

# CHAPTER 1

## INTRODUCTION

### 1.1. Background of the Study

In recent years, marketing has become one of most important key factors in corporation. Through marketing, ways to explore new market, reaching customers, and also adding the product and brand value in the market has become easier. People easily get attracted to products when company are able to reach their attention through good and creative marketing. This condition also impacting the Repurchase Intention from customer. What aspects drive them to make the intention of purchase.

Technological advancement has also taken a big lead through creative marketing and Repurchase Intention. This phenomena of rapid upgrade on technology has also impacted the marketing ways to evolve more. This situation made marketing became important because it can reach the customer attraction faster through technology, such as internet and social media. However, there're still a lot of aspects to be considered as factors to affect the Repurchase Intention of customer.

Lifestyle is one aspect that can influence people's intention of purchasing (Nagashima, 2002). Lifestyle typically reflects an individual's attitudes, way of life, values, or world view. Lifestyle affecting people on how they choose products, brand, and lot of things. Repurchase ntention are majorly impacted by lifestyle. The lifestyle of people in USA for example, they like to have coffee everyday, makes the outsanding result on

Starbucks's sales report of revenue, with coffee and snack in US became \$28.45 billion in year of 2016. Comparing to countries that doesn't have the habits of drinking coffee, this number is outstanding (Maja, 2002).

Lifestyle characteristics provide more accurate and practical information about consumers for advertisers to use in meeting demands of an increasingly competitive and sophisticated market place (Kamakura and Wedel, 1995). Kim et al. (2001) found a significant relationship between in lifestyle segments and their attitude towards product repurchase intentions. Based on their findings they inferred that lifestyle segmentation is critical to understanding consumers. International coffee brewer, for example. International coffee brewer has already being aware on this situation. The ability to control market based on countries that success might be achieved by the habits and lifestyle of drinking coffee. Coffee is one most regular base drink in most countries in the world, but some people think of coffee as a lifestyle to socialize with other.

The "coffeehouse was characterized not just by its lively conversation such could also be found in pubs and taverns, but by the sophistication of its clientele, who were increasingly literate and eager to read and discuss contemporary works of literature that had become widely available thanks to the recent advances in printing technology" (Caudio, 2003).

Other factors that take parts on influencing repurchase intention is country of origin. The Country of Origin (COO) has a strong relevance in the moment of product evaluation (Ahmed et al., 2004). It refers to a

territory, area or region that intertwined with the creation, manufacturing, planning and the design of a product or service, and is sometimes equaled with the term “made in” (Nagashima, 1970). The term is broad and also the meaning of COO has for the consumers.

Research shows that consumers broad general perceptions of a country, including of its national characteristics, economic and political background, history, traditions, and representative products, combine to create an overall image or stereotype that is then attached to the products of that country (Hamzaoui and Marunka, 2006). This image has a significant influence on consumer perceptions and behaviours, and in situations in which additional information is unavailable or difficult to get can be the sole determinant of whether or not someone buys a product. Its effect is strongest on consumers who doesn't know much about the product or product type and weakest on consumers who are well-informed. Sensitivity to country of origin varies by product category. It is strongest for durable goods and luxury goods and weakest for "low involvement" product.

In various studies it has also been proven that the country of origin Effect also applies to services. Several studies have shown that consumers tend to have a relative preference to products from their own country or may have a relative preference for or aversion against products that originate from certain countries (so-called affinity and animosity countries) (Bertin and Yelkur, 2013).

Globalization and technological advancement also helping the country of origin effect towards the success of Starbucks. Because

nowadays people can easily interact with others in such a quick way. Through internet and social media, people can easily connect to each other. If people holds perception about product, people can easily tells other about their minds, and that also helps Starbucks to reach their success globally.

Coorporation also need to consider their brand equity. If brand equity is good, then consumer intention to purchase their product became more likely. Brand equity provides consumers with quality information about a particular product (Krishnan and Hartline, 2001). It refers to the marketing effect or outcomes that accrue to a product with its brand name, compared with those that would accrue if the same product did not have a brand name (Aaker, 1991 in Lee and Leh, 2011). Brands with remarkable and favorable images can secure stable revenues from loyal consumer groups (Kim, 1999).

People nowadays cares about brand. If company try to attract customer without having a good Brand equity, then it'll be fail. Brand equity is the added value endowed on products and services. It may be reflected in the way consumers think, feel, and act with respect to the brand, as well as in the prices, market share, and profitability the brand commands for the firm. Brand equity is managed by maintaining brand consistency, protection of the sources of Brand equity, making appropriate decisions between fortifying and leveraging the brand, and fine-tuning the supporting marketing program (Keller, 1998).

The last variable that is also important is consumer Repurchase Intention. Repurchase Intention or referring to willingness to buy is widely

defined as the likelihood of a consumer to purchase a product or service (Dodd et al, 2009). It is also being defined as a conscious plan made by an individual to make an effort to purchase a brand (Spears and Singh, 2004). Consumer's Repurchase Intention would be affected by individual intrinsic and extrinsic characters, objective value, quality perception, and value perception. Consumer's Repurchase Intention was often determined by the perceived profits and value. The higher the Repurchase Intention is, the more purchase willingness is. In addition, perceived value will influence Repurchase Intention. The higher the perceived value, the higher the Repurchase Intention (Zeithaml, 2014).

Repurchase Intention of customer will determine whether a manufacturer's products or brand is attractive or not to others, and it'll make companies understand what step that necessary to take to be able to compete with competitors. This research will define the problem occurred on what factors influencing consumer Repurchase Intention of Starbucks.

Starbucks is one of many major corporation that already aware of this opportunity to grow using creative marketing. This research is going to focus on how Starbucks implement those creative marketing to be able to compete on the competition. This research will focus on Starbucks retail in Surabaya city. Starbucks marketed their Lifestyle by the word of conversation, and they marketed it by the quotes of "the way I say it" there is a certain air of intellectuality and progressiveness about each one they chose to use. It is in this way that Starbucks is marketing a Lifestyle to professional, college educated, politically moderate to liberal individuals.

Starbucks founded in 1971, in Seattle, Washington. That is mean, Starbucks is one of many foreign brands, that made their success in our country, Indonesia. The success of Starbucks in many countries not only Indonesia can be also infected by country of origin. Here in Indonesia, people thing that american product has ten times quality rather than the local product. Although it may be not 100 percent right, but those perception of local are helping Starbucks to reach their success here in Indonesia. What is more, they are not coming up with these quotes themselves, but encouraging everyday people who consider themselves to be “Starbucks people” to put forth their philosophies on life. The categories that researcher came up with to describe the majority of the quotes, based on their overall message and content were: activism, innovation, music, creativity, education/ knowledge, children, food for thought, and human potential.

The names of these categories could stand alone as the major lifestyle values that Starbucks is promoting subtly to their customers. As Starbucks has proven, telling people what they want to hear is a reliable strategy for making them listen to you. By the image that Starbucks created, giving the name themselves that Starbucks are a coffeetalk rather than coffee shop, they created Starbucks as a lifestyle, and this lifestyle also affecting the repurchase intention of people to buy Starbucks product.

Recently Starbucks has been boycott by muslims in indonesia because of the accusations of Starbucks coffee being pro-gay rights, and that seems affecting the starbucks brand image as the biggest coffee retailer in the world.

This research will provide more understanding for Starbucks as well as other coffee companies or shops in terms of realizing and understanding which factors has the biggest impact on the consumer's Repurchase Intention of Starbucks coffee. Moreover, it helps them to retain customers and increase their sales by making improvement in the future with this research. This research will also focus on how lifestyle, country of origin, and brand equity can create a major impact on consumer Repurchase Intention, the case of Starbucks coffee shop in mall retailer.

### **1.2. Research Question.**

In Surabaya, Starbucks have a lots of retail store. In order to understand the influence of lifestyle, country of origin and brand equity toward Repurchase Intention, the problem statement will be :

1. "Does Lifestyle have positive effects on the Repurchase Intention of Starbucks customers?"
2. "Does Country of Origin have positive effects on the Repurchase Intention of Starbucks customers?"
3. "Does Brand Equity have positive effects on the Repurchase Intention of Starbucks customers?"

### **1.3. Objective of the Study.**

The objectives of this research are described as follows:

1. To know the effect of Lifestyle on Repurchase Intention of Starbucks customers.

2. To know the effect of Country of Origin on Repurchase Intention of Starbucks customers.
3. To know the effect of Brand Equity on Repurchase Intention of Starbucks customers.

#### **1.4. Advantage of the Study**

From the objectives described, this paper is expected to give significant advantages comprises of theoretical and practical significance

##### **1.4.1. Theoretical Significance**

1. To provide information about the affect of Lifestyle on Purchase Intention.
2. To provide additional issues for further studies about the Country of Origin, Brand equity and its impact on Repurchase Intention.

##### **1.4.2. Practical Significance**

1. To provide suggestions for Starbucks coffee on how to improve their sales and customer Repurchase Intention through those 3 variables, Lifestyle, Country of Origin, and Brand Equity.
2. To provide information for reader on how to improve their sales or attracting more consumer based on those 3 variables, Lifestyle, Country of Origin, and Brand Equity.