

CHAPTER I

INTRODUCTION

1.1 Background

When buying a product or service, consumers face a seemingly infinite number of alternatives in terms of stores and products or services. This makes comparing stores and their respective products an overwhelming task for consumers because there could be thousands of products across a wide range of categories. Not only that, but it is even more challenging because new and diversified retail formats continue to emerge, which consequently leads to more retailers entering the market, therefore increasing product options to choose from (Hamilton and Chernev, 2013).

Due to an overabundance of options, consumers would resort to their perceptions to evaluate and finally decide on a retail store. Recent academic research and managerial evidence pointed out store price image also strongly influences purchasing decisions (Hamilton and Chernev, 2013). In other words, by assessing a retailer's store price image, consumers would be able to gather a sufficient amount of information that would help to inform them of their retail store choice and subsequent purchasing decisions.

In the same vein, Chang and Wang (2014) also found that overall store price image also strongly influenced repurchase intentions, with higher store price images strengthening the effect of overall store price image on repurchase intentions.

This shows store price images strongly influence repurchase intentions. From the retailer's perspective, this could be detrimental not only to their profitability, but also their ability to remain competitive in the market, which means building a well-established store price image needs to be an essential component of their marketing strategy if they wish to succeed the competition. Zielke (2006) also added that measuring and managing store price image have the benefits of acting as a tool for retailers to evaluate their price positioning, predict customer priorities and design measures to meet priorities. All of this would allow retailers to create value for customers and build strong relationships with them.

Yet, despite its pivotal role, research about the topic is sparse so retailers are left with little guidance in how to set their price image strategies. From this viewpoint, the present study aims to contribute to lessen this gap by investigating the relationship between store price image and repurchase intentions as the main objective. Additionally, similar to the research conducted by Graciola et al. (2018), moderating effects of price level and price sensitivity will also be added to this framework. Last but not least, this study will take the context of retail markets in Jakarta.

Nevertheless, this study will only focus on investigating the relationship between store price image and repurchase intentions in Starbucks in Senayan City Mall, Jakarta, instead of supermarkets. This study will focus on Starbucks Reserve and regular Starbucks stores inside the mall.

Despite these differences, this present study will consider the following limitations and recommendations for future studies by Graciola et al. (2018). As suggested by Hamilton and Chernev (2013), future studies may investigate store price formation and how it develops over time. This may be assisted with a qualitative approach.

In addition, future studies could also investigate how customers develop store price beliefs when there is conflicting information. A longitudinal approach may be used to provide a better understanding of changes in consumer behaviour.

Another suggestion by Graciola et al. (2018) is producing a bibliometric review of store price image to gain new research possibilities. In this vein, future studies may investigate the relationship between brand retail credibility and price sensitivity. Last but not least, based on their research, future studies could also further explore the impact of negative emotions on store price image.

1.2 Problem Identification

1. How does Starbucks Senayan City Mall's store price image impact customers' repurchase intention?
2. How does Starbucks Senayan City Mall's high price level affect its store price image and its customers' repurchase intention?

3. How does price sensitivity affect the relationship between Starbucks Senayan City Mall's store image and its customers' repurchase intentions?

1.3 Research Objectives

1. To investigate the relationship between Starbucks Senayan City Mall's store price image and its customers' repurchase intention.
2. To investigate the relationship between Starbucks Senayan City Mall's high price level and its store price image and customers' repurchase intention.
3. To investigate the relationship between price sensitivity and Starbucks Senayan City Mall's store price image and its customers' repurchase intention.

1.4 Benefits of Research

The result of this study could assist future researchers who wish to gain more knowledge on the subjects of Marketing and Consumer Behaviour, more specifically how store price image and price sensitivity influence customers' repurchase intentions. Other than that, this study could assist future researchers to know more about Starbucks, especially their pricing and selling strategies. Furthermore, this study can help Starbucks Senayan City mall to grow by studying about its store price image and how this influences its customers' repurchase intentions so it could improve its marketing and selling strategies. All in all, this study should provide some insights on store price image, price sensitivity and repurchase intentions in the context of the retail industry.

1.5 Research Outline

The study is organized as follows:

Chapter I Introduction

This chapter gives a background of what this study is about, which is followed by problem identification(s), research objective(s), benefits of the study to the readers and the research outline.

Chapter II Literature Review

In the literature review, theories and prior literature relevant to the study will provide context for the current study. Based on these theories, several hypotheses will be formulated and a conceptual model will be proposed.

Chapter III Research Methodology

The research methodology will outline the methods that will be used in the research, starting from the sample, sampling techniques, data sources and methods of data collection and analysis.

Chapter IV Results and Discussions

This chapter will outline the findings in relation to the research questions and present them in a systematic manner. More specifically, the Discussion section will interpret the findings, indicate which findings were expected or unexpected and provide explanations for the latter by referring specific findings to previous research or theories.

Chapter V Conclusion and Recommendations

The fifth chapter will include the conclusions and limitations of the current study. Based on these limitations, areas for future research will be suggested.

