CHAPTER I

INTRODUCTION

1.1   General Overview of Study Object

1.1.1   Organization (business) Profile

Figure 1. 1 Starbucks Coffee's Logo

Source: https://www.starbucks-logo

Starbucks Coffee is a United States coffee shop brand that was launched in 1971 in Seattle, Washington. Jerry Baldwin, Zev Siegl, and Gordon Bowker launched the firm in 1971 at Seattle's Pike Place Market. The organization (business) is headquartered in the Starbucks Center. Starbucks Coffee is a coffee retailer that specializes in Italian espresso beverages. Starbucks Coffee buyings and processes coffee beans in-house to ensure the coffee produced is of the highest quality.

Starbucks Coffee is the world's biggest coffee shop chain. As of September 2020, the business has 32,660 locations in 83 countries, including 16,637 organization (business)-owned locations and 16,023 licensed locations. The United States, Canada, and Latin America account for 18,354 of the 32,660 locations. Starbucks outlets provide hot and cold beverages, whole bean coffee, ground instant coffee, espresso, caffe latte, whole and loose-leaf teas, juices, Frappuccino beverages, pastries, and snacks. Certain promotions are limited-time or store-specific. Most sites provide free Wi-Fi, depending on the nation.

Meanwhile in Indonesia, Starbucks Coffee was introduced and marketed by PT. Sari Coffee Indonesia which is a subsidiary of PT. Mitra Adi Perkasa as the sole right holder of the Starbucks Coffee license in Indonesia. Starbucks Coffee opened its first outlet in Indonesia on May 17, 2002, located at Plaza Indonesia, Central Jakarta. Since then, the development of the Starbucks Coffee market in Indonesia has accelerated with the opening of Starbucks Coffee shops in major cities in Indonesia, such as in Bandung, Surabaya, Yogyakarta, Semarang, Medan, Bali, and Makassar.

1.1.2 Starbucks Coffee's Mission Vision and Basic Principles

Vision

Starbucks' aim is to become the world's most known and respected brand.

To achieve the vision are set 4 essential essentialness, namely:

1. Build the organization (business)'s primary fundamental principles as a corporation that uses only the highest quality materials and products.
2. Creating a bright image in the customer's head.
3. Establishing Starbucks as a well-known brand, so that even if people are unfamiliar with the industry in which they operate, they are familiar with the Starbucks brand.
4. Establishing Starbucks as a recognizable and valuable brand. To maintain a position of prominence or superiority over rival brands for an indefinite amount of time

Mission

Starbucks' objective is to position itself as the world's preeminent provider of the finest coffee while adhering to our unwavering ideals. Starbucks is dedicated to environmental leadership across all aspects of its organization (business) as it expands.

To achieve this mission by committing to:

1. Educate regarding environmental challenges and share that knowledge with business partners.
2. Adapt to change through the development of new and adaptable solutions.
3. Make a concerted effort to buying, market, and utilize eco-friendly items.
4. An appreciation for the value of environmental stewardship.
5. Environmental stewardship is ingrained as a fundamental organization (business) principle.
6. Track and monitor each project's progress in terms of environmental effect.

7. Involve all partners in the struggle for the organization's objective.

Basic Principles of Starbucks

1. Make it your own

   The organization (business) invites all staff to assume that this organization (business) is their own. And that all that is produced is for themselves. And in return, the organization (business) plays an active role in hearing advice and criticism from staff. Every staff at the race to take part in the buyer (customer) community and at the same time understand the needs of every buyer (customer) by applying five tips of success, namely friendly, sincere, considerate, insightful, caring.

2. Everything Matters

   Play a role in consistently paying attention to detail on everything, such as physical environment, product quality, job priorities, the importance of reputation, and even habits or culture.

3. Surprise and Delight

   Currently, customers are much more innovative, and it is difficult to get satisfaction because customers are never satisfied with things that are increasingly unique and extraordinary. However, a little out of the ordinary, leaders are aware that even satisfied customers want to buy something that offers fun, fun, and excitement.

4. Embrace Resistance

   One can only benefit from praise when he appreciates criticism. "When getting feedback from the customer," know that it is an outlet opportunity to strengthen the relationship between the outlet and the customer. Be grateful for the customer's efforts, and appreciate their disappointment, that's why you will be able to build a better outlet and get loyal customers for giving feedback to make the outlet better.

5. Leave Your Mark

   Everything in the world leaves a legacy or a mark, the difference being "whether it's a positive thing, or not".

1.2 Study Background

During the ongoing COVID-19 pandemic, the potential for the food and beverage industry in Indonesia in 2021 is believed to be still bright. The pandemic that has lasted for almost a year has changed people's consumption patterns. Buyers (customers) who are used to going shopping to the market, are now changing the way to get their needs by making more use of online delivery services.

The Association of Indonesian Food and Beverage Entrepreneurs (Gapmmi) estimates that the growth of the Food and Beverage industry in 2021 will grow by 5 to 7%. General Chairperson of the All-Indonesian Food and Beverage Entrepreneurs Association (Gapmmi) Adhi S Lukman said the growth of this industry throughout 2020 only reached 3%, whereas normally it grows in the range of 7 to 9%(CNN Indonesia, 2021). Throughout the fourth quarter of 2020, the food and beverage industry were still able to grow positively by 1.58%in 2020. The food and beverage industry also provided the highest export value in the manufacturing group, reaching US$ 31.17 billion in January-December 2020. In line with that, the government has also determined the food and beverage industry to be one of the five manufacturing sectors whose development is prioritized according to the Making Indonesia 4.0 roadmap (Tribun Bisnis, 2020).

According to the Minister of Industry, Agus Gumiwang Kartasasmita, the food and beverage industry is one of the sectors that gets priority development by implementing industrial technology 4.0. This digital transformation is considered to have a positive impact on increasing investment and productivity in the industrial sector and creating a competent workforce (Kompas.com, 2021).

In this developing era, the phenomenon of coffee that continues to grow has become part of the lifestyle of the Indonesian people. This growth was followed by the increasing number of coffee lovers and coffee shop businesses in Indonesia. This can be seen from the proliferation of coffee shops in recent years, especially in the city of Bandung. The level of coffee consumption by the Indonesian people has also increased every year since 2016. Based on x study toffin, the number of coffee shops in Indonesia until August 2019 reached more than 2,950 outlets, an increase of almost three times from 2016 which was only 1,000 outlets, where the market value produced reaches millions of markets. (inews.id, 2019).

Konsumsi Kopi Nasional (2016-2021)
Sumber : Kementerian Pertanian, 2018

Konsumsi   Pertumbuhan

Figure 1. 2 National Coffee Consumption in 2016 – 2021

Source: (Ministry of Agriculture, 2018).

According to Figure 1.1, based on data from the Ministry of Agriculture's Center for Agricultural Data and Information Systems, national coffee consumption reached roughly 250 thousand tons in 2016 and increased by 10.54% to 276 thousand tons in 2017. Indonesia's coffee consumption is expected to increase by an average of 8.22% each year between 2016 and 2021. By 2021, coffee production is expected to reach 795 thousand tons, compared to consumption of 370 thousand tons, resulting in a 425,000-ton excess. In Indonesia, about 94.5% of coffee output is provided by smallholder coffee entrepreneurs.

The concept of drinking coffee at a coffee shop has been ingrained in today's metropolitan areas, particularly in Jakarta, Bandung, and Surabaya. Coffee shops in the modern era appear to have developed into middle-class identities to hang out with. They gather more and more at coffee shops than ordinary restaurants, they rely more on coffee shops to hang out or have meetings. Coffee shops like Starbucks have become a lifestyle for young people and executives alike. By visiting the coffee shop, various facilities also seem to be obtained for free, such as wifi. And, the current phenomenon, many people come to coffee shops just to enjoy the facilities, not for a cup

of coffee. In fact, not all who visit this coffee shop order coffee, many prefer to order blended iced, iced tea, or other drinks.
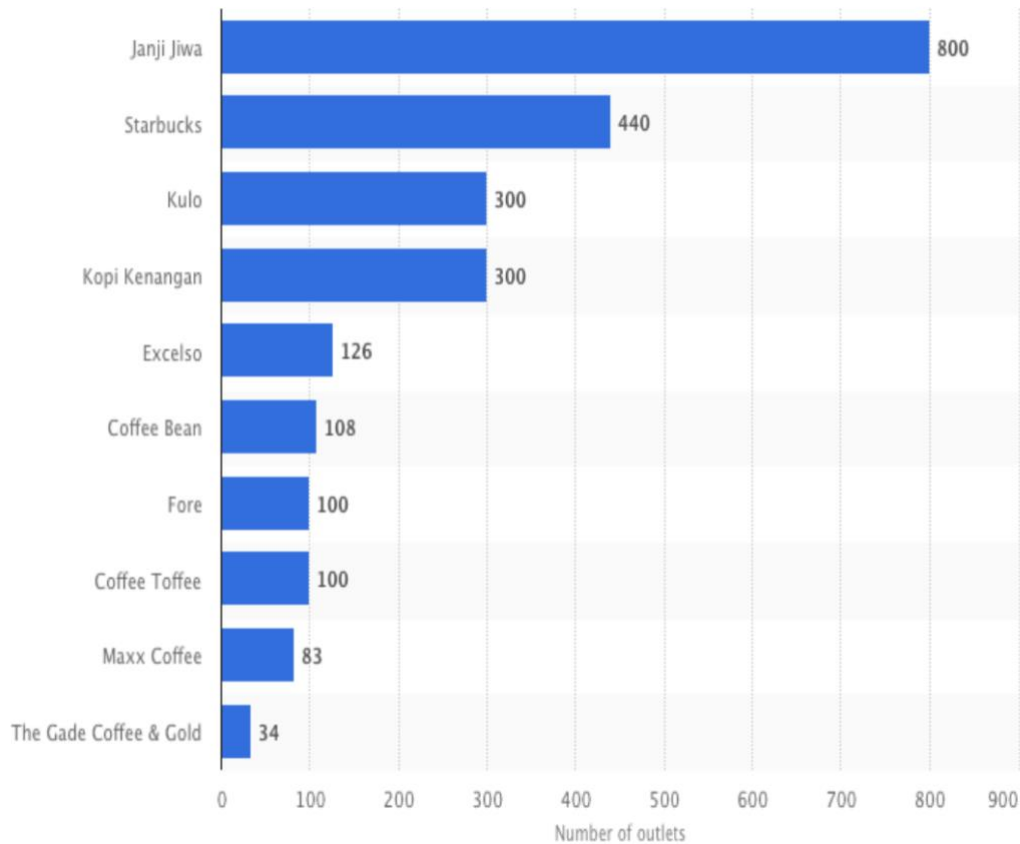

Figure 1. 3 The number of coffee shop outlets in Indonesia

Source: (*Statista*, 2021)

In the graph above, the Starbucks coffee chain in Indonesia has the 2nd largest number of outlets with 440 Starbucks outlets as of April 2020. In the first position, Promise Jiwa has the largest number of coffee shop outlets in Indonesia with a total of 800 locations (Statista, 2021). Starbucks Indonesia must choose the right strategy in facing competition against its competitors by always improving the quality of its products, brand image, promotional prices, and customer ratings. With a good strategy, it will influence customers to make product purchasing decisions and will market them to other customers.

Evidently, Starbucks is a brand that is very well known and liked by the people of Indonesia.

TOP BRAND INDEX FASE 2 2021

CAFÉ KOPI

BRAND	TBI 2021	
Starbucks	49.4%	TOP
The Coffee Bean & Tea Leaf	11.9%	TOP
Ngopi Doeloe	3.3%	

* Kategori online dan offline

Figure 1. 4 Top Brand Index Phase 2 Index 2021

Source: (*Topbrand-award.com*, 2021)

In the chart above, according to the Top Brand Index Phase 2 in 2021, Starbucks occupies the first position with a TBI of 49.4% in the Top category, above other well-known coffee brands, such as: The Coffee Bean & Tea Leaf and Ngopi Doeloe. However, in the Top Brand Gen-Z Index 2021, Starbucks is not included in the top 3 cafes or the best hangout places for customers to choose from. The Top Brand Award is awarded to a brand that has met the Top predicate, as determined by the findings of a large-scale consumer preference survey conducted by Frontier Consulting Group. The Top Brand Index uses 3 metrics, such as: Commitment Share, Market Share, and Mind Share (Topbrand-award.com, 2021).

TOP BRAND GEN-Z INDEX 2021

CAFE/ TEMPAT NONGKRONG

BRAND	TBI 2021	
Upnormal Cafe	23.2%	TOP
McCafé	11.8%	TOP
Lawson	10.7%	TOP
Starbucks	10.1%	
Indomaret Point	1.3%	

* Kategori online dan offline

Figure 1. 5 Top Brand Gen-Z Index Year 2021

Source: topbrand-award.com

In Figure 1.5, According to the Top Brand Gen-Z Index 2021, Starbucks occupies the 4th position behind Upnormal Cafe with 23.2%, McCafe with 11.8% and Lawson with 10.7%. Starbucks had to settle for 10.1% and not be in the top 3 positions. This proves that the best cafe of choice for customers from generation Z is not Starbucks (Topbrand-award.com, 2021). In the Top Brand Gen-Z Index 2021, Starbucks is not included in the top 3 cafes or the best hangout places for customers. The Top Brand Award is awarded to a brand that has met the Top predicate, as determined by the findings of a large-scale consumer preference survey conducted by Frontier Consulting Group. There are three criteria used in measuring brand performance as a reference for Top Brand. The three parameters are: Mind Share, Market Share & Commitment Share. (Topbrand-award.com, 2021).

In this case, according to Wasesa & Macnamara (2010) brands and products are directly related to buyers (customers) so that they are required to adapt more often by following buyer (customers) tastes, with that companies must also be able to grow or gain trust from buyers (customers) towards their brands because positioning products to buyers (customers) is one it is important to direct, upload and encourage buyers (customers) to make decisions that are focused on buying marketed products.

Authors conducted a survey of 30 people involved in the study, namely coffee connoisseurs to assess coffee shops that are frequently visited, especially in the city of Bandung as follows:

Table 1.1

Pre-Survey Regarding Buying Decision

Question	Answer		percentage	
	Yes	No	Yes	No
I visited the Coffee Shop by Brand	13	17	43,33%	56,67%
I visited the Coffee Shop by Product Price	9	21	30%	70%

Source: Respondent's answers, processed in 2021

Table 1.2

Pre-Survey Coffee Shop Frequently Visited

Question	Coffee Shop	Answer	percentage
Which coffee shop do you often visit?	Starbucks Coffee	10	33,33%
	Janji Jiwa Coffee	8	26,67%
	Kenangan Coffee	4	13,33%
	Kulo Coffee	5	16,67%
	Fore Coffee	3	10%
Total		**30**	**100%**

Source: Respondent's answers, processed in 2021

Table 1.3

Pre-Survey of Coffee Shop percentage to Visit Again soon

Question	Coffee Shop	Answer		Percentage	
		Yes	No	Yes	No
Would you like to revisit it in the near future?	Starbucks Coffee	3	7	30%	70%
	Janji Jiwa Coffee	5	3	62,5%	37,5%
	Kenangan Coffee	2	2	50%	50%

Kulo Coffee	4	1	80%	20%
Fore Coffee	1	2	33,3%	66,6%

Source: Respondent's answers, processed in 2021

Based on the table above, regarding preliminary research on purchasing decisions, it can be seen that as many as 17 respondents or 56.67% stated that visiting coffee shops was not based on brand and as many as 21 respondents or 70% stated that visiting coffee shops was not based on product prices.

. Therefore, the author takes Starbucks Coffee as the object because many respondents prefer to visit coffee shops not based on product prices. It is known that Starbucks Coffee is more expensive than other competitors.

While in the Coffee Shop Frequently Visited statement as many as 10 respondents stated Starbucks Coffee is a coffee shop that is often visited, but as many as 3 respondents will visit again while 7 respondents stated that they will not visit again in the near future, then as many as 8 respondents stated Promise Jiwa is a coffee shop. which is often visited but as many as 5 respondents will visit again while 3 respondents stated that they will not visit again in the near future, 4 respondents stated that Kopi Kenangan is a coffee shop that is often visited but as many as 2 respondents will visit again while 2 respondents stated that they would not visit again in the near future, 5 respondents stated that Kopi Kulo is a coffee shop that is often visited but as many as 4 respondents will visit again while 1 respondent stated that they will not visit again in the near future and 3 respondents stated that Fore feed a coffee shop that is often visited, but as many as 1 respondent will visit again while 2 respondents stated that they will not visit again in the near future.

With so many coffee shops in the city of Bandung, buyers (customers) are faced with confusion in choosing a coffee shop because of the many choices of coffee shops on the market. Therefore, companies need a superior strategy to be able to compete. Various marketing activities are needed that must be developed in the future. Companies need to create strategies that can enable them to compete with competitors in the community. This approach must be developed in such a way that the firm achieves a sustained competitive advantage and is able to dominate both existing and future markets. Additionally, competition for a high-quality product drives businesses in a variety of industries to strive to enhance the quality of their products to safeguard their clients. Buyer (customer) buying decisions are affected by their opinions of the product's quality, value,

and price make buyers (customers) have unique characteristics that distinguish products from one another. Therefore, competitive advantage basically grows from the beneficial values created by the organization (business) for its buyers (customers).

When buyers (customers) decide to buy a product, they have certain reasons for choosing a product, for example being satisfied with the quality and services offered by the product to create a good image, or with the price of the product offered. Some buyers (customers) buy goods based on the need for an item, and not a few buyers (customers) buy a product spontaneously. Thus buyers (customers) act without any plans to buy before or without special consideration when deciding to buy. Based on the statement of Kottler and Keller (2016:201) states that buyers (customers) have a series of buying decisions, there are six sub-decisions, namely product choice, brand choice, choice of distributor, buying amount or quantity, time of buying, and payment method.

The increasingly fierce market competition conditions encourage companies to continue to strengthen their brand image in the highest position in the hearts of buyers (customers). According to Aaker and David (2002:45), brand image is composed of two components: physical is the brand's physical characteristics, such as design, packaging, logo, brand name, function, and product usability from a technological standpoint; and emotional is the brand's emotional, beliefs, values, and personality as perceived by buyers (customers). When buyers (customers) interact with the brand, the brand image is carried away; consequently, the brand image must be maintained indefinitely to ensure that the brand image established remains strong and favorable. However, if a brand has a negative image with customers, it is highly unlikely that people will buying or use the brand.

In addition to being seen from the brand image, buyers (customers) in determining their decisions look at the price of the products offered can provide satisfaction or not for buyers (customers). Price involvement in the buying process is a natural trait of a buyer (customer) in deciding a buying. The principle of buyer (customer) economics, where a buyer (customer) tends to choose a product or service whose price is in accordance with the buyer (customer)'s own buying power and is proportional to the quality and perceived benefits.
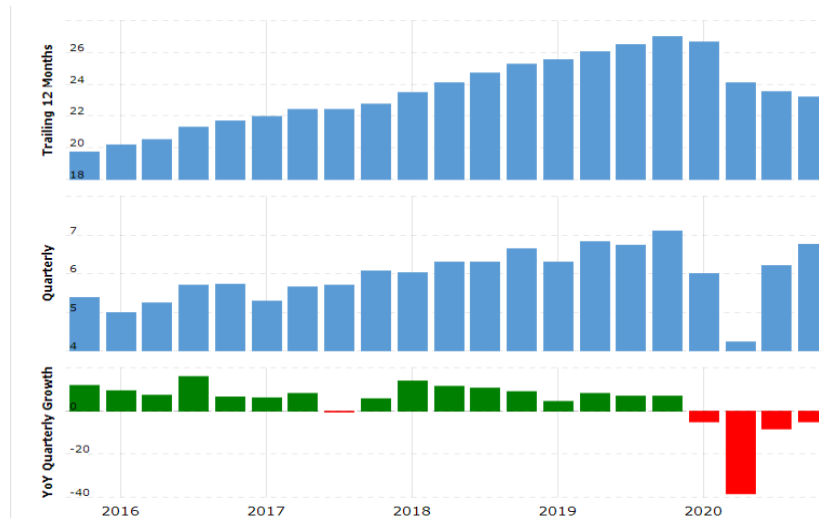
Figure 1.6 Revenue Starbucks (2016-2020)

Source: Starbucks.com

Based on Figure 1.4, Starbucks coffee's revenue growth has fluctuated each year increasing and decreasing. In 2016 - 2018 Starbucks has earned revenue of 26.50 million US dollars but in 2019 - 2020 it has decreased by 23.51 million US dollars in 2020 or decreased by 11.28% (Starbucks.com, 2021).

Some coffee shops provide products at low prices, assuming some buyers (customers) only consider price in buying decisions. Some products that are similar to brands can have different values because of differences in buyer (customer) perceptions. Customers' first worry when shopping for a product has always been the price, thus the price supplied to buyers (customers) is a particular consideration before they decide to buying products or utilize a service. According to buyer (customer) behavior, pricing strategy has a substantial (considerable) impact on sales and marketing for a product supplied, and hence the price needs to be considered by the organization (business)'s management, because it can affect the amount of sales volume and profits achieved by the organization (business).

The decline and not achieving 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 buyer (customer) behavior model explains that stimuli or stimuli come from information about products, prices, locations, and promotions. In the marketing of services, physical evidence, people, and processes are added. The buyers (customers) are affected by these stimuli, then taking into account other factors such as economy, culture, technology then enter all the information, after that the buyer (customer) will process all the information based on the psychology and characteristics of

the buyer (customer) then process the buying decision and draw conclusions in the form of a response that appears what product buyingd, the brand, the store, and when or when to buy.

Based on this explanation, authors are interested in conducting study on "**The Effect or impact of Brand Image and Product Prices on Starbucks Coffee Buying Decisions**".

1.3 Problem Formulation

From the background described above, it can be seen that the formulation of the problem in this study is that Starbucks Coffee needs to do an overall business analysis in order to create a strong interest in the minds of buyers (customers), in terms of brand image and product prices that Starbucks Coffee must pay attention to, this is because competitors - More coffee shop competitors have sprung up and in order to compete against new competitors. Starbucks Coffee needs a way to make buyers (customers) believe in buying products from Starbucks Coffee. With the phenomenon that has been explained, namely the brand image and product prices at the sale of Starbucks Coffee outlets, the problem formulations to be examined in this study are as follows:

1. How does Brand Image affect Starbucks Coffee?
2. How does Product Price affect Starbucks Coffee?
3. How does the Buying Decision affect Starbucks Coffee?
4. How much effect or impact does Brand Image have on Buying Decisions on Starbucks Coffee?
5. How much effect or impact does Product Price have on Buying Decisions on Starbucks Coffee?
6. How much effect or impact do Brand Image and Product Price have on Buying Decisions on Starbucks Coffee?

1.4 Study Objectives

The purpose of the study is to know and analyze:
1. To understand how a brand image on Starbucks Coffee Bandung.
2. To know how Starbucks coffee product price in Bandung.
3. To know how to buying Starbucks coffee products in Bandung.
4. To know the magnitude of the effect or impact of Brand Image on the decision to buying Starbucks Coffee Bandung.

5. To know the magnitude of the effect or impact of Product Prices on the buying decision of Starbucks Coffee Bandung.

6. To know the magnitude of Brand Image and Product Price's effect or impact on the buying decision of Starbucks Coffee Bandung City.

1.5 Benefits of Study

Based on the purpose of the study that has been explained, the expected benefits of this study are as follows:

1. For the Organization (business)

   To help inform Starbucks Coffee Owner about the effect or impact of brand image and product price on buying decisions for the future.

2. For Writers

   Can apply the theory obtained by the author in college and bias to use the knowledge that the author has received and additional information and expand knowledge.

3. For Academics

   The results of this study are expected to be knowledge and reference for libraries and future studyes.

1.6 Scope of the Study

In order to make the writing of this study report to be more focused and specific, the scope of the issues to be discussed in this study are as follows:

1. This study is only focused on discussing and studying how it affects brand image and product prices on the buying decision of Starbucks Coffee Bandung.

2. This study is only intended for Starbucks Coffee Bandung buyers (customers).

1.7 Final Task Systematics

a. CHAPTER I INTRODUCTION

   This chapter describes the review of the study object, study background, problem statement, study objective, scope of the study and study aim.

b. CHAPTER II REVIEW OF LIBRARIES AND SCOPE OF STUDY

This chapter contains a description of literature review, theories related to study and solution of the problem, theoretical framework and scope of the study.

c. CHAPTER III STUDY METHODOLOGY

This chapter contains the type of study used in this study, the operationalization of variables and measurement scales, phases of the study, population and sample, data collection validity, and reliability test, and data analysis techniques.

d. CHAPTER IV STUDY RESULTS AND DISCUSSION

This chapter contains the description of the results of study and discussion of the results of study that has been carried out, and contains a descriptive discussion and analysis of the effect or impact of brand image and product prices on buyer (customer) buying decisions.

e. CHAPTER V CONCLUSIONS AND SUGGESTIONS

This chapter contains the conclusions obtained from the results of the thesis study as well as the studies in the previous chapters and the suggestions needed for improvement and further development.