shops are corresponding with the owners’ personal hobbies and interests. This type of owners has the tendency of being female or/and relatively older.

Referring to the interior design style, this type of owners advocate a less space-efficient fashion. Different from those respondents who intend to make the maximum use of their space for seating, they utilize space to demonstrate their own values and to share their interest. Respondents of this type frequently describe their shops as “unique” and “artistic” when
sorting the card. Some respondents of this type associate coffee with “European” and “xiaozhi” for their perception of coffee. This perception could be reflected from their shops’ interior style and the decoration items displayed. R20, who is an actor in his 50s, claims that his coffee shop is to honor the memory of the encounter of him and his wife during one of his trip in Europe.

He describes the interior design of his café in the interview:

Many Chinese consider an authentic café as European, say Italian or French, rather than American…Instead of a pretentious classic European style, I prefer something more modern. So I added a sense of Mediterranean taste in my décor, such as the light blue windows and doors, white paint on the wall with some Ancient Egyptian calligraphies, and green plants and so on. All of those elements create a very relaxing atmosphere…On the first floor, as part of decoration, there is an antique collection that I brought back from Europe and North America. And on the second floor you can find many 80s’ retro-styled items with Chinese characteristics, like antique black and white TV set and toy dolls. The photographs in the café are the work of mine when I was travelling in Europe.

(R20, June 29, 2016)

Figure 4-4. Photo of the interior of R20’s café

The interior of the second floor of R20’s café, June 29, 2016. Courtesy of Hui Zhi
Figure 4-4. Photo of the interior of R20’s café (2)

A corner of the second floor of R20’s café, June 29, 2016. Courtesy of Hui Zhi

Figure 4-4. Photo of the interior of R20’s café (3)

The interior of the first floor of R20’s café, June 29, 2016. Courtesy of Hui Zhi
The description of R20 of his café is highlighted by his perception of ideal coffee shop being European. In the latter interview, he also expresses that coffee for him is directly related to literature and art and he perceived coffee as xiaozi. The décor of his café intends to create an ambience with xiaozi sentiment by the use of foreign and artistic elements. This attempt is delivered by his effort of integrating European and exotic signifiers into his decoration. The photographs of traveling and the retro-style displays not only convey an artistic sense but also demonstrate the owner’s identity by sharing his interest.

Sharing the perception of coffee being “xiaozi” with R20, R7 is the only shop owner whose café does not serve specialty coffee among all 20 interviewees. R7’s café is located in a governmental scientific research institution and featured by having plenty of plants and flowers for both interior and exterior decoration. She claims the reason of her owning a coffee shop is not because she particularly adores coffee. Instead, the desire of having her own café is the biggest motive. In the interview, she talks about the feelings that she intends to express through the ambience of her café:

I own this shop not because I like coffee. It is because I like coffee shop. I like the atmosphere of coffee shop…I think it is very common in China that many females have the dream of owning a coffee shop. Because it represents an easy and care-free lifestyle, which is relaxing and relatively free and xiaozi…I think it is also true that most customers, especially older ones, don’t really know coffee. They just perceive coffee shop as a place with romantic or emotional appeals. So I decorate this coffee shop with many plants and flowers to deliver this appeal. Those plants are vivid and energetic. (R7, July 29, 2016)

Besides sharing personal interests and expressing xiaozi sentiment, the owners who are financially more affluent, also invest in their decoration to pursue a certain romantic image of space. An interesting case I found is a two-story café with a big garden which is located in a well-known artistic region. When asked for the owner’s inspiration for the decoration of the café, the manager indicates:
Our owner is a real-estate developer. He owns several businesses. When he decided to build the building for this café, he didn’t think too much about location or money. He just liked the mansion in the movie “The Great Gatsby”. So based on this desired image, he intended to create an industrial style space combined with a huge garden and lawn…Our designer showed him some origin plans, from which he immediately picked the one has a similar style of central station in NYC…He wants the people visiting our café to enjoy this space. They can watch a live show in the theater on the second floor. They can read, or enjoy the flowers in the garden…It is a slow-paced lifestyle. (R9, August 03, 2016)

The owner’s intention of owning a café is not related to coffee. Rather, the coffee shop is an embodiment of the owner’s idealized image of space. It is not significant whether or not this idealized place is utilized as a coffee shop or other establishment. Plus, the manager points out the owner’s intention of owning a coffee shop in the card sorting section as “following the trend”, which shows that the owner is more interested in owning of a café where is a popular place than a café where sells coffee.

Figure 4-5. Photo of the interior of R9’s café

The bar area of R9’s café, August 03, 2016. Courtesy of Hui Zhi
The interior of R9’s café, August 03, 2016. Courtesy of Hui Zhi

A corner of the garden of R9’s café, August 03, 2016. Courtesy of Hui Zhi
Coffee Only vs. Coffee +

The fourth dilemma faced by independent shop owners I found is over coffee shop’s business scope. To be specific, I found that some respondents believe that the business subject matter of a coffee shop’s is supposed to only include coffee and other related items such as tea and simple pastries. On the other hand, some other owners spread their business focus and integrate them into their café.

Half (R1, R2, R3, R7, R8, R12, R13, R14, R16, R18) of respondents are dedicated to keep their business focused on serving coffee. This means that their cafés primarily serve as a place for people primarily to get coffee. As to the menus of these shops, besides Espresso beverages and specialty coffee as central items, tea, juice, simple pastries, and cakes such as tiramisu and cheese cake are also commonly seen. Four respondents’ (R1, R3, R8, R16) shop only serve specialty coffee and coffee beverages. Besides their menu, they also prefer to keep the ambience simple. They implement a minimum of decoration (often related to coffee, such as books about coffee, coffee mugs and other coffee equipment) in order to enable the maximum of seating capacity. Comparing his own shop to other independent coffee store, R8 expresses his ideology of keeping his coffee shop simple:

Before I opened my own shop, I loved to visit and stay in different independent cafés. Yet, I really hated to smell food in a coffee shop. So I refused to go inside coffee shops serving meals. So when I had my own coffee shop, I decided to follow the other direction: I basically only do business about coffee. (R8, August 20, 2016)

On the other end of the spectrum, some respondents held the belief that coffee shop is a multi-functioning venue rather than a place just about coffee. Say, some adjust their menu to serve meals. Other respondents express that the incorporation of other business contents, except for dinning, is necessary.
In the respondents’ (R6, R11, R15, R17, R20) cafés which serve meals, the line between coffee shop and restaurant can be subtle. Yet, some respondents, such as R20, claim that an extensive food service is vital for the survival of a coffee shop. As it meets the costumers’ needs and at the same time benefits their economic prosperity. The meals served in those respondents’ café are primarily western style food. Except for R15, other four respondents’ food menus are similar to restaurant menu, which includes appetizer to dessert. R17 claims that she hired chef who used to work for a five-star hotel, so her café can serve upper-scale meal to match the French influenced ambience. R15’s café is one exception among all five café serving meals. In his café, the central food items are related to American pies.
When asked for his consideration of only serving pie, R15 expresses that his business choice is associated with his background and interest:

I used to live with three other boys when I was in college. We had lots of fun parties. Every Thanksgiving, I and my American friends made pies to celebrate the holiday in those parties. Later, I figured there was no place I can find a decent American pie in Beijing at the time. But it is obviously highly-demand for us (Americans in Beijing) during holidays. So I decided to open my own place to make American pies approachable. (R15, July 17, 2016)

This owner came to China when he was 16, R15’s choice of only serving American pies reflects his American origin. He saw the demand while the city was gradually growing more international, and filled the market vacancy. On the other hand, the limited space which only accommodates three tables, a bar, and a small kitchen, constrains the capacity to serve food with more diverse varieties.

Instead of incorporating café with restaurant by serving meals, other respondents (R4, R5, R9, R10, R19) believe that a coffee shop is not a place only to get coffee drinks and food. Rather, it is a place where customers are able to experience other types of service while enjoying a nice cup of joe. For instance, R4 collects and sells vinyl records and vinyl record players in his coffee shop. His customers can request to play any record from his collection in the shop while sitting down with their coffee orders. Talking about the combination of music and coffee, he expresses his understanding of the coffee shop as a place to offer customers desired service and great experience. The different experiences and services his customers are getting enhance each other, and eventually provide maximum psychological satisfaction.

I want more people to appreciate the beauty of music and those vinyl records. But, it is usually not cheap to enjoy. No problem, you can choose and listen to any record in this room, as long as you can afford a cup of coffee. It doesn’t matter how long you want to sit here or what music you want to listen to. The coffee shop is a tool which offers a chance, a place for my customers to enjoy music. Yet, the majority of people here also enjoy the good quality of coffee. I’m glad to have both types of customers: who just want to listen to music and who desire a nice cup of coffee. For the people who just want to listen to music, they
might feel obligated to pay as they are getting the service. For the ones who are just drinking coffee, they might not feel very satisfied if they are not able to get any kind of service out of a 20RMB coffee. What I am doing is to make both sides comfortable. (R4, July 03, 2016)

As the manager of the café with a theater space, R9 states that the major income of the café is from serving the theater audiences and catering for conferences of various corporations and businesses. When asked for her ideal coffee shop, she maintains her ideology of integrating coffee shop with other business type rather than theater:

My idealized coffee shop is going to be at the same a bookstore or a hostel. Because I think a single coffee shop is too simple. It is not in favor of making profit for the business, and some customers might feel not satisfied as well…Especially for a coffee shop like ours, the location is not perfect and hard to find. How much money do you have to invest into interior design to create an attractive space, if you want to have customers intentionally looking for and visiting your shop? The cost is too high if those people come here only to buy a cup of coffee and to take some pictures. (R9, August 03, 2016)

Her comment is in accordance with R4 that the coffee shop is ideally supposed to be combined with other business content, in order to offer more service variety by utilizing the space created by the coffee shop. Yet, R9 focuses on a practical perspective: diversified business content brings multiple source of revenue which eventually helps coffee shop owners balance the cost of space.

As to other three respondents who believe that coffee shop should be multi-purposed, R5 shares the same idea with R9 that an ideal coffee shop should be incorporated with hostel. R10 establishes her café also as a pastry school and a small pastry store. A large area on the second floor of her café is preserved and set up as the classroom of her pastry school. Although R19’s café is highly emphasized on serving high quality coffee drinks and specialty coffees, it is also specialized as serving high quality Taiwanese tea and mixed alcoholic drinks.
Starbucks®, A Double-edged Sword

The last but not least dilemma faced by independent coffee shops’ owners revealed from the interviews is generated by and related to the influence of Starbucks®. The respondents share the appreciation of Starbucks®’ effort in boosting the popularity of coffee in China, while they realize that it is challenging for small business to survive and prosper in a market standardized by the influential corporation. As to the general attitude towards Starbucks®, most respondents (13 out of 20) assert that the impact brought by Starbucks® to independent coffee shops is in general positive. Three respondents (R7, R9, R10) consider the influence of Starbucks® is an equal mix of positive and negative. Three other respondents (R2, R11, R17) keep a neutral position to avoid comment on Starbucks®. Only one (R18) respondent views that Starbucks® exerts a negative impact on independent coffee shops.

Most respondents give credit to Starbucks® for forming a new drinking habit as well as for being a successful and exemplary business mode. To be specific, a majority of respondents claim that their businesses benefit indirectly from the success of Starbucks® in China as Starbucks® rises the popularity of coffee drinking and coffee house visiting also increases. The diversity introduced by Starbucks® also reformed the coffee consuming habit: the average Chinese customers’ perception of coffee is shifted from instant coffee to a freshly ground cup. Independent coffee shops benefit from the expanded customer base as well as from the higher demand of better quality coffee. Several respondents claim that the most significant contribution of Starbucks® to Chinese coffee market is to disseminate the concept of “real coffee” and the experience related with coffee drinking.

Most people started to know coffee from Starbucks® and other major chain coffee stores. They first realized that Starbucks® coffee tastes better than instant coffee. After they gradually get used to drink Starbucks®, they would want to try coffee from other different shops. The demand of differentiation then leads them to smaller independent coffee shops. They eventually realize that independent
shops are also able to make high quality coffee. I personally think that the
function of cultural transmission of Starbucks® benefits every coffee shop in China. Independent shops are no exception. Chinese coffee market is still far from saturated, so it’s hard to be threatened by the success of Starbucks® yet. Except for you are really close to a Starbucks® store. (R8, August 20, 2016)

Starbucks® directs the customers’ taste to a higher state. It introduced better quality beans to the customers who were used to drinking instant which is made of pure commodity coffee beans. Moreover, the pricing of Starbucks® is actually helping many independent coffee shops. A cup of instant coffee only costs 1RMB, right? Yet a cup of Caffè Americano in Starbucks® costs a bit over 30RMB. It sets up a new set of game rules in regarding to the taste and the price. The customers are not able to go back to instant coffee anymore once they are accustomed to Starbucks® coffee. When they discover other independent coffee shops, they figure that a cup of coffee there is also about 30RMB. It is totally acceptable. So it is a beneficial for us from a big picture perspective. (R14, July 11, 2016)

R8 and R14 both acknowledge that the change brought by Starbucks® in leveling up costumers’ taste has a positive ramification for their business and the coffee industry in general. They notice that the influence of Starbucks® as a transnational corporation helped the dissemination of coffee related knowledge. They also see that reshaping customer’s consuming habit is one of the most important positive impacts brought by Starbucks®, as it fosters a taste preference of fresh beans as well as the desire of diversity. Notably, R14’s comment emphasizes the economic aspect of Starbucks® influence for independent shops. The higher price set up by Starbucks® allows independent shops make a reasonable margin without customers paying more than their comfort price.

Furthermore, almost all respondents give positive comment on the business operation of Starbucks®. Some respondents claim that the successful effort of Starbucks® in defining and promoting the modern coffee house culture directly leads to the rise of independent coffee shops. For instance, R15 in the interview states:
Starbucks® took the first step of creating the coffee culture in the modern world…If not for Starbucks®, small coffee shops like us wouldn’t be existing in the market now, right? (R15, July 17, 2016)

Besides the contribution at the cultural level, several respondents consider the business mode employing by Starbucks® and its marketing operation are highly successful and worth learning.

I always admire Starbucks® as a corporation. It is impressive that a corporation can open Chinese coffee market in such a short period of time…I personally extremely identify with their ideology of operation and management. Especially their produce control – how they make sure their coffee made by different employee tastes the same, is worth learning for many independent shops. How their management system is set up? How they update their menu and peripheral products in order to cater the market? Those are also valuable reference for many shops. (R5, August 17, 2016)

In R5’s comment on Starbucks®, she expresses her admiration for Starbucks® at business level. She views Starbucks® as a paradigm of coffee shop in terms of their management and marketing strategies. One important idea of her statement is that the consistency of Starbucks’ drink is desired by many smaller independent coffee shops. Other respondents consider Starbucks® as referable from a professional perspective as a barista. For example, R12 comments on the bar of Starbucks® as “a masterpiece which has been thoroughly tempered”.

However, while affirming the contribution of Starbucks®, the respondents at the same time realize the challenge of living under the shadow of an influential corporation dominating the market. The most prominent predicament encountered by independent shop owners is actually the backfire of the influence of Starbucks®. While Starbucks® introduced freshly made coffee and the modern coffee culture to the average Chinese customers who had only drunk instant coffee before, it established a new set of criteria: how coffee is supposed to taste and how much coffee should cost. The taste and price of Starbucks® coffee are not only broadly accepted, but also expected to be the same in independent coffee shops. Realizing the taste of
Starbucks® coffee becomes a benchmark, R5 describes her customer’s reaction when they figure the coffee taste different than they used to drink:

Most people like Starbucks® coffee because their drinks are sweet and creamy. It is a more acceptable taste for Chinese…Most people are not accustomed to the real taste of coffee. They complain it is too bitter. They only call it “coffee”, when the cup you served is close enough to the taste they are used to…The misleading information sent by Starbucks® has caused people take it for granted that coffee should be very sweet…We use better ingredients than Starbucks® to make sure the flavor of beans gets the best representation. Yet, the most frequently received complaints from our customers are: why does my coffee taste so bitter? And why does it cost more than Starbucks®? (R15, July 17, 2016)

R5’s shop is located on the ground floor of a commercial office building, and the majority of her customers are white-collars working in the building and nearby area. Her customers are also the primary target consumers of Starbucks®, so they get more accustomed by the taste of Starbucks®. The customer’s expectation of coffee being overly sweet upsets R5, as her intention and effort of providing better taste coffee are not appreciated by the one who uses Starbucks® as criterion.

In addition to the unification of taste, the pricing of Starbucks® is also considered having adverse impact on independent coffee shops by some respondents. As aforementioned, the unified price of coffee is not in proper proportion of consumers’ dispensable income level. Although controversial, the pricing of Starbucks® coffee in Chinese market is accepted by the consumers, therefore, extensively adopted by most independent coffee shops. Several respondents express that the high coffee price set by Starbucks® interferes their ability to set up proper price as desired for their own shops. In the interview with R18, he expresses his concerns about the negative impact brought by Starbucks® pricing on the industry.

Starbucks®' business strategy is to associate coffee drinking with a “xiaozii” sentiment, and it sets up the price overly high…A cup of coffee costs 35 to 40 RMB (5.3 to 6.1 dollar) here, but it is only about 20 RMB (3 dollar) in the states…It (the high price) constrains the development of the entire coffee industry. If not for the high price, the growth rate of the industry is supposed to
reach over 30% annually. The price has been containing the increase of coffee-

drinking population. (R18, June 28, 2016)

The “xiaozì” sentiment mentioned by R18 is related to a hedonic westernized lifestyle. He

believes that Starbucks® achieves its strategic success by marketing coffee as an upmarket
commodity. The manipulation of coffee price restricts the growth of the size of consumer
group, by which Starbucks® also restrains the business prosperity of independent coffee shops.
CHAPTER 5
DISCUSSION

The globalization theory discussed in the previous chapter provides a useful perspective to understand why the owners of independent coffeeshops choose the way they operate their business. Not only because coffee and coffeehouse are foreign imported concepts from the western world, but also the impact of transitional corporation Starbucks® could not be overlooked. Both the homogenization and the heterogenization of globalization could be seen in the market of the independent coffeehouse in Beijing.

The homogenization effect of globalization suggested by the former studies primarily refers to the culture imperialism as the result of major media’s information control. Although the media impact has not been investigated in this study, the popularity of coffee and the coffeehouse demonstrates a clear trend of cultural assimilation. One evidence is that the frequent patrons mostly consisted of younger generation and people with higher educational level – the group of people who has more accessibility to and is more influenced by the global information. Another indicator of the homogenization of globalization is the shop owners’ reflection on the benchmark effect of Starbucks®. Say, the assimilation regarding to the taste of product and the business strategy employed by the independent coffeeshop owners. Responding to the global trend, instead of carrying out their own ideology of coffee, most owners intentionally adjust their product to cater the preference of majority customers. In the shops aiming towards broader range of customers, the coffee drinks tend to be dark roasted and are heavy-handed on milk and sugar, which are identical with the taste of Starbucks®' coffee drinks. Even for the shops who feature high quality specialty coffee, espresso drinks such as Americano and Coffee Latte are essentials provided to bridge the perception of coffee created by global chain coffee stores. In terms of the business strategy of independent coffee shops, the
owners price coffee products according to the price standardized by Starbucks® – the mainstream global corporation. Holistically, the popularity of independent coffeeshops and the benchmark effect of Starbucks® supports the homogenization of globalization.

In contrast, the heterogenization of globalization takes place at the operational level of individual independent coffeeshops. As the previous literature suggests, Starbucks® has gained enormous popularity and been broadly accepted by Chinese customers in recent years. Yet, when it comes to local consumer culture, the business mode of Starbucks® is not completely advocated by independent coffeeshops. The owners of local coffeeshops on the one hand acknowledge the positive promotional impact of Starbucks® on the coffee market as a whole, and on the other, they try to break the benchmark effect created by the corporation. The owners take a professional standpoint to distinguish their shops from the mainstream image by offering higher quality specialty coffee as well as by creating more unique or artistic ambience. The divergence between the influential mainstream image and the local business operation is identical with Ger and Belk’s (1996) conclusion about the alternatives to a homogenized consumer culture. To be specific, instead of being taken over by a unified global cultural influence, the development of independent coffeeshops in Beijing takes a “creolization” path. The process of creolization refers to “the meeting and mingling of meanings and meaningful forms from disparate sources” (Hannerz, 1992; Ger and Belk, 1996). The culture influence of the independent coffeeshops in Beijing includes the mainstream American chain stores, traditional French and Italian coffeeshops, modern western independent coffeeshops, newly developed East Asian (Japanese, Taiwanese, and Korean) independent coffeeshops, etc. Noticeably, the hybridization is usually between one style, such as Italian or Japanese, and local elements. For instance, an obvious southern European cultural influence could be seen from the decoration and menu of R20’s shop, while a part of the shop is decorated with items
demonstrating a strong sensation of the era of 70’s and 80’s in China. The creolization of different coffee cultures in Beijing illustrates how the pervasive global culture interacts with the traditional culture root.

The process of hybridizing different cultural influences generates the reconfiguration of cultural meaning. In order to investigate what coffee and their shops mean to the shop owners, the theory of circuit of culture and McCracken’s culture meaning transfer are utilized as a theoretical guideline. The study particularly focuses on investigating the moment of presentation in the circuit of culture. As presentation depicts the owners’ identity – the other key moment in the circuit, by externalizing the symbolic meaning carried by the shops. Rather than emphasizing the advertising or media content, such as writing and photography, the study extends the presentation to an operational level by substantiating it in the form of shops’ decorations and menus.

By examining the presentation of the shops, the first research question could be partially addressed. Through the investigation of the presentation of the selected shops, the ambience and the menu in general showed no unified pattern. Yet, the content of a shop’s menu is consistent with its decoration style. The shops with European or American style decorations tend to have a menu which tend to be similar to Starbucks®️, while the shops with minimalist modern style decoration embrace a simpler menu featured by specialty coffee. For instance, in R20’s coffeeshop many typical Mediterranean elements, such as wooden window shutters in pastel blue and photographs of European coast lines, are overtly incorporated into the decoration. Corresponding to the decoration style, an espresso based coffee drink selection and quick lunch- style meal, including sandwiches, pasta and pastries, are provided in the shop. Similar food selection also is offered in American style coffee shops, whose decorations emulate the style of Starbucks®️ or other chain coffee stores or imitate the popular post-modern
style employed mostly by American independent coffeeshops. On the other end of the spectrum, specialty coffeeshops owners, such as R3, choose to use the minimalist and modern style to develop their decorations and menus. R3 chooses to only keep basic and necessary furniture and equipment in his shop, while the base colors of his shop are black and white and only specialty coffee is available on the menu. The presentation of a coffeeshop through the choice of the decoration and menu reflects the owner’s value and background. For instance, R20 claims that his love of coffee was developed through his previous trips in Europe, and he is still regularly visiting Europe. Meanwhile, R8 and R12’s shops both feature specialty coffee and simplistic style decoration. They identify themselves to be influenced by Japanese culture. The owners’ primary cultural influences determine the main style of their shops. The assimilation of another culture is often obtained through overseas education, living or traveling.

The five dilemmas that emerged from the interviews project the difficulties encountered by the coffeeshop owners. In terms of the general perception of coffee, a broad gap exists between the shop owners and the average customers. The gap leads to unjust criticisms from the customers, to avoid this, the owners on one hand take on the role of educators and on the other they adjust their product to meet the average rather than their own taste. On the operational level, the independent coffeeshop owners face the challenge over balancing the cost and price as well as creating the optimal environment and menu to maximize profit. The cost and price dilemma specifically refers to the predicament whether or not to lower the coffee retail price in order to stimulate the growth of coffee drinking population. As the small coffee drinking population and the high business operation cost are the two biggest obstacles found by the owners. The choice of style of decoration and menu are the struggle between the owners’ personal taste preference and the maximization of profit. The owners are facing a challenge whether to maximize the utilization of space to allow more customer seating or to create
desired sentimental ambience while sacrificing seating numbers. It is also debatable that whether a coffeeshop can survive by only serving coffee drinks. From a broader view, the impact of Starbucks® to the Beijing coffee market posts remarkable challenge for the independent coffeeshop owners to break the preconception of taste and price of coffee. To summarize and address the first research question, the independent coffeeshop owners in Beijing introduce a hybridized style, combining the owner’s preferred style from another culture and their own taste, to present their coffeeshops through the design of decoration and menu. The difficulties faced by the owners could be found respectively on the knowledge, operation, and market level.

In order to address the second research question, it is useful to pay attention to the result of card-sorting and the four common themes (lifestyle, communication, professional, and personalization). “Lifestyle” and “professional” are the most salient descriptions chosen by the owners when it comes to their perception of coffee culture in general. And “professional,” “artistic,” and “unique” are the most frequent chosen words to describe their own coffeeshop. “Professional” is a prominent feature indicated by the owners to distinguish both coffee culture and their coffeeshops. The reason for the owners taking a professional standpoint is related to the lack of coffee drinking tradition in China. It was not until China’s economic reform and “opening up” in the 1980s, that coffee was introduced and consumed by the Chinese. Although Starbucks® and their coffee stores have been prosperously developing over 15 years in Beijing, most independent coffeeshop owners notice and claim that only in the very resent two years, independent coffeeshops and high quality specialty coffee have become popular. In response to the demand of high quality coffee and related knowledge, the owners naturally take on the role of resource and information disseminator, which is suggested by Bourdieu (1984) as cultural intermediary.
The owners as cultural intermediaries promote coffee (especially high quality specialty coffee) as a commodity to the general consumers, and at the same time it legitimates the relatively new coffee and coffeehouse culture to be accepted by the mainstream pop culture. Some owners have a clear awareness of their role in transmitting information and promoting this new leisure field. To achieve this goal, some owner takes a comparison approach in order to introduce traditional concepts as a reference: they use tea as the analogue of coffee. A more common approach employed by the majority of owners, is to present coffee and coffee culture from a professional perspective. By taking this professional standpoint, the owners add a sense of ceremony to the process of specialty coffee preparation. Techniques such as the hand-pourover, as well as the use of specialized brewing equipment are used in the performance-like process of preparation to enrich the customers’ visiting experience. This professional perspective also applies to the shop owners’ perception of coffee. One owner proposed “technical” to describe coffee and coffee culture in the card-sorting session, and it is agreed and identified by several latter shop owners. This unique perception is related to the lack of coffee drinking tradition. The coffeeshop owners educate themselves about coffee from a scientific standpoint. The newly developed market provides opportunities for the owners to experiment with various techniques and equipment rather than to follow an existing set of conventions.

It is noteworthy that previous literature suggests coffee drinking is regarded as a symbol of western lifestyle. By contrast, the lifestyle theme refers to a way of living that has been embraced by the owners – to live in their own coffee shops. The coffeeshop is both workplace and living room. It is where their life happens. Most owners claim that they rarely drink coffee outside their own shop. A cup of joe in their own coffeeshops in the morning signifies both the beginning of a regular day of life and work. Many owners develop their
interpersonal network circle through the operation of the coffeeshop. This awareness is in line with Oldenburg’s (1989) the third space theory. Several owners even specifically mentioned the third space in the interviews. Facilitating conversations between customers and cultivating a niche for certain a group of people are identified by the owners as crucial goals. They consider that the comforting and conversation-provoking environment is the key competitive strength of independent coffeeshops over other popular third places, such as coffee chain stores or fast food restaurants. Several owners specially design their shops’ layout to provoke communication between baristas and customers. The desire of communicating and forming connections of the owners makes the coffeeshop a special “third place”, while providing emotional support to their customers. After all, the independent coffeeshop owners perceive coffee and coffee culture as a way of living. In other words, coffee is considered as a symbol of a preferred unique lifestyle. The majority of respondents take a professional standpoint in operating their shops where they also establish interpersonal connections.

The third research question can be simply addressed by the result of card-sorting. “The love of coffee,” “personal interest” and “lifestyle” are the most identified reasons of owning a coffeeshop. Simply speaking, rather than business or financial considerations, most of the owners report that living a fulfilling life and the need of expressing one’s self, while perusing personal interests is the most common reason for running a coffeeshop.

In regards to a unique Chinese coffee culture, independent coffeeshop owners have different opinions. Some owners believe that the coffeehouse market is still at an initial stage, it is too early to introduce a general conclusion of culture. Meanwhile others claim that the coffeeshop is gradually becoming a venue for most casual leisure activities. It is where people spend their leisure time. The coffeeshop not only offers food and beverage service, but also provides physical space for many intellectual activities to take place. The music and art in the
independent coffeeshop often represents the artistic taste of the city. When describing their own coffeeshops, the second most often identified description is “artistic”. Regardless of the style of the coffeeshop, the integration of a variety of arts forms is frequently seen. For instance, vinyl records collecting and music appreciation in R4’s café, theater art in R9’s café, baking and pastry art in R10’s café, culinary art in R17’s café, architectural art in R19’s café, photographic art in R20’s café, and so forth. In addition, coffeeshops in Beijing are particularly centralized in the middle of old town areas where the traditional architectures and lifestyle are well preserved as well as in the artistic areas. These locations offer slow-paced environments, which are distinguished from other hectic areas in the metropolis, allowing various leisure activities to take place. This aesthetic and intellectual connection between coffeeshops and the city’s leisure culture is well demonstrated by R11’s shop. This café is located in the largest artistic area which was once a military factory and later discovered and transferred into art studios and galleries by local artists in the 90s. The café displays a deep artistic root which is unique to the city: the building of the café is a well preserved three-story factory. Original slogans of the 50s and a mural of Chairmen Mao’s portrait on the building’s wall are utilized as an art form to express a unique nostalgic sensation. As the café was initially opened to serve the earliest group of artists’ need of gathering place, it becomes a social node of this artists’ community. Posters of previous and upcoming art exhibitions held in this area cover an entire wall of the café, which pronounces a clear voice of its artistic root to the customers who are searching for a leisure experience. Besides this strong artistic trait, the incorporation of coffeeshops and other leisure activities, such as baking, traveling, pet keeping, reading, cinema, floriculture, gardening, cycling, etc., makes independent coffeeshops in Beijing places of personality. They are the places for the owner to practice and express their own personalities and interests. Unique niches or communities are also formed around each shop, based on the
personality of the shop as well as other leisure elements which may be integrated. All in all, the coffee culture in Beijing has yet to approach a mature stage, though the diversity of the independent coffeeshops reflects the artistic and cultural taste of the city – they are the miniatures of leisure culture in the city.

**Future Applications and the Limitations of the Study**

The five dilemmas discovered by this study disclose the challenges faced by the independent coffeeshops at three different levels: cognitive, operational, and market level. At the cognitive level, the knowledge gap between shop owners and their customers leads to different perceptions of coffee. As a result, the owners either choose to adjust their product to cater the average customer’s taste, or they sacrifice the revenue to narrow the customer group into people sharing a similar perception of coffee. For the latter case, the owners who put their focus on specialty coffee also invest more into promoting/educating the customers about high quality coffee. However, in spite of smaller target customer group, the coffeeshops featuring specialty coffee are better off on average. The reason can be found in the fact that these owners have more intense involvement in regards to fulfilling the role of culture intermediary. As the return of the time and energy invested into disseminating the knowledge about high quality coffee, the group of customer who appreciate their dedication as well as high quality coffee grows over time. Due to communication during this process, a community revolving around the coffeeshop is also established. The customer’s appreciation and emotional attachment solidify the connection with the coffeeshop. Therefore, better communication about the coffee products served in the shop is the key to better prosperity under the current circumstances where the coffee drinking population is relatively small.

The challenges at the operational level – balancing the price and the cost, the choice of ambience, and the choice of business, are practical but crucial, as the daily operation strategy
determines whether a coffeeshop can survive in competition. Since the development of independent coffeeshops in Beijing is still at the initial stage, no specific trends or conventions have yet been formed. Although the apparent struggle of nailing down the proper price, best way to use space, and the appropriate items to serve has at the same time created possibilities for the owners to implement their own ideology about the coffeeshop. The market allows the owners to assimilate other coffee culture and to integrate their personal interests into the shops’ operation. For the majority of independent coffeeshops’ customers, the mixing of elements from other culture and other entertaining elements is the highlight point of their visiting experience. Visiting coffee shops itself becomes an enjoyable leisure activity. Hence, for the owners, it is important to focus on cultivating the personality or the feature of their coffeeshops. A coffeeshop with personality attracts a certain group of customer who shares the same demand or interests. To find balance between owner’s personal value/interest/taste and their target customers’ need is crucial for a coffeeshop to establish the most proper price, ambience, and menu.

Last but not least, Starbucks®' double-edge sword effect has a long lasting profound impact on the independent coffeeshops at the market level. In spite of the fact that Starbucks®, popularity stimulates the expand of coffee drinking population, it puts a psychological benchmark on the price and taste of coffee. In order to take advantage of the marketing power of Starbucks®, it is noteworthy that Starbucks®' success is based on the general acceptance of consumers. To win the acceptance and appreciation of consumers is a key factor leading to prosperity. On this point, R1’s understanding of the uniqueness of the Chinese coffee market compared to their western counterparts provides valuable perspective:

We can draw two triangles to help understand the Chinese specialty coffee market. The first triangle represents some western countries’ coffee market, like in America and Australia. It has a huge heavy bottom, which represents a large-
scale consumer group. The tip of the triangle is independent or specialty coffee industry. It follows the direction from the bottom to the top. In this process, the coffee market becomes more specialized and refined…On the contrary, the development of Chinese specialty coffee market follows an opposite direction from the top to the bottom. In China, only the independent coffeeshops do a good job presenting good specialty coffee, more people can gradually accept it. And the market can grow. (R1, July 11, 2016)

The metaphor of the two triangles graphically demonstrates the most intractable issue of the current Chinese coffee market, which is the relatively small consumer group caused by the lack of coffee drinking history and conventions. To earn higher level of acceptance from the consumers, independent coffeeshops should first be aware that the consumer groups of independent coffeeshops and chainstores’ are not constituted the same. The acceptance of Starbucks® is not equal to the appreciation of other independent coffeeshops. It is helpful for the owners of independent cafés to completely separate their business with the chain businesses, and to take advantage of other qualities which are unique to the independent cafés: higher quality specialty coffee, the unique environment, emotional support for the community members, and so forth.

The current study includes only 20 coffeeshops by interviewing the owners/managers. As a result, the result is one-sided and indicates perspectives of the practitioners. In the future, short interviews or surveys could be conducted on the customers of independent coffeeshops. The perspective of customers, especially the frequent customers – the ones whom Waxman (2006) called coffeeshop campers – is worth investigating as they may offer insight about the important qualities of independent coffeeshops which distinguish from the global influential chain stores. Moreover, for future research, it would be interesting to include other large cities such as Shanghai and Guangzhou. The comparison of different cities will provide a more comprehensive picture of the independent coffeeshop market in China, and at the same time identify what are traits may be shared and what traits may be unique to each city.
APPENDIX A
THE MOST IDENTIFIED DESCRIPTIONS OF CARD-SORTING

Figure A-1. The most salient identified features of participants' shops
Figure A-2. The most salient identified feature of coffee

Figure A-3. The most identified purpose of owning a coffee shop
### Table B-1. The identified reasons of owning a coffee shop

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Table B-3. The identified descriptions of the respondents’ own café

Respondent

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BIOGRAPHICAL SKETCH

Hui Zhi is an international student from Beijing, China, who developed the love of coffee during her study at University of Florida. She worked in the media industry in Beijing before she decided to pursue further education in the United States.