

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In the last few years, coffee shop sector has experience substantial growth, becoming a vital part of urban culture and social life. Brands like Starbucks have transformed coffee consumption into a lifestyle, emphasizing brand association, atmosphere, and customer experience alongside the product itself. In this competitive landscape, knowing the elements that affect Customer Loyalty such as Brand Trust, Brand Image, and Customer Value is crucial for achieving sustained success (Ferreira et al., 2021)

Customer value is the consumer's evaluation of a product's efficacy and the results derived from utilizing its services. This value is shaped by factors like pricing, service quality, discounts, rewards, reputable brands, and advertising. As a concept involving the customer's perception and evaluation of product attributes, customer value is defined as the benefits derived from using a product to achieve specific goals (Rahmah et al., 2021). Customer value is a key driver of customer loyalty; when customers perceive high value, they are more probable to maintain allegiance to the brand. This value is shaped by elements like quality, price, and the overall benefits customers experience, with positive experiences resulting in recurrent acquisitions and enduring allegiance.

Brand trust and reliability are the result of an ongoing process where a brand consistently meets its promises and customer expectations while demonstrating care

for customer values (Gustian et al., 2021). Trust in a brand is a main force for consumer loyalty, with trust-related variables having a substantial and beneficial effect on customer loyalty. When consumers have a confidence in brand, they are more inclined to partake in repeat purchases and recommended the brand to others. This trust is cultivated gradually through favorable encounters, transparency, and reliability, ultimately strengthening the relationship between the customer and the company, fostering greater loyalty.

Brand image also plays a crucial role in influencing customer loyalty. According to Kholifah (2024) brand image is the perception a brand establishes in the consumers' mind, influenced by associations formed over time. As noted by Manik & Siregar (2022) a strong brand image is a reflection of how a customer perceives the brand, and businesses that consistently build a positive brand image gain consumer favor, establish a competitive edge, and acquire a greater market share. Maintaining a positive brand image is critical for a the marketing strategy of the company, as it has a profound, beneficial effect on customer loyalty. A strong brand image, associated with qualities such as innovation, quality, or social responsibility, fosters emotional connections with customers, encouraging loyalty.

Customer loyalty, as defined by Reggina et al. (2024) refers to customers' inclination to consistently acquire a good or service from a company. This loyalty holds strategic importance for businesses, as it reflects the customer's commitment and favorable attitude towards the company. Customer loyalty is a key factor in sustaining business operations and driving financial success. Maintaining customer

satisfaction is vital for ensuring continued loyalty, which is crucial for the sustained success and growth of an enterprise.

Starbucks is an internationally acclaimed coffeehouse chain renowned for its premium coffee, handcrafted beverages, and a cozy cafe experience. The brand provides a diverse selection of items, encompassing espresso-based beverages, brewed coffee, and teas, frappuccinos, and seasonal specials, along with pastries and sandwiches. In Indonesia, Starbucks has established a strong presence since its first store opened in 2002. With hundreds of locations across major cities, including Medan City, it has become a popular choice for coffee lovers seeking premium beverages and a comfortable atmosphere. In Medan, Starbucks outlets are strategically located in shopping malls, business districts, and major streets, catering to a diverse group of customers, from professionals to students and families, who enjoy the brand's consistent quality and welcoming environment.

The Starbucks boycott refers to consumer-led protests against the coffee chain due to various social, political, and ethical concerns. Over the years, Starbucks has faced boycotts for reasons such as alleged political stances, labor disputes, and ethical sourcing issues. More recently, calls for boycotting Starbucks have emerged in response to its perceived position on international conflicts, corporate policies, or social justice matters. In some regions, including Indonesia, public sentiment and online campaigns have encouraged consumers to avoid Starbucks as part of broader protests against global brands linked to controversial issues. These boycotts, often amplified through social media, can impact the brand's sales and reputation, particularly in markets where consumer activism is strong.

The most recent Starbucks boycott began in October 2023, following a controversy involving Starbucks Workers United, a union representing some employees. The union uploaded on social media pro-Palestinian statement, which was not authorized by Starbucks, leading to backlash from both pro-Palestinian and pro-Israeli groups. This sparked a wave of boycotts, with activists urging consumers to avoid the brand due to its perceived stance on the Israel-Palestine conflict. As a result, Starbucks faced significant financial impact, reportedly losing \$11 billion in market value. The boycott gained traction globally, including in Indonesia, where consumer activism played a role in shaping purchasing decisions.

The following is a comparison of Starbucks sales values in the United States and Indonesia before and after the boycott action (Dean, 2024) , which illustrated in the graph below:

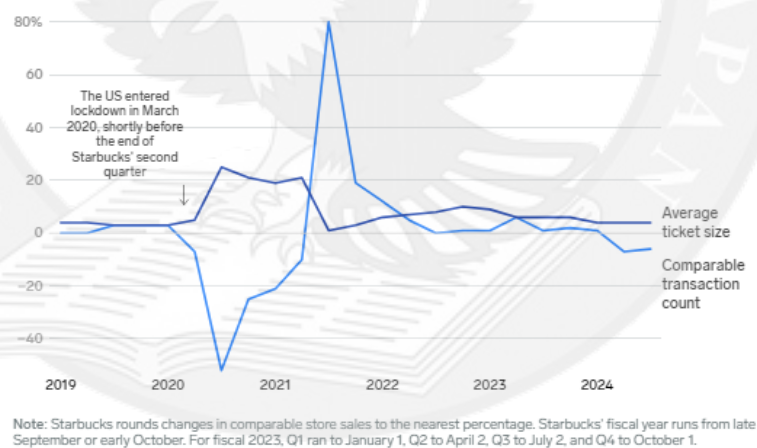


Figure 1.1 US Starbucks revenue
Source : Businessinsider.com (2025)

The graph illustrates the changes in Starbucks' comparable store sales, specifically focusing on average sales and comparable transaction count from 2019 to 2024. Average ticket size means the typical amount a customer spends in a single

purchase. Total sales are divided by the number of transactions to obtain the calculation. A significant drop in transaction count is observed in early 2020, coinciding with the U.S. lockdown in March 2020 due to the COVID-19 pandemic. This decline reflects the immediate impact of store closures and reduced customer visits. However, during the same period, the average sales saw an increase, suggesting that while fewer customers visited Starbucks stores, those who did tended to make larger purchases. A sharp spike in average sales is evident in 2021, likely influenced by post-pandemic recovery trends and shifts in consumer purchasing behavior. Over time, transaction count gradually recovered but remained below pre-pandemic levels, while the average sales showed a downward trend, stabilizing in the later years. This pattern indicates a shift in Starbucks' sales dynamics, with long-term impacts on customer behavior and store performance.

In July 2017, a leader from Muhammadiyah, second-largest Muslim group in Indonesia has advocated for a boycott of Starbucks in response to the company's endorsement of LGBT rights. This stance was perceived as conflicting with Indonesia's cultural and religious values. The boycott gained traction, with various groups urging Indonesians to avoid patronizing Starbucks outlets. In 2023, another wave of boycotts emerged in response to Starbucks' perceived support for Israel during the Gaza conflict. These actions reflect ongoing tensions between global corporate policies and local cultural sentiments in Indonesia.

According to Ana Noviani (2024) , MAPB operates Starbucks Indonesia through its subsidiary, PT Sari Coffee Indonesia. Their half-year (Jan-Jun) earnings in recent years:

- 2020 saw a sharp drop (–33%) due to COVID-19 lockdowns.
- Recovery followed through 2022–2023 with strong growth.
- 2024 experienced a downturn (–18.7%), partially tied to the anti-Israel boycott movement.

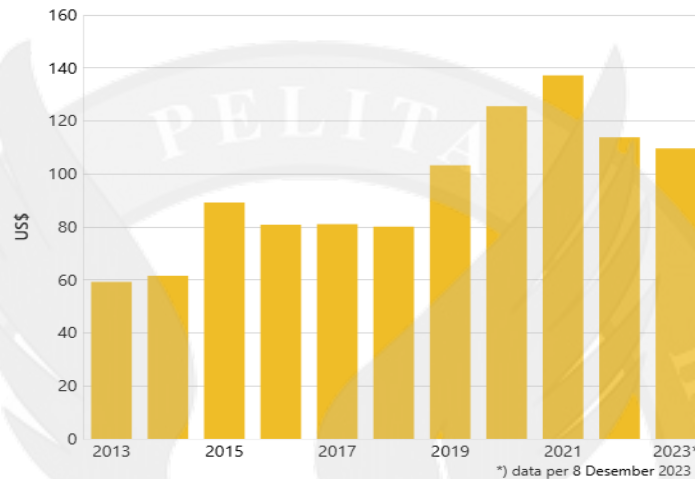


Figure 1.2 Starbucks Boycott Effect
Source : Businessinsider.com (2025)

Based on the figure above, indicates that the boycott action carried out by the public against Israeli products has had a significant impact on decreasing prices from the previous year and the following year (Sherman, 2024).

After the boycott movement started, Starbucks experienced a significant decline in both sales and stock prices in Indonesia, indicating a substantial shift in consumer behavior. The growing reluctance of customers to patronize the brand has led to a notable decrease in customer loyalty, as consumers increasingly associate Starbucks with the controversy that fueled the boycott Ilmi Alifya et al. (2024). This study highlights that the erosion of customer loyalty is often driven by negative consumer experiences, shifting perceptions, and a deteriorating brand image. When a brand becomes entangled in social, political, or ethical controversies, it can lose

the trust and emotional connection it has built with its customers over time. In this case, the Starbucks boycott has contributed to a weakened brand reputation, causing formerly loyal customers to seek alternatives that align more closely with their values. If this trend persists, it could result in long-term financial repercussions and further diminish the brand's market presence in Indonesia.

This research demonstrates that the erosion of customer loyalty may be precipitated by negative consumer experiences and a deteriorating brand image. The following are the findings of a preliminary research conducted regarding the evaluation of consumer loyalty at Starbucks Coffee Medan, which illustrate below:

Table 1.1 Evaluation of Customer Loyalty in Starbucks Coffee: A Study on Medan Customers (Pre Liminary Survey)

Indicator	Evaluation
Repurchase intention or transactions	Many customers of Starbucks Coffee Medan don't feel compelled to make repurchase intention or transactions. They may be dissatisfied with the service or the quality of the products offered, which prevents them from returning for another purchase. Instead, they tend to explore other alternatives that might better meet their expectations.
WOM	Starbucks Coffee Medan has failed to generate positive word of mouth among its customers. Due to inconsistent service or experiences that do not meet expectations, many customers are reluctant to recommend Starbucks to others. This lack of enthusiasm among customers results in fewer referrals, which can affect the brand's reputation and growth in the local market.
Rejection to switch to competitor products	Despite Starbucks Coffee Medan's market presence, many customers are open to switching to competitor products. They do not feel a strong connection to the brand or its offerings, which leads to a willingness to try other coffee brands that offer better value, quality, or service.

Source : Prepared by the Writer (2025)

Based on the Table 1.1 above, which was obtained from the results of a preliminary study respondents who had purchased Starbucks products in the city of Medan, the respondents often steer clear of specific products or services due to their relatively higher prices compared to other alternatives.

From repurchase intention or transactions indicator, the respondent is uncertain about buying from Starbucks again, citing high prices and questioning the value for money, and is considering other coffee shop options.

From WOM indicator, the respondent gives a neutral recommendation of Starbucks—acknowledging its consistency and variety but also noting high prices and suggesting alternatives like local coffee shops.

From rejection to switch to competitor products indicator, the respondent is not fully loyal to Starbucks, citing lack of uniqueness and often choosing competitors for better price, quality, or flavor.

Base on Rayyana (2024) below is the negative sentiment towards Starbucks Indonesia that related to perceived value, negative sentiment refers to the expression of unfavorable, critical, or adverse emotions, opinions, or attitudes toward a particular subject, such as a person, product, event, or idea.

From the table 1.2, the data shows a significant increase in negative sentiment toward Starbucks over the periods analyzed. From Period I to Period IV, the volume of negative sentiment steadily rises, peaking at 281 in Period IV. Although there is a slight drop in Period V to 170, the overall trend indicates a growing dissatisfaction or criticism directed at Starbucks:

Table 1.2 Negative sentiment towards Starbucks from social media source X

Sentiment Types	Period I (14 Feb – 17 Feb 2024)	Period II (18 Feb – 24 Feb 2024)	Period III (25 Feb – 02 Mar 2024)	Period IV (03 Mar – 09 Mar 2024)	Period V (10 Mar – 05 Mar 2024)	Total
Negative	67	229	130	281	170	877

Source : Rayyana (2024)

Table 1.3 Evaluation of Customer Value in Starbucks Coffee

Indicator	Evaluation
Emotional Value	Many customers feel that Starbucks Coffee Medan fails to provide an emotional connection with its offerings. Despite its popular brand image, the experience in the store does not evoke strong emotional bonds, leaving some customers feeling indifferent and unfulfilled after their visit. This lack of emotional value may prevent customers from forming long-lasting attachments to the brand.
Social Value	Starbucks Coffee Medan seems to fall short in creating a sense of community or social value for its customers. While the store is often seen as a place to gather, many customers feel that the atmosphere does not foster meaningful connections or social interaction, making it less appealing as a social hub compared to other establishments.
Quality Value	The quality of the products at Starbucks Coffee Medan has left some customers disappointed, with complaints about inconsistencies in taste and quality. In certain instances, the beverages and food items do not meet the high standards that customers expect from a premium brand, reducing the perceived value for money and leading to decreased satisfaction.
Cost Value	Starbucks Coffee Medan is often criticized for its high prices, especially when compared to local coffee shops offering similar products at more affordable rates. Many customers feel that the cost of the products does not justify the value they receive, particularly when considering the lack of significant differentiation in terms of taste and experience from more budget-friendly options.

Source : Prepared by the Writer (2025)

From the table 1.3 above, which was obtained from the results of a preliminary study who had purchased Starbucks products in the city of Medan, it can be seen that Starbucks Coffee Medan faces significant challenges in providing emotional, social, quality, and cost value to its customers. The brand struggles to create genuine emotional connections, leaving customers feeling indifferent after their visits.

From emotional value indicator, the respondent appreciates certain features of Starbucks, such as consistent coffee quality, convenient locations, and seasonal drinks, but does not experience a strong overall sense of happiness or satisfaction from using their products or services.

From social value indicator, the respondent generally views Starbucks as a personal and individual experience rather than a place that promotes strong social connections. While they have occasionally used the space for informal gatherings, they do not feel that Starbucks inherently fosters a deep sense of connection with others.

From quality value indicator, the respondent feels that Starbucks does not consistently meet their expectations for quality, particularly considering the high prices. They mention issues like burnt-tasting brewed coffee and overpriced food, However, they acknowledge that the variety and customization of specialty drinks are positive aspects they value.

From cost value indicator, the respondent believes Starbucks may not offer the most cost-effective products when compared to competitors, but justifies the higher prices through the added value of brand consistency, ambiance, and customer experience.

Table 1.4 Evaluation of Brand Trust in Starbucks Coffee

Indicator	Evaluation
Harmony	The lack of harmony between Starbucks Coffee Medan and its customers is evident, as some customers feel that their expectations are not consistently met, leading to a sense of disconnect. The inconsistency in customer service and the experience at different locations may cause customers to question their trust in the brand.
Acceptance	Starbucks Coffee Medan fails to gain the full acceptance of all its customers, as there are instances where customers feel the products do not align with their preferences or the brand's promises. This lack of acceptance, especially when expectations aren't met, weakens customer trust and loyalty towards the brand.
Participation Simplicity	Starbucks Coffee Medan does not actively engage with all its customers in meaningful ways, leading to a gap in trust. When customers feel excluded or neglected in feedback or decision-making processes, their sense of loyalty and trust towards the brand diminishes, preventing full participation in the brand community. The complexity of certain processes or lack of clarity in Starbucks Coffee Medan's operations may cause frustration among customers. When the brand's offerings and communications are not simple or transparent, it leads to confusion, which undermines the trust customers have in Starbucks as a reliable and straightforward brand.

Source : Prepared by the Writer (2025)

From the table 1.4 above, which was obtained from the results of a preliminary study who had purchased Starbucks products in the city of Medan, it can be seen that Starbucks Coffee Medan faces a trust issue with its customers due to inconsistencies in service and experience across locations, leading to a disconnect between the brand and its audience.

From harmony indicator, the respondent believes that Starbucks makes an effort to maintain positive relationships with customers through friendly staff and a welcoming environment. However, they feel that the company could improve in how it handles customer complaints, as responses often come across as impersonal or scripted, which can undermine the sense of genuine support.

From acceptance indicator, the respondent acknowledges that Starbucks has taken steps toward inclusivity, such as providing plant based options and inclusive marketing. However they believe opportunities for enhancement remain, particularly in areas like accessibility and affordability for lower-income customers.

From participation simplicity indicator, the respondent believes that while Starbucks' rewards program is generally easy to use especially with the help of the app some of its promotions can be confusing or overly complex, often requiring several steps to participate.

Table 1.5 Evaluation of Brand Image in Starbucks Coffee

Indicator	Evaluation
Memorable brand	Starbucks Coffee Medan's brand, once considered memorable by many customers, has started to lose its unique appeal. The ongoing controversy surrounding the company's perceived support for political causes, particularly the Boycott Israel movement, has led to a decrease in consumer engagement. The emotional connection once formed with the brand has weakened, making it harder for Starbucks to leave a lasting impression on potential and existing customers in the region.
Recognizable brand	Despite being a globally recognizable brand, Starbucks Coffee Medan's image has been tarnished by the recent boycott and its perceived association with the

	Boycott Israel movement. This situation has caused a divide among the local community, with some consumers becoming less likely to recognize or associate the brand with positive experiences. The negative publicity has overshadowed the brand's previous recognition, leading to less enthusiasm for the company in Medan.
Good brand reputation	Starbucks Coffee Medan, which once had a good reputation among its customers for quality products and services, has faced a significant setback due to its perceived stance on political matters, especially in relation to the Boycott Israel movement. As a result, the company's reputation has suffered, with many customers questioning its values. This shift in perception has affected consumer trust, and Starbucks now faces challenges in rebuilding the reputation it once held in the market.

Source : Prepared by the Writer (2025)

From Table 1.5 above, which was obtained from the results of a preliminary study who had purchased Starbucks products in the city of Medan, it can be seen that Starbucks Coffee Medan has experienced a decline in its brand image and customer trust due to controversy surrounding its perceived support for the Boycott Israel movement. This political association has led many customers to distance themselves from the brand, overshadowing its previous reputation for quality products and services.

From memorable brand indicator, the respondent feels that Starbucks no longer significantly stands out from its competitors due to the rise of many local cafes offering comparable quality and atmosphere. While they acknowledge Starbucks' consistency, it is not enough to make it their preferred choice.

From recognizable brand indicator, the respondent clearly indicates that Starbucks is highly recognizable due to its distinct green logo, iconic packaging, and consistent advertising.

From good brand reputation indicator, the respondent expresses partial trust in Starbucks. They trust the brand for delivering consistent products and reliable service based on personal experience. However, concerns about ethical issues, such

as employee treatment and environmental impact, lead to some skepticism about the company's overall integrity.

Therefore, this study aims to examine the influence of customer value, brand trust, and brand image on customer loyalty at Starbucks Coffee Medan. Based on this background, the writer is keen on acquiring the title **“The Influence of Customer Value, Brand Trust, and Brand Image on Customer Loyalty in Starbucks Coffee: A Study on Medan Customers”**.

1.2 Problem Limitation

The following are some limitations set for this study:

- a. The aim of this study is to concentrate on the problem limitation on the influence of Customer Value, Brand Trust, and Brand Image, on Customer Loyalty at Starbucks Coffee: A Study on Medan Customers.
- b. There are 4 variables which X as the independent variable and Y as the dependent variable: Customer Value (X1) with indicator emotional value, social value, quality, and cost value (Azhar Amirul, n.d.) while Brand Trust (X2) with indicator harmony, acceptance and participation simplicity (Rizal, 2020) thus Brand Image (X3) with indicator memorable brand, recognizable brand, good brand reputation (M.Anang Firmansyah, 2023) on Customer Loyalty (Y) with indicator repurchase intention, WOM, rejection to switch to competitor products (Adhari, 2021).
- c. Data will be collected by distributing questionnaire.
- d. For the sample will be taken from Starbucks Coffee Medan customer.

1.3 Problem Formulation

The following are the research questioned on this study:

- a. Does customer value have partial influence on customer loyalty at Starbucks Coffee: A Study on Medan Customers?
- b. Does brand trust have partial influence customer loyalty at Starbucks Coffee: A Study on Medan Customers?
- c. Does brand image have partial influence customer loyalty at Starbucks Coffee: A study on Medan Customers?
- d. Do customer value, brand trust, and brand image have simultaneous influence on customer loyalty at Starbucks Coffee: A Study on Medan Customers?

1.4 Objective of the Research

The purpose of this research is:

- a. To determine whether the customer value has partial influence on customer loyalty at Starbucks Coffee: A Study on Medan Customers.
- b. To determine whether the brand trust has partial influence on customer loyalty at Starbucks Coffee: A Study on Medan Customers.
- c. To determine whether the brand image has partial influence on customer loyalty at Starbucks Coffee: A Study on Medan Customers.
- d. To determine whether the customer value, brand trust, brand image have simultaneous influence customer loyalty at Starbucks Coffee: A Study on Medan Customers.

1.5 Benefit of the Research

The following are a few of the theoretical and practical advantages of conducting research.

1.5.1 Theoretical Benefit

The writer aspires to develop a more profound comprehension of the critical insights that can be obtained regarding the relationships between customer value, brand trust, and brand image and their impact on customer loyalty, along with the influence of independent variables on dependent variables. Additionally, the research aims to contribute to the academic theories of consumer behavior and brand management by offering empirical evidence on how brand trust, customer value, and brand image influence customer loyalty in the context of the coffee shop industry, further expanding the theoretical understanding in this domain.

1.5.2 Practical Benefit

This journal is the writer's method for implementing all of the knowledge and skills that were acquired during the lecture. The practical benefit encompasses the following:

a. For Starbucks

This study's outcomes will help the company in comprehending how to enhance its management of customer value, brand trust, and brand image in order to increase customer loyalty.

b. For the Writer

The writer acquired a more profound comprehension of the effect of brand trust, brand image, and customer value on customer loyalty.

c. For other Researchers

This study, which includes the results, can serve as an reference for researchers or individuals who are investigating the effect of brand image, brand trust, and customer value on customer loyalty.

