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An Exploratory Study of Generational Coffee Preferences

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Murray State University Honors College

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An Exploratory Study of Generational Coffee Preferences

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An Exploratory Study of Generational Coffee Preferences

Submitted in partial fulfillment
of the requirements
for the Murray State University Honors Diploma

Lindsey Falkner

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Abstract

This research focuses on generational differences in preferences towards coffee-style beverages. The aim of this research is to provide recommendations to marketers within the saturated coffee industry. An online exploratory study was conducted with two-hundred and fifty-two participants from Amazon Mechanical Turk. The results show that differences exist between the coffee preferences across all generations, especially when it comes to the current trends (e.g., premiumization, convenience, and sustainability). Further, the results reveal several factors that may cause these generational differences. Finally, the study explored several ways that marketers in the coffee industry can appeal to different generations' preferences, especially utilizing sensory marketing.

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1. Introduction

Coffee is America's most consumed beverage, doubling that of juice, tea, soda, and bottled water (Paul, 2017). Therefore, it is essential for the coffee industry to keep up with these high demands. The food and beverage industry is becoming increasingly focused on the rapid growth of the coffee market and its major impact on society. A challenge for all marketers is recognizing the differences amongst consumers of all generations. This segmentation strategy is often ignored, yet evidence exists that consumer behavior is partially driven by differences in generational cohorts. For instance, Baby Boomers tend to have a stronger sense of brand loyalty than Millennials, likely due to the fact that Millennials were exposed to more promotions and advertisements from a wide range of brands growing up due to the development of online marketing (Ordun, 2015). These generational differences in consumer behavior especially can cause a stronger preference towards certain brands and products, as Baby Boomers' top brands include UPS and Home Depot, while Millennials' and Generation Z's include Netflix and Google, which are vastly different types of companies (Gal & Cain, 2019).

Since there is a lot of dispute over boundaries defining generational cohorts, in this research the generation guidelines set by the Pew Research Center (Dimock, 2019) will be used to categorize consumers. The generation age groups are as follows:

- **The Silent Generation**: Born 1928-1945 (75-92 years old)
- **Baby Boomers**: Born 1946-1964 (56-74 years old)
- **Generation X**: Born 1965-1980 (40-55 years old)
- **Millennials (Generation Y)**: Born 1981-1996 (24-39 years old)
- **Generation Z (Post-Millennials)**: Born 1997-Present (0-23 years old)

Though this research will examine coffee beverage preferences across all generational cohorts, emphasis is placed on comparing Millennials and Generation Z. Many people often do not see the differences between these two key generations, especially in terms of their preferences in food and beverages. Most do not even know how to correctly identify Millennials or Generation Z. Additionally, 56% of the population believes that marketers can use the same tactics to target Millennials as they can for Generation Z, and assume their tastes are very similar (Bump, 2020). This is highlighted by the number of marketers who believe that they do not need to segment consumers and can use a similar approach when marketing to Millennials and Generation Z. However, this may not be the case, since research has found they share different life experiences that will alter their views and preferences (Knowles, 2018).

This study aims to distinguish the differences between the coffee preferences of Millennials and Generation Zers, while also looking across all generational cohorts, including Baby Boomers, the Silent Generation, and Generation Xers. This will involve analyzing which trends they are currently gravitating towards (e.g., sustainability, ready-to-drink (RTD), premiumness, etc.) and the difference between those trends among the generations. Thus, recommendations can then be made to marketers in the beverage industry on how to best attract these different generational segments.

2. Literature Review

2.1. The Societal Impact of the Coffee Industry

The National Coffee Association studied several ways that coffee contributes positively to the U.S. economy. The total economic impact of the coffee industry in the U.S. in 2015 was $225.2 billion. Coffee-related economic activity comprises approximately 1.6% of the total U.S. gross domestic product, with consumers spending $74.2 billion on coffee in 2015 alone. In addition, the coffee industry is responsible for 1,694,710 jobs in the U.S. economy (National Coffee Association USA, 2015). Chrystalleni Stivaris, an analyst at Los Angeles-based IBISWorld, stated, “The U.S. coffee market and its respective segments have all performed well over the past year...The number of people consuming coffee on a regular basis has increased, particularly among youth” (Buono, 2017). This is reflected by the 3.8% increase in the number of branded coffee outlets in the U.S. in 2018. There are approximately 35,616 coffee shops in the U.S., which has a market value of around $45.4 billion. However, among the three leading U.S. chains (Starbucks, Dunkin’ Donuts, and Tim Hortons), retail sales flattened compared to 2017, indicating market saturation. But, this does leave room for growth for smaller coffee shops that are more quality-focused (Brown, 2018). According to the National Coffee Association, daily consumption of coffee among 18-to 24-year olds rose to 48% from 34% in 2016, and increased to 60% from 51% for those aged 25-to 39-years old (Supplement Breakfast Journal, 2017). Therefore, the coffee industry is continuing to grow, meaning there is more of a need now than ever for research examining consumer preferences to identify potential areas for growth.

2.2. Generational Differences in Purchasing Behavior

All generations have different preferences when it comes to the food and beverage industry, even that of coffee. For instance, Millennials have reshaped the coffee industry with their specific tastes that revolve around sustainability and adventurous flavors. However, it is important for coffee shops to understand how to target other generations, as they are still key consumers, and in particular, older generations drink more coffee than younger, which can be seen by the fact that within the coffee industry context, the age group that drinks the most coffee is 60+ (70% of those that age drink coffee), with the next highest being Millennial age (64%), and the least being Generation Z age at 47% (Bedford, 2020). Anecdotal evidence supports that older generations drink more coffee, but use more drip machines, drink less gourmet drinks, and younger generations prefer specialty beverages, espresso machines, and ready-to-drink coffee (Atlantic Specialty Coffee, 2013). However, research on the coffee preferences across generations is dated, and with the dynamic industry movement, this area needs to be further explored.

There is extant research on food preferences of each generation, which can filter into coffee preferences. Researchers have found: 40% of Generation Z, more than any other generation, eats their food on-the-go, Millennials emphasize technology (59% saying they use mobile ordering), Generation X surprisingly likes to take risks (62% stating that they like trying new flavors), and Baby Boomers mainly focus on taste (70% of them agreeing that taste is most important to them when choosing what to consume) (Cobe, Gingerella, Lewis, & Nash, 2019). There is also research on how to market specifically to the Baby Boomer generation in terms of food service. Some of the main takeaways are focusing on new flavor options, keeping their brand loyalty, and providing them with personalized service (Cobe, 2018). General research has also been done on different marketing tactics that can be used on Millennials, Generation Xers, and Baby Boomers, which can help marketers in all industries, including the coffee industry. This research states that Baby Boomers have high brand loyalty, Generation Xers can be targeted by use of coupons, and Millennials focus on innovation, especially with the use of technology (Lister, 2019).

There appears to be a lack of research on Generation Z preferences, which is essential, as they are different than previous generations and are starting to have a large buying power. One article discusses Generation Z's impact on the beverage industry in general, stating that they value real food, brands, transparency, convenience, and global flavors (Mark, 2018). While there is limited research on Generation Z coffee behavior, one source claims that cold or iced coffee is their most frequently purchased drink, with hot coffee, smoothies, sports drinks, and soft drinks trailing behind (Winsight, 2018). In terms of food, Generation Z preferences include an emphasis on vegan and vegetarian options and trying different types of cuisine (e.g., Asian, Mexican, etc.), a demonstration of their adventurous side (Maynard, 2019). It has been shown that Generation Z's top food service priorities are affordability, convenience, customization, and experience, with them purchasing a lot of specialty beverages. In addition, they differ from the Millennial generation by being more interested in the human story behind the product (PJ's Coffee, 2019).

Research directly comparing Generation Z and Millennial preferences is limited. One article looked into how Generation Z and Millennials differ in their purchasing behavior and noted that Generation Z is likely to spend less money, as they grew up in an economic recession (Young, 2019). A different article briefly discussed Millennial and Generation Z coffee preferences, citing that Generation Z has high expectations with ethically sourced food and desire an experience with their coffee, as they are in it for more than the cup (Nation's Restaurant News, 2016). There is research that has examined coffee and tea consumption among different generations, adding that specialty beverages are most common with younger generations, and ready-to-drink coffee and cold brew are becoming increasingly popular (Red Diamond, 2019); however, Millennials and Generation Zers were grouped together, which seems to be the case for most research including Millennials and Generation Z.

2.3. Current Trends in the Coffee Industry

Millennials are very adventurous when it comes to coffee, as they seem to gravitate towards the trends, including ready-to-drink coffee options, nitro coffee, and cold brew (Supplement Breakfast Journal, 2017). 5 trends impacting the beverage industry have been identified: increased focus on health and wellness, premiumization, convenience, direct to consumer offerings, and sustainability (Colbert, 2019). It is important to analyze how generations differ in their preferences for these trends.

Premiumization is the idea that customers are starting to want more premium and specialty beverages, as less and less are ordering just plain coffee, and want to try something more out-of-the-box. Premium beverages can include lattes, cold brew, coffee pods, and more. These are largely popular with younger generations. There is increased consumption of coffee due to Millennials consuming more, bringing more of an emphasis on premiumization, such as cold brew, ready-to-drink coffee, and coffee pods (Buono, 2017). While most sources claim that Millennials are mainly consuming specialty coffee, others state that older generations have recently seen the most growth in their preference for specialty coffee (Vending Market Watch, 2018).

Another sector of premium coffee that is gaining a lot of traction right now is cold brew, as it is both a gourmet beverage and can be more technology-focused (i.e., nitro). It is also becoming increasingly popular in restaurants, especially ones that focus on craft beer (Maynard, 2018). Cold brew's popularity can be mainly attributed to Millennials and Generation Zers, but research implies that there is an opportunity to expand into Generation X, who have shown an interest in specialty drinks, as well (Cvetan, 2019). Premium coffee is beginning to be so popular that midscale hotels and other lodging establishments are now offering it in their lobbies and are starting to provide K-cups more frequently (Lincoln Ross, 2017). There has been research done on the impact of coffee pods and the expansion of cold brew into the coffee market in Great Britain, suggesting that premiumization is not just an American fascination (Mullaney, 2014). With gourmet coffees thriving, this proves to be a problem for the producers of coffee, since competition is so fierce, it has led small growers to abandon the business. Another cause of this is climate change, as it has destroyed many coffee growing land. With these farms closing, this could prove disastrous for the growing premiumization coffee trend (Singh & Perez, 2019). But, this does not currently seem to be an issue with the trend continuing to grow, even with older generations. With several sources claiming that older generations are moving towards specialty beverages, this study seeks to further uncover which generations are consuming the most premium coffee.

Sustainability is another current trend that many consumers nowadays consider when deciding on where to eat/drink and what to eat/drink. Sustainability has been shown to have a major impact on how younger consumers, especially Millennials, view their coffee, as Millennials have begun questioning the origin of their coffee beans they are drinking. Uriah Blum, the Vice President of Operations for Vitality Bowls, stated, "At our stores, Millennials are interested in the quality and origin of the coffee beans. They want to know if it is fair trade, organic, etc., as well as the method of brewing" (Supplement Breakfast Journal, 2017). In response to this, leading coffee brands have developed technology to help them trace the origins of their beans called "Thank My Farmer." Consumers can also directly support sustainable practices by donating money to farmers with this technology (Almeida, 2019). Results from a taste experiment prove that consumers were willing to pay less after they tasted a fair trade labeled coffee beverage compared to a regular coffee and were also willing to pay less for fair trade coffee after just seeing the packaging of both, without extant knowledge on fair trade coffee (Lange, Combris, Issanchou, & Schlich, 2015). With the knowledge that fair trade and sustainable coffee is believed to not taste as good as normal coffee, it is important to see if sustainable coffee does matter to different generations, which this study seeks to determine.

2.4. The Use of Sensory Marketing for Coffee Businesses

As the consumption experience becomes more important to consumers, marketers are recognizing the importance of implementing elements of sensory marketing, appealing to people's senses to influence their behavior, into their product and establishment design. Millennials are a key generation to utilize sensory marketing towards, as they tend to lack the attention span that older generations have, so businesses need to use new ideas to market to them (Wardlaw, 2017). This is especially important for coffee shops, as the atmosphere is one of the main drivers for consumers. Coffee shop owners can influence consumers' perceptions simply by changing the color of the mug, the lighting in the store, the music being played, and the smells being omitted. Several studies have been done on different ways that senses can be utilized to change consumers' perceptions about coffee. One study looked into how the color of a mug can affect the taste of the coffee inside and it was discovered that the white mug enhanced the intensity of the coffee flavor and consumers perceived it to be less sweet than from the blue mug (Van Doorn, Wuillemin, & Spence, 2014). Another study was done that contrasted colored mugs to white mugs, and found that coffee in pink and yellow mugs was perceived to be sweeter than in white, while coffee in green and yellow mugs was perceived to be more acidic (Carvalho, Fabiana, & Spence, 2019). There has been other research that looks into how the material of a cup can affect the taste of coffee, as ceramic mugs tend to be a better option than that of plastic or paper, which impact the flavor more in a negative way (Starbrew, 2019).

Another way that sensory marketing affects consumer behavior is through the lighting in a coffee shop or a restaurant. It has been shown that dim lighting causes customers to eat more at restaurants (Houston, 2017). One study looked at the impact of all of the senses on the purchase behavior of consumers in coffee shops (Spence & Carvalho, 2019). Some of the key results include: those who like strong coffee tend to drink more coffee under bright lighting, and those who drink weaker coffee drink more coffee under dim lighting (Gal et. al., 2007). Research examining auditory aspects of marketing revealed that when the coffee machine sound is harsher, participants claimed the coffee did not taste as good (Knöferle, 2012). Also, coffee shops often utilize hard seats when they do not want their customers to loiter for too long (Spence, 2017). While these studies are useful in determining ways that coffee shops can utilize sensory marketing, there is a lack of research on how different generations view the coffee consumption experience, thus not allowing for sensory marketing to be properly used for those of different ages. So, this study will focus on that area, as well.

2.5. Research Questions

65% – 75% of all new products introduced to the market fail or miss their revenue targets (Sharma, 2018). According to the Coffee Shop Owners Survey of 232 coffee shop business owners, between 50% – 74% of independent coffee shops will fail in their first five years of opening. Often failure is attributed to the fact that most businesses do not fully understand their customer segment and how to attract them, as they will use a one-size-fits-all approach, instead of a targeted approach. More specifically, in the coffee shop context, failure is largely due to the huge amount of competition in the coffee industry, and coffee shops are struggling to set themselves apart and create a unique experience for its target market (Lindenberg, 2019). Even well-known companies struggle with this, including Tim Hortons, a Canadian-based coffee chain. Their sales decreased in 2018, notably due to not appealing to their younger consumers, Millennials and Generation Z, as they were not innovative with their product offerings and could not keep up with the coffee development trends (Desai, 2019). With an increased focus on the coffee industry, many coffee companies are failing to attract different generations due to the fact that they may not understand that each generation has different preferences.

Research has been done on the various differences between ages in their tastes; however, there is a lack of focus on finding a contrast between Millennials and Generation Zers, which are two key generational segments in regards to the coffee industry, as the younger generations are the ones who tend to set the trends. Generation Z and Millennials also are currently the two most populated generations in the U.S., with Generation Zers making up 26% of the population and Millennials making up 25% (Knoema, 2020). This lack of research results in marketers losing profit for their business, as they could be attracting even more consumers with the correct segmentation, targeting, and positioning. Therefore, this study aims to explore the taste preferences for coffee of different generations, with a slight focus on Millennials and Generation Zers. My findings help to provide recommendations to marketers in the beverage industry on how they can best target these consumers.

This study seeks to answer the following research questions:

1. Is there a difference in coffee preferences between Generation Z and Millennials?
2. What are the factors that influence coffee preferences across generational cohorts?
3. Based on generational preferences, how can marketers in the coffee industry attract consumers of different generations, and how does sensory marketing play into this?

3. Methodology

An exploratory research approach was taken to gain insight into the coffee habits and preferences of consumers. The online survey was distributed and completed through Amazon Mechanical Turk (MTurk). The survey included 23 questions, with 17 asking about coffee preferences and 6 being demographic-related. The data was then analyzed using SPSS statistical software Version 25 in order to make suggestions to marketers in the coffee industry on how to target these individuals within the defined generational cohorts.

Two-hundred and fifty-two participants completed the survey in exchange for monetary compensation. Table 1 provides the number of individuals within each generational group. Participants' ages ranged from 20-79 years old, with the mean age being 39 years. Participants were required to be over the age of 18. Due to the sampling methodology used, the distribution amongst generations was not even. Though, the participants were split evenly between genders, with one-hundred and twenty-five male participants and one-hundred and twenty-seven female participants.

Table 1: Age and Gender Distribution of Participants

Number of Participants	**252**
Generation Z, *N (%)*	14 *(5.56%)*
Millennial, *N (%)*	137 *(54.37%)*
Generation X, *N (%)*	61 *(24.21%)*
Baby Boomer, *N (%)*	38 *(15.08%)*
Silent Generation, *N (%)*	2 *(0.79%)*
Gender (Male), *N (%)*	125 *(49.60%)*
Gender (Female), *N (%)*	127 *(50.40%)*

After reviewing the consent form and survey instructions, participants were prompted to answer the following questions one at time.

Table 2: Survey Questions

Question Number	Question	Response Options
1	How many 16 oz. servings (equivalent to a Starbucks Grande size - Appendix A) of coffee do you consume in a day?	None; 1-2; 3-4; 5+
2	How many times a week do you consume coffee?	None; 1-3; 4-6; 7+
3	What percentage of coffee purchases in a week are specialty beverages (lattes, cold brews, etc.)?	Percentage slider scale
4	Please list the top two coffee drinks that you consume most frequently (latte, cappuccino, macchiato, etc.).	Open response
5	How frequently do you consume ready-to-drink beverages (Appendix B)?	Never; 2-3 times a week; 4-7 times a week; Daily
6	Other than coffee, what other beverages do you most commonly consume? (Please rank from most frequently consumed (1) to least frequently consumed (6).	Soft drinks; Energy drinks; Tea; Water; Juice; Other
7	What age did you start regularly consuming coffee beverages?	Drop down list
8	How much do you agree with the following statement: *"Sustainable/organic ingredients make a difference in terms of what type of coffee I order."*	Strongly disagree (1); Disagree (2); Neither agree nor disagree (3); Agree (4); Strongly agree (5)
9	Generally, do you prefer hot or cold coffee, without taking into account the temperature outside?	Hot; Cold; Both
10	Looking at the following image (Appendix C), which cup of coffee, after adding your desired amount of cream, do you prefer?	1; 2; 3; 4
11	Which of the following do you consume most frequently?	Coffee that is prepared at home; coffee that is purchased at a coffee shop
12	What type of machine do you use when you prepare coffee at home? (Check all that apply)	Single serve (Keurig); Drip coffee maker; I do not prepare coffee at home; Other (please list)
13	When going to a coffee shop, how long do you usually stay?	I go through the drive-thru; I grab the coffee and go; I stay less than 30 mins; I stay 30 mins - 1 hr.; I stay over 1 hr.
14	When choosing where to purchase my coffee from, I decide based on: (Rank from most important (1) to least important (6)).	Location; Price; Brand loyalty; Past experience; Flavor; Other (please list)
15	What kind of background music do you prefer when going to a coffee shop?	Chill music; Upbeat music; Silence
16*	From the following images (Appendix D and E), which coffee shop would you be more likely to go to?	Dim; Bright
17	Which of the following do you prefer to consume your coffee out of?	Paper to-go cup; Mug

18	What is your age?	Open response
19	Please check the gender that is indicated on your birth certificate.	Male; Female
20	What gender do you currently identify as?	Male; Female; Other
21	How do you describe your ethnicity?	White/Caucasian; African American; Hispanic; Asian; Other
22	Are you still actively working?	Yes; No
23	What is your household income?	Under $20,000; $20,001-$40,000; $40,001-$60,000; $60,001-$80,000; $80,001-$100,000; over $100,000

*For Question 16, the images of the coffee shops were identical, with the exception of the lighting being changed, so that participants did not factor the interior design into their decision (see Appendix D and E).

4. Key Results

4.1. Frequency of Coffee Consumption

Cross tabulation was used to compare the frequency counts across generational cohorts. Results support that the Silent Generation consumes the greatest amount of coffee on both a daily and weekly basis (see Tables 1 and 2). When asked to indicate the percentage of coffee purchases that were specialty beverages, the Silent Generation indicated that 64% of their coffee purchases were specialty, followed by Millennials (31.24%), Generation Z (29.86%), and Generation X (29.75%), respectively (see Table 3). It should be noted that the representation of the Silent Generation was limited to two participants, thus responses may not be a true representation of the cohort as a whole. Millennials also had the highest percentage that value sustainability in their coffee purchases, as they had a mean of 4.24 (see Table 4). Table 5 indicates that the generation that began consuming coffee at the youngest age, on average, is Generation Z, and the generation with the oldest average age is Generation X, which can influence future coffee consumption behavior and frequency. Figure 3 shows that ready-to-drink coffee-style beverages were not very popular among the participants, as each generation's highest preference was towards the "never consume" option. But, Millennials were the generation that seem to favor RTD options the most, and older generations, specifically Baby Boomers and the Silent Generation, had the lowest preference.

Figure 1: Daily Coffee Consumption

How many coffee drinks do you drink in a given day?

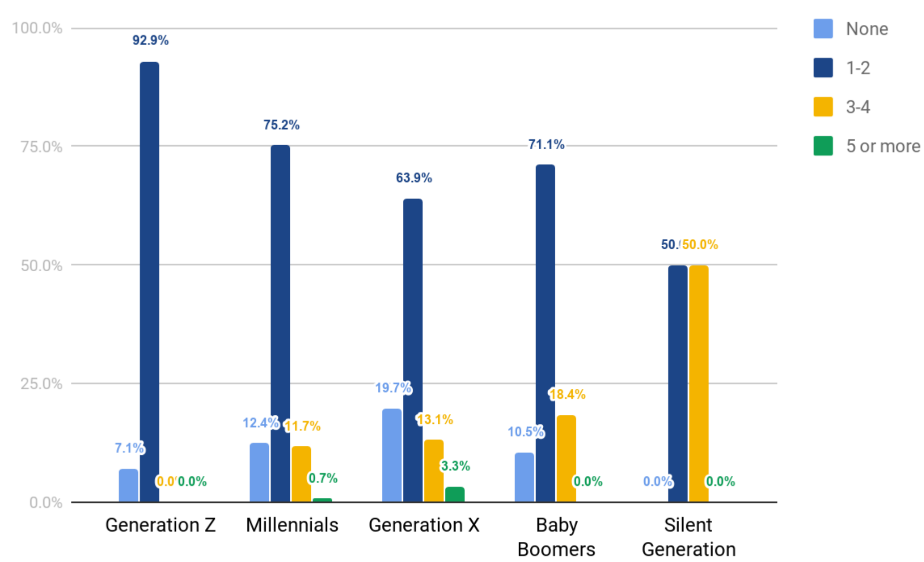


Figure 2: Weekly Coffee Consumption

How many times a week do you consume coffee?

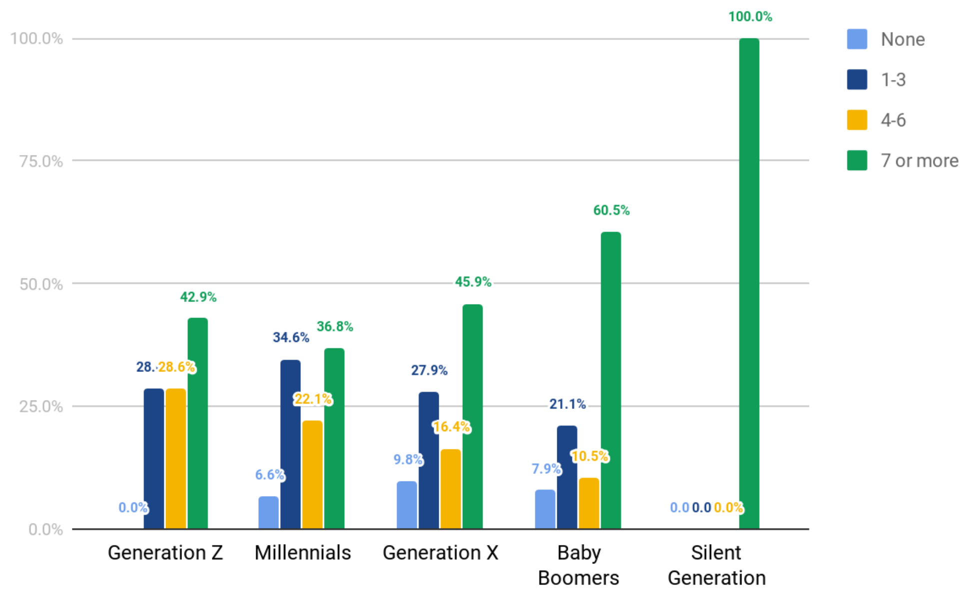


Table 3: Specialty Coffee Drink Consumption

What percentage of your coffee purchases in a week are specialty beverages?

Generation	Mean	Std. Deviation
Generation Z	29.86%	36.44%
Millennials	31.24%	30.66%
Generation X	29.75%	36.05%
Baby Boomers	15.21%	26.72%
Silent Generation	64.0%	48.08%

Table 4: Importance of Sustainability

When asked to indicate the importance of sustainable/organic ingredients on a scale of 1 (not important) to 5 (very important)...

Generation	Mean	Std. Deviation
Generation Z	3.71	1.33
Millennials	4.24	1.59
Generation X	3.75	1.69
Baby Boomers	3.24	1.87
Silent Generation	4.00	1.41

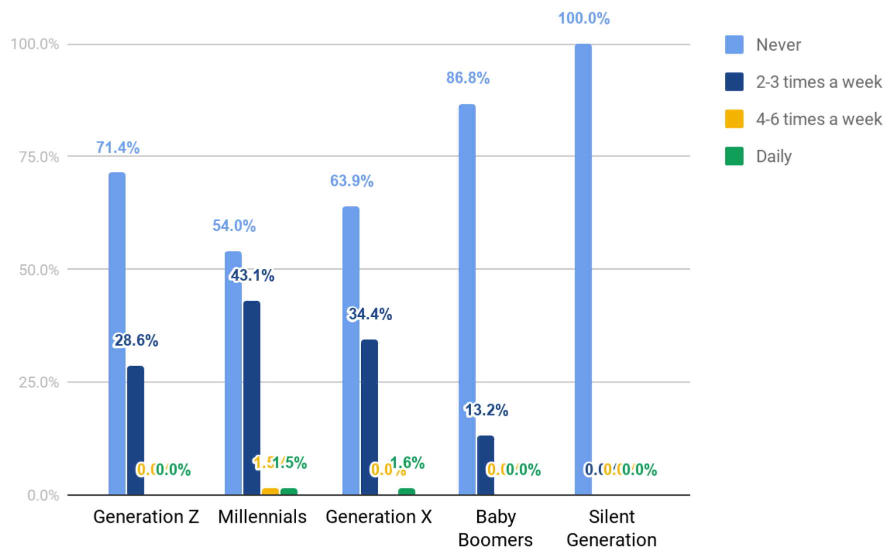
Table 5: Starting Age of Coffee Consumption

What age did you start regularly consuming coffee or coffee-style beverages (in years)?

Generation	Mean	Std. Deviation
Generation Z	15.56	0.92
Millennials	18.16	0.54
Generation X	20.53	0.76
Baby Boomers	17.97	1.18
Silent Generation	18.00	0.00

Figure 3: Ready-to-Drink Coffee Consumption

How frequently do you consume ready-to-drink coffee-style beverages?



4.2. Coffee Preparation

Coffee preparation preferences also differ between generations, and are important to consider. Figure 4 indicates that participants from all generations prepare coffee at home, with a large majority of younger generations preferring single service preparation (e.g., Keurig) and older generations, specifically Baby Boomers, using drip machines. In addition, the younger the generation, the higher the preference towards cold/iced coffee (see Figure 5) and towards paper to-go cups over mugs (see Figure 6). Figure 7 indicates that all generations, with the exception of Baby Boomers, had the highest preference towards Cup 3 in Appendix C. Baby Boomers largely preferred Cup 1, which was the strongest coffee option. Another factor that needs to be considered in terms of coffee preparation is that of what type of coffee-style beverages people consume the most. Figure 8 reveals that lattes tend to be the most consumed coffee-style beverage of all participants, and regular coffee is not as popular, as only fifty-one of the two-hundred and fifty-two participants listed that as their first choice beverage.

Figure 4: At-Home Coffee Preparation

What type of machine do you use when you prepare coffee at home?

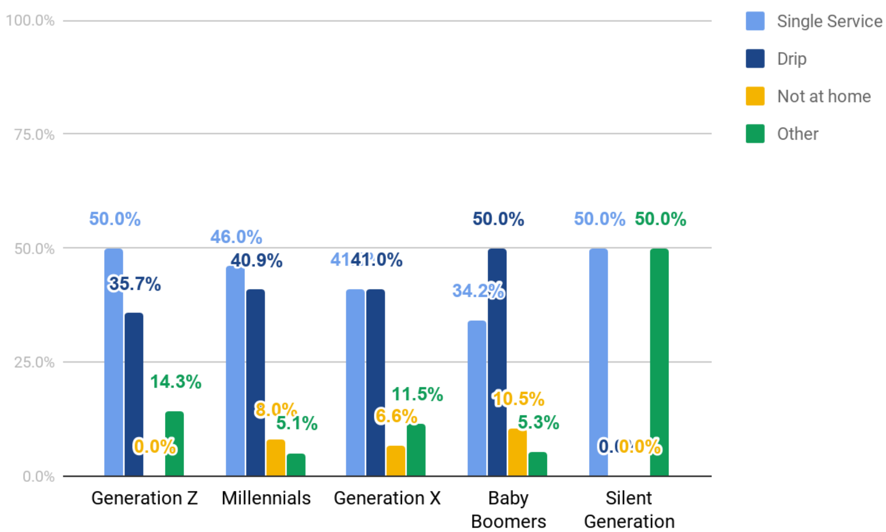


Figure 5: Coffee Temperature Preference

Do you prefer hot or cold coffee (or coffee-style beverages), without taking into account the temperature outside?

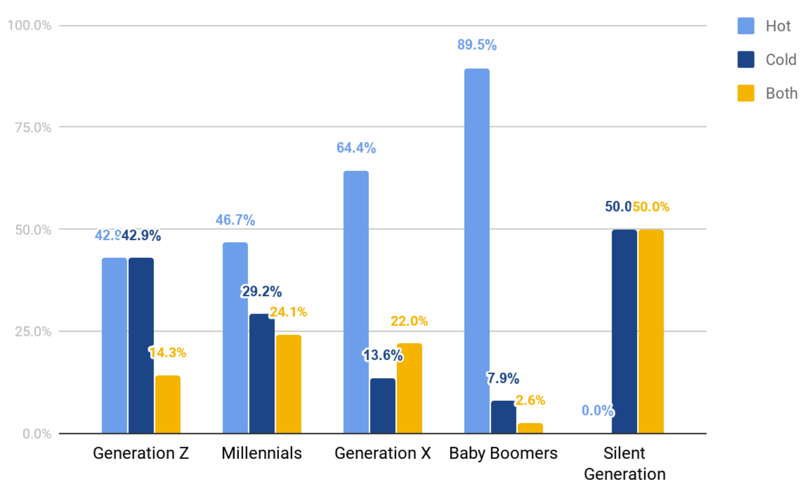


Figure 6: Coffee Vessel Preference

Which of the following do you prefer to consume your coffee beverages out of?

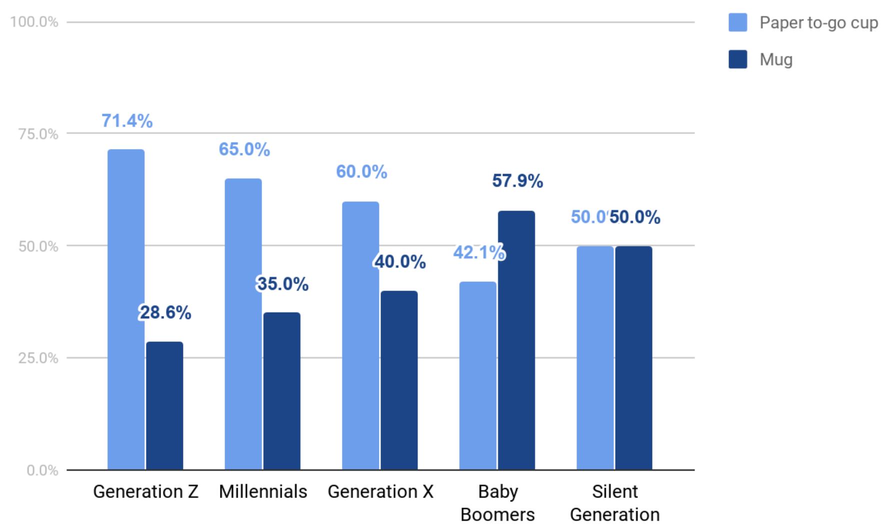


Figure 7: Coffee Strength Preference

When looking at the image below (Appendix C), which cup of coffee do you prefer?

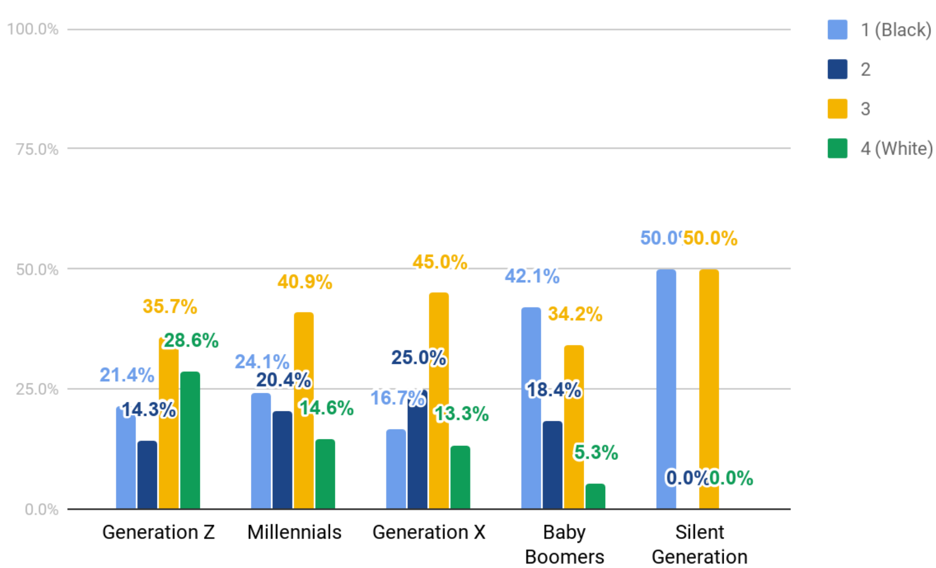
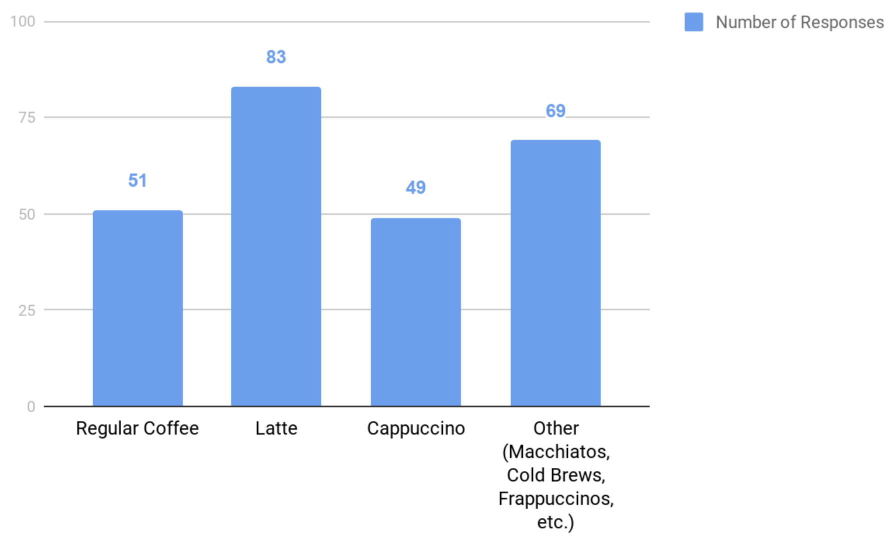


Figure 8: Coffee Type Preference

What is the top coffee drink that you consume most frequently?



4.3. Consumption Environment

The results also help to reveal several ways that marketers in the coffee industry can attract these generations with the use of sensory marketing in terms of their preferences towards the consumption environment. Figures 9, 10, and 13 display the results from the questions that focus on sensory marketing in regards to the coffee industry. While there are several instances where most generations agreed with each other, for example Figure 9 reveals that bright lighting was favored over dim lighting in a coffee shop among the participants, no matter the age (65.5% preferred bright lighting), the generational differences for sensory marketing still need to be analyzed. It can be seen that, for the most part, the older the generation, the higher the preference for bright lighting, as only 57.1% of Generation Z preferred bright lighting compared to Baby Boomers with 71.4% and the Silent Generation with 100.0% (see Figure 9). Additionally, the older the generation, the higher the preference for no background music in a coffee shop, as Generation Z only had 7.1% who chose that option and the Silent Generation had 50.0%. While most generations would choose to have chill music in the background, Millennials, Generation X, and Baby Boomers all had a significant percentage of participants who chose the upbeat music option (see Figure 10). Figure 11 indicates that each generation has a strong preference towards either the drive-thru option or the grab-and-go option at coffee shops, preferring that over staying in the coffee shop for an extended period of time. As seen in Figure 12, for factors that influence purchasing decisions, each generation's top factor was price, with the exception of Baby Boomers who chose location as their top factor. Additionally, Generation Z's top factors are price, past experience, and flavor, and Millennials' top factors are price, flavor, and location. Finally, those who prefer a stronger cup of coffee have a higher preference towards bright lighting in a coffee shop compared to those who prefer a weaker cup of coffee (see Figure 13).

Figure 9: Coffee Shop Lighting

From the following images (Appendix D and E) which coffee shop would you be more likely to go to?

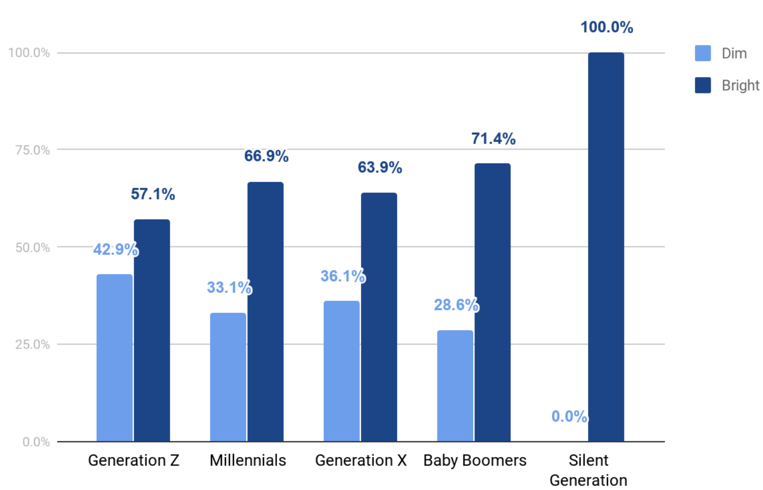


Figure 10: Coffee Shop Background Noise

What kind of background noise do you prefer while at a coffee shop?

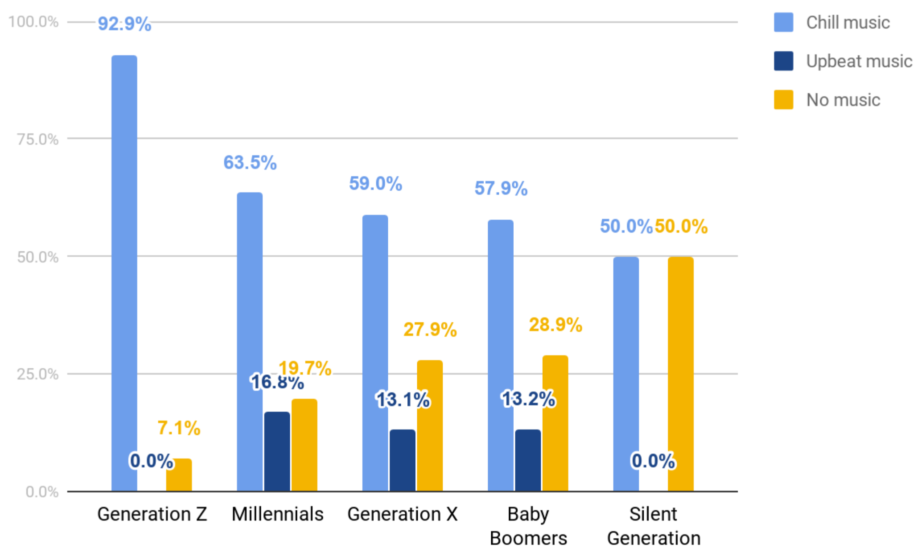


Figure 11: Coffee Shop Duration of Stay

When going to a coffee shop, how long do you usually stay?

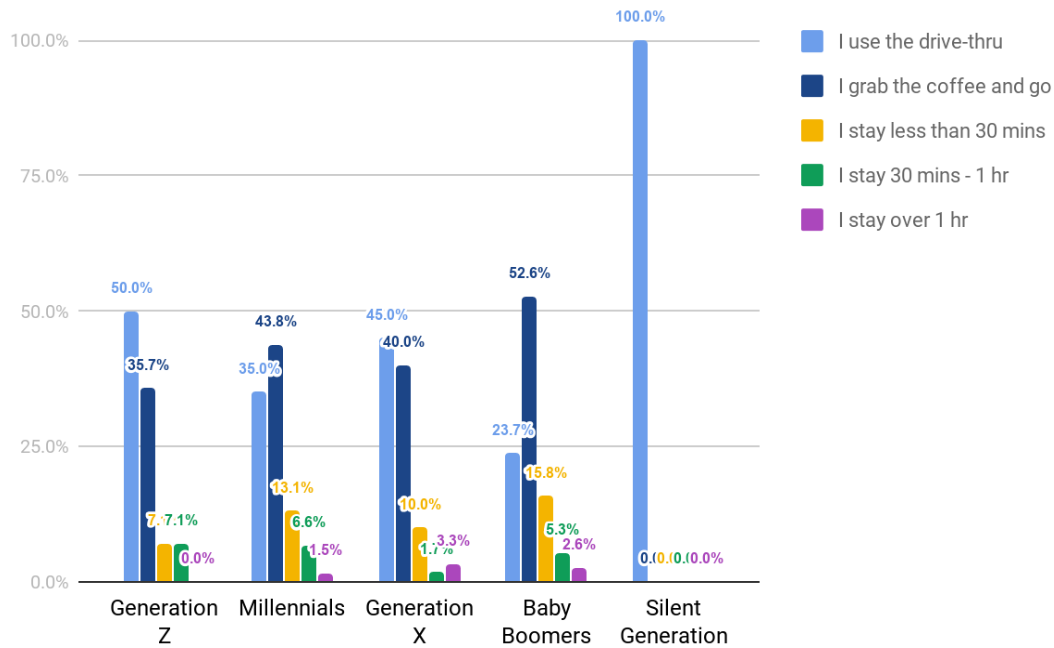


Figure 12: Coffee Shop Purchasing Factors

When choosing where to purchase your coffee from, which factor is most important to your decision?

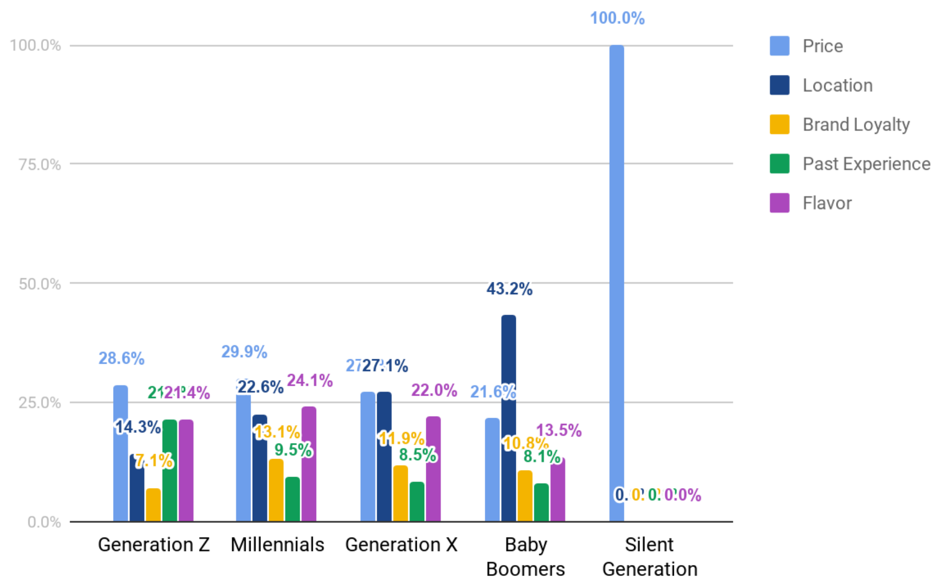
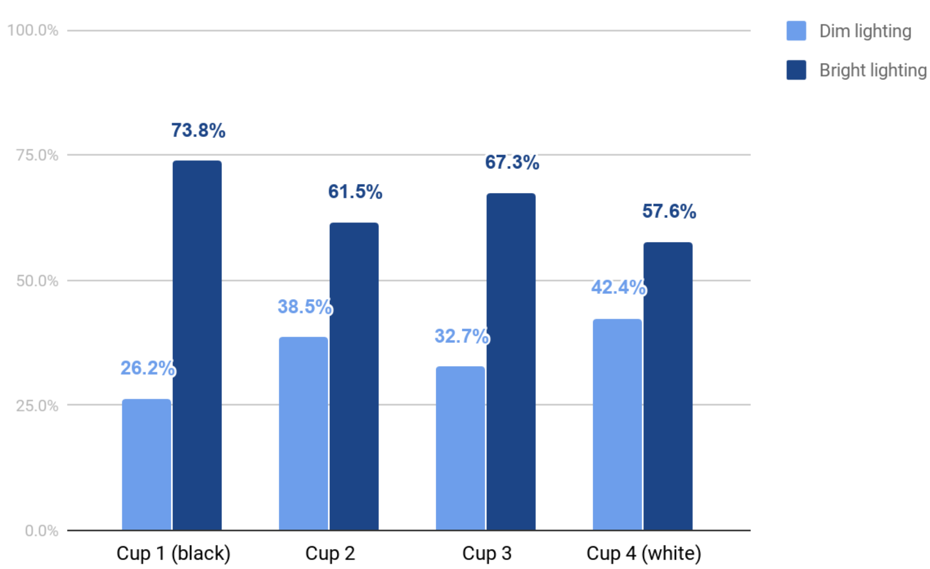


Figure 13: Coffee Strength Preference vs. Coffee Shop Lighting

Which cup of coffee do you prefer vs. Which coffee shop would you be more likely to go to?



4.4. Millennials vs. Generation Z

The survey results for both Millennials and Generation Z were analyzed using both cross tabulation and a t-test analysis (for the questions comparing two means) in order to find out if there was a significant difference between the two generational cohorts. Table 6 indicates that the p-values (significance values) for every question when looking at the preferential differences between Generation Z and Millennials are over 0.05, and, therefore, there is no significant difference at the 5% level of significance. This is with the exception of one question that looked into the age that participants started consuming coffee, which resulted in a p-value of .027, meaning there is a significant difference in the responses for that question. Therefore, there is hardly no significant difference between Millennials and Generation Z in terms of their coffee preferences. Though, it needs to be considered that the sample size for Generation Z was much lower than the sample size for Millennials, which may have had an effect on the results.

Table 6: Significance Values for Millennials vs. Generation Z

Question	Generation Z Mean/Highest %	Millennial Mean/Highest %	Significance Value
How many 16oz servings of coffee beverages do you consume in a day?	*1-2:* 92.86%	*1-2:* 75.18%	.466
How many times a week do you consume coffee?	*7 or more:* 42.86%	*7 or more:* 36.76%	.700
What percentage of your coffee purchases in a week are specialty beverages?	*Mean:* 29.86%	*Mean:* 31.24%	.893
How frequently do you consume ready-to-drink coffee-style beverages?	*Never:* 71.43%	*Never:* 54.01%	.628
What age did you start regularly consuming coffee?	*Mean:* 15.64	*Mean:* 18.16	.027
To what extent do you agree with the following statement: *"Sustainable/organic ingredients make a difference in terms of what type of coffee*	*Mean:* 3.71	*Mean:* 4.24	.183

I order."			
Do you prefer hot or cold coffee?	*Hot/Cold:* 42.86%	*Hot:* 46.72%	.510
Looking at the image below, which cup of coffee do you prefer?	*Cup 3:* 35.71%	*Cup 3:* 40.88%	.588
When you think of coffee beverages you consume, to what extent are they prepared at home compared to purchased away from home?	*Mean:* 4.07	*Mean:* 3.80	.604
When choosing where to purchase your coffee from, please rank what you use to make your decision from most important (1) to least important (6) - *Price*	*1/3:* 28.57%	*1:* 29.93%	.558
When choosing where to purchase your coffee from, please rank what you use to make your decision from most important (1) to least important (6) - *Location*	*2:* 35.71%	*3:* 26.28%	.854
When choosing where to purchase your coffee from, please rank what you use to make your decision from most important (1) to least important (6) - *Brand Loyalty*	*5:* 57.14%	*5:* 34.31%	.470
When choosing where to purchase your coffee from, please rank what you use to make your decision from most important (1) to least important (6) - *Past Experience*	*2:* 35.71%	*4:* 31.39%	.332
When choosing where to purchase your coffee from, please rank what you use to make your decision from most important (1) to least important (6) - *Flavor*	*3:* 28.57%	*5:* 25.55%	.864
What kind of background noise do you prefer while at a coffee shop?	*Chill:* 92.86%	*Chill:* 63.50%	.079
From the following images, which coffee shop would you be more likely to go to?	*Bright:* 57.14%	*Bright:* 66.91%	.463
Which of the following do you prefer to consume your coffee beverage out of, a paper to-go cup or a mug?	*Paper cup:* 71.43%	*Paper cup:* 64.96%	.628

5. Discussion and Implications

5.1. Discussion

The coffee industry is not only growing and becoming more prominent in American society, but it is also rapidly expanding to include different products and trends each year. This study verified the impact of these trends in the coffee industry, with a focus on premiumization, convenience, and sustainability. This study also sought to support and expand upon previous research on generational coffee preferences, with a specific analysis on Millennial and Generation Z differences, due to the lack of research in this area. Once the generational differences were defined, this study analyzed the factors that can influence generational purchasing behavior and highlighted the impact of sensory marketing. This research allows for several theoretical and practical implications to be made towards the coffee industry, with room for future research to be done.

5.2. Theoretical Implications

This study investigated the generational differences in coffee-style beverages, seeking to find if there was a prominent difference between Millennial and Generation Z consumers, as many people fail to see the contrast in these two key generations. The results suggest several theoretical implications.

First, this study looked into the impact of the current coffee industry on society, as it has become even more prominent in recent years. The survey results support this idea, as with the first survey question that asks how many coffee drinks participants drink in a given day, “1-2” was the most frequently picked option (72.6% of all respondents chose this option) (see Figure

1). The results of the question which asked how many times a week the respondents consume coffee also helps to show how prominent coffee is in our society, as the vast majority chose the option that was “7 or more times” (43.3% of all respondents chose this option) (see Figure 2).

Second, prior studies have been completed looking into generational purchasing behaviors, even that of coffee, but there is a lack of information that focuses on separating differences between Millennials and Generation Z. Many studies will group these two generations together, and will simply refer to them as “younger generations,” failing to differentiate between the two. However, this study sought to separate these generations and explore the differences between the two.

Third, with this lack of research on Millennial and Generation Z coffee preferences due to previous studies not separating the two, it is believed by many that these generations share similar, if not the same, preferences towards coffee-style beverages. This study aimed to find out if there is a significant difference between their preferences towards the coffee industry, looking into their opinions on specialty beverages, ready-to-drink beverages, sustainability in a coffee application, convenience, and sensory marketing in terms of a coffee shop.

Fourth, this study looked into the factors that could potentially cause generations to make different purchasing decisions from one another, as it is important to consider these factors and not just state their differences. Specifically, the results that show the influential factors towards purchasing decisions are that of the age that consumers started consuming coffee (see Table 5) and the main reasons that they choose to go to a certain coffee shop, whether it be price, location, brand loyalty, etc. (see Figure 12).

Lastly, while several studies have analyzed generational purchasing behavior in the coffee industry, there appears to be a lack of practical application of this research to marketers. Therefore, this study examined ways that marketers could benefit from the results presented by looking into generational preferences toward sensory marketing and how it could be incorporated into coffee shop design.

5.3. Practical Implications

Sensory marketing is an important opportunity for coffee shops to utilize in order to attract consumers, but it is important to keep in mind that generations differ slightly in their likes/dislikes of this area. Sensory marketing can include changing the background noise, the smell, the lighting and visuals, and more. This survey focused on two important aspects, music and lighting. From the results, it can be seen that Generation Z largely prefers chill music in a coffee shop. Millennials also prefer chill music, but had the highest percentage of preference for upbeat music of all generations (see Figure 10). Therefore, a coffee shop may only want to play upbeat music if they are wanting to attract Millennial consumers. Other than that exception, coffee shops may want to choose chill music as their form of background noise, as that was the option with the highest percentage overall across all generational cohorts. If a coffee shop is wanting to target older generations, they will want to think about reducing the background noise as much as possible, as they largely prefer no noise and a calmer environment to drink their coffee in.

In terms of coffee shop lighting, the results also differ. Even though all generations showed a preference towards bright lighting over dim, Generation Z had the highest percentage that prefer dim lighting (see Figure 9). This can be attributed to the fact that they also tend to stay longer in a coffee shop, as they had the highest percentage that stays in the shop 30 minutes to 1 hour of all generations (see Figure 11). This makes sense because Generation Z desires experience and connecting with others at a coffee shop, meaning they want a space that allows for social interaction (Nation's Restaurant News, 2016). Dim lighting invites customers to stay longer, and bright lighting coincides more with a faster-paced coffee shop, as it focuses more on the convenience aspect (Single Platform, 2018). So, a coffee shop may only want to consider dim lighting if they are targeting Generation Z consumers. Research also shows that people who prefer stronger coffee drink more coffee under bright lighting and those that prefer weaker coffee drink more coffee under dim lighting (Spence & Carvalho, 2019). This could prove to be an advantage to marketers, as the results of this study indicate that the higher the preference for stronger coffee, the higher the preference for bright lighting, and the higher the preference for weaker coffee, the higher the preference for dim lighting (see Figure 13). Thus, marketers will want to keep this in mind when deciding on their lighting, as well, since this can help them to increase their coffee sales.

According to an article by Ross Colbert, an expert in the Consumer Beverage Sector, there are 5 key trends in the beverage industry right now: increased focus on health and wellness, premiumization, convenience, direct to consumer offerings, and sustainability (Colbert, 2019). The survey results provide support that these trends matter and are worth analyzing, especially that of premiumization, convenience, and sustainability.

The trend of premiumization is important for coffee shops to understand, as ones with a limited menu will likely not last long the more prominent that this trend becomes in our society. Both Millennials and Generation Zers showed more of a preference for specialty beverages than other generations, but Millennials had a slightly higher preference (see Table 3). This is likely due to the fact that Generation Z is more price-conscious, as they grew up in an economic recession and are not yet at the age where they are receiving a steady income, so they would be more inclined to purchase less expensive drink options (Young, 2019). Millennials also had the most preference for RTD beverages among all generations (see Figure 3). This is important to marketers of ready-to-drink coffee beverages, as they should know that Millennials will be their primary consumers, and they will want to largely target those that fall under that age range. This trend corresponds with the fast-paced lifestyle of Americans, creating a need for quick options, especially in the morning. Furthermore, RTD coffees are consumed cold, piggy-backing on the very popular iced coffee and cold brew coffee trends (Buono, 2017). Millennials are largely the main reason that the ready-to-drink market is growing, along with the increased interest in cold coffee brewing methods. But, since RTD coffees are largely consumed cold and are very convenient, marketers have a major opportunity to expand more into the Generation Z market, since Generation Z had the highest preference for cold coffee among all generations (see Figure 5). Similarly, the older the generation, the higher the percentage that chose the hot coffee option in Figure 5, as Baby Boomers had 89.5% choose that option. These results are not surprising, as iced coffee, including cold brews, is a recent trend. So, Generation Z would be more inclined to have a higher preference for them compared to older generations, specifically Baby Boomers and the Silent Generation, due to the fact that iced coffee is something they grew up with and are more familiar with. Therefore, if a coffee shop is looking to add iced coffee or cold brew coffee to their menus, they should know that Generation Z will be their main purchasers. The survey results also reveal that premium coffee-style beverages are starting to be consumed even more frequently than regular coffee, as Figure 8 shows that lattes were more popular among the participants in comparison to regular coffee, and there were a large number of participants who picked other premium beverages (macchiato, cold brew, etc.) as their top choice, as well. Therefore, there is no doubt that premiumization is a major trend that coffee shops need to stay up-to-date on.

Convenience is another trend that must be of utmost importance to coffee shops nowadays. The results of the survey provide support for Generation Z being more convenience-focused than other generations, especially when compared to older generations. For example, it is beneficial for a coffee shop to have a drive-thru in order to appeal to Generation Z, who had the highest number of survey participants who prefer drive-thrus, with 50.0% of Generation Z participants choosing that option (see Figure 11). Other studies support this, as 40% of Generation Z prefer to eat their food on-the-go, which is more than any other generation (Cobe et al., 2019). Figure 11 also helps to show that convenience is not only a trend for Generation Z, but for all generations, as they each showed a stronger preference towards drive-thrus and grab-and-go coffee behavior in comparison to sitting down with their coffee while at a coffee shop.

Results show that all generations, with the exception of Baby Boomers and the Silent Generation, have a preference for a paper to-go cup over a mug in terms of their coffee drink vessel, but Generation Z had the highest percentage that preferred the to-go cup option (see Figure 6). It is surprising that most respondents chose the paper to-go cup option because ceramic mugs have been proven to make coffee taste better, especially when compared to that of a paper to-go cup (Starbrew, 2019). However, it does make sense that younger generations would prefer the paper to-go cup, as they focus so much on the idea of convenience, and there is nothing more convenient than being able to take one's drink on-the-go, whether it be to work, school, etc. Coffee shops will, thus, want to serve their drinks largely in to-go cups. Generation Z also had a higher percentage of respondents who prefer single serve coffee machines than any other generation, especially in comparison to Generation X and Baby Boomers, who had a significant amount of participants choose the drip machine option, showing Generation Z values convenience at home, as well, and not just on-the-go (see Figure 4). Therefore, if a coffee company is looking to appeal to younger consumers, especially those of Generation Z age, they will want to adapt to some of these convenience-focused trends.

Sustainability is another major trend in the food and beverage industry right now. This can include companies using more sustainable ingredients (organic, fair-trade, etc.), valuing sustainability in the construction of the coffee shop (conserving water and electricity and cutting down on waste), or having sustainable goals in their business model (donating a portion of the profits to a charity). In this study, Millennials showed a higher preference for sustainable coffee than any other generation, as they had a mean of 4.24 (see Table 4). But, all generations had a mean of more than 3, meaning the majority of participants agree that sustainable ingredients in terms of coffee beverages positively impact their purchasing decision. This makes sense that Millennials have the highest average in terms of their preference towards sustainability because Millennials are largely the main generation that has caused sustainability to be one of the major trends in the food and beverage industry. So, if a coffee shop is looking to attract Millennial consumers, it might be of use to consider adding sustainable practices into their business model to draw their attention, and this will likely benefit other generations, as well.

5.4. Limitations and Future Research

While this study has several theoretical and practical implications, it is not without limitations, leading into exploration for future research.

First, this study only surveyed those over 18 years old. Therefore, it may not have a full representation of Generation Z, as the majority of that generation is under 18, and they may have differing views than the ones who were able to be sampled. So, future research could be done on differences between Millennial and Generation Z coffee preferences, with a wider representation of Generation Z participants.

Second, the ages of participants were strongly skewed, resulting in the generations not being equally represented. The Millennial generation had the highest number of participants, while the Silent Generation and Generation Z both had a much lower number of participants (see Table 1). The Silent Generation only had 2 participants, so much of their results have limited interpretation. While it was still beneficial to have all generations represented, future studies could be done with a more even age distribution.

Lastly, the survey focused on preferential differences in ages, which is one of many demographics that need to be considered for marketers to be successful in their targeting. It is very important for a coffee shop to understand their target market, allowing them to then figure out how to attract them to their business. This segmentation can be based on demographics, psychographics, geographic, and behavioral. For example, this survey was only distributed to those in the U.S., not allowing for other cultures to be analyzed. Future research could be done on coffee preferences based on location, gender, income, etc. While this research focused on demographic segmentation, specifically age, it is still important to segment based off of the other factors, as well.

6. Conclusion

With the coffee industry continuing to grow, it is more important now than ever for marketers to differentiate the taste preferences of generations in order to appeal to their target market. While Millennials and Generation Zers are very similar in their taste preferences in regards to coffee (see Table 6), there are still major differences between all generations that should be taken into consideration. Of those differences, Generation Z largely desires convenience in their coffee preferences, while trying to remain price-conscious. Additionally, Millennials tend to stay up-to-date on the current trends and are often the trendsetters, especially in the coffee industry, leading to them having a higher preference for specialty drinks, RTD coffee-style beverages, and sustainable practices compared to other generations. Sensory marketing is another important trend that coffee shops can utilize in their marketing strategies, and there are generational differences in terms of their preferences for the consumption environment that need to be considered. In conclusion, this study presents ways that marketers in the coffee industry can attract certain generations, hoping to offer more information to previous food and beverage research.

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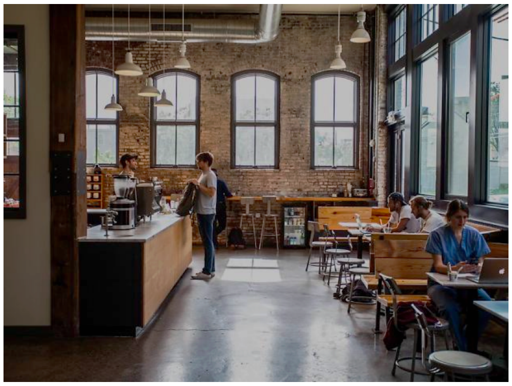
8. Appendix

Appendix A

Appendix B

Appendix C

Appendix D



Appendix E