AN EXAMINATION OF MARKETING PERFORMANCE BY RETAIL CHAIN SIZE AND BRAND ORIGIN IN THE KUWAIT COFFEE SHOP MARKET

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ABSTRACT

The purpose of this study is to investigate, in Kuwait western-style coffee shops, the effects of brand size and brand origin (domestic versus foreign) on marketing-related performance measures. It is shown that small and medium sized enterprises (SMEs) are more likely than expected to be domestic companies and very large enterprises (VLEs) are more likely to be foreign in origin. Based on surveys collected from 700 respondents in the Kuwait market, it is also found that VLEs exhibit significantly greater marketing performance as measured by number of users, retention, satisfaction, preference, penetration, and share. Additionally, it is shown that, in comparison to domestic brands, foreign brands also exhibit superior marketing performance. The paper significantly contributes to the body of research on the relationship between firm size, country of origin, and marketing performance in the Middle Eastern market.

INTRODUCTION

Profits and growth are the twin objectives of every business. Every firm aspires to achieve both, but of course, profits come first, though the two intertwine. More profits can lead to growth in size, while growth can engender more profits. Size can increase profits too as it results in economies of scale, lower cost, and hence more profits. Economies of scale increase the competitiveness of a firm and allow it to recognize more sales and thereby more profits. Growth in size affects the firm's organizational structure and activities in general. Needless to say, it is not size per se that leads to success, as management quality, competitive rivalry, and strategy also make a difference.

The purpose of this paper is to examine, in the Kuwait market, the relationship between firm size, brand origin (domestic or foreign), and a variety of performance concepts from the marketing perspective. Size affects financial performance at the bottom line. However, to achieve financial performance targets, it has been suggested that strategies must be implemented that lead to relatively high levels of performance on marketing outcome variables such as penetration, customer retention, customer satisfaction, preference, number of users, and market share (Heiens, Pleshko, and Ahmed, 2019). Little research is available on the marketing performance of different-sized firms or of domestic versus foreign firms operating in the MENA (Middle East and North Africa) region. Since the early 2000s, Middle Eastern markets have continued to experience positive economic growth (Samargandi, 2018). Kuwait itself has a population of over 4 million people and retail sales are expected to grow at a steady annual rate in the coming years (Riebe, 2016). Therefore, this study is important for both academics and practitioners alike.

SMES AND VLES

Organizational size is a characteristic of the firm representing how large or small a firm might be. It is measured in a variety of ways depending on the industry under study, including the total sales, number of employees, or asset-holdings of firms (Calof, 1993; Dalton et al., 1980; Joaquin and Khanna, 2001). Size is an important research variable as it often exhibits an association with the major characteristic descriptors of decision making outcomes: organizational structure, strategy, and performance (Taymaz, 2005). To begin with, growth in size affects the firm's organization structure and design. In general, firms start small and with a simple organizational structure: no specializations, no departmentalization, and no formalization. As the firm grows it morphs into a functional structure at first, and then into a bureaucracy, a divisional structure and ultimately into a matrix structure (Robbins and Judge, 2009). In particular, it is widely accepted nowadays that small and large firms differ in many ways, not limited to the availability of funds for activities and management styles and objectives (Beaver 2003).

These differences may result in divergent paths to success or failure in many industries. The literature points to firm size as a determinant of company strategy, as indicated by distinctive group membership, but with no clear conclusions as to which is better. Size appears to have some influence on activity and strategy, but there is a question as to whether it is more advantageous to be a very large enterprise (VLE) or a small to medium-sized enterprise (SME) (Bilkey, 1987; Birch, 1988; Calof, 1993; Edmund and Sarkis, 1986; Ekanem, 2000; Joaquin and Khanna, 2001; Moini, 1995; Wolff and Pett, 2000). The findings from other studies suggest no relationship between size and strategy (Francis and Collins-Dodd, 2000; Leonidou and Katsikeas, 1996). This may be due to the presence or absence of other important variables, such as, for example, experience or market knowledge or skill-levels of management (Edmund and Sarkis 1986). Ali and Swiercz (1991) claim that mid-sized firms offer the greatest potential response for increasing export performance. Smith et al. (1986) have found that size is important showing that defenders outperform analyzers and prospectors as small firms, while prospectors perform better than defenders and analyzers as medium to large size firms, and analyzers perform better as very large firms. Even productivity seems to be influenced by firm size, with small firms outgrowing large firms in most cases (Van Biesenbroeck 2005; Sleuwaegen and Goedhuy, 2002).

The management of a firm does seem to differ between small and large firms. In a study of financial services in the USA, Pleshko and Nickerson (2007) found very large firms (VLEs) to be more structurally integrated, centralized, complex, market-oriented, and generally more aggressive than small and medium sized (SMEs) firms. Similarly, Dunning (1992) found that larger firms integrate their operations over larger areas than smaller firms. Moreover, Ronen and Shenker (1985) argued that larger firms were more structured, centralized and used non-personal forms of control. In the loan process, Cole et al. (2004) found that larger banks relied more on standard procedures and financial data while smaller banks relied on the borrower's character. This use of softer information, rather than more concrete data, along with policies and procedures commonly distinguishes the SME from the VLE (Berger et al., 2005; Berger and Udell, 2002).

A number of studies have investigated the management aspects in small firms and generally found them to be wanting (Deshpande and Golhar, 1994; Flynn et al., 2015). Jennings and Beaver (1997) argued that the management process in small firms is unique and cannot be considered to be the same as the professional management in larger organizations. The multiplicity of roles expected of the owner-manager as the principal stakeholder often causes dissonance, which enhances the probability of poor decision-making and, along with the lack of attention to strategic issues, is one of the root causes of poor performance by smaller businesses. Carland et al. (1984), suggest differentiating between entrepreneurship and small businesses, and that while there is an overlap, they are different entities. Birely and Norburn (1985) and Carland et al. (1984) suggest that small businesses, entrepreneurs, and large firms differ in a variety of areas and should be treated as separate types of entities.

FIRM SIZE AND MARKETING

Dean et al. (1998) found small businesses to possess resources that allow them to overcome certain barriers that oftentimes create great difficulties for their larger counterparts. With these abilities, small businesses may be able to exploit opportunities more readily than larger ones. In the area of R&D and innovation, Acs and Auderetsch (1988) found that fewer innovations are produced in more concentrated industries. Thus, as summarized by Crum (2019), small size seems to be associated with an increase in innovation or entrepreneurship. Ahire and Golhar (1996) and Stewart et al. (1999) found no differences on size or business type regarding achievement, motivation, risk-taking, preference for innovation, and TQM implementations. Therefore, it may be possible for small businesses to be competitive with their larger company counterparts, if only in certain areas and under ideal conditions.

The mind-set of the respective SME's CEO, along with his/her personal characteristics, are hypothesized to allow even smaller companies to compete internationally with larger firms (Ruzzeir et al., 2006: Kyvik et al., 2013; Rodwell and Shadur, 1997). Pelham and Wilson (1996) believe that a small firm's cohesive culture and simple structure enhances the small firm's ability to fully exploit a market-oriented culture. Pelham (2000) found a significant impact of size on the outcomes of market-orientation. Narver and Slater (1990) went further and indicated that larger businesses may be the last to adopt a market-oriented culture, allowing smaller firms a unique opportunity to seek a competitive advantage through a market-oriented strategy. Therefore, SMEs may outperform larger VLEs in some areas related to marketing and its outcomes. Specifically, it would appear that SMEs, with an appropriate marketing culture, have some advantages in the areas of innovation, possibly due to the ability to innovate in a less bureaucratic environment. Additionally, smaller firms may have advantages in understanding a domestic market, leading to possible longer-term advantages in dealing with and satisfying customers.

On the other hand, McCartan et al. (2003) stated that small businesses are generally thought of as having inherent weaknesses with respect to capitalization and marketing. These limitations are suggested to impact the relatively higher failure rates of small businesses. As suggested before by Jennings and Beaver (1997), it appears that many classical management concepts are not suitable for application in small firms. Instead, a divide may exist between marketing education and the skill requirements of SME managers (Shohan and Paun, 1993). Therefore, for a variety of reasons, SMEs may have potential disadvantages in many areas of marketing.

Reijonen (2016) argued that marketing thought and practice varies according to the size and type of market, concluding that small businesses focused on consumers perceived 'marketing' to be advertising, while those smaller businesses focusing on other businesses had a more developed idea of 'marketing'. Walsh and Lipinski (2009), on the other hand, studied 100 SMEs in the USA and concluded that the marketing function is not as well developed or as influential in SMEs as it is in VLEs. Therefore, the perceptions and implementation of marketing and related activities in SMEs, along with lesser marketing skills, may limit what can be achieved. This may be even more evident as firm size gets smaller. Thus, VLEs may have advantages over SMEs on a variety of marketing-related factors and outcomes including having more developed management systems, higher levels of marketing thought and, of course, better resources.

BRAND ORIGIN

The word “brand” has various definitions. The American Marketing Association defines it as “a name, term, design, symbol or a combination of them intended to identify the goods and services of one seller or a group of sellers and to differentiate them from competition”. In this study, we are interested in a “brand” as the identity of a product or service business and whether it is of domestic or foreign origin, as pertaining to the Kuwait coffee shops market. In other words, “brand origin” is a representation of the country of origin; either domestic or foreign.

Aaker and Keller (1990) argue that the interest in the brand concept, while around for a long time, has grown since the 1980s. They point to the cost of introducing a brand into a new market as becoming expensive, possibly reaching a hundred million dollars. Therefore, maintaining and growing an existing brand name may be more efficient (and effective) than developing a new brand. Introducing a new brand of product or service internationally into a foreign market like Kuwait may be even more challenging and expensive. Therefore, it may be more preferential to offer an existing brand name into foreign markets, thereby eliminating many of the costs of building brand names in differing geographical markets.

To begin with, foreign brands in Kuwait could suffer from and must overcome what Peng and Meyer (2010, p. 12) call the “the liability of outsidership", or the inherent disadvantage outsiders experience in a new environment due to their lack of familiarity with the market in terms of how to operate. For the foreign brand, gaining acceptability and penetrating markets entails another challenge. For any new brand to succeed in the Middle East, that band must create a conversation amongst customers and service them in a way that is familiar for their culture while staying loyal to its roots. Domestic cafes are developed with these cultural roots ingrained in their business. However, foreign coffee brands differ from domestic ones in many ways, from the architecture of the café to the type of coffee served, the style of service, and reasons for patronage in the first place.

Alternatively, foreign brands are not without their strong points. For example, they already have a brand that succeeded in their own country-market and possibly other international markets. The challenge for them is leveraging an already established brand in one market to enter a new market. In addition, they are not without resources. In fact, foreign brands probably have access to funds, other resources, and skilled personnel at levels generally unavailable to domestic brands. Also, having possibility succeeded in other geographical markets, the international brand must have learned how to appeal to different cultures. Another point in favor of foreign brands in relation to domestic brands is the country-of-origin image. Many consumers in developing see developed countries (and brands) as more advanced, efficient, and creative than their own country. Relatedly, many studies have provided evidence on what is referred to as the "country-of-origin-effect" (COOE). Presently, with most international service franchises originating from more developed countries, the consumer may prefer to patronize these brands more than domestic brands.

HYPOTHESES

Dean et al. (1998), in a study of differences in responses to environmental constraints between large firms and small firms, found small businesses to possess certain resources that allow them to overcome barriers that create difficulties for their larger counterparts. The flexibility of small-firms may allow for the faster exploitation of industry opportunities. Similarly, Ruzzeir et al. (2006) and Kyvik et al. (2013), among others, suggest that small firms have advantages over larger firms in certain areas, mostly related to adaptation and innovation. Looking at the Kuwait environment, one can see potential advantages to the domestic companies over foreign brand companies in given industries where familiarity with the local culture or environment and/or barriers to entry are evident. However, in the case of coffee shops, any advantages evident for domestic firms do not appear to be strong enough or maybe not utilized for advantage. As suggested by Kronborg and Thomsen (2009), when considering all the brands in a given product-market, those brands with foreign operations (mostly international brands) have longer survival rates than other firms (mostly domestic firms). Therefore, in the coffee shop market in Kuwait, one might expect that foreign brands would outperform domestic brands and therefore be larger, given few strategic competitive advantages of the domestic brands. Hence, the following research hypothesis is presented.

H_R1: The number of SMEs and VLEs will differ by Brand Origin.

Moreover, adding (generally) larger international brands to the local mix places these global firms with greater resources into a smaller local competitive services environment. Unlike with product companies, where economies of scale are readily attainable with production learning scales, services rarely offer this long-term advantage. Advantages in the services areas can be gained through franchising, with economies of scale and experience garnered in that manner. Therefore, those service firms (such as coffee shops) with the knowledge, abilities, experience, and resources most likely will enter an environment where they will be much larger or skilled than domestic firms.

Reijonen (2010) investigated how SMEs perceive and practice marketing and whether these differed accordingly by industry and size within the SMEs. The study concluded that, like larger firms, SMEs are also interested in creating and maintaining customer relationships and that the aim of marketing is to create sales. Nonetheless, Reijonen (2010) concluded that marketing thoughts and practices cannot be regarded as being uniform within SMEs. Dunn et all (1986) studied manufacturing firms in the USA to determine whether small firms do not market and, as a corollary, that larger ones do, and found the marketing concept is practiced as much in smaller firms as in larger ones. However, the orientation towards the management of the 4Ps in smaller firms is different from large firms, they conclude. Dunn et al. (1986) found smaller firms to be more concerned with the short run operational issues of credit, quality, and inventory control rather than the wider issues associated with customer philosophy or strategic orientation. More recently, Walsh and Lipinski (2009) examined the marketing function in small and medium sized enterprises, its role as a driver of competitive advantage, and its impact on the company's performance. In their study in the US mid-Atlantic region, they found the marketing concept to be not as well developed or influential in SMEs as it is in large corporations. Supposedly, two environmental factors, type of market (the consumer) and organizational type (hierarchical), facilitate the marketing functions within the firm, they add.

The above discussion presented findings and assumptions pertaining to smaller and larger brands, as well as to domestic and foreign brands. Those items, along with the notion that marketing skills will most likely be more evident/developed in larger firms than in smaller ones, leads us to the conclusion that most marketing outcome variables should favor either foreign (rather than domestic) or larger (rather than smaller) brands. Hence, the following research hypotheses are offered.

H_R2: VLEs and SMEs will differ across a variety of marketing performance variables.

H_R3: Domestic and foreign firms will differ across a variety of marketing performance variables.

STUDY DATA COLLECTION AND SETTING

Data for the project were gathered in a series of steps. First, a literature search was undertaken to gain general information about coffee shops and the population in Kuwait. Company websites were included in the search. Second, interviewers contacted managers to obtain information about the individual western-style coffee shops and their customers. Third, interviewers contacted consumers of the western-style coffee shops to obtain information about their coffee consumption habits. At the time of the study, thirty-nine coffee shop brands/retailers (i.e., Costa Coffee, Caribou Coffee, Starbucks) were operating in Kuwait. This list of coffee shop brands was derived from the Kuwait Chamber of Commerce, from leisure-time websites, and from questionnaires on coffee patronage. Most of these coffee shop brands had multiple locations throughout the city of Kuwait, operating approximately two hundred and fifty coffee shop outlets.

There were also two hundred and forty-three Arabic/other coffee shops in Kuwait. Therefore, the thirty-nine western-style coffee shop brands in the study accounted for approximately fifty-one percent of the total coffee shop market based on number of locations/outlets. Additionally, derived from macro-statistics on Kuwait coffee consumption (in kilograms), these western-style coffee shops make up approximately sixty percent of the total market for all coffee shops and approximately twelve percent of all coffee consumed in Kuwait (e.g., CIA World Factbook).

Interviews were conducted with the home-office marketing managers of each brand. Each interviewer was assigned the task of gathering information from 4-5 company representatives on a variety of details including: date of entry into the Kuwait market, number of customers per day, amount of coffee per serving, and the number of outlets. In each case, contact was made with either a marketing manager or head office manager.

Regarding the consumer interviews, the authors selected two descriptors, age and gender, to provide guidelines for selecting the sample. Secondary data sources provided age and gender statistics, which were used as guidelines for the percentages of adults to be included in each age/gender category (CIA World Fact book, 2019; Kuwait Public Authority for Civil Information). A target of seven hundred coffee shop users was established, with hopes of a final sample size of around six hundred. Approximately seventy graduate students, each of whom had been previously trained in the process of personal interviewing, were used to conduct the seven hundred personal interviews. In all, seven hundred people were contacted and interviewed. About eighty were discarded for various reasons resulting in six hundred and eighteen respondents who were included in the study. A test of the expected versus sample frequencies revealed no significant differences in age or gender between the sample and the population as a whole (X^2=2.03, 'p'=0.37).

MEASUREMENT AND DATA

The study included a variety of constructs pertaining to markets or marketing, as well as the control concepts of firm size and brand origin. Consistent with Heiens, Pleshko, and Ahmed (2109), seven marketing performance items were included: (1) the number of current users of a brand (USERS), (2) the percentage penetration of a brand into the market (PEN), (3) the percentage retention of customers after trial (RET), (4) the average preference ranking for the brand (PREF), (5) the average satisfaction rating for the brand by current users (SAT), (6) the time since entering the Kuwait market (TIME), and (7) the market share of visits to coffee shop outlets per year. The number of outlets operated by each coffee shop brand was used to measure firm size (SIZE). Finally, the brand origin, referred to as (ORIGIN), was included to represent the domestic versus foreign dichotomy of the coffee shop brands.

It is important to note that, for this project, which focuses on brand-level analyses rather than customer-level, all of the analyses in the study were done at the aggregate-level. In other words, the six hundred and eighteen consumer responses were aggregated into an average (or a percentage, or a total) pertaining to the variables for each of the thirty-nine coffee shop brands. The respondents were aggregated based on whether they were considered current users of a brand or not. This method of aggregation best reflects the natural world, where it is possible for one customer to be using multiple brands over time.

As noted previously, brand SIZE refers to the number of outlets operated by a given brand. A main point of interest in this study was to compare large organizations (VLEs) to smaller and medium size firms (SMEs). The number of outlets was found for each brand either through the management interview or from company websites. Table 1 reveals the frequency or number of outlets for the thirty-nine coffee shop brands. Note that the thirty-nine brands average 6.41 outlets each with a standard error of 1.8, a median of three, and a mode of one. If we look at the "cumulative % brands" column in Table 1, it appears that there is a natural split at twelve outlets per brand. Those coffee brands with less than twelve outlets appear to be much smaller than the other brands. Therefore, the brands were divided into two groups based on the number of outlets, with a cutoff point at twelve outlets. Brands with twelve or more outlets were considered large firms (VLEs) while those with eleven or less outlets were considered smaller or medium sized firms (SMEs). This division results in thirty-three SMEs and six VLEs. The VLEs represent 15.4% of the brands and 60.8% of the outlets, while the SMEs represent 84.6% of the brands and 39.2% of the outlets.

Brand origin, ORIGIN, is a representation of brand origin (domestic versus foreign). The interest in this study is whether the brands are domestic or international in origin. This information was found on websites or, when in question, was gathered from management interviews. Therefore, the brands were assigned to one of two groups: domestic or foreign. There were nineteen domestic firms (48.7%) and twenty foreign firms (51.3%) in the study.

Size and origin were tested against the seven marketing performance indicators: (1) the number of current users of a brand (USERS), (2) the percentage penetration of a brand into the market (PEN), (3) the percentage retention of customers after trial (RET), (4) the average preference ranking for the brand (PREF), (5) the average satisfaction rating for the brand by current users (SAT), (6) the time since entering the Kuwait market (TIME), and (7) the market share of visits (MSHARE) to coffee shop outlets per year.

The number of current users, USERS, represents if a respondent is currently using a given brand or not. A respondent was defined as a current user for a specific brand if the respondent had visited any of the outlets of a specific coffee shop brand in Kuwait within the past three months. This information was gathered by asking the respondents to indicate approximately how many times they had visited each of the coffee shop restaurants in that time period. As it is possible for a customer to be currently using more than one brand, the six hundred and eighteen respondents resulted in the total number of current users to be 5606. This equates to an average of 9.06 brands per respondent, or an average of 143.74 respondents per brand, with a standard error of the mean of 23.62 respondents per brand. This indicates that the average brand had 23.26 percent (143.74/618=23.26%) of the respondent population as current users. The range of current users for the brands was from 11 (1.8% of respondents) to 567 (91.7% of respondents) current users.

Table 1
OUTLET FREQUENCIES FOR COFFEE SHOPS

Outlets per Brand	# Brands	% Brands	Cum. % Brands	Total # Outlets	% Outlets	Cum. % Outlets
1	9	23.1	23.1	9	3.6	3.6
2	6	15.4	38.5	12	4.8	8.4
3	7	17.9	56.4	21	8.4	16.8
4	5	12.8	69.2	20	8	24.8
5	4	10.3	79.5	20	8	32.8
8	2	5.1	84.6	16	6.4	39.2
12	2	5.1	89.7	24	9.6	48.8
13	1	2.6	92.3	13	5.2	54
14	1	2.6	94.9	14	5.6	59.6
40	1	2.6	97.4	40	16	75.6
61	1	2.6	100	61	24.4	100
TOTAL	39	100		250	100	

The penetration percentage, PEN, refers to the percentage of respondents who have tried each of the brands. Penetration percent is defined for each brand as the number of respondents who have tried the brand divided by the number of respondents. The average penetration for the thirty-nine brands was 28.7%, with a range from 2.9% to 94.7% and a standard error of the mean of 4.1%. The retention percentage, RET, was defined for each brand as the number of respondents who are current users of the brand divided by the number respondents who have tried the brand. The average retention for the thirty-nine brands was 68.4%, with a range from 42.5% to 95.9% and a standard error of the mean of 2.2%. The average preference rank, PREF, was defined for each brand as the average of the ranking given to the brand regarding preference. The average preference ranking for the thirty-nine brands was 0.377, with a range from 0.011 to 3.003 and a standard error of the mean of 0.092. he average satisfaction rating, SAT, was defined for each brand as the average general satisfaction, for current users only, measured on a semantic differential scale for one (terrible) to ten (excellent). The average satisfaction for the thirty-nine brands was 6.56, with a range from 5.15 to 8.20 and a standard error of the mean of 0.12.

The time since entering the Kuwait market, TIME, indicates how long each brand has been in Kuwait and reflects the entry timing strategy of the brand. This data was obtained either through the management interviews or the company websites. The average time-in-market for the thirty-nine brands was 94.97 months, with a range from 2 to 366 and a standard error of the mean of 12.56 months. Finally, the market share of customer visits per year, MSHARE, was defined for each brand by customer visits. The average market share in customer visits for the thirty-nine brands was 0.026, with a range from 0.001 to 0.328 and a standard error of the mean of 0.009.

ANALYSES

In order to test the proffered hypotheses, a number of statistical tests were performed. The results are shown in Tables two through five. Hypothesis H_R1 suggests that the distribution of brand Size will differ by brand Origin. In other words, SMEs and VLEs will not be equally distributed between domestic and foreign brands. The expectation was that the larger resourced foreign firms are more likely to be VLEs. The results of the Chi-square test are shown in Table two. As noted, the statistical test is significant ('*p*'=0.02) and offers support for H_R1. It appears that foreign firms are more likely than expected to be VLEs while domestic firms are more likely than expected to be SMEs.

Table 2
CROSS-TABULATION OF SIZE AND BRAND ORIGIN

Origin		SMEs	VLEs	Total
Domestic	**n**	**19**	**0**	**19**
	Expected n	**16.1**	**2.9**	
Foreign	**n**	**14**	**6**	**20**
	Expected n	**16.9**	**3.1**	
Total				
	n	**33**	**6**	**39**
X^2 = 6.736, '*p*' = 0.009, Fisher's Exact Test: '*p*' = 0.020				

Note that Table three reveals the averages of the marketing variables for Size, Origin, and combinations of Size and Origin.

Table 3
ORIGIN AND SIZE MEANS

Brand Origin	Outlet Category	USERS Mean	PEN Mean	RET Mean	PREF Mean	SAT Mean	TIME Mean	MSHARE Mean
Domestic	**SMEs**	63.8	0.1384	0.6178	0.163	6.38	95.84	0.0096
	VLEs	n/a	n/a	n/a	n/a	n/a	n/a	n/a
	Total	63.8	0.1384	0.6178	0.163	6.38	95.84	0.0096
Foreign	**SMEs**	165.9	0.3391	0.7168	0.33	6.58	83.07	0.0147
	VLEs	345	0.6377	0.8157	1.161	7.09	120	0.1022
	Total	219.7	0.4287	0.7464	0.579	6.74	94.15	0.0409
Total	**SMEs**	107.2	0.2235	0.6598	0.234	6.47	90.42	0.0117
	VLEs	345	0.6377	0.8157	1.161	7.09	120	0.1022
	Total	143.7	0.2872	0.6838	0.377	6.56	94.97	0.0256

The expectations for hypotheses H_R2 regarding brand Size were that, for penetration, retention, preference ranking, time-in-market, and market share, the VLEs will be greater. The null hypothesis (unstated) was that there are no differences regarding the indicators by brand size. In addition, the expectations for satisfaction were that the SMEs will be greater. These proposition(s) were tested using simple *t*-tests. The results for H_R2 are shown in Table four. As noted, for current users, penetration, retention, satisfaction, and market share, the VLEs were in fact significantly greater than the SMEs at a cutoff of 'p'=0.05 level, while the same is true for preferences at a cutoff of 'p'=0.10 level. No differences were found for months in the market between SMEs and VLEs. Therefore, support is mostly offered for H_R2.

Table 4
DESCRIPTIVE STATISTICS AND T-TESTS: SMEs VS. VLEs

Variables		N	Mean	*t*	d.f.	'*p*'	Finding
USERS	**SMEs**	**33**	**107.15**	**4.44**	**37**	**0.000**	**VLEs > SMEs**
	VLEs	**6**	**345**				
PEN	**SMEs**	**33**	**142.06**	**4.37**	**37**	**0.000**	**VLEs > SMEs**
	VLEs	**6**	**400.83**				
RET	**SMEs**	**33**	**0.66**	**2.71**	**37**	**0.010**	**VLEs > SMEs**
	VLEs	**6**	**0.82**				
PREF	**SMEs**	**33**	**0.23**	**2.27**	**5.19**	**0.070**	**VLEs > SMEs ***
	VLEs	**6**	**1.16**				
SAT	**SMEs**	**33**	**6.47**	**2.04**	**37**	**0.048**	**VLEs > SMEs**
	VLEs	**6**	**7.09**				
TIME	**SMEs**	**33**	**90.42**	**0.85**	**37**	**0.403**	**none**
	VLEs	**6**	**120**				
MSHARE	**SMEs**	**33**	**0.014**	**3.71**	**37**	**0.001**	**VLEs > SMEs**
	VLEs	**6**	**0.091**				

*** Significant at '*p*'=0.10**

The expectations for hypotheses H_R3 regarding brand origin were that for current users, penetration, retention, preference ranking, and market share, the foreign brands will be greater. The null hypothesis (unstated) is that there are no differences regarding the indicators by brand origin. The expectations for satisfaction and time-in-market were that the domestic firms will be greater. This was tested using simple t-tests. The results for H_R3 are shown in Table five. As noted, significant differences exist for five of the seven variables, where, in each, the foreign brands are significantly greater than the domestic brands. Therefore, support is offered for H_R3. The results were mostly as expected, especially regarding foreign brands.

DISCUSSION AND CONCLUSIONS

One can look to Gray and Mobey's (2005) study of European large and small companies where the large ones are, firstly, more competitive because they prepare their management to be competitive globally and, secondly, have a better strategic approach. As such, the larger brands outperform the domestic brands when venturing abroad into their markets. Take, for example, the Kuwait fast food sector, where foreign companies have relegated Hungry Bunny, Al Batrig, and Naif Chicken chains (domestic brands) to the peripheries, even though those domestic firms were the first in the market.

Table 5 DESCRIPTIVE STATISTICS AND T-TESTS: DOMESTIC VS. FOREIGN							
Variables	**Group**	**N**	**Mean**	***t***	**d.f.**	**'*p*'**	**Finding**
USERS	**DOM**	**19**	**63.84**	**3.89**	**32.74**	**0.000**	**Int'l > Domestic**
	INT	**20**	**219.65**				
PEN	**DOM**	**19**	**0.138**	**4.24**	**33.49**	**0.000**	**Int'l > Domestic**
	INT	**20**	**0.429**				
RET	**DOM**	**19**	**0.618**	**3.19**	**37**	**0.003**	**Int'l > Domestic**
	INT	**20**	**0.746**				
PREF	**DOM**	**19**	**0.163**	**2.39**	**37**	**0.022**	**Int'l > Domestic**
	INT	**20**	**0.579**				
SAT	**DOM**	**19**	**6.38**	**1.56**	**37**	**0.126**	**none**
	INT	**20**	**6.74**				
TIME	**DOM**	**19**	**95.84**	**0.07**	**37**	**0.947**	**none**
	INT	**20**	**94.15**				
MSHARE	**DOM**	**19**	**0.008**	**2.11**	**37**	**0.042**	**Int'l > Domestic**
	INT	**20**	**0.043**				

The purpose of this study was an exploratory investigation into the effects of brand size (VLEs versus SMEs) and brand origin (domestic versus foreign) on a variety of marketing-related performance measures in a Middle Eastern market. The outcomes or marketing performance indicators under study were number of customers, penetration into the market, retention of customers, preference of customers, satisfaction, and market share. Also included was timing of entry, as measured by months-in-the-market, an indicator of entry strategy. Both brand origin and brand size are related to the marketing performance measures in most of the seven items, suggestive of the relevance of firm size and country-of-origin to strategy and competition.

Regarding firm size, the results show that VLEs are better performers than SMEs on the number of customers, penetration into the market, retention of customers, preference of customers, satisfaction, and market share, but not time-in-market. Smaller firms did not outperform larger firms on any of the seven measures. This appears to support the idea that larger firms have competitive advantages over smaller firms, possibly due to better resources and management systems or even a better implementation of marketing thought.

Regarding brand origin, the results show that foreign firms are better than domestic firms on the number of customers, penetration into the market, retention of customers, preference of customers, and market share, but not customer satisfaction or time-in-market. Domestic brands did not outperform foreign brands on any of the seven measures. This appears to support the idea that international firms have competitive advantages over domestic firms, possibly due again to these better resources and management systems or even a better implementation of marketing. It may be that a popularity effect is relevant here, where the foreign brands are more well-known and possibly better perceived than the domestic brands.

Additionally, it was also shown that foreign firms are more likely to be VLEs, while domestic firms are more likely to be SMEs. Therefore, in this market, foreign firms are generally larger and exhibit similar advantages to those of the VLEs. As was noted, VLEs seem to outperform SMEs, foreign firms outperform domestic firms, and foreign firms are more likely to be VLEs. To this we venture to add that these small domestic firms are more likely to be traditional coffee shops with a local flavor, while the larger foreign firms are likely to be modern franchised coffee shops. This raises the question as to how they differ.

For one thing, they differ in the function they serve, as well as the clientele. We suspect the domestic coffee shops are most likely frequented by the older generations of both genders who go there to pass the time in their traditional daily afternoon outings, to meet their friends, and generally to socialize. It is not a reach to suggest that the younger generations are more likely to frequent the newer-style, modern, mostly foreign cafes. These younger consumers are more affluent and more demanding than their parents at the same age, and have money to spend outside the home on coffee nearly every day if they so choose. In addition, with the population of Kuwait under the age of thirty now comprising approximately two-thirds of the entire population, the fact that the large younger generation prefers international franchises could partly explain why foreign brands are shown to outperform domestic brands.

Another point is that the product lines often differ between the mostly smaller domestic cafes and the larger international cafes. Domestic brand coffee shops serve mostly a limited number of hot drinks, while foreign brands have a broader product line. This larger assortment offering by internationals may include desserts, foodstuffs, candy, and pastry across the board, too. The availability of internet services, as well as places to gather for studying or meetings, are most often available at foreign coffee shops, but rarely at local ones. In addition, the lower prices often offered in domestic coffee shops may actually be a disadvantage given the image conscious Kuwaiti consumer.

It is also possible that foreign firms are more likely to be VLEs because the internationalization process itself is a stage in the growth of firms; a stage not yet reached by the smaller domestic firms. As the domestic brands have not yet grown to the point of saturating the domestic market, there is still time before (and if) the domestic coffee shops will look outside the Kuwait borders for more geographical markets and growth. Whereas, the foreign firms have already passed that stage.

In summary, the statistical tests revealed some general pieces of information. First, VLEs are more likely to be foreign firms rather than domestic firms in the coffee shop business. It seems likely that the route to VLE-status is that an already large international brand sees an opportunity and enters later, since no first-mover differences appear between VLEs and SMEs. The idea that first-mover domestic firms continually innovate and focus on customers to grow into VLEs does not appear to hold in this sector.

Second, VLEs exhibit greater marketing performance than SMEs in nearly all marketing performance items. SMEs appear to have few to no advantages in marketing performance over VLEs. Larger firms may use their competitive advantages and greater resources to take actions to develop and manage customer relationships in ways that smaller firms cannot. Larger firms seem to penetrate the market better. Better penetration is then met with higher satisfaction, which combines with marketing tactics to result in greater customer retention. Better retention then leads to a larger customer base that has higher preferences and loyalties than do the customers of smaller firms. In the end, these advantages and actions lead to better performance in the area of market share.

Third, foreign firms appear to have nearly as large an advantage over domestic firms on the marketing performance indicators as do VLEs over SMEs. Specifically, the number of users, penetration rates, retention rates, preferences, and market share are greater for foreign firms. Greater brand preference in international-brand customers may be due to investment in brand image over a longer brand life. International brand images spill into even far away markets nowadays due to the prevalence of the internet and international television and global radio stations, all of which carry advertising and publicity related to companies around the globe. Market share advantages of foreign brands may be due to a popularity effect, where potential customers in social consumption situations for products or services are likely to buy a famous or well-known brand to reduce any perceived social or economic risk.

Regarding the time/months in the market outcome, the assumption that successful domestic brands would have entered the market prior to foreign brands was not found to be true. It may be in the case of Kuwait that, rather than see domestic firms develop and grow a market and then the global firms enter and take advantage of the opportunities, both domestic and foreign firms saw the opportunities and entered as they saw fit. The same might be assumed with smaller and larger firms.

Also, the assumption that domestic companies may have better local market knowledge and be able to offer more-tailored products and services does not appear to hold in this sector of the market. No differences were found between domestic and foreign brands, suggesting domestic firms have no advantages in this area. Additionally, large firms exhibited higher satisfaction levels and, even though no differences on satisfaction were evident between domestic and foreign firms, since most large firms were foreign, one can only assume that there is some competitive advantage for large international firms leading to better customer satisfaction. Better design or popularity may be possible explanations.

Although the study provides interesting detail on the characteristics of the Kuwait retail market environment, there are several limitations on the findings of this study. First, coffee shops are only a single service category in retailing. Investigations into other categories, both in services and products, would greatly improve the confidence in our findings. Second, the study is limited to a relatively small number of firms. Industries with a larger number of competitors should be studied. Third, external validity is limited by focusing only on Kuwait, albeit an important geographical market in this region. Future studies should include other countries in this region and other countries and regions in general. Finally, the absence of any domestic VLEs has eliminated the possibility of studying interactions between firm size and country-of-origin.

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