

CHAPTER I

INTRODUCTION

1.1 Background of the Study

Concerns related to the environment were evident in the increasingly environmentally-conscious marketplace (Laroche et al., 2001). Environmental issues have more incentives nowadays and made people more concerned about the environment. Environment concerns became the most important issue for mankind in the present world (Kumar & Anand, 2013). One of the most obvious environmental issue was global warming and its impact to society. Global warming became more apparent. The effects of temperature on living organisms were causing great concern (Zhan, n.d.) and the conversations about global warming had taken on an urgent tone (www.atmos.umd.edu retrieved on 13 May 2014).

Tropical deforestation accounted for about 15 percent of the world's global warming pollution—more than that produced by every car, truck, plane, ship, and train on Earth (Boucher et al., 2011). Chakravarty et al. (2012) believed that there was sufficient evidence to show that nowadays the whole world was facing an environmental crisis as a consequence of heavy deforestation. One of the real evidences was stated in a journal by Angelsen et al. (1999) as cited in Chakravarty et al. (n.d.), that deforestation would cause loss of biodiversity and enhanced the greenhouse effect.

The study of Arnold (2008) clearly stated that Indonesia's forests were very important for the archipelago itself. However, the rapid deforestation could not be avoided. In 50 years, the forest area in Indonesia had declined by 40 percent between 1950 and 2000. This decline in forest area was supported by the data from FAO (Food and Agriculture Organization of the United Nations) (2010). The table below shows the data of countries with largest annual net loss of forest area. The data

pointed out that Indonesia lost 2412 ha/year or 2.26% of forest area in a span of 20 years.

Table 1
Countries with largest annual net loss of forest area in 1990-2010

Country	Annual change 1990-2000		Country	Annual change 2000-2010	
	1000 ha/year	%		1000 ha/year	%
Brazil	-2890	-0.51	Brazil	-2642	-0.49
Indonesia	-1914	-1.75	Australia	-562	-0.37
Sudan	-589	-0.80	Indonesia	-498	-0.51
Myanmar	-435	-1.17	Nigeria	-410	-3.67
Nigeria	-410	-2.68	Tanzania	-403	-1.13
Tanzania	-403	-1.02	Zimbabwe	-327	-1.88
Mexico	-354	-0.52	the Congo	-311	-0.20
Zimbabwe	-327	-1.58	Myanmar	-310	-0.93
Congo	-311	-0.20	Bolivia	-290	-0.49
Argentina	-293	-0.88	Venezuela	-288	-0.60
Total	-7926	-0.71	Total	-6040	-0.53

Notes: (FAO) Food and Agriculture Organization of the United Nations (2010)

The environmental issues explained above led to companies' and people's impacts to concern of the environment. Across the world, a growing segment of consumers were seeking ethical and environmentally-friendly products as stated by Cervellon et al. (n.d.). Over the years, majority of consumers had realized that their purchasing behavior had a direct impact on many ecological problems (Laroche et al., 2001). To fulfill that majority of consumers' needs, Houghton (2011) stated that it was necessary to address human attitudes very broadly to arrive at global solutions. These human attitudes are related to with resource used, lifestyle, wealth and poverty. The businesses were no exception for this issue and they were responding through the use of environment-friendly products (Kumar & Anand, 2013).

Starbucks is an internationally-known company concerned about environmental issues. It is listed as one of 25 big companies that is going green (www.businesspundit.com retrieved on 10 May 2014). Starbucks participated and supported well the rescue of the environment. Starbucks' supports for environmental sustainability were through the use of using greener and reusable cups, the application of the green building concept, and energy conservation.

As one of leading companies in the food and beverages service business, Starbucks is committed to create a greater impact to the industry and protect the environment by making better ways to recycle the cups and other packaging materials. In addition, Starbucks has committed to apply environmental leadership in every part of the business as stated in its Environmental Mission Statement. By doing these environmental activities Starbucks has saved 78,000 trees per year since 2006 and had LEED (Leadership in Energy and Environmental Design) certified stores in 18 countries (www.mnn.com retrieved on 10 May 2014).

Since 1985, Starbucks has shown its commitment to customers. The company has rewarded its customers with a discount by bringing Starbucks' tumblers during purchase instead of using the cups inside the store. It has, likewise, set to serve five percent of the beverages with tumblers and mugs that were brought in by the customers (www.starbucks.com retrieved on 31 May 2014). In April of 2010 and 2011, Starbucks had a promotion of free brewed coffee for customers who used Starbucks' tumblers. This promotion saved more than 1.5 million pounds of paper from landfills (www.starbucks.com retrieved on 31 May 2014).

In 2012, Starbucks launched EarthSleeve™ in United States and Canada which required fewer raw materials to make the sleeves. The purpose was to save around 100,000 trees a year and still apply EarthSleeve™ globally. In 2013, customers who used Starbucks' tumbler when buying Starbucks beverages were 46.9 million times, up from 35.8 million in 2012. Moreover twenty-two percent of its

customers used reusable mugs. This percentage increased over the prior year from 1.5% to 1.84% (www.starbucks.com retrieved on 31 May 2014).

According to Starbucks' website (www.starbucks.co.id retrieved on 11 August 2014), Starbucks Coffee opened the first store in Indonesia at Plaza Indonesia, Jakarta and Tunjungan Plaza 4, Surabaya on 17th of May 2002. As the promotion of Starbucks' tumbler had begun since 1985, the promotion in Indonesia had been held since the first store of Starbucks in Indonesia was opened.

The Starbucks' tumbler promotion in Indonesia includes a 50% discount for the customers who use their Starbucks' tumbler or mug to buy Starbucks beverages every 22nd of the month to honor the Earth Day. Besides supporting Earth Day, the Starbucks' tumbler promotion was a part of Starbucks' efforts to reduce the use of paper and plastics glass for its customers (www.dskon.com retrieved on 11 August 2014). The poster of Starbucks' tumbler promotion is presented in Figure 1.

The researcher's preliminary interview with Starbucks current customers about its tumbler and promotions added to the researcher's enthusiasm to conduct this research about environmental behavior and intention to purchase. This interview revealed that most of the respondents had the intention to purchase Starbucks tumbler because of the functional value, emotional value, and environmental attitude. One of the respondents explained that the intention to purchase the Starbucks' tumbler was because of its dual function as a hot and cold thermos and its design which triggered the emotion of the respondent.



Figure 1

Starbucks' tumbler promotion poster

Notes: www.dskon.com (retrieved on 11 August 2014)

Another well-known company that also has an environmental business philosophy is The Body Shop. According to the financial report of The Body Shop (2013), the net income of The Body Shop is keep increasing from year to year. The net income of The Body Shop in 2012 was £110,661 while in 2013 was £145,137. The increasing income reflects that the response of the customers to their product is really good. This means that the environmentally-friendly products concept that offered by The Body Shop is accepted by the society, thus the environmentally-friendly product increases profit for the company. Besides, Glancey and McQuaid (2000) stated that the intense environmentalist philosophy of the business that The Body Shop had is the competitive advantage for the company itself, their products are well-known for being naturally-made and environment-friendly products. This example of The Body Shop can be a reference for Starbucks to keep concerning on their environmentally-friendly business concept so that it may be their competitive advantage too compared to their competitors' concept.

According to Ali and Ahmad (2012), purchase intention is defined as “an individual’s probability and willingness to buy environmentally-friendly products over other conventional products in purchasing decisions”. In the study of Kumar and Anand (2013) and Peng and Liang (n.d), there were eight factors that could affect customer’s purchase intention, namely: (1) Environmental Knowledge, (2) Environmental Behavior, (3) Environmental Attitude, (4) Personal Norms, (5) Social Norms, (6) Functional Value, (7) Emotional Value, (8) and Social Value.

According to Fryxell and Lo (2003), environmental knowledge could be defined as “a general knowledge of facts, concepts, and relationships concerning the natural environment and its major ecosystems”. Bamberg & Moser (2007) stated that environmental behavior was best considered as a mixture of self-interest and/or concerned for other people, the next generation, other species, or whole ecosystems. The personal norm was tied to the self concept and was experienced as a feeling of moral obligation (Schwartz 1973, 1977). Social norms could be very useful in understanding the critical component of human behavior and predicting the individual behavior (Berkowitz, 1972). Functional value was defined by Broekhuizen (2006) as the utility obtained from the product quality and performance. Peng and Liang, (n.d) believed that “consumers who were promoters of practical rational consumption were leaning now towards perceptual consumption to satisfy their psychological needs is emotional value”. Social value stemmed from the utility produced by consumers’ perception of the product’s ability to reinforce consumers’ social life (Peng & Liang, n.d.). Harun et al. (2011) stated that “attitude towards the environment was conceptualized as their verbal and actual commitment, motivation and effect concerning nature and environmental issues”.

An interesting result from the study of Kumar and Anand (2013) entitled “*A Study on Consumer Behavior towards Eco-Friendly Paper*” showed that there was a significant relationship between environmental behavior with environmental knowledge and between personal norms, environmental attitude with purchase

intention, but no significant relationship between social norms and purchase intention. Moreover, results from the study of Peng and Liang (n.d) entitled “*The Effects of Consumer Perceived Value on Purchase Intention in E-commerce Platform: A Time-limited Promotion Perspective*” stated that there was a significant relationship between emotional value and purchase intention, but no significant relationship between functional value and social value, and purchase intention. On the other hand, in line with the results from the research of Kumar and Anand (2013), the study of Chen (2013) also found that there was no significant relationship between social norms and purchase intention. Environmental attitude variable was also significantly related to purchase intention in Aman, Harun, and Hussein (2012) and Chen (2013). While for the social value variable, Choi and Kim (2013) also had the same results with Peng and Liang (n.d) which stated that there was no relationship between social value and purchase intention.

As a contradictory to the study of Kumar and Anand (2013), Maloney and Ward (1973) as cited in Laroche et al. (2001) stated that there was no significant effect between environmental knowledge and environmental behavior. Velarde (2012) found that there was no significant relationship between personal norms and purchase intention. Environmental knowledge was significantly affected the customers’ purchase intention in the study of Aman, Harun, and Hussein (2012) as well as Chen (2013), but not in the study of Henning and Karlsson (2011).

1.2 Research Problems

The following research problems are tested in this study:

1. Does Environmental Behavior significantly affect Starbucks customers’ Intention to Purchase the tumbler?
2. Does Environmental Knowledge significantly affect Starbucks customers’ Intention to Purchase the tumbler?
3. Does Environmental Attitude significantly affect Starbucks customers’ Intention to Purchase the tumbler?

4. Does Personal Norms significantly affect Starbucks customers' Intention to Purchase the tumbler?
5. Does Social Norms significantly affect Starbucks customers' Intention to Purchase the tumbler?
6. Does Functional Value significantly affect Starbucks customers' Intention to Purchase the tumbler?
7. Does Emotional Value significantly affect Starbucks customers' Intention to Purchase the tumbler?
8. Does Social Value significantly affect Starbucks customers' Intention to Purchase the tumbler?
9. Do Environmental Knowledge, Environmental Behavior, Environmental Attitude, Personal Norms, and Social Norms (Personal Attributes) significantly and simultaneously affect Starbucks customers' Intention to Purchase the tumbler?
10. Do Functional Value, Emotional Value, and Social Value (Product Attributes) significantly and simultaneously affect Starbucks customers' Intention to Purchase the tumbler?
11. Do Environmental Knowledge, Environmental Behavior, Environmental Attitude, Personal Norms, Social Norms, Functional Value, Emotional Value, and Social Value significantly and simultaneously affect Starbucks customers' Intention to Purchase the tumbler?

1.3 Research Objectives

The general objective of this proposed research is to identify the factors that affect the customers' intention to purchase the Starbucks' tumbler at Galaxy Mall Surabaya. In addition, the specific objectives of the research are as follows:

1. To determine the effects on intention to purchase Starbucks' tumbler of the following factors:
 - a. Environmental Knowledge
 - b. Environmental Behavior

- c. Environmental Attitude
 - d. Personal Norms
 - e. Social Norms
 - f. Functional Value
 - g. Emotional Value
 - h. Social Value
2. To identify the simultaneously effects on intention to purchase Starbucks' tumbler of the following factors:
- a. Environmental Knowledge, Environmental Behavior, Environmental Attitude, Personal Norms, and Social Norms (Personal Attributes).
 - b. Functional Value, Emotional Value, and Social Value (Product Attributes).
 - c. Environmental Knowledge, Environmental Behavior, Environmental Attitude, Personal Norms, Social Norms, Functional Value, Emotional Value, and Social Value.

1.4 Research Contributions

The research is expected to be useful to the following:

1.4.1 Scientific Research

This research is expected and meant to enrich the existing and previous researches in Environmental Knowledge, Environmental Behavior, Environmental Attitude, Personal Norms, Social Norms, Functional Value, Emotional Value, and Social Value. It can also be used as a reference by future researchers who like to do further and more in-depth research about environmental issues and purchase intention.

1.4.2 Company

This research is aimed to be useful for Starbucks and other companies in the food and beverages industry who would like to use green and environmentally-

friendly product concept. Other companies can know which factors affect consumers' purchase intention towards environmentally-friendly product. Information about these factors can be inputs on how Starbucks can take further strategic steps to increase its customers' purchase of the tumbler.

1.4.3 Researcher

The research is very helpful and practical to the benefit of the researcher. The researcher is interested to do this research as a reference in the establishment of a future business using green and environmentally-friendly products. By doing this research, the researcher knows the effect of people's knowledge, concern, and interest toward environmentally-friendly products and programs.

1.5 Research Limitations

The focus of this research is the identification of significant factors which affect customers' intention to purchase the Starbucks' tumbler at Galaxy Mall Surabaya. These factors include: Environmental Knowledge, Environmental Attitude, Environmental Behavior, Personal Norms, Social Norms, Functional Value, Emotional Value, and Social Value.

The respondents for this research are limited to Starbucks customers who visit and purchase Starbucks' products at Galaxy Mall at least once per month in the last three months. The research was conducted at the Starbucks' outlet at Galaxy Mall, Surabaya from May to November 2014. The target sample size was 351 respondents. However, only 204 completed questionnaires were tested in data analysis.

1.6 Research Outline

Research outline explains the systematic writing of this study. The outline is divided into five chapters, namely:

Chapter I: This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important

terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

- Chapter II: This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of environmental knowledge, environmental attitudes, environmental behavior, personal norms, social norms, functional value, emotional value, and social value together with purchase intention theories that apply to the research problem, an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.
- Chapter III: This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.
- Chapter IV: This chapter organizes a logical presentation of the findings that address the research questions, and focus on how these key findings relate back to the theory and prior researchers presented at the beginning of the study.
- Chapter V: This chapter outlines the implications, conclusions, and recommendations supposed to advance the study of the research topic by its theoretical, methodological, or substantive contributions that may be necessary to overcome the limitations of existing empirical facts.