

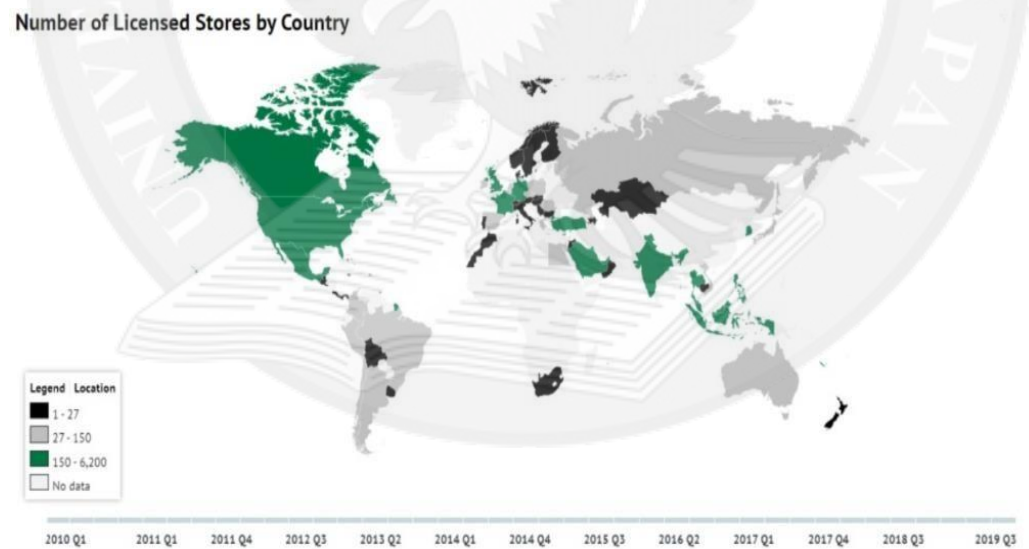
# CHAPTER I

## INTRODUCTION

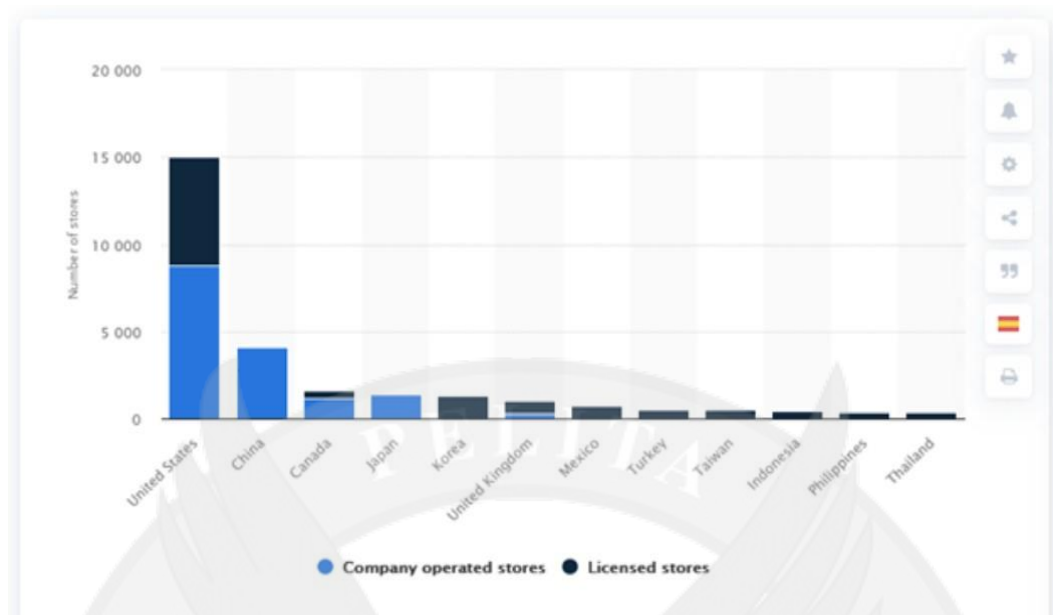
This chapter gives overview of the entire framework of this research. It includes the research background, research problem, significance of the study, and the research outline of the consecutive chapters.

### 1.1 Research Background

People living in big cities experienced a change in their way of life due to cross cultural influence. One of the modern ways of life is the custom of a certain group of people spending time in cafes or coffee shops. The first coffee shop is in Seattle, Washington. Starbucks Coffee is largest coffee firm in the world with 31.256 stores in 78 countries. Starbucks is the largest coffee chain in the world. They do not only sell coffee but also tea, juice, and desserts.



**Figure 1.1. (Number of licensed stores by country)**  
Source: KNOEMA.COM (2019)



**Figure 1.2.(Number of stores by country)**

Source: Ststista.com (2019)

Korea has the fifth largest number of Starbucks in the world. The first largest number of Starbucks is United States, the second is China, third is Canada and fourth is Japan.

**Table 1.1. (Licensed store information for the year-ended September 29, 2019)**

Licensed store data for the year-ended September 29, 2019:

	Stores Open as of Sep 30, 2018	Opened	Closed	Transfers	Net	Stores Open as of Sep 29, 2019
<b>Americas:</b>						
U.S.	6,031	318	(99)	—	219	6,250
Mexico	708	49	(9)	—	40	748
Latin America	622	45	(4)	—	41	663
Canada	409	34	(11)	—	23	432
<b>Total Americas</b>	<b>7,770</b>	<b>446</b>	<b>(123)</b>	<b>—</b>	<b>323</b>	<b>8,093</b>
<b>International <sup>(1)</sup>:</b>						
Korea	1,231	128	(25)	—	103	1,334
U.K.	653	60	(6)	—	54	707
Turkey	453	47	(6)	—	41	494
Taiwan	458	35	(13)	—	22	480
Indonesia	365	56	—	—	56	421
Philippines	360	39	(2)	—	37	397
Thailand	—	15	—	377	392	392
All Other	2,681	396	(55)	82	423	3,104
<b>Total International</b>	<b>6,201</b>	<b>776</b>	<b>(107)</b>	<b>459</b>	<b>1,128</b>	<b>7,329</b>
<b>Corporate and Other:</b>						
Teavana	12	—	(12)	—	(12)	—
<b>Total Corporate and Other</b>	<b>12</b>	<b>—</b>	<b>(12)</b>	<b>—</b>	<b>(12)</b>	<b>—</b>
<b>Total licensed</b>	<b>13,983</b>	<b>1,222</b>	<b>(242)</b>	<b>459</b>	<b>1,439</b>	<b>15,422</b>

Source: <https://blog.naver.com/dongkyutomy7/222155184079> (2020)

**Table 1.2. (Company-operated store data for the year-ended September 29, 2019)**

Company-operated store data for the year-ended September 29, 2019:

	Stores Open as of Sep 30, 2018	Opened	Closed	Transfers	Net	Stores Open as of Sep 29, 2019
<b>Americas:</b>						
U.S.	8,575	412	(196)	—	216	8,791
Canada	1,109	82	(16)	—	66	1,175
Siren Retail	6	3	(1)	—	2	8
<b>Total Americas</b>	<b>9,690</b>	<b>497</b>	<b>(213)</b>	<b>—</b>	<b>284</b>	<b>9,974</b>
<b>International <sup>(1)</sup>:</b>						
China	3,521	629	(27)	—	602	4,123
Japan	1,286	105	(12)	—	93	1,379
Thailand	352	29	(4)	(377)	(352)	—
U.K.	335	6	(53)	—	(47)	288
All Other	155	1	(9)	(82)	(90)	65
Siren Retail	2	3	—	—	3	5
<b>Total International</b>	<b>5,651</b>	<b>773</b>	<b>(105)</b>	<b>(459)</b>	<b>209</b>	<b>5,860</b>
<b>Total company-operated</b>	<b>15,341</b>	<b>1,270</b>	<b>(318)</b>	<b>(459)</b>	<b>493</b>	<b>15,834</b>

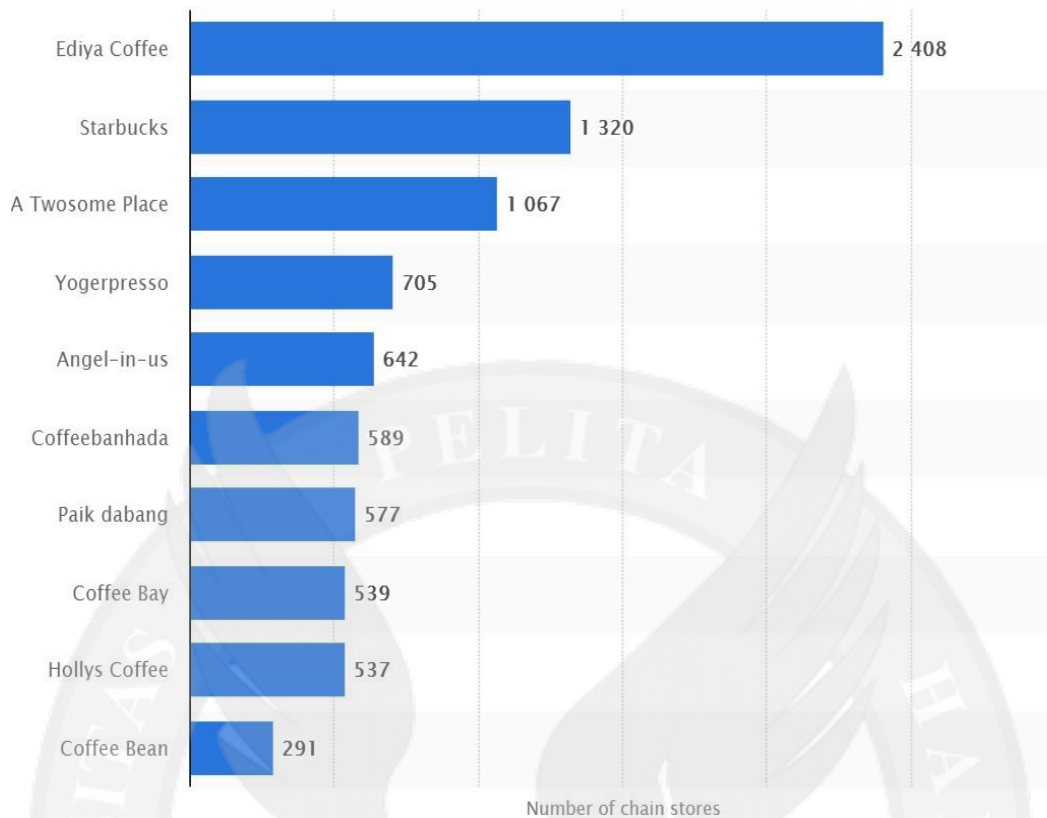
Source: <https://blog.naver.com/dongkyutomy7/222155184079> (2020)

According to a report submitted by Starbucks on September 29, 2019, Starbucks sells coffee, food, and a variety of goods in 31,256 stores worldwide.

The number of stores in Korea is 1,334 as of September 2019. It accounts for 4.3 percent of stores worldwide and 8.6 percent of stores licensed.

In Korea, it opened its first store in front of Ewha Woman University in 1999 and now has 1,334 stores, ranking first in the coffee franchise industry. It has strong brand power and loyal customers and has grown exponentially over the past three years with annual sales of 900 million dollars.

The company is operating at "Starbucks Coffee Korea," a 50:50 joint venture between Shinsegae Group's Emart and Starbucks headquarters in the U.S.



**Figure 1.3. (Number of chain stores in South Korea)**

Source: <https://www.statista.com/statistics/829232/south-korea-cafe-chain-store-number-by-franchise-brand/> (2018)

There are many coffee shops in Korea, among them, there are many franchise shops like Starbucks. The most of member store is Ediya Coffee, a Korean chain, with about 2,400 cafes scattered across the country. More than 1,300 Starbucks are ranked second, another Korean franchise is Two-Sum Place, also has more than 1,000 cafes. (Won So, 2020)

Starbucks made the most sales in 2018 at 1,300 cafes, recording sales of around 1.5 trillion won. Starbucks' sales were much higher than any other coffee franchise in Korea, earning half of the total until the second-ranked Angel-in-us. Despite having the largest number of cafes, Ediya Coffee ranked fourth in sales and earned about 200 billion won. (Won So, 2020)

In 2019 years, Korea drank more than 2.6 million bags of coffee, each weighing 60 kilograms. The consumption of coffee has continued to increase over the past few years, making it the most popular drink among Koreans and the most-purchased non-alcoholic drink in 2016. Adults over 20 years of age on average consumed about 353 cups of coffee in 2018. In the 2018 survey, about 60 percent of respondents said they drank 1-2 cups of coffee every day, the highest average being 1.8 cups a day. (Won So, 2020)

Starbucks has changed the perceived value of coffee.

Consumer pleasure is a feeling of happiness or regret in someone that comes from comparing perceived performance or results with consumer expectations of the products or services produced (Kotler, 2016). Kotler added that creating customer satisfaction can provide a variety of benefits, such as a harmonious relationship between the company and the customer and can create a good foundation for re-purchasing behavior that leads to customer loyalty. Thus, it contributes to generating word of mouth in favor of the company. Another benefit is to provide customer loyalty with a commitment to repurchase or maintain sufficient depth to support a product or service of choice, allowing heavy customers to switch to another product or service.

Shemwell, (1988) explained that high quality of service can create customer satisfaction. The results show that quality of service is measured at five levels: connectivity, reliability, responsiveness, assurance, and empathy. (A. Parasuraman, 1985; Zeithaml, Berry, & Parasuraman, 1996)

Perceived value often mixes with customer satisfaction, but both differ. There is a difference of opinion between writers. Perceived value is often used as a synonym for customer satisfaction, but perceived value can occur at every stage of a purchase, such as repurchase. (Woodruff, 1997). Zeithaml, (1988) defines perceived value as a monetary term and presents the four dimensions of perceived value. These are related to the lower prices, what the customer asks for, the value received for the price paid, and the final level is what the customer refers to and receives, and the amount they paid. However, Sweeney & Southar, (2001) presented values recognized as multidimensional values. They offer four lower levels of perceived value: quality, emotion, social and functional values.

(Woodruff & Gardia, 1996) explained that the value customers perceive investigates the interaction between products and services, while the quality of service generally focuses on services. Due to the complex interrelated relationships between these variables, research is required to explore a better understand of the dimensions and relationship of these variables.

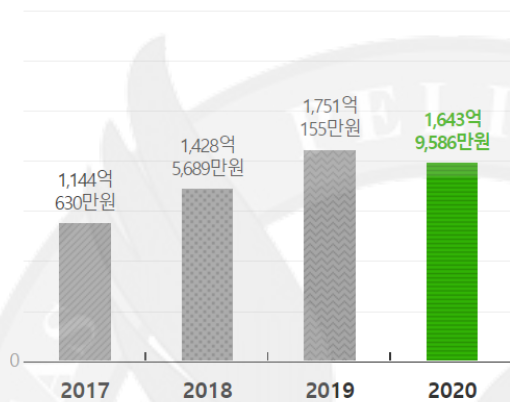
First, this study can identify the various dimensions of these variables. The second study will explore the complex relationship between all these variables.

This investigation will concentrate on Starbucks.

## **1.2 Research Problem**

## Operating Profit

2020-year	Operating Profit Ratio
₩164.395.86 billion	8.5%



**Figure 1.4. (Operating profit of Starbucks)**

Source: [https://www.saramin.co.kr/zf\\_user/company-info/view-inner-finance/csn/a09FaG1BbDk2ZFJCTTdPT0Zkc1VQQT09/company\\_nm/](https://www.saramin.co.kr/zf_user/company-info/view-inner-finance/csn/a09FaG1BbDk2ZFJCTTdPT0Zkc1VQQT09/company_nm/)

Global coffee brand, namely Starbucks, has been known to attract consumers from all over the world, including South Korea. As the most valuable coffee brand in the world, Starbucks has experienced a constant growth of operating profit in years. However, due to the current global pandemic, Starbucks's operating profit in 2020 dropped 6.2%. As shown in Figure 1.4, In 2019, operating profit of Starbucks is 175,101,55 and in 2020, operating profit of Starbucks is 164,395,86. The decrease in revenue is likely due to the large-scale social restrictions implemented by local government that limits people's movement as well as business activities.

Therefore, based on the research problem, the researcher concludes the research questions as follows:



### **1.3 Research Questions**

Below is the list of research questions:

- Does Service Quality have positive impact on Perceived Value?
- Does Customer Satisfaction have positive impact on Perceived Value?
- Does Customer Satisfaction have positive impact on Service Quality?
- Does Service Quality have positive impact on Repurchase Intention?
- Does Perceived Value have positive impact on Repurchase Intention?
- Does Customer Satisfaction have positive impact on Repurchase Intention?

### **1.4 Research Objectives**

The main purpose of this research is to study the relationship between SQ, PV, CS and BI of Starbucks. Thus, it can help other coffee chain gain deeper insights into their potential customers and become discipline in terms of performance improvement to make sustainable coffee chain business more valuable to customers. Therefore, research objectives are established based on the above research background.

- To know whether there is a positive impact of Service Quality on Perceived Value.
- To know whether there is a positive impact of Customer Satisfaction on Perceived Value.
- To know whether there is a positive impact of Customer Satisfaction on Service Quality.

- To know whether there is a positive impact of Service Quality on Repurchase Intention.
- To know whether there is a positive impact of Perceived Value on Repurchase Intention.
- To know whether there is a positive impact of Customer Satisfaction on Repurchase Intention.

### **1.5 Significance of the Study**

The Significance of the study is a follow:

- For the Researcher

For Researcher, this research is expected to help researchers in understanding the relationship between service quality, perceived value, satisfaction, and repurchase intention in coffee industry.

- Business School

For All Business Schools, it is hoped that this research may be an insight for the faculty, so it discusses more topics about coffee industry, the variables affecting behavioral intention to buy coffee in the course concerned.

- Business Owners or Corporations

For Business Owners or Corporations, researchers hope through this report, it can help other coffee chains to gain deeper insights into their potential customers and become discipline in terms of performance

improvement to make sustainable coffee chain business more valuable to customers.

- **The Future Researchers**

For the next researchers that will discuss about the topic “Coffee industry”, it is hoped that carrying this research will help and add to be one of the reliable references for the topic.

## **1.6 Research Outline**

The outline of this research is comprised of five chapters and is as follows:

### **Chapter I: Introduction**

This chapter presents the research background, research problem, research question, research objectives, and the research outlines.

### **Chapter II: Literature Review**

The second chapter presents all the theories, previous studies, and the research model.

### **Chapter III: Research Methodology**

The third chapter presents the types of the research, the types of study, the study settings, data collection methods, times, units of analysis, and the pre-test results.

### **Chapter IV: Research Findings**

The fourth chapter presents the research findings including reliability and validity of data, and the figures of the research about the research model and hypotheses testing.

### **Chapter V: Conclusion and Recommendations**

This last chapter will conclude the findings with implication of the research, research contribution and suggestions for future studies.

