

# CHAPTER I INTRODUCTION

## 1.1 Research Overview

### 1.1.1 Company Profile



**Figure 1. 1**  
**Starbucks Logo**

*Source: Google.com*

Starbucks Coffee Indonesia opened its first store in Plaza Indonesia, 17 May 2002. As of January 2018, Starbucks Coffee Indonesia is now in 326 different locations all around major cities (22 cities), connecting to Indonesians one cup at a time. Back home in our tasting room, we take these amazing coffees and mix them with beans from other regions. That’s how we create some of our most famous blends, like Starbucks Pike Place Roast. We love all of these single-origin coffees and blends. More than that, we love to share our passion. So each day we feature one of these outstanding brewed coffees for you to enjoy (Starbucks, 2022).

#### 1.1.2 Purpose of The Company

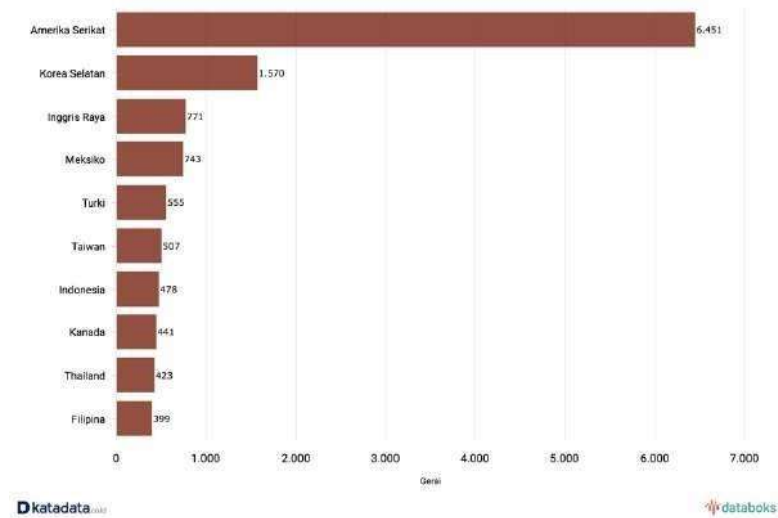
According to (Starbucks, 2022) the mission of Starbucks it self is “To inspire and nurture the human spirit— one person, one cup and one neighbourhood at a time.” And which always held in high esteem within these values are :

1. Creating a culture of warmth and belonging, where everyone is welcome. That means employees are required to be able to provide an experience that can make customers feel comfortable.

2. Acting with courage, challenging the status quo and finding new ways to grow our company and each other. With support of Technological advances that have an impact on life create the adaptations needed to make Starbucks a connected place.
3. Being present, connecting with transparency, dignity and respect which makes the work environment on the basis of a very professional work
4. Delivering our very best in all we do, holding ourselves accountable for results. To work with full loyalty and sincerity for good output **We are performance driven, through the lens of humanity.**

## **1.2 Research Background**

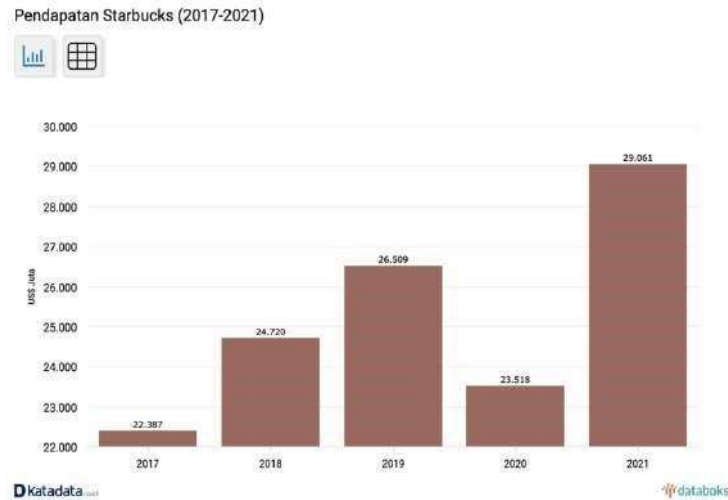
Nowadays, the coffee place is one of the destinations to hang out or do a job, and not a few people are active to do a job that indirectly must be accompanied by a cup of coffee, whether working alone or with relatives, coffee lovers make a cup of coffee an obligation to facilitate its performance so that the work is completed faster. And the proliferation of coffee shops from large corporate coffee shops, local companies or MSMEs provides so many advantages in terms of location, coffee taste, and the promotions section for potential buyers to consider the selection of the coffee place to be decided. Starbucks may be called a pioneer coffee shop that can be called "successful" to bring coffee to the wider community and become a warm companion to gather with relations or work. With a friendly concept, Starbucks has become an environment that deserves to be called the most crowded coffee place because of its existence which makes a paradigm in society regarding the relationship between coffee and coffee shops. Based on data from Databoks in figure 1.2, it shows that the existence of a Starbucks coffee shop in Indonesia is undeniably ranked number 7 with the most Starbucks outlets in the world with 478 outlets in 2021. (Katadata, 2021)



**Figure 1. 2**  
**10 Countries with the Most Official Starbucks Outlets (QIII-2021)**

Source: Databoks 2021

Having 32,844 outlets around the world (Katadata, 2021), Starbucks certainly has experienced a change in terms of revenue that occurred in 2020 when the COVID-19 pandemic hit. The COVID-19 pandemic has had a profound impact on all sectors of the economy in Indonesia and around the world. Starbucks experienced a very significant decline from 2019 to 2020. Based on data from Databoks in figure 1.3, it shows that Starbucks coffee jumped up by US\$6000 after dropping in 2020 to US\$23,000 when Covid-19 hit and in 2021 earning around US\$29,000 in revenue. This very significant decline occurred due to a lack of enthusiasts during the pandemic and several outlets in 79 countries had to close due to the pandemic that hit in 2020. 2021 is a very good start for Starbucks coffee because the economic recovery that supports Starbucks has made Starbucks again one of the coffee shops the best choice for society.



**Figure 1.3**  
**Starbucks Earnings 2017-2021**

*Source: Databoks 2021 (accessed 2022)*

Strong economic growth at Starbucks certainly has benefits in terms of the economy and the welfare of the company. And Starbucks is one of the coffee shops that is often chosen by the community for the advantages that are desired by the community, the community also contributes to providing an assessment in terms of the performance of the services provided and other parameters. Top brand awards become one of the platforms for assessment, and Top brands also focus on coffee places that the wider Indonesian community likes to visit. The three parameters are: Mind Share, Market Share & Commitment Share (Top Brand Award, 2019). Top brands conducted a survey of the coffee shops that most popped up in the community, including Starbucks, Coffee Bean, Excelso and many more categories that were chosen from both online and offline terms. After a survey conducted by Top brands, Starbucks became the favorite or winner of the Top brand survey with 49.2% voting for Starbucks, 10.3% for Coffee Bean, and 7.5% for Excelso. Based on data from Top brand index that Top Brand Awards conducted in figure 1.4, it shows Starbucks superior to 2 other competitors and become number 1 in the Top brand index category for the second quarter in 2022. (Top brand, 2022)

## TOP BRAND INDEX FASE 2 2022

### CAFÉ KOPI

BRAND	TBI 2022	
Starbucks	49.2%	TOP
The Coffee Bean & Tea Leaf	10.3%	TOP
Excelso Coffee	7.5%	

\* Kategori online dan offline

**Figure 1. 4**  
**Top Brand index Q2 2022**

Source: Databoks 2021 (accessed 2022)

The rapid development of industry and technology creates business opportunities as well as challenges for companies. The company basically seeks to obtain the maximum profit. Actions taken by the company to achieve this goal is to strive to continue to win the existing competition. This can be achieved through various strategies such as continuously optimizing product brand equity and maintaining each other's advantages over competitors. Manufacturers also need to pay more attention to the function of the product to meet the needs of its customers. The aim is to encourage consumers to buy products according to their needs and expectations, ensure that consumers are satisfied using these products and are loyal to the products produced by these companies.

The phenomenon of the rise of coffee shops also occurs in Bandung. Most of the coffee shops serve imported coffees at exorbitant prices. Even though historically, Bandung can be said to be one of the important areas of origin of coffee in Indonesia. In a short period of time, cafes have sprung up that serve coffee menus that are more accessible to all walks of life, Bandung has the advantage in building a culture and lifestyle of drinking coffee. The following is a list of coffee shop ratings in the city of Bandung in 2017-2018:

No	Nama Kedai Kopi	Lokasi	Rating
1	One Eight Coffee	Dago	4.6
2	Contrast	Riau	4.4
3	Sejiwa Coffee	Riau	4.3
4	Toko kopi Djawa	Braga	4.3
5	Old Ben's Garage & Coffee	Sarijadi	4.2
7	Blue Doors	Sumurbandung	4.2
8	Yumaju Coffee	Riau	4.2
9	Eugene The Goat	Dago Pakar	4.1
10	The Larder at 55	Sumurbandung	4.1
11	Ruckerpark Coffee & Culture	Pasirkaliki	4.0
12	Cups	Riau, Bandung	4.0
13	Mimiti Coffee & Space	Sumurbandung	4.0
14	Lacamara Coffee	Sumurbandung	4.0
15	Coffee and Jhon	Sumurbandung	3.9
16	Jack Runner Roastery	Ciumbuleuit	3.9
17	Lo.Ka.Si Coffee & Space	Dago	3.8
18	Stream Coffee	Dago	3.7
19	Starbucks Coffee	Dipatiukur	4.1
		Paris Van Java	4.0
		Pasir Kaliki	3.7
		Braga City Walk	3.7
		Buah Batu	3.6
		23 Paskal	3.6
		Cihampelas Walk	3.6
		Trans Studio Mall	3.6
		Graha Pos Indonesia	3.5
		Ciumbuleuit	3.2
Braga, Bandung	3.2		

**Figure 1. 5**  
**List of Coffee Shop Ratings in the City of Bandung**

Source: Zomato Indonesia

Starbucks is a coffee shop from the United States that opened its first outlet in Seattle, United States in 1971. And since then they have continued to grow and expand to 8,000 outlets worldwide. Until now the development of coffee shops continues to occur in all parts of the world. In Indonesia itself, there are many independent coffee shops that serve coffee and build their shops with different concepts. (www.biographypedia.com). Starbucks business began to slow down globally. This condition is reflected in the retailer's sales growth worldwide. Based on the performance report published on Thursday (25/1/2018), Starbucks sales growth was only two percent per the last quarter of 2017.



**Figure 1. 6**  
**Gen-z favorite hangouts in 2022**

Source: Top Brand Index 2022

The decline and failure to reach the target number of products sold could be due to several factors, namely external and internal factors. According to Kotler and Keller (2016: 161), the consumer behavior model explains that stimuli or stimuli come from information about products, prices, locations, and promotions. In service marketing, it is added with physical evidence, people, and process. Buyers are influenced by these stimuli, then by considering other factors such as economics, culture, technology, all of this information is entered, after that the consumer will process all of this information based on the psychology and characteristics of the consumer, then process the purchase decision and draw a conclusion in the form of a response which product appears. purchased, brand, store, and when or when to buy.

The author conducted an interview with a Supervisor from Starbucks, likely someone in a managerial or leadership role. During this interview, the Supervisor shared insights, observations, and experiences related to Starbucks' overall performance. This information could include aspects like customer trends, operational challenges, customer feedback, and changes in customer behavior. the phenomenon of "lowering performance overall" refers to a decline or reduction in Starbucks' overall performance indicators. This could encompass various aspects, such as decreased sales, lower foot traffic, declining customer satisfaction, reduced brand loyalty, or other relevant metrics that reflect a decline in the company's performance. The phenomenon of lowering overall performance could directly



influence the purchasing decisions of Generation Z customers in Bandung. Generation Z, as a digitally native and socially conscious demographic, often seeks authentic and unique experiences. If Starbucks' performance is declining, it might affect how Generation Z perceives the brand and its offerings. Further research might involve analyzing Generation Z customers' perceptions, preferences, and behaviors directly tied into the purchasing decisions of Generation Z customers in Bandung.

A business can achieve its main goal of maximizing profits by knowing the needs of consumers and being able to fulfill them more effectively and efficiently than its competitors. Therefore, business people need to understand consumers and how they behave so that it will be easy to develop marketing guidelines such as product development, pricing, determining sales channels, and promotions. In general, consumer behavior is an act of obtaining, consuming and spending products and services, including the decision processes that precede and follow these actions. Meanwhile, according to Dharmmesta & Handoko (2014) states that consumer behavior is the activities of individuals who are directly involved in obtaining and using goods and services, including the buying decision-making process in the preparation and determination of these activities.

According to Aaker (2009) states that brand equity is a set of brand assets and liabilities related to the brand, name and symbol, which increase or decrease the value of goods or services provided to the company and/or its customers. Brand equity can be divided into five elements, namely brand awareness, perceived quality, brand association, brand loyalty, and assets from other brand rights. Other proprietary brand assets) (Aaker, 2009). However, because the purpose of this research is the concept of brand equity seen from the consumer's point of view, while other proprietary brand assets are generally seen from the company's point of view. Therefore, other proprietary brand assets are not included. The competition that occurs between producers in optimizing the brand equity of their respective products, directly results in more diverse fulfillment of a range of food and boards for each consumer. An example is tea as a type of food that is popular and consumed by many people in Indonesia with various types and brands on the market.



Paying close attention to buying choices is crucial, as these choices significantly shape the company's forthcoming marketing approach. The company's ability to sway consumers' purchasing decisions is markedly enhanced by fostering consumer connections through brand establishment and implementing effective marketing tactics. Moreover, introducing fresh product variations through innovation also plays a pivotal role. Fandy Tjiptono (2014: 5) highlights the impact of consumer purchasing decisions on sales volume, noting that reduced purchasing choices directly correlate with diminished sales figures.

People who live in big cities like Bandung have various groups which automatically have various groups such as work groups, lectures and others. Therefore, their buying behavior can be easily influenced by their group. Like going to a coffee shop, they usually ask or invite their friends to go to a coffee shop together. And, there are also those who deliberately go to the coffee shop by themselves, whether it's to do college or office assignments, or indeed that person just wants to enjoy relaxing time alone while enjoying a cup of coffee.

In recent times, Starbucks, a prominent coffeehouse chain, has experienced a noticeable decline in its overall performance within the Bandung market. Simultaneously, there has been a concerning trend of decreasing purchase engagement among Generation Z customers at Starbucks outlets in Bandung. This apparent convergence of declining brand performance and reduced purchase behavior among this specific demographic signals a critical gap in understanding the factors that have led to this decline and their impact on the purchasing decisions of Generation Z customers. By exploring the variables contributing to this gap and understanding their interconnectedness, the research aims to provide valuable insights for Starbucks to develop targeted strategies that can re-engage Generation Z customers, revitalize brand loyalty, and restore positive purchase behavior trends within the Bandung market. Through such research, Starbucks can make informed decisions and take proactive measures to align with the evolving preferences and expectations of its Generation Z customers, ultimately fostering sustainable growth and enhanced brand positioning.

Brand associations are the mental connections consumers make between a brand and certain attributes, benefits, values, or experiences. Positive brand

associations can create a strong and unique brand image, leading consumers to perceive the brand in a favorable light. If Starbucks has failed in this component, it might mean that the brand associations consumers have with Starbucks are no longer appealing or relevant. Brand awareness refers to how well consumers recognize and recall a brand. Higher brand awareness makes a brand top-of-mind when consumers are making purchase decisions. If Starbucks has failed in brand awareness, it implies that the brand is not as recognizable or memorable to Generation Z customers in Bandung. Brand quality reflects how consumers perceive the overall excellence and reliability of a brand's products or services. If Starbucks has failed in this aspect, it suggests that the perceived quality of Starbucks' products or services has declined. Brand loyalty represents the extent to which consumers are committed to a brand and continue to choose it repeatedly over alternatives. If Starbucks has failed to maintain brand loyalty, it indicates that Generation Z customers in Bandung might no longer feel strongly attached to the brand. This could be due to the erosion of positive experiences, lack of incentives for loyalty, or the emergence of competing brands that better cater to their preferences. These components of brand equity collectively shape consumers' perceptions and behaviors toward a brand, influencing their purchase decisions. If Starbucks has encountered challenges in areas like brand associations, awareness, quality, and loyalty, it suggests a disconnect between the brand and the evolving preferences and expectations of Generation Z customers in Bandung.

So based on the phenomenon above, the authors are interested in conducting research on Starbucks consumers in the city of Bandung with the title THE INFLUENCE OF BRAND EQUITY TOWARDS STARBUCKS CONSUMER PURCHASE DECISIONS (CASE STUDY: GEN Z STARBUCKS CUSTOMERS IN BANDUNG).

### **1.3 Problem Formulation**

That way, Starbucks is still the choice for many people to spend money and time even though in Bandung there are still many coffee shops that are more up to date and cheaper than Starbucks itself, plus the mushrooming coffee trend has made the competition tougher. By having promos that make customers comfortable, Starbucks is also trying to continue to highlight the brand equity side

which continues to provide convenience in terms of brand association, brand awareness, brand quality, brand loyalty.

#### **1.4 Research Questions**

1. Is there any impact of brand equity towards brand associations of consumer purchase decision of Starbucks ?
2. Is there any impact of brand equity towards brand awareness of consumer purchase decision of Starbucks ?
3. Is there any impact of brand equity towards brand quality of consumer purchase decision of Starbucks ?
4. Is there any impact of brand equity towards brand loyalty of consumer purchase decision of Starbucks ?

#### **1.5 Research Objectives**

Based on the formulation of the problem described above, it can be seen that this study aims to:

1. To measure the influence and significance of brand equity towards brand associations of consumer purchase decision of Starbucks ?
2. To measure the influence and significance of brand equity towards brand awareness of consumer purchase decision of Starbucks ?
3. To measure the influence and significance of brand equity towards brand quality of consumer purchase decision of Starbucks ?
4. To measure the influence and significance of brand equity towards brand loyalty of consumer purchase decision of Starbucks ?

#### **1.6 Research Benefits**

##### **1.6.1 Theoretical Aspects**

The outcomes of this investigation are anticipated to enhance and supplement the existing knowledge within the marketing domain, particularly concerning the impact of Brand Equity on the purchasing choices of Starbucks patrons. Furthermore, certain discoveries unveiled in this study are envisioned to serve as valuable resources for future researchers engaged in similar research within the same subject area.

### 1.6.2 Practical Aspects

This research is expected to be an input for companies to consider about brand equity of its company that affect consumer purchase which makes consumer get value from the company and feel the benefits provided by the company more easily

## 1.7 Scope of Research

### 1.7.1 Location and Object of study

The research will be conducted in Indonesia. The object used in this study is consumer of Starbucks Indonesia who always visit Starbucks in the age range between 21-54 years because at that age, people common to visit Starbucks.

### 1.7.2 Time and Period

This research period starts from July 2021 to August 2022.

## 1.8 Systematically Writing

Contains systematics and a brief explanation of research reports consisting of Chapters I to V in research reports.

#### a. Chapter I : Introduction

This chapter explain the background of this research. Some of the topics mentioned in this chapter are as follows: Company Profile, Research Background, Problem Formulation, Research Questions, Research Objectives, Research Benefits, Research Scope and Systematics of Final Project Writing

#### b. Chapter II : Literature Review

In this chapter will be explain about the theory that use in this research of each variable and contain research theory, past research, research framework, and research hypothesis.

#### c. Chapter III : Research Method

In this chapter there will be explanation about method that use in this research to collect and analyze to findings the answer for the research. It contains Operationalization of variable and measurement, scale, research stage,

population and sampling, data collection method, validity and reliability and last data analysis technique.

d. Chapter IV : Result and discussion

This chapter contain of answer of this research and discussion or analysis of research result.

e. Chapter V : Conclusions and Suggestion

The conclusion is the answer to the research question, then becomes a suggestion related to the benefits of the research.

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