

DETERMINANTS OF TRADITIONAL KOPITIAMS SURVIVAL IN BERCHAM, IPOH, MALAYSIA: A PERSPECTIVE FROM KOPITIAM OWNERS AND FOOD STALL OPERATORS

Wai Choong Foo¹, Owee Kowang Tan² and Chin Fei Goh³

^{1,2 & 3} Faculty of Management,
Universiti Teknologi Malaysia, Skudai 81310, Johor

Abstract

There is a lack of knowledge about the determinants of local small food operator survival especially the traditional kopitiam. The present study was conducted (i) to investigate the survival determinants of traditional kopitiams in a city and (ii) to determine the perception of traditional kopitiam owners about modern coffee shops. This exploratory study was based on the kopitiam operator's perception and conducted through unstructured interviews and the sample of this study were ten kopitiam owners and ten food stall operators in Bercham, Ipoh. Data analysis of the study was divided into two parts. The first part of analysis indicated that modern coffee shops were strong in providing services, facilities and it will pose a threat to traditional kopitiams. The second part of analysis indicated that the kopitiam survived as long as the net profit cover their operation costs. In additional, low operation cost and customer loyalty were vital for a kopitiam to survive. The other determinants enable traditional kopitiams to survive includes customer service, location, self-involvement, original cuisine, original drinks, food stall renters and keeping prices low. In conclusion, kopitiam operators must understand and find ways to exploit opportunities that will be encouraged the business's long-term survival.

Keywords: Malaysian traditional kopitiam, determinants of survival and competition.

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Introduction

The food service sector in Malaysia is highly fragmented with a large number of small to medium sized players in the market. Coffee shops, hawker food and drinks stalls make up the popular food service sector in Malaysia. This is because they offer cheap local taste foods (Stanton et al., 2000). The local coffee stalls are called kopitiam where Tiam means shop in Hokkien, a Chinese dialect. Most of the early kopitiams were started by the Hainanese Chinese. The kopitiam has a line-up of traditional hawker favourites and considered a good place for a good quick meal. There are many kopitiams in Malaysia that are over 50 years old and most of them are carrying on their forefathers' profession. Therefore they have become a part of Malaysia's culinary heritage. According to Tan (2007), people keep visit these old favourite shops not just for their culinary offerings, but also for the history lessons.

The development of modern cafes may have ruined the Asia's taste for the local brewed coffee and switched to more expensive. With the increasing growth of modern coffee shops in Malaysia, the traditional kopitiam face considerable challenges in the era of modern coffee shops. It is similar to the study by Purohit and Kavita (2009) about survival strategy for traditional retailers in the era of modern retailing. According to Ahmad *et al.*, (2005), traditional coffee stall may not able to provide better service and a convenient environment for the customers if compared to the modern coffee shops. Consumer-buying behavior had changes due to Malaysians becoming more westernized, sophisticated and cosmopolitan (Lee, 2004). Nowadays, a growing number of middle and higher income groups entertain themselves at middle to high end restaurants (Stanton *et al.*, 2000).

Moreover, traditional kopitiam are also facing internal problems such as less young generations have chosen to remain in their family business or run their father's coffee shop. According to Heck and Trent (1999), the survival rate of family firms beyond the founder's generation is extremely low. According to Han (1970 and 1975), younger generations are dissatisfied with the coffee shop which they consider to be an occupation of low social standing, have causes Hailam youths to enter the middle class profession such as white-collar clerical work and the teaching profession. However, there are still many historical kopitiam that are now in its second or third generation (Lindt, 2009). In Malaysia, hot kopi is still the best preserved compare to Western coffee (Ku, 2009), people still love to eat at traditional kopitiam in Malaysia (Huang, 2010). Many traditional kopitiam believe that most regulars remain loyal is just because of their traditional kopitiam fare.

In Malaysia, younger populations are larger proportion (Department of Statistical Malaysia, 2010) so they are the important consumer. The findings of this study will lead to a better understanding of the survival factors that enable traditional kopitiam to continue their business in this new age. A large portion of the food service businesses were located in urban centre (Thompson, 2009). So it is important to investigate how traditional kopitiam are able to survive against the other food sector competitors in the food sector in the urban areas and how they could maintain the local coffee culture. The results of this study will not only contribute to the pool of knowledge about survival factors of traditional kopitiam. This study also revealed the perception of traditional kopitiam owner toward the modern coffee shops.

1. Literature Review

Factor that enable traditional kopitiam survive

1.1. Location

Location and demand are the most important factors in determining market (Bell *et al.*, 2008). Generally, the best location of a restaurant depends on its customer target and scope. In addition, geographic concentration reduces uncertainty for businesses as well as for consumers (Weber 1972). Due to of the principle of least effort of information search (Zipf, 1949), customers tend to shop at clusters, where supply is concentrated. Therefore, restaurant can benefit from close proximity to competition and restaurants are often located in clusters to attract more customers and hence growth as in a "restaurant row". According to Ho (2004), the downtown area is a prime location due to the large number of nearby office buildings.

Central downtown workers and downtown residents, who either walk to work or work at home form a strong customer base for the small diner. Additionally, a mass transportation system, convenient banking services, transportation and grocery stores are available downtown. This suggests that high density areas are devoted to a few activities that are generating high returns.

1.2. Internal Environment

There are three main ethnic groups in Malaysia, namely Malays, Chinese and Indians. Each has its own specialties with regards to traditional cuisine (see appendix I). The most authentic experience of Malaysian cuisine can be found in Kopitiam (Zanina, 2009). A trend that has hit Malaysia is the kopitiam fad, a more up market version of the traditional Chinese coffee shops. Kopitiam are found on virtually every street in the city center. Broadly, vast variety of foods sold in kopitiam can be categorized by type of meal (breakfast, lunch, dinner or supper), although their items overlap tremendously and people may eat any kind of food and in any kind of combination at any time of the day (Lai, 2010). The kopitiam is the place where individuals get a meal at any time of the day.

According to Boardman *et al.*, (1981), a small type of restaurant's propensity to fail actually increases because of the ensuing financial stresses. These financial stresses include a high cost of goods sold, debt, and relatively small profit margins (Gaskill *et al.*, 1993). Usually a small restaurant like kopitiam has no large share or investment from other financial institution. Kopitiam owners rely on their personal asset to support their business. Generally, the financial structure of a kopitiam mainly depends on its income and expenses. The expenses and the income sources of a kopitiam are obviously similar to other small restaurants. The typical expenses of small business are shop space rental, maintenance, shop equipment, utilities (phone, electricity, heat, water), shop supplies, labor, insurance and business licenses.

According to Worku (2009), lack of efficiency in managerial and technical skills is well-known problem that stifles the growth and development of the small enterprises. The critical factors cited by failed restaurateurs as contributing to their restaurants failure were owner-manager characteristics, including attitudes, expectations, control, knowledge, skills, and ambition (Parsa *et al.*, 2005). In fact, owner will be responsible for keeping the financial records, paying payroll and other bills, ordering supplies, managing advertising, and filing taxes (Bell *et al.*, 2008). However, traditional kopitiam usually do not have a clear and systematic record system to record their goods sold. According to Gaskill *et al.* (1985), poor management can be connected to poor financial conditions, inadequate accounting records, limited access to necessary information, and lack of good managerial advice. Hard work, long hours and low wages in the kopitiam and food stall trade mean a loss of culinary skills and secrets when stallholder's children are reluctant to take over their parent's trade (Lai, 2010). As a result, some stalls have closed when their operators retired.

Intangible cultural heritage refers to customs and traditions of particular society or ways and means of behavior in the society that reflect the cultural and social identity of a community. It includes social values and tradition, customs and practices, family values, cultural habits such as wedding, marriage and delivery, drink, medicine and curing and marriage and delivery to name a few, that distinguishes the society from others (Brennan,

2005). Traditional cuisine is an example of intangible cultural heritage. It covers those aspects that are unique to a particular culture in terms of the ingredients, preparation methods, dishes, or services of foods. This type of cultural heritage is difficult to preserve than physical object as it concerns the values, beliefs, behaviors and rules of the society which is difficult to measure (Shariff *et al.*, 2008). Kopitiam provide many traditional cuisines and drinks. The “Hainanese kopitiam” has been the foundation in ‘tradition’ and ‘heritage’ (Lai, 2010).

Family life cycle may influence the survival of such traditional kopitiam. Family can add resources to the business in various ways, through financial, labour, intellectual, cultural, and trust capital facilitating the decision making and governance processes, thus providing the family business with an advantage over its competitors (Arregle *et al.*, 2007). Successful owners were either good at balancing their family and work lives or they were not married (Parsa *et al.*, 2005). Therefore, family situation drives the owner’s decision either to grow, change, or leave the business.

1.3. External Environment

There are new and hybridised versions of kopitiam such as cafes, food courts and food ‘villages’ being set up in housing estates as well as shopping malls, stations, and other strategic locations throughout any corner (Lai, 2010). These coffee shops serve value-for-money food and beverage in comfort and provide free WIFI service spots to meet the needs of urban youths today (Aziz and Ghazali, 2010). As a result, some of the old kopitiams remain but no longer play a significant role in the society, except in small towns which far from the nation’s glittering capital.

Government policies also affected the traditional kopitiam business. For instance, government’s subsidy cuts will drive consumer prices higher in the second half of the year (Idris, 2010). Hence most of the restaurants are affected by the subsidy reductions especially the traditional family-run businesses. Increase in the price of sugar would create a domino effect on other things, which would subsequently have an impact on consumers. Coffee shops have a high demand for sugar. These would have a great impact on small coffee shops businesses.

2. Methodology

The data are collected from primary sources (data interview and questionnaire) and secondary data (journals, magazines, news articles, books, internet and other documented materials). Twenty respondents (kopitiam owners and food stall operators) from ten kopitiams in Bercham, Ipoh, were randomly chosen to undergo the interview and a set of questionnaire was used to determine the perception of traditional kopitiam owners about modern coffee shops was distribute to each respondent simultaneously. A set of questionnaire containing 26 items was divided into two sections: demographic information and the perception of traditional kopitiam owners and food stall operators about modern coffee shops. A five-point Likert scale was used. All the measures are reliable with Cronbach’s Alpha values higher than 0.7 (Nunnally, 1978). Data collected from questionnaires were then analyzed using

SPSS version 16.0. Descriptive statistics are in the form of mean score, percentage and frequency. Besides that, about 60 minutes of each interview were conducted. All interviews were recorded and subsequently transcribed to build on the findings of this study.

3. Data Analysis

There were a total of 20 respondents, half which were kopitiam owners and the half were food stall operators who participated in this study. The percentages for the female respondents are higher than male respondents by 5%. There were 60% of the respondents aged above 56 years old. Next, 90% of the respondents were married and the rest of the respondents were divorced. Most of the respondents (65%) in this study have a family size of less than five persons. Most of the respondents (60%) had primary education and the rest of the respondents (40%) were had secondary education. The respondents have a sufficient experience in the kopitiam business since 55% of them had at least ten years of experience work in the kopitiam.

4.1 Findings from Questionnaire

Based on Table 1, both kopitiam owners and food stall owners from traditional kopitiam indicate a high level of perception toward the services and physical facilities provided by modern coffee shops. The elements of each dimension are showed in Appendix II. Most of them believed that the WIFI service provided by modern coffee shops is able to raise the number of customers and the amount that the customers spend at their shops. On the other hand, both kopitiam owners and food stall owners from traditional kopitiam were a neutral in perception toward the products provided by modern coffee shops. They have to differentiate themselves from the modern coffee shop in terms of drinks and original cuisines. However, kopitiam owners and food stall operators have different views on the impact if the modern coffee shops were increased, and especially located close to them. Food stall operators felt that they were competing with modern coffee shops as the customers nowadays prefer a comfortable (air-conditioning) place to eat.

Table 1: Perception of Traditional Kopitiam Owners and Food Stall Operators of Modern Coffee Shops

Dimension	Kopitiam Owners		Food Stall Operators	
	Mean average	Level of Agreement	Mean average	Level of Agreement
Services	3.51	High	3.56	High
Products	3.32	Neutral	3.30	Neutral
Physical Facilities	3.69	High	3.52	High
Impact on Traditional kopitiam	3.32	Neutral	3.72	High

4.2 Findings from Interviews

Generally, all of the businesses were family based business. Most of the kopitiam were run by a couple while most of the food stalls involved a whole family. Sixty percent of the respondents felt that the reputation of their current business in kopitiam was considered as good. The majority of the respondents (80%) said that their business was better in the last five years ago. Low competition in the food services industry and customer loyalty was the major reasons for the better business in the past.

Moreover, there was less similar kopitiam operating at that time and they able to withstand competition by offering original cuisines. Nearly all of the respondents (95%) said that inflation and the competition from similar kopitiam were most risks that they may be facing five years from now. These respondents feel that, it might be the direct threat of being many similar kopitiam opening nearby.

Furthermore, almost all the of the interviewees (19 respondents) feel that government policies can affect the survival of kopitiam business and only one thought otherwise. The two major factors were reduction in the subsidy and inflation. The kopitiam owners and food stall operation need to pay more for their supplies. Only 10% of the respondents have ready with a future account for their business's savings. Most of the respondents think that they would not need financing as the profits from the sales were sufficient to cover its expenses.

In addition, 90% of the respondents said that low operation costs and customer loyalty were two important elements that will enable the kopitiam survive in the long term. Respondents said that increasing family involvement and employing part time worker can reduce the cost of operation. The respondents also believed that regular customers play an important role in spending and introducing the kopitiam's cuisine to the other customers.

Moreover, 80 percent of the respondents felt that good customer service and location were important. And it is important that the workers need to remember the customer's preferences. For example, to increase the variety of foods and drinks, improve the service, innovate their foods and drinks, develop some new ideas on their products.

4. Conclusion

In conclusion, this study indicates that the factors that enable a kopitiam to survive are more related to internal factors than the external factors. Such attributes as financial structure (profitability), management (price keep low and low expenses, self-involvement, reputation (original cuisine), customer service, customer loyalty. On the other hand, the external factors such as inflation, competition (from similar kopitiam) and government's role have been affected the business of traditional kopitiam. Figure 1 shows the finding on perception of kopitiam operators (owners and food stall operators) of this study.

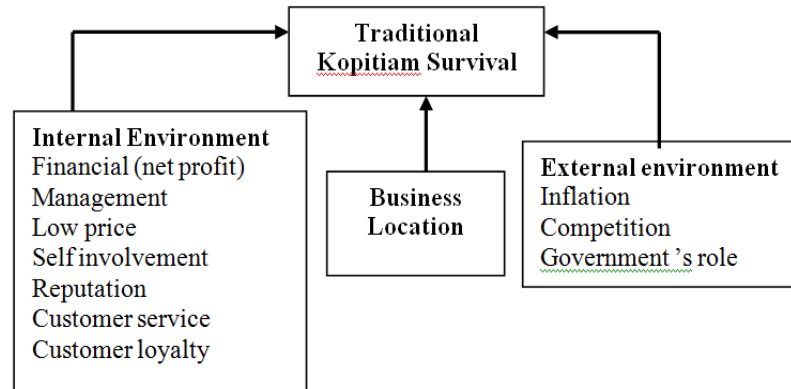


Figure 1: Finding on Perception of Kopitiam Operators (Owners and Food Stall Operators)

5. Recommendations

6.1 Recommendations to the Kopitiam Owner and Food Stall Renter

In order to survival, kopitiam could use less permanent workers or increase family involvement as well as employ part time workers as it is an effective way to cut down expenses. Low expenses and good cash flow in their business can help them avoid the need for borrowing. In order to increase the customer loyalty, kopitiam workers could increase their friendly language in services and traine to remember the customer's preferences.

As a suggestion, the kopitiam operators could seek other parties to acquire a portion of share in order to make sure they have someone to take over the business. Moreover, they should not use the business money for their personal use, but they could receive their income from the profits.

Besides, they are responsible for keeping the financial records, bills and ordering supplies (Bell *et al.*, 2008). Therefore, the kopitiam operators could involve themselves in preparing financial record, preparing food and drinks and customers services.

Lastly, Jogaratnam *et al.*, (1999), suggested that independent restaurant owners must develop strategies that enable them to find ways to exploit environmental opportunities. For example, they could develop some new ideas on their product by adding new flavor in their foods and drinks and needed maintenance such as re-painting the shop at least once a year.

6.2 Recommendations to the Future Research

Firstly, it is recommended that future studies be conducted with larger sample size to test the accuracy of this study. It is also recommended that future study should be widened its scope of study from Bercham to the whole of Ipoh area. A wider scope of study with a larger sample size will provide a better picture and more precise outcome on the survival factors for the kopitiam. Hence, the validity of this study can be confirmed. Secondly, it is recommended that future studies look into and compare the survival factors of the family-run kopitiam with non-family-run kopitiam. Furthermore, this study also does not include the views of the most important people to the survival of the business: the customers.

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APPENDIX I

Malay food

- Mee rebus - a famous noodle dish which consists of mee (a spaghetti like mixture of flour, salt and egg) served with a tangy, spicy and sweet potato-based sauce. It is sometimes also called mee jawa, perhaps as a nod to its Javanese origins.
- Nasi Lemak - rice steamed with coconut milk
- Nasi goreng - fried rice. Nasi goreng kampung is a typical variant, traditionally flavored with pounded fried fish (normally mackerel), though recently fried anchovies are used in place of it.

Malaysian Indian food

- Banana leaf rice is white rice served on banana leaf with an assortment of vegetables, curry meat or fish.
- Fish head curry - a dish where the head of a fish (usually ikan merah, or literally “red fish”).
- Roti canai - a thin bread with a flaky crust, fried on a skillet and served with condiments. It is sometimes referred to as roti kosong.
- Mamak rojak - a variant of rojak consisting of substantial ingredients like boiled potatoes and hard-boiled eggs.

Malaysian Chinese food

- Char Kway Teow - stir fried rice noodles with prawns, eggs (pork or chicken), chives and beansprouts. Usually, with an option of cockles as well.
- Curry Mee - bowl of thin yellow noodles mixed with beehoon (rice vermicelli) in spicy curry soup with coconut milk with dried tofu, prawns, cuttlefish, chicken, mint leaves and topped with a special sambal.
- Hainanese Chicken Rice - steamed chicken served with rice cooked in margarine or chicken fat & chicken stock and chicken soup
- Kaya toast or Roti bakar - a traditional breakfast dish. Kaya is a sweet coconut and egg jam, and this is spread over toasted white bread. Traditionally served with a cup of local coffee/tea and soft-boiled eggs in light/dark soya sauce and ground white pepper.
- Rojak - fruit salad with a topping of thick dark prawn paste and some sliced fried ‘yau cha kwai’.

Figure 3: List of Traditional Cuisine in Malaysia
Source: Alexander (2006)

APPENDIX II

Table 2 Perception of Traditional Kopitiam Owners and Food Stall Operators of Modern Coffee Shops in Term of Services

Elements	Kopitiam Owners		Food Stall Operators	
	Mean average	Level of Agreement	Mean average	Level of Agreement
Services				
1. Modern coffee shop workers are experienced (able to promote or introduce the foods and drinks that satisfy the customers).	3.24	Neutral	3.80	High
2. WIFI service provided by modern coffee shops is able to raise the number of customers and the amount that customers spend at their shops.	3.72	High	3.88	High
3. Modern coffee shops provide faster and more efficient placing and delivering of an order service to customers.	3.32	Neutral	3.00	Neutral
4. It is good that modern coffee shops offer multiple technology enabled touch points to the customers to communicate their feedback, complaints and grievances (web site and call center).	3.56	High	3.56	High
5. Modern coffee shops are successful because they able to provide high quality services.	3.72	High	3.48	High
Total Average	3.51	High	3.56	High

Table 3 Perception of Traditional Kopitiam Owners and Food Stall Operators of Modern Coffee Shops in Term of Products

Elements	Kopitiam Owners		Food Stall Operators	
	Mean average	Level of Agreement	Mean average	Level of Agreement
Products				
1. Modern coffee shops are able to provide the drinks and foods that similar to traditional kopitiams.	3.00	Neutral	2.60	Neutral
2. Modern coffee shops provide a wider range of foods compared to traditional	4.20	High	4.28	High

kopitiam.				
3. Modern coffee shops are able to provide similar original recipes of local favourites.	2.60	Neutral	2.92	Neutral
4. Modern coffee shops provide a greater variety of coffees compared to traditional kopitiam.	4.28	Very high	4.12	Very high
5. Modern coffee shops are able to provide a better tasting cup of local coffee.	2.52	Low	2.60	Neutral
Total Average	3.32	Neutral	3.30	Neutral

Table 4 Perception of Traditional Kopitiam Owners and Food Stall Operators of Modern Coffee Shops in Term of Physical Facilities

Elements	Kopitiam Owners		Food Stall Operators	
	Mean average	Level of Agreement	Mean average	Level of Agreement
Physical Facilities				
1. Modern coffee shops are able to attract more customers by providing interior comfort (air-conditioned, noiseless environment).	4.28	Very high	4.20	Very high
2. Modern coffee shops are able to attract more customers by providing beautiful interior.	4.04	High	4.04	High
3. Modern coffee shops have more strategic locations (shopping malls and stations) that enable them to increase the number of customers.	4.12	High	3.88	High
4. Modern coffee shops are able to provide sufficient space for crowd (flexible space arrangement, extra chairs and tables).	1.88	Low	2.04	Low
5. Modern, ambience, comfort and beautiful physical facilities are the major factors for a modern coffee shop to be successful.	4.12	High	3.42	High
Total Average	3.69	High	3.52	High

Table 5 Perception of Traditional Kopitiam Owners and Food Stall Operators of Modern Coffee Shops in Term of Impact on traditional kopitiam

Elements	Kopitiam Owners		Food Stall Operators	
	Mean	Level of	Mean	Level of

	average	Agreement	average	Agreement
Impact on Traditional kopitiam				
1. The modern coffee shop is a strong competitor to the traditional kopitiam.	3.40	High	3.16	Neutral
2. Traditional kopitiam's sales revenue will decrease, if the modern coffee shops are located close by.	3.72	High	3.88	High
3. Traditional kopitiam need to innovate (marketing and promotion strategy) in order to stay competitiveness.	2.60	Neutral	3.40	High
4. Traditional kopitiam can benefit from close proximity to modern coffee shop.	3.24	Neutral	3.64	High
5. Traditional kopitiam business will not be affected even if the number of modern coffee shops increased.	3.64	High	3.72	High
Total Average	3.32	Neutral	3.72	High