

# CHAPTER 1

## INTRODUCTION

This chapter will discuss about the outline of this research. The sections that will be included in this chapter are the background of the research, problems in research, significance in research, and organization in research.

### 1.1 Background

In Indonesia, coffee culture has become a tradition, the way of life among the communities. This tradition occurs because Indonesia itself is a producer of coffee beans with diverse flavors. The tradition of drinking coffee continues to grow today with various innovations. Drinking coffee before activities has become mandatory for some people, drinking coffee by young people is also done as a mood booster (Stellamaris, 2019). Coffee culture has become a trend among young people, where drinking coffee is used as an instrument for young people just to socialize, to meet their friends, family or even do homework and assignments.

As it is often said, change is the only constant. While the world continues to evolve, the development of coffee in Indonesia is quite promising to become a job. Indonesia began to emerge with various modern coffee shops. Modern coffee shops itself is a lifestyle that comes from the United States, which has fast services and presentation. Modern coffee shops not only offer good taste, but also offer facilities that support consumer convenience.

Consumption rate of coffee in Indonesia continues to increase from 2016-2021, which has been estimated to reach 370 thousand tons.



Figure 1.1 national coffee consumption

Source: Databoks.Katadata.co.id (2018)

Based on the Information Center and Data Framework of the Service of Farming, the level of coffee utilization possessed by Indonesia in 2016 has come to around 250,000 tons and there has been a growth of 10.54% to 276,000 tons. where the level of Indonesian coffee consumption that occurs in the 2016-2021 period will be predicted to increase by 8.22% per year. and finally in 2021 coffee consumption is predicted to increase to 370,000 tons, with this increase, the supply of coffee is also predicted to increase to 795,000 tons, resulting in a surplus of 425,000 tons.

The coffee shop business itself remains one of the business sectors that are still surviving during the pandemic that occurred in Indonesia. During this pandemic, coffee consumers experienced changes in trends, such as ordering coffee in large quantities, coffee being a co-worker, and milk coffee becoming a consumer favorite.

Due to the stable demand of coffee over time, the competition in coffee selling business In Indonesia has a fairly strict level. From the entrepreneur's side, a coffee shop is a profitable business, easy to operate, long selling time, and has the opportunity to become a promotion item for big companies. Meanwhile, on the customer's side, coffee is a lifestyle trend. While we talk about competition, here are the top 10 coffee brands in Indonesia:

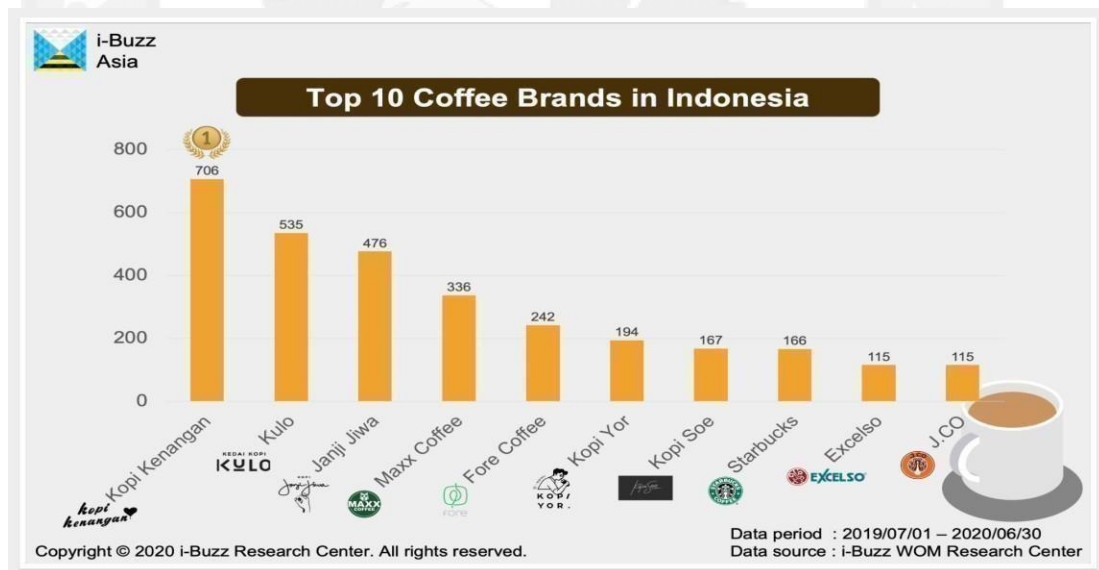


Figure 1.2 Top 10 Coffee Brands in Indonesia

Source: *Ibuzz.asia* (2020)

This research will make Starbucks the object of research, this is because Starbucks is the only international coffee brand that still occupies the top 10 positions in Indonesia. Even though Starbucks only competes in 8th place for consumer interest in Indonesia, Starbucks has its own reputation for consumer enthusiasts which makes Starbucks still in the top 10 positions. Starbucks also has a high outlet rate in Indonesia, the level can be seen from figure 1.3 below.

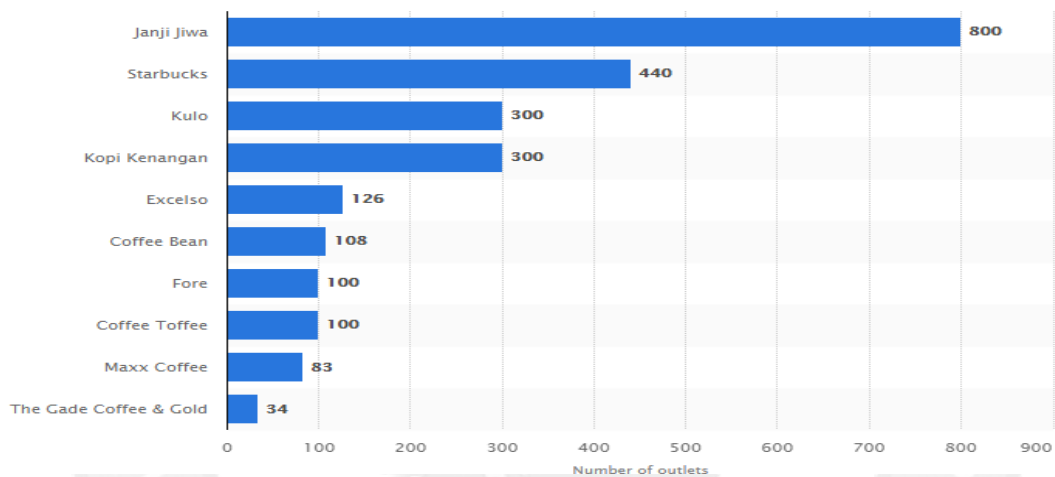


Figure 1.3 Number of Coffee Shop Outlet in Indonesia

*Source: Statista (2021)*

Figure 1.3 above shows the level of outlets owned by Starbucks in Indonesia is quite high, ranking second. Starbucks itself is only inferior to local coffee competitors, namely Janji Jiwa. The difference in the number of outlets between Starbucks and Janji Jiwa is quite far at 360, even so, Starbucks is quite satisfactory at 440 outlets, where Starbucks is a foreign brand.

Due to Covid-19 disruptions in 2019, Starbucks decided to close 400 of their stores. The second quarter of Covid-19 crisis in 2020 also impacted Starbucks revenue negatively which caused a loss of US\$ 678.4 million or equivalent to Rp. 9.9 trillion (Tyko Kelly, 2020). This Starbucks second quarter of Covid-19 financial statements made the business share price fall more than 4.5% in trading. Starbucks concluded that all of this happened because of the changing of consumer behaviour since this Covid-19 pandemic appeared so they planned to open more Pickup stores and enhance their business to drive-thrus and walk-up window stores.

This study wants to know the factors that are considered by Starbucks Indonesia, especially during the ongoing pandemic in Indonesia. While there are a lot of things that change quickly in this sector, from how people purchase to how people consume coffee, there are some benefits to this. Starbucks itself can overcome and thrive in the COVID-19 pandemic. In the current situation of the ongoing COVID-19 pandemic, this research will determine the relationship between health and hygiene, quarantine, ease of use of the application, and environmental responsibility to purchase intentions from Starbucks in Indonesia, especially in Balikpapan. This study was conducted to decide how much these variables affect purchase intentions during the COVID-19 pandemic.

## **1.2 Problem Statement**

During the COVID-19 pandemic, there has been a change in consumer patterns in food and beverage consumption, including the consumption of coffee. As for Starbucks, they use an application for online delivery services that should not be an obstacle to consumer purchase intention, but in fact, the Starbucks application itself does not have much impact on revealing customer purchase intention.

In previous studies, there was a controversy as to whether environmental perception is a factor for consumers in purchase intention, after it was concluded that there were several factors that impacted purchase intention during the COVID-19 pandemic. Factors that have an impact on purchase of intention on Starbucks consumer: health, hygiene, quarantine, ease of use of the application, and environmental responsibility. So the problem to be investigated is what is the purchase intention of Starbucks consumers in Indonesia, specifically in Balikpapan city during the COVID-19 pandemic.

### **1.3 Research Questions**

Based on the explanation that has been discussed in the background of the research above, the topic leads to what factors attract consumer buying interest, so that questions arise in research and problems arise in this study as follows:

1. Does healthiness positively affect purchase intention in coffee services in Starbucks Balikpapan?
2. Does hygiene positively affect purchase intention in coffee services Starbucks Balikpapan?
3. Does Quarantine positively affect purchase intention in coffee services Starbucks Balikpapan?
4. Does Ease of app use positively affect purchase intention in coffee services Starbucks Balikpapan?
5. Does Environmental responsibility positively affect purchase intention in coffee services Starbucks Balikpapan?

## 1.4 Research Objectives

This study focuses on what factors are consumer perspectives on Starbucks purchase intentions in Balikpapan, Indonesia during the COVID-19 pandemic. The achievement in the purpose of this study is to test the independent variable of consumer attitudes in buying Starbucks products during the COVID-19 pandemic. Based on the results of the research questions obtained, it can be concluded that this study has the following objectives:

1. To examine whether healthiness positively affect purchase intention in coffee services Starbucks Balikpapan
2. To examine whether hygiene positively affect purchase intention in coffee services Starbucks Balikpapan
3. To examine whether quarantine positively affect purchase intention in coffee services Starbucks Balikpapan
4. To examine whether the ease of application use positively affect purchase intention in coffee services Starbucks Balikpapan
5. To examine whether environmental responsibility positively affect purchase intention in coffee services Starbucks Balikpapan

## 1.5 Significance of the Study

The researcher hopes this research will be able to give contribution to the literature of coffee business service and help establish economical marketing strategies. It has practical and theoretical significances:

### 1. Theoretical Significance

This study provides a solution in order to gain knowledge of the relationship between quarantine, consumer purchase intentions, and consumer behavior regardless of what is referred to as an important social problem. The accountability of the technology acceptance model will increase in connection with the ease of operating a system or facility in the coffee business software application. This research is expected to have a significant impact on the literature by examining the tremendous influence of ease of use in the research of enthusiasts in the coffee business. In addition, this study explains a connection between environmental responsibility that has existed in previous studies and purchase intentions in the coffee shop sector.

### 2. Practical Significance

This research's outcome may give information to Starbucks, especially their management department and other coffee shops to obtain further economy marketing strategies, such as Starbucks. Starbucks management or any other coffee shops need to focus on aspects that are related to hygiene. In addition, Starbucks management and other coffee businesses need to think about preparing anything that is connected to quarantine, such as hand sanitizer, increase the usage of masks and give



more awareness about the urgency to wear masks in stores to employees and customers. Moreover, Starbucks management department needs to maximize their capabilities to increase the online part of business including the application system in regard to the urgency of technological infrastructure for the competition in the hospitality sector. Healthiness, hygiene, quarantine, and ease of app use may be able to lend a hand to the coffee businesses' sales to go up. In addition, this research also can be used to inform Starbucks management department to determine which marketing plan is the most important. Also, the ease of use of the application will make an area with efficiency value also to be used as an asset allocation rather than increasing the healthy menu in the Starbucks business area. As expected, taking the research's information to consideration, Starbucks management asset guidance may be able to be achieved.

## **1.6 Organization of the Study**

- **Chapter 1: Introduction**

This chapter will explain the background to the research, the questions that arise in the research, the objectives that are the focus of the research, the significance in the research, and the systematic outline.

- **Chapter 2: Literature Review**

This chapter explains in full the existing theories and reviews the literature on purchase intention and the independent variables which are taken from books, journals and other research sources.

This chapter carries research models and hypotheses that discuss some of the variables related to the research question.

- **Chapter 3: Research Methodology**

This chapter explains the methodology used in this research to be able to answer the research questions that have been stated above and also to give complete understanding of the research that is used. Starting from research design, ethics in data collection, types of variable, conceptual and operational definition, measurement scale, data source and techniques, types of question and sample design.

- **Chapter 4: Results**

This chapter explains the results, including sample profile, exploratory factor analysis and reliability test results, correlation matrix, and results of hypothesis testing.

- **Chapter 5: Discussion and Conclusions**

This chapter explains the exchange of views and conclusions include Interpretation of the Results, Explanation for the Hypotheses Testing, Theoretical Implications, Practical Implication, and Existing limitations and suggestions for further researchers.