

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Coffee is known to originally come from Ethiopia. Amusingly, in the beginning, coffee was more like tea in a sense that the “coffee leaves were soaked in hot water, as were the dried fruits” (Strand, 2009). Coffee as it is known today, which is brewed from roasted beans, was brewed in Arabia around A.D. 1000 (National Geographic, 1999). The first coffeehouse to operate in the world was neither in the original place where coffee was first discovered nor somewhere nearby. The first coffeehouses to be in operation were in Istanbul in the 16th century; followed chronologically by Venice, London, Oxford, and Paris. The trend arrived in New England shortly after (Strand, 2009).

The locations in which coffeehouses are highly spreading and operating show an interesting phenomenon in coffee retail industry: “...the leading coffee consumers are not the countries that produce coffee” (Allen & Albala, 2007, p. 88). Well-known coffee growers and exporters, such as Mexico, Colombia, Indonesia, and India are not, in fact, the greatest consumers of coffee. Currently, the notable countries with strongest coffee culture are United States, Europe (especially the Scandinavians), and Japan, followed by Italy and France. The only exception goes to Brazil which is the leading grower of coffee, yet the country is the second-biggest consumer of coffee (Strand, 2009). Hence, world class coffee retailers and coffeehouses are frequently found in and from countries with strong coffee culture such as United States (Starbucks, Tully’s Coffee, The Coffee Bean and Tea Leaf), Canada (Second Cup, Timothy’s), and Europe (Coffee Heaven, cinnzeo, Caffe Ritazza).

Starbucks began building its legacy and brand as a coffee retailer in 1971 in Seattle. It was Howard Schultz who brought in the vision that Starbucks’

next move was to engage in café business where Starbucks would “begin serving freshly served brewed coffee by the cup in every store” (Keller, 2003, p.196). By 1987, Schultz’ vision began emerging into reality. Starbucks transformed from a coffee retailer into “the biggest” café business:

Coffee was once a simple commodity – something that came in a utilitarian cup, for a dime, something that just appeared on the lunch counter with no fanfare. Today, it is a huge business, and Seattle-based Starbucks is the biggest of them all. In the fiscal year that ended on October 1, 2006, the retailer’s revenues were up by 22 percent over the previous year... During the year, the company added 2,199 new Starbucks stores to bring the October 1, 2006 total to 12,440 Starbucks worldwide (Associated Press, October 16, 2006 as quoted by Allen & Albala, 2007).

Despite the success of being the biggest café business, the competition was never easy. In fact, the competition is getting stiffer as many “coffee and food service companies” (Keller, 2003) such as Tully’s Coffee, The Coffee Bean and Tea Leaf, Dunkin’ Donuts, McDonald’s, and KFC entered the coffeehouse market. New entrants in the market threaten the café business and market to saturation.

Starbucks now is a strong and global brand that comes up to the point where ““Starbucks” and “coffee” have become synonymous — maybe not to the degree of a proprietary eponym like Kleenex, or Band Aid, or Xerox, but to the point that, if Starbucks is the question, coffee is the answer” (Gardner, 2011 in HBR). Throughout its history, Starbucks changed its logo four times (including the latest one; see Appendix E). The most recent logo change was announced in January 2011 and started to take place in March 2011. On Tuesday, March 8, 2011 Starbucks marked its 40th year – and as part of the celebration, a new logo that was announced a few months back was launched (Starbucks, 2011). Starbucks decided to remove the “Starbucks Coffee” that has been encircling the siren ever since, “The change is signaling an intention to broaden its focus” (Morrison, 2011). TAP Business Development wrote in its online article “Starbucks New Logo”:

The logo has been changed to allow Starbucks to further develop their product offering and extend this well beyond coffee. Starbucks Chief Executive, Howard Schultz, is reported to have said, “Even though we have been and always will be a coffee company and retailer, it's possible we'll have other products with our name on it and no coffee in it.” (2011)

Starbucks used a slightly different approach compared to GAP in doing the process of logo change: the CEO of Starbucks made a scheduled call to associates while on Starbucks website, a video explaining the logo change was posted on January 2011 (Morrison, 2011).

Rebranding by changing logo is not uncommon. On October 2010, GAP, an American-based clothing company, posted the new logo on its website. It changed its logo of more than 20 years old “by changing its iconic blue-box logo encasing the word "GAP," changing it instead to a small box placed above the word Gap” (Kavilanz, 2011). Soon, there was uproar and complaints from its consumers regarding the new logo that forced GAP to return to its old logo. Logo resurrection was not only experienced by GAP and certainly GAP was not the first one. Another clothing company, Tommy Hilfiger, was feeling “insecure” about “being a red-white-and-blue-logo brand” and in result, the company suffered severely.

From a high of US \$40 per share in May 1999, Tommy Hilfiger’s share price fell to US \$22.62 on New Year’s Day 2000, and was cut in half again by the end of that year. Sales were slowing and, most tellingly, flagship stores in London and Beverly Hills closed down. Various runway shows at fashion events worldwide were also cancelled (Haig, 2007).

Then, Tommy Hilfiger went back to basics by exposing its red-white-and-blue-logo and managed to get back on track. These two cases proved that logo change is not to be underestimated.

Starbucks Coffee International created a joint venture company with PT. Mitra Adi Perkasa named PT. Sari Coffee Indonesia to enter Indonesia. The first Starbucks store opened on May 17th, 2002 in Plaza Indonesia, Jakarta.

As per June 2011, there are 100 Starbucks stores in nine cities in Indonesia including Surabaya (Starbucks Coffee Company, 2011). Currently, there are nine Starbucks stores in Surabaya. Starbucks logo change affected all stores of Starbucks although the change did not take place at once. The logo change might first be noticed on the cup of Starbucks' beverage before changes on store signage (Starbucks, 2011). The signages in five Starbucks stores in Surabaya have not changed to the new logo. Moreover, four Starbucks stores that operated since mid-year 2011 have the new logo on it.

A previous study conducted on logo change argued that the bigger the logo change, the higher the possibility that consumers would ask the importance behind the change. Yet, if the consumers are "more favorable" about the new logo, the importance behind the logo change will be less questioned and more interest will be put on what the rebranding brings. It was also found that the "valence" of logo change has more significant effect than "degree" of logo change. This means that "if a logo change is done right and favorably viewed – even if it is a drastic change - consumers would likely be more interested in it, as well as less questioning of it" (Alshebil, 2007).

As part of the research, a pre interview was conducted to gather an insight to the situation in the market regarding Starbucks' logo change. Ten respondents took part in the pre interview. The pre-interview presented diverse responses from the respondents. Four out of 10 respondents regarded the logo change as a big change from the old one and the remaining six regarded it as a small change. Two out of four who regarded the logo change as a big change thought that the new logo is better off than the old one, while the other two thought of it as worse off. Only two out of six respondents who considered the logo change as a small change felt that the new logo was better off than the old one. Seven out of 10 respondent uttered curiosity and interest about the logo change. In addition, two out of 10 respondents had change of attitude when respondents found out about the logo change.

This area of study is worth investigating because the pre interview resulted in an opposing situation to the result of previous study by Alshebil

(2007). Despite studies on logo change had been done by several researchers (Martadi, 2002; Anggraeni, 2006; Alshebil, 2007; Rohimat, 2011), the study on the effect of logo change of a global brand, which in this case is Starbucks, towards consumers' perception, interest curiosity, and brand attitude in Indonesia has never been done before. The studies conducted by Martadi (2002), Anggraeni (2006), and Rohimat (2011) were analyzing the effect of Indonesian (local) companies' logo change to consumers in Indonesia. Moreover, the previously conducted studies have not analyzed the industry of café business or coffeehouses.

1.2 Research Problems

The following research problems were tested in this study:

1. What are the characteristics of Starbucks' consumers?
2. How do consumers perceive familiarity and attitude toward the old and new logo of Starbucks?
3. Does perceived degree of logo change positively influence consumers' curiosity toward logo change of Starbucks in Surabaya?
4. Does perceived valence of logo change positively influence consumers' curiosity toward logo change of Starbucks in Surabaya?
5. Does consumers' curiosity toward logo change positively influence brand attitude after logo change of Starbucks in Surabaya?

1.3 Research Objectives

As a result of completing this research, the researcher was able to:

1. Describe the characteristic of Starbucks consumers in Surabaya;
2. Describe consumers' perception of familiarity and attitude toward Starbucks' old logo and new logo; and
3. Examine the relationship between consumers'
 - a. Perceptions and interest curiosity toward Starbucks' logo change; and
 - b. Interest curiosity and brand attitude toward Starbucks' logo change.

1.4 Research Contributions

1. This study made its contribution by looking at the effect of rebranding, particularly logo change, from consumers' perspective i.e. what consumers thought of brand logo change and what went on consumers' mind. While much attention has been given to clothing company on their logo change, this study chose a strong and global brand which came from different sector or industry that is café business.
2. This study determined the effect of logo change to local consumers (i.e. Indonesian). The result of this study might be used as a comparison to other researches or studies about logo change that had been done in another country.
3. Business professionals and managers could use this research as a reference before engaging in the process of rebranding, especially logo change. This research could also give Starbucks an insight of what effect does its logo change bring to its business.

1.5 Research Limitations

This study was limited to the extent of how consumers' perceptions influence consumers' curiosity toward logo change and how consumers' curiosity toward logo change influences brand attitude after consumers knew about the logo change. This research took place from March until April 2012 in Surabaya. From seven Starbucks stores that was originally planned, the researcher managed to get the data from only five Starbucks stores' in Surabaya. The researcher did not acquire permission to distribute questionnaires to Starbucks consumers.

1.6 Research Outline

CHAPTER I – INTRODUCTION

This chapter presents the outline of research problems related to consumers' perceptions of a logo change, interest curiosity toward logo change, and brand attitude after logo change. This study has five research objectives specifically constructed to answer the research problems toward Starbucks' most

recent logo change. It also provides the result of pre-interview and a couple of cases of logo change and explains the contributions made by this study.

CHAPTER II – REVIEW OF RELATED LITERATURE

This chapter portrays major findings of previous studies and literatures related to brand, rebranding, logo change, consumers' perceptions, curiosity, and brand attitude that help to address the research findings. It also explains the theoretical framework from which this study adopted and how it constructs the operational framework of this study.

CHAPTER III – RESEARCH METHODOLOGY

This chapter explains the detailed scientific explanation of research design, research variables, methods of data collection, sampling plan and design, and methods of data analysis that will be used in order to answer the research problems.

CHAPTER IV – RESULTS AND DISCUSSION

This chapter presents organized findings of this study that answer the research problems in sequence. It also describes how these findings are related to the previous studies and theories summarized in chapter II.

CHAPTER V – SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

This chapter highlights the results of the study in summary and conclusions. It also states the limitations occurred in this study. Recommendations are made to advance the study through its contributions.