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TO ENHANCE BRAND LOYALTY OF STARBUCKS
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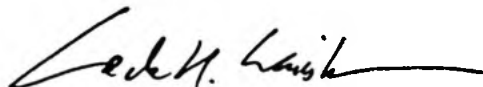
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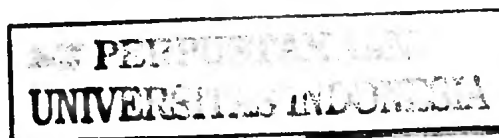
**CUSTOMER EXPERIENCE AND SERVICE
QUALITY
TO ENHANCE BRAND LOYALTY OF
STARBUCKS INDONESIA
(PT SARI COFFEE INDONESIA)**

Diajukan oleh:

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**UNTUK MEMENUHI SEBAGIAN DARI SYARAT-SYARAT
GUNA MENCAPAI GELAR MAGISTER MANAJEMEN
2008**



FOREWORD

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Jesly Panjaitan

EXECUTIVE SUMMARY

Starbucks is a well-known brand specialty coffee retailer and roaster around the world. According to the Fortune Magazine, Starbucks has been in the second place (the one and only food and beverage company) of “TOP 20 America’s most admired companies 2007”. Moreover, Starbucks also ranked 7th (also the one and only food and beverage company) for “TOP 100 Best Companies to Work For 2008”.

Starbucks is also famous on its experiential marketing strategy. Due to the access constraint to Starbucks management, the scope of study is also limited to customer perspective instead of employee perspective who explicitly stated their reluctance to assist this study. Starbucks expects excellent customer experience to customer. Its customer experience is related with service quality from barista. If the customer experience and service quality has been good enough, the brand loyalty could be enhanced.

Nevertheless, Starbucks Indonesia has been failed to implement the experiential marketing. Among its competitor, Starbucks Indonesia has been in 5th place. (Taufik Hidayat, 2007). Thus, this study has been performed survey, however, the scope has been enlarged to Customer Experience, Service Quality and Brand Loyalty. The study concludes that Starbucks Coffee Indonesia could not provide coffee shop to be the third place after home and work as Starbucks has been expected. (Schultz and Dori Jones Yang, 2002).

All recommendation should be developed in order to create a truly unique Starbucks Experience in Indonesia. With the new innovation, improved barista performance, great music, lengthened the office hour in strategically place, Talk show, media communication and trying new product by customer themselves, would give Starbucks as a third place and finally be the best coffee shop amongst its competitor. By performing improved action to be the third place, this study believes Starbucks can enhance its brand loyalty in the future.

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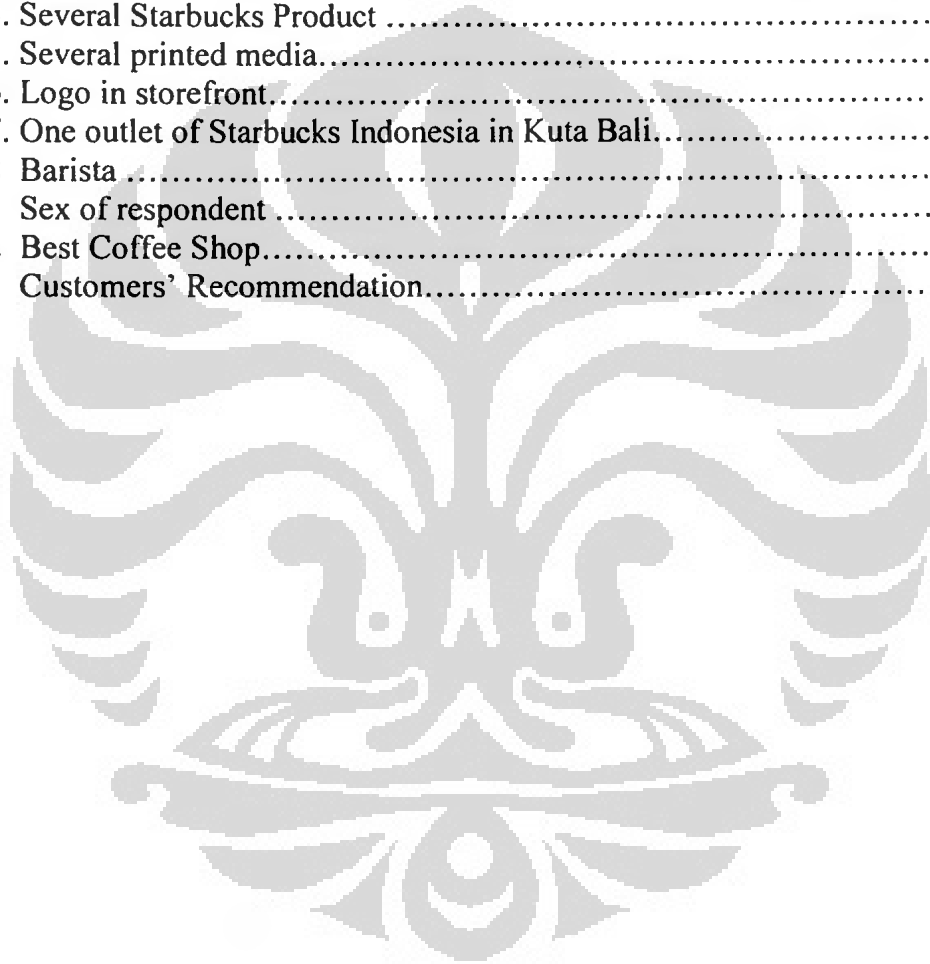
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CHAPTER I

INTRODUCTION

1.1. BACKGROUND

Starbucks is a well-known brand specialty coffee retailer and roaster around the world. According to the Fortune Magazine, Starbucks has been in the second place (the one and only food and beverage company) of “TOP 20 America’s most admired companies 2007”. The criteria consists of innovation, people management, use of corporate assets, social responsibility, quality of management, financial, long-term investment and quality of product/services. Moreover, Starbucks also ranked 7th (the one and only food and beverage company) for “TOP 100 Best Companies to Work For 2008”.

As the industry leader, Starbucks has built a strong brand image compared to its competitors. Starbucks averagely opened 6 stores everyday. In 2006, Starbucks launched new 2,199 stores in the US with total of 12,440 stores around the world. As of December 31st 2007, the number has significantly increased again to 15,756 stores. It is a huge number of stores for coffee shop compared to its competitors.

Starbucks’ brand image is one of the key elements to its success. In the beginning, coffee was seen only as a hot, brown liquid that was consumed out of habit and a need for caffeine. However, Starbucks has realized that customers do not come only for the coffee but they also come for the experience and a lifestyle (Fowler, 2003).

Starbucks mission is to change the way of people's drink and appreciate coffee by educating customers about its product with enthusiasm. Customers are willing to pay these higher prices since they are not only buying product in average price but also making a social statement at the same time or self-actualization. Self-actualization theory is first published by the American psychologist, Abraham Maslow, who believed that humans evolve through five stages (Maslow, 1943): from the physical need for food and shelter, the need for longer-term security and protection, the social need for a mate, friends and family, achievement and recognition then the last one is self actualization. According to Maslow in Psychological Review, self actualization is *"more truly himself, more perfectly actualizing his potentialities, closer to the core of his being, more fully human. Not only are these his happiest and most thrilling moments, but they are also moments of greatest maturity, individual, fulfillment.."* In other words, self-actualization is important as customers can have their freedom and choice to pursue their desired lifestyle by creating self-actualization within its stores.

Starbucks has several other initiatives to enhance the customers' experience within its retail stores i.e., company has provided wireless Internet access in its stores. The company is continuously searching for ways to have a better customers' experience. Starbucks tries to make this environment supports the good customer experience and also makes its stores unique and comfortable. Their focus is to have plenty of comfortable seating so that customers feel welcome to stay longer than they might have planned. Customers socialize, read, study, or just enjoy the music while drinking their coffee. Starbucks also sells their products in grocery stores, convenience stores, department stores, movie theatres, businesses, airports, and schools. Thus, we can find easily the mermaid logo that belongs to Starbucks, in strategic places.

Some marketing experts relate customer experience or experiential marketing to Starbucks. There are lots of information about Starbucks experience from books and articles

in the internet. If you type “customer experience starbucks or starbucks experience” in www.google.com, you will have approximately 300,000 articles related to these words. In addition, if you omit the Starbucks word, the articles still give information about starbucks experience for an example. Joseph Michelli, PhD (2006) summarizes the Starbucks Experience into five principles:

Principle 1: Make It Your Own

In order to deliver promise of delivering exceptional experiences, employees must be fully engaged in their work and putting all their creative energy and dedication into everything that they do. Starbucks emphasizes this philosophy in Starbucks employee book: be welcoming, be genuine, be considerate, be knowledgeable and be involved.

Principle 2: Everything Matters

This is one of the hardest to achieve; and as such, the one that is missing from most organizations. Why? Because attention to detail occurs through design and default. “Everything matters” also extend to everyone matters: from customers, to employees, suppliers, and the community.

Principle 3: Surprise and Delight

The most positive experiences are those that are natural and spontaneous, not artificially enforced or mandated by management. The ‘surprise and delight’ philosophy encourages individual store managers to help staff in revealing opportunities to do genuinely unexpected acts such as from spontaneously handing out free drink coupons to deserving customers, from donations to employee selected charities or local schools.

Principle 4: Embrace Resistance

Embracing resistance requires management to actively listen and respond to criticism, using the opportunity to repair and strengthen relationships. This principle filters down

to front-line employees as well: if they see management genuinely cares, they will be more likely to care and embrace change themselves.

Principle 5: Leave Your Mark.

The final principle speaks to the importance of Starbucks position on corporate social responsibility. This involvement does not only benefits local communities, but also the company itself. Social involvement and active community participation increase employee moral and reduce turnover. Furthermore, productivity increases when employees feel their organization's work environment match their own personal values.

What makes Starbucks is marvelous in marketing strategy is that it focuses on word of mouth based on customer's experience. The company believes that creating an intimate and welcoming environment in its stores, as well as providing a great cup of coffee, will not only make them keep coming back for more but also make them tell all their friends and family. Therefore, Starbucks is known for using less of traditional advertising instead of relying more on its image advertising such as radio and television placement. "We let our stores and partners (barista) create the message that other companies have to put out in television, radio and print advertising", said CEO Starbucks Jim Donald (Pellet, 2006).

Starbucks conducted little advertising to build its brand strength. The company concentrated on creating value and customer service. Customers are looking for service experiences that complement with their lifestyle and brands that say something about their aspirations. "Our customers see themselves inside our company, inside our brand – because they're part of the Starbucks experience..." said Howard Schultz and Dori Jones Yang in *Pour Your Heart Into It* (1997).

1.2. RESEARCH PROBLEM

Initially in Indonesia, some people predicted that Starbucks would be fail. Why? it is known that Indonesian people would like to have coffee break at home in the evening with their families. After Starbucks came to Indonesia, the culture of coffee drinking was changed. Nowadays, drinking coffee in Indonesia takes time in the evening or morning, not only at home but also in everywhere. They often meet their friends or families or just hang around by themselves.

Starbucks is the well-known brand to implement the experience marketing (Michelli, 2006). However, Starbucks brand in Indonesia, according to Taufik Hidayat (2007) in SWAsembada Magazine – refer to table 1.1., is not the best and most favorite coffee shop for Indonesian customer. Criteria used for the research were service dimension (next we called it Service Quality or SERVQUAL) that consist of tangible, reliability, responsibility, assurance and empathy.

Table 1. 1. Comparison of Service Dimension in Five Café that provide qualified coffee.

No	Brand	Tangible	Reliability	Responsibility	Assurance	Empathy	CSI
		Score	Score	Score	Score	Score	
1	Hard Rock Café	98.44	98.58	96.99	98.21	98.87	98.22
2	Dome	96.70	96.32	95.8	97.41	96.89	96.62
3	Coffee Bean and Tea Leaf	94.51	93.89	94.13	94.11	92.72	93.87
4	Oh La La Café	96.28	93.86	92.37	91.98	91.97	93.29
5	Starbucks	93.83	88.76	89.52	88.43	87.59	89.63

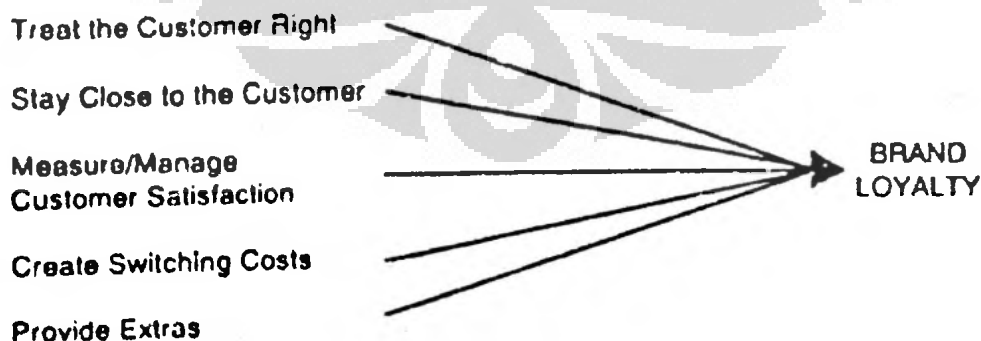
Source : Hidayat, 2007 in SWAsembada Magazine No. 09 / XXIII / 26April - 9 Mei 2007

If Starbucks is famous for its customer experience strategy, why this has happened? What is wrong with the Starbucks' business in Indonesia compared to Starbucks in USA? Why it does not meet the customer expectation? Is the Starbucks brand loyalty influenced from these factors (customer experience and service quality)?

It might be unfair to compare Starbucks to Hard Rock and Dome, since Starbucks does not serve food or wine in their outlets. Or, compared to Oh, La La since Starbucks does not provide bread or croissant and ice cream. The argument is not what the others have and what Starbucks does not have; nevertheless, the fact that they also provide strong substitutes of qualified coffee to their customers. For example, PT Boga Rembilan (BR), the developer of Dome, provides coffee directly from its Headquarter that is combined from New Guinea, Brazil, Costa Rica, Guatemala and Kenya. (Hidayat, 2007)

This study is to identify brand loyalty of Starbucks, not focusing on customer satisfaction. Brand loyalty is important to measure for business growth. The purpose of the study is to expand the understanding of business growth, beyond customer satisfaction issue. Nowadays, companies focus on operational aspects such as complaints, queries, or general customer satisfaction levels instead of emotional aspects, which is related to brand issue. Measures on satisfaction tend to focus mostly on whether the firm meets the functional expectations of the customer but fail to capture the emotional reaction to the consumption experience (Venkat, 2007). Besides that, Customer satisfaction is only one aspect among others to measure brand loyalty (Aaker, 1994) – Figure 1.2.

Figure 1.2. Managing Brand Loyalty



Source: Aaker, 1994

While brand loyalty emphasizes on creating value to customer by treating the customer right (such as their experience) and staying closer to customer, Indonesian

customers expect Starbucks to be superb, unique and comfortable coffee shop to enjoy exactly as what friends or relative said about it through word of mouth: they come for a special experience. However, based on that above survey, Starbucks Indonesia could not provide the ideal experience. Starbucks' biggest competitors i.e. Coffee Bean and Tea Leaf could be better than Starbucks in providing special experience.

1.3. PREVIOUS, SCOPE AND PURPOSE OF THE STUDY

Starbucks Coffee Company is often used by students or marketers to know and to explore about its unique strategy. Many cases about Starbucks can be found in Library, internet, article/journal or books. The France Lecturer talking about Starbucks experience in the class inspires this study. Beside that, article from Taufik Hidayat (2007), inspires this study to explore more deeply about Starbucks experience in Indonesia.

From process of collecting data in library, the study also inspired by the previous researchers that are performed by Nancy Widjaja (2005) and Fikar Ramadhan Kusuma (2007). The previous research only focused on Starbucks' Experiential Marketing and Relative Attitude instead of Service Quality. Service Quality is important to help Starbucks focus on the behaviors that need to change to deliver an improved customer experience.

The scope of study is limited to Indonesian customer who has consumed Starbucks Coffee. Due to the access constraint to Starbucks management, the scope of study is also limited to customer perspective instead of employee perspective who explicitly stated their reluctance to assist this study.

This thesis is written for following purposes:

1. Explore the theory and implementation of experiential marketing, service quality and brand loyalty in Starbucks Indonesia.

2. Give recommendation to Starbucks Indonesia based on the result of research and theoretical analysis. The result of research will be explained on chapter IV and its recommendation will be explained in chapter V.

This study focuses on implementation of Customer Experience, Service Quality and Brand Loyalty of Starbucks Indonesia (PT Sari Coffee Indonesia).

1.4. METHODOLOGY

Methodologies used are as follows:

1. Questionnaire Construction

Sub variables in questionnaire are depended on the theory definition of each variables that want to survey. For example:

- a. SEM

The sub variables of SEM are five senses (Schmitt, 1999) consist of sight (interior design and package of product, etc), sound (music), touch (sofa), taste (delicious) and smell (fresh aroma coffee).

- b. Servqual

The sub variables of Servqual are Reliability (such as ability of barista, billing system, met customer request, etc), Assurance (well-educated barista, secure of transaction, etc), Tangible (the amount of barista, Equipment, interesting outlets, good communication media, etc), Empathy (office hour, willingness to help, etc) and Responsibility (open-minded, fast, etc). (Lovelock, 2002 and Smith, 2002)

- c. Brand Loyalty

This study focus on using word-of-mouth marketing communication as one of sub variables of Brand Loyalty (Aaker, 1994)

2. Research Approach

The study is conducted by collecting data that is relevant to the topic such as from books, annual report, journal, magazines and articles from internet. The research focused on customer who has drunk Starbucks coffee in Indonesia. The survey consisted of how good or bad is their experience by emotional aspect (from sense, feel, act, thinking and relate), service quality (tangible, reliability, responsibility, assurance and empathy) and brand loyalty of Starbucks. The target respondents were only 50 sampled customers; however, 80 respondents then replied the questionnaire. Due to some questioners are not valid, the sample is then reduced to 75 sampled customers. Nevertheless, the sample is considered sufficient to reflect the condition. The ways choosing the respondents are by going to Starbucks outlet, asking the community and sending to the mail groups. This study also performs interviews with few barista in order to ensure the actual condition in Starbucks Indonesia.

3. Data Analysis

Data Analysis is made from theoretical approach related with the problem and supported by data collection and research.

1.5. FRAMEWORK

CHAPTER I INTRODUCTION

This chapter describes background, research problem, the previous, scope and purpose study, methodology and framework.

CHAPTER II LITERATURE REVIEW

This chapter describes about experiential marketing, service quality and brand loyalty.

CHAPTER III COMPANY BACKGROUND

This chapter describes general information about Starbucks history, Starbucks global, its internalization and Starbucks in Indonesia (PT Sari Coffee Indonesia or SCI) SCI one of subsidiaries of Mitra Adi Perkasa (biggest retail company in Indonesia), organizes Starbucks Coffee brand in Indonesia. Information about Company background is collected from all articles, company fact sheet, company time line and its website.

CHAPTER IV ANALYSIS

This chapter describes customer survey, respondent profile, frequencies and managerial implication that is consisted of solutions from problem and research.

CHAPTER V CONCLUSION AND RECOMENDATION

This chapter consists of 2 sub parts. The first part is a conclusion of study and the second part is recommendation to respective company, SCI.

CHAPTER II

LITERATURE REVIEW

2.1. Experiential Marketing

Before discussing about Customer Experience Marketing concept, it is important to discuss the marketing concept. Becoming customer-oriented and market-driven instead of product-focused, technology-focused, or sales-focused are the core of the marketing concept. Philip Kotler (2000) defined marketing as “the key to achieve organizational goals consists of determining the needs and wants of target markets and delivering the desired satisfactions more effectively and efficiently than competitors.” It starts with a well-defined market, focuses on customers and profits by satisfying customers. In other words, there are three important elements in marketing concept:

1. organization-wide goals,
2. market needs and wants,
3. desired satisfaction to customers.

The traditional marketing influences customer by suggesting rational factors such as to position as good as any other brands. It refers to product centric marketing and presumes a degree rationality in customer’s decision-making (Kirby, 2007). Customers’ decisions nowadays are much more influenced by emotionally generated feelings instead of their rationale. Thus, there is a new approach, derived from the field marketing, named experiential marketing.

The differences between Traditional Marketing and Experience Marketing are as follows:

Table 2.1. Comparison of Traditional Marketing and Experiential Marketing

No	Characteristics	Traditional Marketing	Experiential Marketing
1	Focus	Functional features and benefits	Customer experiences
2	Product Category	Product-market	Consumption situation
3	Customers	Rational	Rational and emotional
4	Methods and tools	Analytical, quantitative and verbal	Eclectic (it's flexible in selecting methodologies)

From : Schmitt, 1999.

Let's discuss the term of experience first before discussing the experiential marketing. An experience, based on Webster Dictionary, is the skill, knowledge or feeling gained by practice or an interesting or remarkable event in a person's life or something suffered by a person. With the academic language, an experience results in both cognitive and emotional outcomes.

Experiential marketing can be termed as customer experience since it is resulted from customer. The idea is to communicate the essence of the Brand through a customer-personalized experience (Schmitt, 1999). Customers want respect, recognition and relevant communication that indicate the best way to give to customers through experiences, being personally relevant, memorable, sensory, emotional and meaningful. The idea is about fulfilling customers' aspirations to experience certain feelings such as comfort and pleasure, on one hand, and avoidance of discomfort or displeasure on the other hand. Experiential marketing occurs in person. It is a direct interaction one-on-one between a brand and an individual customer. This experience creates a stronger relationship with the customer. Customer experience is really the result of the customer viewing the product or service through his or her personal lens.

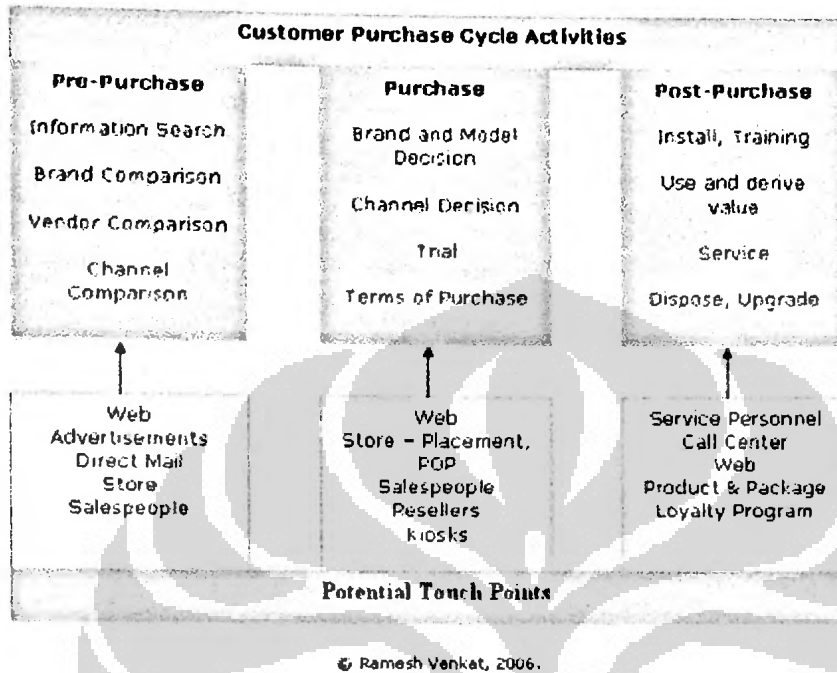
For example, a recent flight by Singapore Airlines from Jakarta to Singapore left a positive impression for me. At the time check-in, I was told that my usual flight with KLM was full. My disappointment lasted only a while as the KLM employee told me that I would be put on SQ (Singapore Airlines) which is better and more expensive flight. That was a pleasant surprise! The steward always smiled to me and served friendly. The seat was quite narrow. Beside that, the food was also great. I remembered that great experience until now. However, not every customer experience will result in memorable cognitive or emotional reaction; usually routine experience made no lasting impression.

We surround ourselves with brands that represent our self to the community. Customers interpret their experience through this cultural and symbolic lens. Consuming Coke is a common activity in United States, but in the developing Country such as New Guinea, it could be a way of expressing that one is modern. Two customers could interpret a similar experience very differently. For example: Dove. It has its campaign for real beauty. It is challenging the stereotypical model of female beauty. This has included building an online sharing community, brand space road show, in store sampling and using real women instead model in its advertising.

For each business and industry, drivers of customer experience or touch points may be different. In each case, touch points are important to identify the customer experience. Customer experience is something that happens over along purchase cycle - from pre-purchase to post-purchase (Venkat, 2007) – refer to figure 2.1. In the pre-purchase stage, creating brand awareness and interest is important. What is said in an advertisement must be the same with the website or what one hears from a customer service. In the second stage, the challenge is to convert a potential customer into a real paying customer. Moreover, the last stage, post-purchase stage, delivering value to the customer and turning customer delight into word of mouth where customer promotes the brand to others. At each of stage of the

customer cycle, there are good opportunities to manage the customer experience in a manner that is consistent with the brand.

Figure 2.1. Customer Purchase Cycle (Venkat, 2007)



However, not all touch points may be critical. Some involve interaction with technology, for example web site, while others involve human contact such as service agent. The customer has an experience during each interaction and offers an opportunity to create a positive customer experience and a favorable brand image. Regardless, firms need to identify these hotspots and invest human and technical resources in such areas.

Customer Experience Management (CEM) is a framework for managing the customer experience step-by-step in a strategic and creative way (Schmitt, 2003). The five steps of the CEM framework are:

1. Analyzing the experiential world of the customer

This step is to analyze the socio-cultural context in which customers operate including their experiential needs and wants, as well as their lifestyle.

2. Building the experiential platform

The experiential platform is key connection point between strategy and implementation. It also specifies the value that the customer can expect from the product. It included 5 experiential framework such as sense, feel, act, thinking and relate. The framework of Experiential Marketing is based upon two elements (Schmitt, 1999) described as follows:

1. Strategic experience modules (SEMs), which describe different types of experiences, as follows:

a) SENSE.

These are sensual and tangible aspects of a product or experience that appeal to the five senses of sight, sound, scent, taste and touch. Sense experiences are particularly useful to differentiate products or services, to motivate potential customers, and to create a sense of value in the mind of the purchaser. It also attracts attention and motivation. For example, in Volkswagen's New Beetle (VW) company, the customer can be attracted their attention by the distinctive shape of car.

b) FEEL

Feel marketing is devoted to inducing affect (i.e. the creation of moods and emotions) that adhere to the company and brand. Clearly, positive or negative feelings toward a product or service will influence the extent to which it is consumed. It also creates an effective bond and makes the experience personally relevant and rewarding. In VW as an example: the car elicits feelings of warmth, affection and nostalgia through by driving VW car.

c) THINK

The objective of think marketing is to encourage customers to engage in elaborative and creative thinking that may result in a reevaluation of the company and products. Clearly, this adds a permanent cognitive interest to the experience. In VW as an example: the design makes one think of retro and futuristic at the same time.

d) ACT

Act marketing is oriented towards the creation of experiences through behavior on the part of the customer, either privately or in the company of others. The goal is to change long-term behavior and habits in favor of the particular product or service. Act experience induces a behavioral commitment, loyalty and a view to the future. In VW as an example: people buying the car are making a statement, showing that they are an individualist.

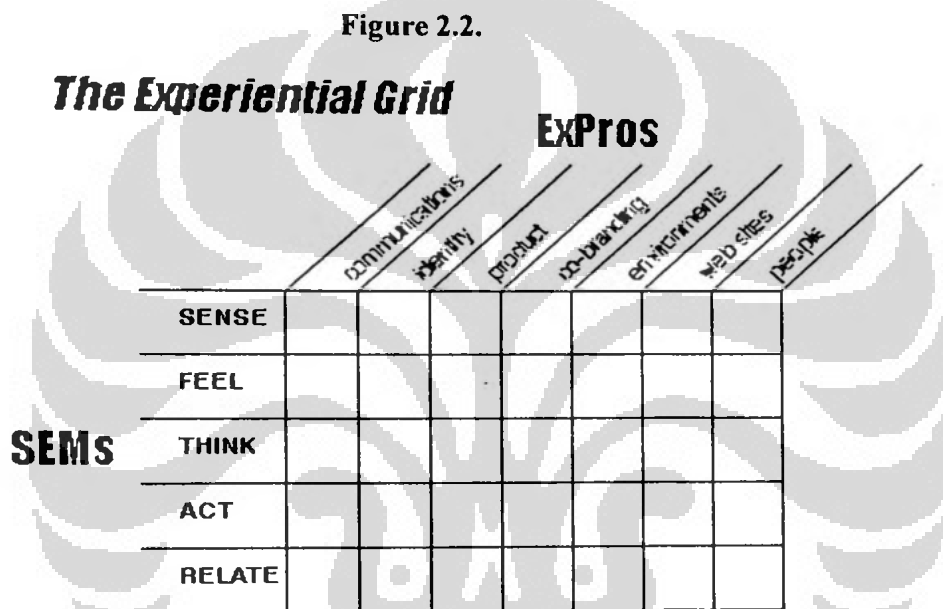
e) RELATE

Relate marketing plays upon the identification of self with the context and associations bound up in the product or service used. Relate experience goes beyond the individual experience and makes it meaningful in a broader social context. There is a certain community of people who would buy such a VW car therefore they can share their experience in being a New Beetle owner.

2. ExPros (the abbreviation from Experience Producers) which are the various agencies that delivers these experiences. Experience marketing is the discipline of creating products and services that consider all elements of this framework.

ExPros can be delivered from among others communication media, identity, product, co-branding, environments, web sites and customer service.

Experience marketing requires a fit between SEM and Expros. The interaction of SEMs with ExPros generates 'Experiential Grid': a comprehensive framework for considering all the ways in which experiences can be induced by marketing on the part of an actual or potential customer. It is conceptually illustrated in the diagram below:



Sources: Schmitt, 1999.

3. Designing the brand experience

For new brand, it requires creativity to differentiate it in unusual ways in the market. For existing brand, includes deciding which features, the look and feel and what messages to keep, drop, change or add.

4. Structuring the customer interface

The customer interface records the history and provides international link as well as addresses experiential consistency over time and coherence.

5. Engaging in continuous innovation

Innovation includes anything that improves customer's personal lives. Company should create new and relevant experiences on an ongoing basis.

2.2. Service Quality

Quality is often difficult to understand and measure. Quality is sometimes defined as a luxury or a privilege or something that has higher value. Many companies assess their company performance through customer satisfaction surveys. The survey often does not reflect the extent to which the company is meeting or exceeding customer needs or wants as satisfaction is relative. Every one has a different value. Thus, satisfaction measurement usually is done along with other measurement. Using RATER/Servqual (Reliability, Assurance, Tangible, Empathy and Responsibility) as the organizing framework for customer expectations will help the company focus on the behaviors that need to change to deliver an improved customer experience.

Service Quality, called Servqual, is founded by A. Parasuraman, Valeri Zeithaml and Leonard Berry (Parasuraman, Zeithaml, Berry, 1988). The measurement of Customer Perceptions in Service Quality is often used nowadays by researchers. The dimension of Servqual are (Lovelock, Wirtz and Keh, 2002; Smith and Wheeler, 2002):

1. Reliability: concerns with dependability, meeting promises, personnel and consistency and accuracy in performance. For examples:
 - Get things right for the first time.
 - Accuracy during check encoding and transactions done correctly.
 - No errors that can effect continuity of customers or financial records.
 - Provides statements, report and tax information on a timely basis.

2. Assurance: concerns with the ability of employees to inspire trust and confidence in customers.
 - Clear explanations regarding issues raised
 - Complete and detailed service
 - No hidden charges
3. Tangibles: concerns with physical facilities, equipment and appearance of personnel.
 - The facilities are complete and clean
 - The number of personnel is enough
4. Empathy: concerns with practices that suggest respect, care and the provision of individual attention.
 - Deal directly, personal touch
 - Assign one person to my business and know my business or personal attention from a human being,
5. Responsiveness: concerns with willingness to help customers and provide prompt service.
 - Employees are willing to help customer who has problem promptly
 - Employees will never be too busy to respond to customer request.

The weakness of Servqual is in reality, its difference scores only measure two factors namely are intrinsic service quality (functional) and extrinsic service quality (tangible). Besides that, Servqual was not stable over time, as revealed by insignificant correlations between tes scores and retest scores. (Lovelock, Wirtz and Keh, 2002).

Another limitations of Servqual are the measurement itself such as the scale of service quality, the accurate customer expectation and how service performance is evaluated by

customer. (Utami, 2006). The positive service quality will give important impact to brand loyalty. (Fullerton, 2004).

2.3. Brand Loyalty

The “experience” knowledge has become a hot term in management especially in marketing and begins to replace “branding”. Nevertheless, the point is not replacing “branding to experience” but how to blend these two important concepts together.

A brand is more than just the features and benefits related to a product, even if these features and benefits are highly differentiating. A brand is more than a name, more than a logo, more than the brand character and smiling faces in an advertisement.

According to Kotler (2000), brand can be defined as:

1. attributes : remind to specific attribute such as luxury things, precise, etc
2. benefit : not only functional benefit but also emotional benefit.
3. value : stated something about seller value.
4. culture : reflect specific culture.
5. personality : reflect characteristic of one person.
6. user : reflect customer group that purchase or use the product.

Usually, company should define where the level of identification of Company’s brand is. The common are culture, value and personality. Brand also defines as asset but it is different with patent or copyright, since it is influenced by: (Kotler, 2000)

1. Customer emotion, brand can make emotion become consistent and stable
2. Brand can effect to culture and market
3. Brand creates interactive communication with customer. Stronger brand makes stronger the relationship with customer.

4. Brand creates customer behavior. Strong brand can change the customer behavior.
5. Brand make buying decision easily for customer.

It must be managed consistently over a long period, then market leadership and higher profitability may well follow. Broaden scope in the meaning and functions of brand can be identified as follows:

1. Branding has to do with the way customer perceive and buy things, it is not simply characteristic of certain industry. (Arnold, 1993)
2. Brand is a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors (Kotler, 2000)

Usually, people buy brands for three main reasons (Lovelock, Wirtz and Keh, 2002). First, functional needs which customers consider as necessary i.e., clothing, taste, communication etc. This is a role of the product marketing. Second, social statement about the desired self-image of the customer (to be seen as fashionable, traditional, smart, reliable, etc) i.e., drinking in coffee shop in order to follow the trend. Third, emotionally connects with the attitude or the ethos that the brand represents (trust, hope, conservatism, safety, etc). This is a business-wide belief system that delivers the promise to customers.

Loyalty is an old-fashioned word that has traditionally been used to describe reliability and enthusiastic devotion to a country, cause or individual (Lovelock, Wirtz and Keh, 2002). It is about being intentional, consistent, different and creating value. A loyal customer can have a great impact to any organization in resulting consistent revenues for many years.

Loyalty is not the same as satisfaction. Many customers who switch to another supplier are commonly satisfied with their previous supplier. Neither is loyalty the same thing

as repeat purchases. Satisfied customers are not necessary loyal customers. (Smith and Wheeler, 2002). Satisfaction is nowadays expected, taken for granted. However, the loyalty cannot be taken for granted. (Lovelock, Wirtz and Keh, 2002). In addition, retaining old customers and building loyalty involve management; they do not happen automatically (Aaker, 1994).

Loyalty requires an emotional engagement with the organization or product. This engagement comes from experiencing the brand or organization in a unique way that creates significant true value for the customer. The challenge is to provide a customer experience that successfully differentiates the organization and drives brand loyalty.

Brand loyalty of existing customers reflects a strategic value that provide value as follows: (Aaker, 1994)

1. Reduced marketing costs

It is cheaper to maintain customers than to get the new ones because new customers usually lack motivation to change from their current brands: they will be expensive to contact. Existing customer are relatively easy to be maintained and cheaper if they are not dissatisfied.

2. Trade Leverage

Trade leverage is important when introducing new sizes, new varieties, variations or brand extensions. The brand loyalty provides trade leverage due to repeated purchasing by loyal customer.

3. Attracting new customer

The acceptance of the brand by a group of existing customers can be an effective message. It is hard to use existing customers to sell the product to the new customers rarely. Moreover, it usually takes an explicit program. Friends and colleagues of users

will become aware of the product just by discussing about it. We can call it word-of-mouth marketing communication.

4. Time to respond to competitive threats

Brand loyalty provides an organization with time for improvement to be matched or neutralized to loyal customers. Loyal customer will not be looking for new products and thus may not expect on advancement. In other words, loyal customer will not change to competitor but they will give time to company to innovate and enhance its product quality.

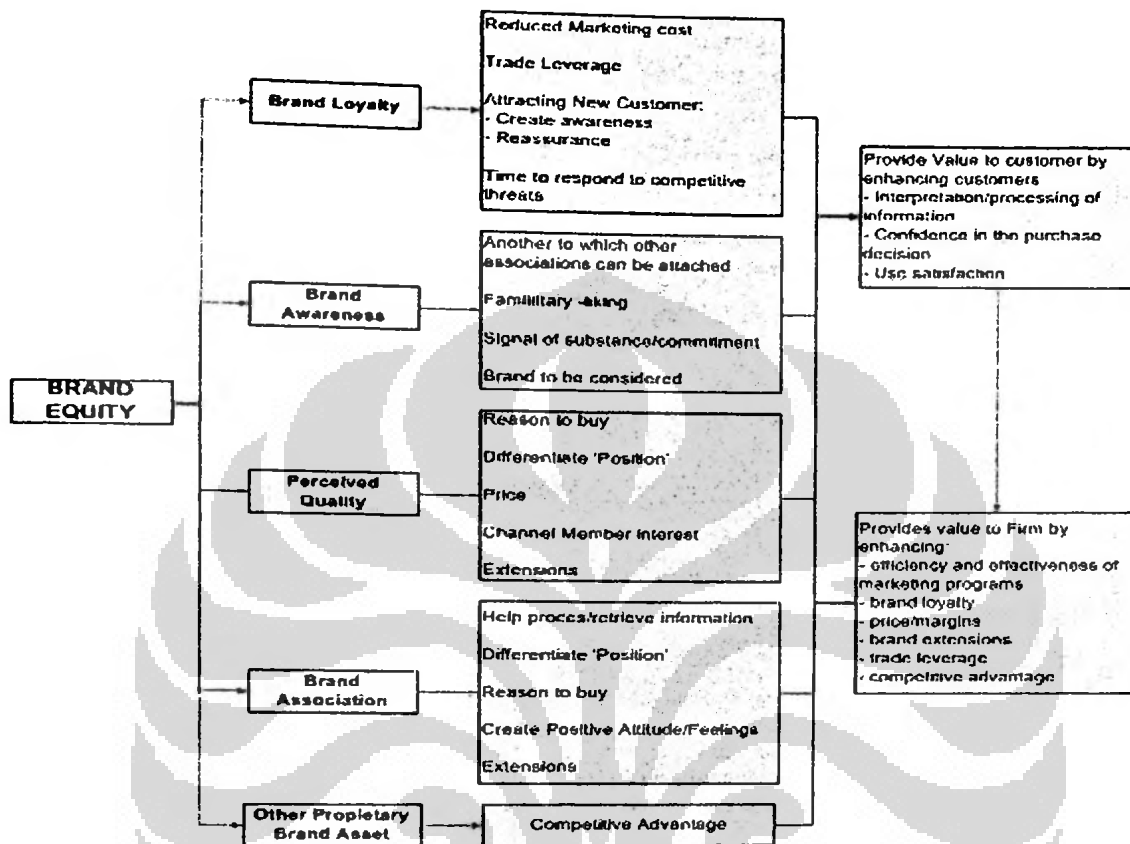
Brand Loyalty is one of dimensions that underlie brand equity (Aaker, 1994). The other dimensions are brand awareness, perceived quality, brand associations and other proprietary brand asset. (see figure 2.3).

1. **Brand Awareness** : the ability of a potential buyer to recognize or recall that a brand is a member of a certain product category. It is consisted of brand recognition (brand that is recognized by customer), brand recall (your brand is recalled as being in a product class), top of mind (the first recall) and dominant brand (the only brand that customer remember).
2. **Brand Association** : anything linked to the brand that can affect the processing and recall of information, provide a point of differentiation, provide a reason to buy create positive attitudes and feelings and serve as the basis of extension. For example model, symbol, and intangible attributes such as overall quality, technological leadership.
3. **Perceived Quality**

It is about customer perception about quality and product differentiation. It provides a reason to buy, a price premium option, channel interest and a point of differentiation. The key to obtain high-perceived quality is to deliver high quality, understand what

signals quality to the buyer and communicate the quality message in a credible manner.

Figure 2.3. Brand Equity



4. Brand Loyalty

Aaker defines brand loyalty as “the set of brand assets and liabilities linked to the brand that add value to, or subtract value from, a product or service”. This Study will focus on the discussion only to brand loyalty since the core of brand equity is the loyalty of its customer base. Customer can create brand awareness and generate reassurance to new customer.

5. Other Proprietary Brand Asset

Other proprietary brand assets protect the brand from competitor. For example patents, trademarks, channel relationship, etc.

In this world, there were some customers who are loyal or fanatic to one particular brand; there were also some customers who are sometimes loyal, but can be easily convert to change to other competitor; and there were also some customer who are not loyal at all. According to Aaker (1994), level of brand loyalty consists of:

1. Committed Buyer

They have a pride of discovering and/or being users of a brand. The brand is very important to them or as an expression of who they are. They will recommend or promote the brand to others.

2. Liking The Brand

Those who truly like the brand but their preference may be based upon as association such as a symbol, experience or high-perceived quality.

3. Satisfied Buyer

This customer satisfied with the product and switching cost (cost in time, money or performance risk associated with switching). Usually, competitor of this buyer will offer an inducement or large enough to compensate. This buyer can be termed as switching-cost loyal.

4. Habitual Buyer

This customer satisfied with the product or at least not dissatisfied. They can be difficult to reach since there is no reason for them to be on the lookout for alternatives. In other words, these buyers purchase the products due to their habits.

5. Switcher Buyer

This non-loyal buyer is completely indifferent to the brand. It is because each brand is perceived to be adequate and the brand name plays little role in the purchase decision. Usually, the characteristic of these buyers are buying due to the lowest price.

Both Experiential Marketing (Customer Experience) and Service Quality strategies enhance the company's brand loyalty. It is important for a company to focus on it since the brand asset or brand equity can add or reduce value for company.

Successful brand-builder consciously resists investing everywhere that their brand touches their customers. Instead, they identify and spend aggressively only on the interactions that they will know to have the most impact on revenue growth and profitability. Elements ranging from product quality, customer service, employee behavior and community relations shape customer perception overtime. There are four principles that set the conditions for customer experience practices that matter, as follows: (Hogan, 2005)

1. Identify the most important customers. It is important not only current but also future revenue growth.
2. Concentrate investment on the customer touch points that will do the most to raise profitable demand.
3. Set realistic goals for implementation
4. Revisit their performance.

Later in Chapter III, we will discuss these theories to understand Starbucks Indonesia. How does Starbucks implement Customer Experience Strategy and Service Quality Strategy. Besides that, do Starbucks Indonesia generate high brand loyalty in Indonesia? We will find out whether customers are loyal to Starbucks' brand or there are better coffee shops than Starbucks that provides ideal experience.

CHAPTER III

COMPANY PROFILE

3.1. STARBUCKS HISTORY

This history below is described from Starbucks Profiles and Company Timeline in www.starbucks.com, and Starbucks Corporation (Thompson and Gamble, 1999).

Starbucks was founded in 1971. It was located in Seattle in a public area, Pike Place Market. The founders were Jerry Baldwin, Zev Siegel, and Gordon Bowker. The first store was named Starbucks Coffee, Tea and Spice.

Figure 3.1. Starbucks' first store in Seattle



The founders had one common: loved fine coffee and tea. The idea then came from coffee place located in San Francisco Bay area. The capital was \$1,350 for each founder and borrowed another \$5,000 from a bank. They chose the name Starbucks in honor of Starbuck, the coffee-loving first mate in Herman Melville's Moby Dick.

Initially, the inspiration came from a Dutch immigrant, Alfred Peet, the importer of fine Arabica coffees into the United States during the 1950s. Peet viewed coffee as a fine winemaker who valued grapes, Peet's store in Berkeley, California, specialized in importing

fine coffees and teas, dark-roasting its own beans in European way to bring out their full flavor, and teaching customers how to grind the beans and make freshly brewed coffee at home. Baldwin, Siegel, and Bowker were devoted fans of Peet and his dark-roasted coffees, going so far as to order their personal coffee supplies by mail from Peet's. The store was an immediate success. But Peet inspired them to always learn more about coffees and teas. They kept purchasing coffee beans from Peet's but then purchased a roaster and set up roasting operation near Ramshackle building. Then they came up with their own blends and flavor.

The second store was opened in 1972. In the early 1980's, they had opened 4 stores located in Seattle and successfully generated profits every year since the opening. However, the management had changed. Siegel left the company. Balwin took the daily operation and act as the CEO. Bowker was the passive owner.

Howard Schultz was a vice president and general manager of U.S. operations for Hammarplast (a Swedish maker of stylish kitchen equipment and housewares). He was cautious about Starbucks who was placing larger orders than Macy's, another coffe shop which is known for a certain type of drip coffeemaker. Schultz then gave a visit and immediately realized the powerful and pleasing aroma of the coffees, the wall displaying coffee beans, and the rows of red, yellow, and black Hammarplast coffeemakers on the shelves when entering Starbucks. Later, he ordered a freshly brewed coffee and questioned about coffee to the Starbucks' staffs. Then, he met with Baldwin and Bowker. Schultz was amazed at that time by their knowledge of coffee, their commitment to providing high-quality products, and their passion for educating customers about the merits of dark-roasted coffees.

Schultz has got the inspiration of Starbucks and kept thinking what it would be if he were one of parts of Starbucks' company. He then convinced Balwin for the opportunity. There were many meetings to discuss about it. Schultz pressed his ideas about the tremendous potential of expanding the Starbucks enterprise outside Seattle and exposing

people all over America to Starbucks coffee. He really believed that Starbucks would had such a great promise and offered for a salary cut in exchange for a small equity stake in the business. In September 1982, Howard Schultz took on his new responsibilities at Starbucks.

When Schultz first joined Starbucks in 1982 as the director of retail operations, Starbucks was a local, highly respected roaster and retailer of whole bean and ground coffees. A business trip to Milan's famous coffee shops in 1983 opened Schultz's eyes to the rich tradition of the espresso beverage. Schultz recalls, "What I saw was the unique relationship that the Italian people had with the ubiquitous coffee bars around Italy. People used the local coffee bar as the third place from home and work. What I wanted to try and do was re-create that in North America." (Schultz and Dori Jones Yang, 1999). Inspired by the Italian espresso bars, Schultz convinced executives to have Starbucks' stores to serve coffee with cups.

Schultz then exploited Starbucks ability to provide quality coffee beans and opened up a new store called Il Giornale. By 1987, Il Giornale took over the assets of Starbucks, and changed its name to Starbucks Corporation. At the end of 1987, Starbucks had 17 stores and furthered its location span by entering Chicago and Vancouver.

The new company's logo was a two-tailed mermaid encircled by the store's name. The logo has been streamlined over the years. In the first version, the Starbucks siren was topless and had a fully-visible double fish tail. In the second version, her chest was covered by her flowing hair, but her navel was still visible, and the fish tail was cropped slightly. In the current version, her navel and chest are not visible at all, and only vestiges remain of the fish tails. (www.wikipedia.com).



Figure 3.2. Logo

Starbucks mission statement reads, "To establish Starbucks as the premier purveyor of the finest coffee in the world while maintaining our uncompromising principles as we

grow". Some of the principles of the company are treating everyone with respect and dignity, buying the best available coffees, developing loyal customers, contributing to the environment and making a profit. (www.starbucks.com)

Relationships and other ventures happened during the early nineties as the company looked to development organizations to further its progress. By 1995, they opened their 676th store and increased the products in store with the addition of compact discs a result of a previously popular experiment with 'in-house' music.

3.2. STARBUCKS GLOBAL

This final paper would describe Starbucks in systematic way. The source of information below is from Starbucks Corporation Case (Thompson and Gamble, 1999) and Starbucks website. This final paper would be described in four P's perspective such as People, Product, Place and Promotion.

3.2.1. People

3.2.1.1. Intensive Training

Starbucks received a license fee and a royalty on sales at its locations and supplied the coffee for resale in the licensed locations. All licensed stores had to follow Starbucks' detailed operating procedures, and all managers and employees who worked in these stores received the same training given to Starbucks managers and store employees. Starbucks' success was heavily dependent on customers having a very positive experience in its stores. This meant it is important having store employees who were knowledgeable about the company's products, who paid attention to detail, who eagerly communicated the company's passion for coffee, and who had the skills and personality to deliver consistently pleasing customer service.

Every employee/barista for a retail job in a Starbucks store received at least 24 hours training in the first two to four weeks. The training included classes on coffee history, drink preparation, coffee knowledge (four hours), customer service (four hours), and retail skills, plus a four-hour workshop called "Brewing the Perfect Cup." Baristas were trained in using the cash register, weighing beans, opening the bag properly, capturing the beans without spilling them on the floor, holding the bag in a way that keeps air from being trapped inside, and affixing labels on the package exactly one-half inch over the Starbucks logo. Beverage preparation occupied even more training time, involving such activities as grinding the beans, steaming milk, learning to pull perfect (18- to 23-second) shots of espresso, memorizing the recipes of all the different drinks, practicing making the different drinks, and learning how to make drinks to customer specifications. There were sessions on how to clean the milk wand on the espresso machine, explain the Italian drink names to customers, sell an \$875 home espresso machine, make eye contact with customers, and take personal responsibility for the cleanliness of the coffee bins. Everyone was drilled in the Star Skills, three guidelines for on-the-job interpersonal relations:

- (1) maintain and enhance self-esteem,
- (2) listen and acknowledge,
- (3) ask for help.

There were rules to be memorized: milk must be steamed to at least 150 degrees Fahrenheit but never more than 170 degrees; every espresso shot that is not pulled out within 23 seconds must be tossed; customers who order one pound of beans must be given exactly that—not .995 pounds or 1.1 pounds; never let coffee sit in the pot more than 20 minutes; always compensate dissatisfied customers with a Starbucks coupon that entitles them to a free drink.

Management trainees attended classes for 8 to 12 weeks. Their training went much deeper, covering not only the information imparted to baristas but also the details of store operations, practices and procedures as set forth in the company's operating manual, information systems, and the basics of managing people. Starbucks' trainers were all store managers and district managers with on-site experience. One of their major objectives was to ingrain the company's values, principles, and culture and to impart their knowledge about coffee and their passion about Starbucks.

Each time Starbucks opened stores in a new market, it undertook a major recruiting effort. Eight to 10 weeks before opening, the company placed ads to hire baristas and begin their training. It sent a Star team of experienced managers and baristas from existing stores to the area to lead the store-opening effort and to conduct one-on-one training following the company's formal classes and basic orientation sessions at the Starbucks Coffee School in San Francisco.

Starbucks considered the roasting of its coffee beans to be an art form. Each batch was roasted in a powerful gas oven for 12 to 15 minutes. Highly trained and experienced roasting personnel monitored the process, using both smell and hearing, to judge when the beans were perfectly done—coffee beans make a popping sound when ready. Starbucks' standards were so exact that roasters tested the color of the beans in a blood-cell analyzer and discarded the entire batch if the reading wasn't on target.

3.2.1.2. Listen from Starbucks' employee

Employees were also encouraged to speak their minds without fear of retribution from upper management—senior executives wanted employees to be vocal about what Starbucks was doing right, what it was doing wrong, and what changes were needed. Management wanted employees to contribute to the process of making Starbucks to be a better company.

Comment cards were given to each newly hired employee and were kept available in common areas with other employee forms. Employees had the option of signing the comment cards or not. The company promised that a relevant manager would respond to all signed cards within two weeks.

3.2.1.3. Routine meeting

Starbucks gather a team of people from different regions to go over employee concerns, seek solutions, and provide a report at the company's Open Forums. At these Open Forums, held quarterly in every geographic region where the company did business, senior managers met with all interested employees to present updates on Starbucks' performance, answer questions and give employees an opportunity to criticism. The company's employee benefits program was predicated on the belief that better benefits attract good people and keep them longer.

3.2.1.4. Corporate Responsibility

Starbucks was the largest corporate contributor in North America to CARE, a worldwide relief and development organization that sponsored health, education, and humanitarian aid programs in most of the Third World countries where Starbucks purchased its coffee supplies. In addition, CARE samplers of coffee and CARE-related mugs, backpacks, and T-shirts were offered in the company's mail-order catalog; a portion of the price on all sales was donated to CARE. Starbucks began making annual corporate contributions to CARE when it became profitable in 1991.

Starbucks had an Environmental Committee that looked for ways to reduce, reuse, and recycle waste, as well as contribute to local community environmental efforts. There was also a Green Team, consisting of store managers from all regions. Starbucks stores

participated regularly in local charitable projects of one kind or another, donating drinks, books, and proceeds from store-opening benefits.

3.2.1.5. Employee Benefit

First, perform good health program for all benefit, including to extend health care benefits to part-time workers. Their request had been turned down, but Schultz, the owner of Starbucks, believed that expanding health care coverage to include part-timers was the right thing to do. His father had recently died of cancer, and he knew from having grown up in a family that struggled like his own experience was very difficult, especially to pay the medical costs. In 1988 Schultz went to the board of directors with his plan to expand the company's health care coverage by including part-timers who worked at least 20 hours per week. He saw the proposal not as a generous gesture but as a core strategy to win employee loyalty and commitment to the company's mission. Board members resisted because the company was unprofitable and the added costs of the extended coverage would only worsen the company's bottom line. But Schultz argued passionately, pointing out that if the new benefit reduced turnover, which he believed was likely, then it would reduce the costs of hiring and training. Part-timers also were vital to Starbucks, constituting two-thirds of the company's workforce. Many were baristas who knew the favorite drinks of regular customers; if the barista left, that connection with the customer was broken. Moreover, many part-time employees were called upon to open the stores early, sometimes at 5:30 or 6 am; others had to work until closing—9 pm or later. Providing these employees with health care benefits, he argued, would signal that the company honored their value and contribution. Due to the highest participation to increase employee health, in 1994 Howard Schultz was invited to the White House for a one-on-one meeting with President Clinton to brief him on the Starbucks health care program.

Second, Starbucks was able to pay its employee above its pay scale. Store employees were paid \$6 to \$8 per hour, well above the minimum wage. Schultz's approach to offering employees good compensation and a comprehensive benefits package was driven by his belief that sharing the company's success with the people who made it happen helped everyone think and act like an owner, build positive long-term relationships with customers, and do things efficiently.

Third, employee, both full - time or part - timer working at least 20 hours per week, was eligible for stock options after six months.

Starbucks believed that its efforts to make the company an attractive, caring place to work were responsible for its relatively low turnover rates. Whereas most national retailers and fast-food chains had turnover rates for store employees ranging from 150 to 400 percent a year, the turnover rates for Starbucks' baristas ran about 65 percent. Starbucks' turnover for store managers was about 25 percent compared to about 50 percent for other chain retailers.

From our description above, no wonder why Starbucks Corporation was voted by Fortune Magazine as one of the Top 100 Best Companies to Work in US For in 2002 until 2008. Nowadays, Starbucks has been ranked number 7, prior in 2002 number 58.

Table 3.1 100 Best Companies to work for 2008

Rank	Company	Job growth	U.S. employees
1	<u>Google</u>	60%	8,134
2	<u>Quicken Loans</u>	68%	4,920
3	<u>Wegmans Food Markets</u>	4%	35,302
4	<u>Edward Jones</u>	5%	31,451
5	<u>Genentech</u>	9%	10,842
6	<u>Cisco Systems</u>	17%	32,160
7	<u>Starbucks</u>	15%	134,013

http://money.cnn.com/magazines/fortune/bestcompanies/2008/full_list/index.html

3.2.2. Place

3.2.2.1. Stores everywhere

Starbucks' stores in the whole world become more famous and known by lots of people. It is because Starbucks had an agreement with Marriott Host International that allowed Host to operate Starbucks retail stores in airport locations, and it had an agreement with Aramark Food and Services to put Starbucks stores on university campuses. Besides that, Starbucks has been expanded into neighborhood shopping areas through their product in supermarket.



Figure 3.3. Arab Store

3.2.2.2. More than selling a cup of coffee

Starbucks believes that they are not in the coffee business serving people, but in the people business serving coffee. It is not good enough to have a good advance, but everything helps complete the circle, such as the packaging, the community involvement, the service all help build that emotional connection.

The equity of the Starbucks brand is the humanity and intimacy of what goes on in the communities that exist in each and every location. Starbucks continually are reminded of the powerful need and desire for human contact and for community, which is a new, powerful force in determining customer choices. The boom in technology, as well as other factors, has

taken us away from gathering with friends and family, from human connection and community. The Starbucks environment has become as important as the coffee itself.

The idea is that people want to be part of something bigger than themselves. They want to be part of something that touches their hearts. The art of marketing today is the ability to build this emotional connection. The marketing is authentic and relate to reaching into people's hearts to let them know that Starbucks want to be part of customer's life.

The music playing in Starbucks is already set up by Starbucks Hear Music. Starbucks Coffee Company acquires it in 1999. Starbucks Hear Musik ID dedicated to create a new and convenient way for customer to discover experience and acquire all genres of great music through its CD compilations and music programming for Starbucks coffeehouses worldwide. Besides that, its innovative partnerships with other music label to produce, market and distribute music. In 2004, Starbucks Hear Music launched a 24-hour digital music channel with XM Satellite Radio. Customers can select from over 15.000 CDs or burn their own custom mixes in Starbucks' Hear Music. It was not revenue generating to invest in music for Starbucks, but Starbucks is pleased with that service. Starbucks realized that its customer is very music-oriented and by rolling out music bars where customers can compile songs on CDs or an MP3 player in Hear Music media bar.

3.2.2.3. Focus on details

Starbucks stores had already evolved in terms of design, logos, colors, lighting scheme, and component materials. The team came up with four store designs or four stages of coffee making: growing, roasting, brewing, and aroma. Within each of the four basic store templates, Starbucks could vary the materials and details to adapt to different store sizes and settings (downtown buildings, college campuses, airport, grocery stores, convenience stores, department stores, movie theatres, businesses, and homes) Starbucks management looked

upon each store as “an advertising” for the company and as a contributor to building the company's brand and image.

Each detail such as aroma and music were examined to enhance the mood of the store, to make sure everything is the best and reflected the personality of the community. The company took time to make sure the store fixtures, the merchandise displays, the colors, the artwork, the banners, the music, and the aromas all blended to create a consistent, inviting, stimulating environment of not only best coffee store but whole factor support Starbucks become the best coffee store. Besides that, the packaging is also focused in detail. Starbucks use their Research and Development to find better package, more healthy and environmentally friendly.

3.2.3. Product

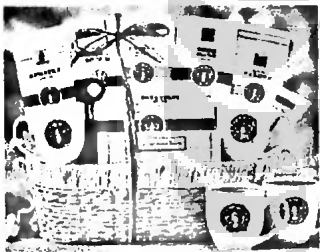
3.2.3.1. High quality and wide variations

It is necessary to make sure that the coffees are made of high quality beans and meet the requirements of customers. The company goes extreme lengths of process to buy the very finest Arabica or other coffee on world markets (Welsh, D., Raven, P. and Al-Mutair, N.,1998). These requirements include thick, uniform cream at the top of Espressos, strong flavor that is maintained and that the freshness of the beverage stays longer while undesirable flavors are minimized. Customers could choose from a wide selection of fresh-roasted whole-bean coffees, a selection of fresh pastries and other food items, sodas, juices, teas, and coffee-related hardware and equipment. Starbucks stores offered a choice of regular or decaffeinated coffee beverages, coffee of the day, and a broad selection of Italian-style espresso drinks.

Through the selling of coffee-related products such as brewing equipment and accessories, many customers can enjoy high quality coffee at home rather than traveling out of their way (Welsh, D., Raven, P. and Al-Mutair, N.,1998). The equipment available

steel coffee filters, and Starbucks cleaner and canisters. This is another example of how Starbucks is meeting the needs of current customers as well as increasing its attractiveness to potential customers. In addition to meet those beverage needs of customers, sometimes there is the need to have an assortment of small foods that are quick to consume and easy to carry. This is sometimes the case when people are looking for a quick snack to have along with their drink. Starbucks has met this requirement through providing a number of chocolate variations like gift boxes and chocolate bars while also offering sweets such as after-coffee mints and lollipops. The benefits of this are further increased by the fact that sometimes these chocolates can complement a coffee and therefore, when one is bought, the other one has a greater chance of being purchased.

Figure 3.4. Several Starbucks Product



3.2.3.2. Innovation

In 1989, all customer comment cards stated that they started requesting nonfat milk in cappuccinos and lattès. One day after visiting one of the stores in a residential neighborhood and watching a customer leave, Starbucks partner goes to a competitor's store because Starbucks did not make lattès with nonfat milk. Starbucks realized its commitment meet the company's commitment to quality and its goal of pleasing customers.

In 1995, PepsiCo and Starbucks created new coffee-related products for cold coffee drinks in a bottle or can. It called Frappuccino which later are proved to be a big hot-weather seller. In the same year, Starbucks partnered with Dreyer's Grand Ice Cream to supply coffee

square-foot plant was opened in Kent, Washington, just south of Seattle; its output mainly was being used to supply stores west of the Mississippi. In 1994, the company began construction of an \$11 million roasting facility in York, Pennsylvania, that could be expanded to 1 million square feet to supply stores east of the Mississippi.

Although most coffee was purchased in the commodity market—coffee was the world's second largest traded commodity—coffee of the quality that sought by Starbucks was usually purchased on a negotiated basis at a substantial premium above commodity coffees, depending on supply and demand at the time of purchase. Coffee prices were subject to considerable volatility due to weather, economic, and political conditions in the growing countries, as well as agreements establishing export quotas or efforts on the part of the International Coffee Organization and the Association of Coffee Producing Countries to restrict coffee supplies.

Starbucks entered into fixed-price purchase commitments in order to secure an adequate supply of quality green coffee beans and to limit its exposure to fluctuating coffee prices in upcoming periods. When satisfactory fixed-price commitments were not available, the company purchased coffee futures contracts to provide price protection. Nonetheless, there had been occasions in years past when unexpected jumps in coffee prices had put a squeeze on the company's margins and necessitated an increase in the prices of its beverages and beans sold at retail.

On a daily basis, when Dave Olsen did not travelled in search of coffee supplies, he checked coffee samples from the roasting process, sniffing the aromas, tasting sample cups, and recording his observations in a logbook.

3.2.4. Promotion

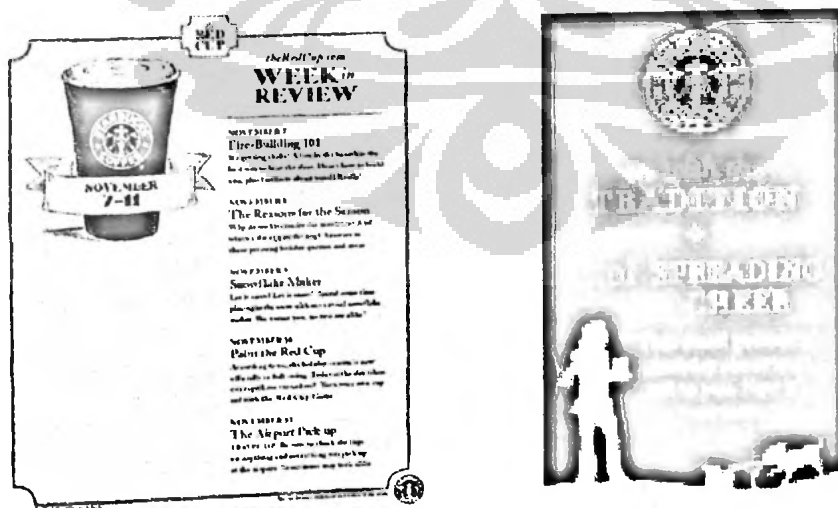
3.2.4.1. Printed Media

Starbucks has shown to use less of traditional advertising; instead relying more on its image advertising such as movie and television placement, in order to promote the success of the business. Starbucks never use celebrities to be their icon. Starbucks never use other media while their competitor does for their advertising.

Colorful banners and posters were used to keep the look of Starbucks stores fresh and in keeping with seasons and holidays. Company designers came up with artwork for commuter mugs and T-shirts in different cities that was in keeping with each city's personality.

In 1988, Starbucks developed its first catalog and began expanding its mail-order base to targeted demographic groups, then a toll-free telephone number was established. The company's market research indicated that its average mail-order customer was a well-educated, relatively comfortable, well-traveled expert interested in the arts and cultural events, and usually a loyal buyer of the company's products.

Figure 3.5. Several printed media



Starbucks strive to educate customers about coffee quality. There is an information section in each store that provides customers a good resource for becoming more

knowledgeable about the world of coffee. Starbucks also publishes and distributes a mail order catalog and a catalog of business gifts that offer coffees, certain food items and select coffee-making equipment and accessories.

3.2.4.2. Starbucks communication (through word of mouth and outlets)

Starbucks had spent very little money on advertising, preferring instead to build the brand cup by cup with customers and depend on word-of-mouth and the appeal of its storefronts. In expanding internationally, trying localized advertising, venturing into ice cream with Dreyer's and into Frappuccino with Pepsi, partnering with licensees, and developing specialty and mail-order sales, Starbucks had recently begun selling its coffees in supermarkets.



Figure 3.6.
Logo in storefront

3.3. INTERNATIONALIZATION

In 1996, the company entered international market by reaching into the market of Japan, Singapore and Hawaii through joint ventures. By the fiscal year, October 1st 2006, they had progressed so far by owning 12,440 stores world-wide from October 1st 2002, owning 5,886 stores world wide (See table 3.2). In the end of 2007, Starbucks has 15,756 stores. (See table 3.3). The company had ventured into countries ranging from England to Australia and a website was created to keep up operations with the latest technology. The international move by Starbucks is to emerge the business and the reformation of the

emerging is proved by their aim to become a leading global company through making a difference in peoples lives all around the world.

Table 3.2. Comparison Stores Opened for fiscal year ended in October 1st 2002 – 2006

	2006	2005	2004	2003	2002
Percentage change in comparable store sales					
United States	7%	9%	11%	9%	7%
International	8%	6%	6%	7%	1%
Consolidated	7%	8%	10%	8%	6%
Stores opened during the year					
United States					
Company-operated stores	810	580	521	514	507
Licensed stores	733	596	417	315	264
International					
Company-operated stores	230	166	144	126	118
Licensed stores	426	330	262	246	288
Total	2199	1672	1344	1201	1177
Stores opened accumulation					
United States					
Company-operated stores	5728	4918	4338	3817	3239
Licensed stores	3168	2435	183	1422	1033
International					
Company-operated stores	1374	1744	978	834	708
Licensed stores	2170		1414	1152	906
Total	12440	9097	6913	7225	5886

Source: www.starbucks.com

Table 3.3. Stores opened in December 31st 2006 and 2007

	Stores opened		Total Stores opened	
	Dec 30, 07	Dec 30, 06	Dec 30, 07	Dec 30, 06
United States				
Company-operated Stores	294	282	7,087	6,01
Licensed Stores	190	223	4,081	3,391
Total	484	505	11,168	9,401
International:				
Company-operated Stores	84	76	1,796	1,511
Licensed Stores	177	147	2,792	2,256
Total	261	223	4,588	3,767
Grand Total	745	728	15,756	13,168

Source : www.starbucks.com

The current countries cover Starbucks business are: Australia, Bahrain, Canada, Hong Kong, Israel, Indonesia, India, Japan, Kuwait, Lebanon, Malaysia, New Zealand, Oman, Peoples Republic of China, Philippines, Cyprus, Denmark, Dominican Republic, Egypt, France, Germany, GreeceIreland, Jordan, Kuwait, Lebanon, Mexico, the Netherlands, Oman, Peru, Puerto Rico, Romania, Russia, , South Korea, Spain, Turkey, Qatar, Saudi Arabia, Singapore, South Korea, Switzerland, Taiwan, Thailand, Untied Arab Emirates, United Kingdom and United States. (www.starbucks.com) New stores are also going to be opened in Argentina, Bulgaria, Colombia, Czech Republic, Hungary, India, Morocco and Poland.

Lots of positive news dedicated to the company because Starbucks provides a strong basis for the countries to the future development of international markets, which further strengthens the mission to become one of the leading specialty coffee retailers in the world. The brand becomes so popular and well known, that it would be as recognizable as major names such as McDonalds and Coca-Cola.

June 1992, Starbucks Company was very successful after its initial public offering on the NASDAQ exchange. Six years later, 1996, Starbucks Coffee International formed a joint venture with SAZABY Inc., a Japanese corporation to build in Japan market in 1995 and in 1996 it opened it's first international location in Tokyo, Japan. This is beginning of its International growth.

3.4. STARBUCKS IN INDONESIA

PT Sari Coffee Indonesia (Starbucks Indonesia) who organizes Starbucks Coffee brand in Indonesia established in 2001. SCI started its commercial operations on May 18, 2002. The scope of its activities is primarily to engage in food and beverages services which main ingredients are made from coffee. The company's food and beverages store is under the

name "Starbucks Coffee". Starbucks Indonesia shall pay certain fees and should purchase essential goods from Starbucks Headquarter or from the supplier approved by Starbucks.

Starbucks Indonesia is one of subsidiaries of PT Mitra Adiperkasa Tbk. Based on agreement between the Company and PT Mitra Adiperkasa Tbk, the Company obtained consultation and management administration assistance for its operation activities. As compensation, the Company shall pay management fee. (<http://www.map-indonesia.com>)

Starbucks Indonesia's head office is in Jakarta, located at Wisma 46 – Kota BNI 7th floor, Jl. Jendral Sudirman Kav. 1, Jakarta. Starbucks Indonesia had 16 outlets in initial opening, year 2002 then 47 outlets in the end of 2006. (<http://www.map-indonesia.com>)

As of 31st December 2007, total outlets Starbucks Indonesia are 64 outlets, including the new outlets in Tangerang, Bogor and Depok. The other outlets spread located in Jakarta, Surabaya, Bali, Jogja, Bandung, Medan. Next year, Starbucks Indonesia will open more than 15 new outlets including in Balikpapan, Batam and Makassar (Kusumaputra, 2007).

Figure 3.7. One outlet of Starbucks Indonesia in Kuta Bali.



Starbucks has common cultures built for all its outlets such as follows: (Firdanianty, 2007)

1. Coffee Tasting.

Every morning at 8 until 9 am in store, support centre and every meeting, this coffee tasting ritual should be there since Starbucks is a coffee industry. Every one should know how to make coffee, even he/she is not barista.

2. Coffee Seminar

Every Wednesday every employee can learn everything about Starbucks Coffee, history of product, how qualified coffee makes, etc.

3. Coffee Of the Week

It gives customer special coffee from barista chosen but it does not mean customer cannot buy another coffee

Starbucks also has a standard implemented in all outlets in whole world. Virani Masayu, Development and Learning Manager (Firdanianty, 2007) said that the Starbucks Culture is also built by training, ie training about how barista greet customer, training how to ask help to partner (barista), training how to treat customer. Besides that, Starbucks Indonesia gives learning what Customer Experience is and how to implement it.

Like other outlet, Starbucks gives opportunity for every one who wants to be a part-timer barista. The employee, who is being a part-timer, is given training about vision and mission of Starbucks, how to make a qualified coffee and how to approach customer. The part-timer can be a full-timer, the intensive training needed in two weeks, and then the employee should go through learning in store.

There are several ways motivating partner to motivate other partner. Those ways are: On The Spot Award and Mark Award. On The Spot Award is award in a form of cards available in every outlets/stores. Customer also can see every one has how many cards. Mark Award is a award in a form of pin. These pins are given from supervisor level up as an appreciation of the job partner has been done.

In Indonesia, there are several types of barista: (Firdanianty, 2007)

1. Coffee Master : Coffee Master is a barista that knows everything about qualified coffee. The barista wearing black cloth should know the difference taste one country

to another country. There should be at least one coffee master in one outlet. Nowadays, there are about 191 coffee master in Indonesia.



2. Coffee Ambassador,

Coffee Ambassador is selected from coffee masters. The barista wears brown cloth. This barista is a representative or spoke person of Starbucks from one country.

Figure 3.8 Barista

In US, Starbucks customer service employee or barista are given Employee Stock Option Plan (ESOP), named Bean Stock, to employee in order to enhance their belonging to company. In Indonesia, barista only can have PT Mitra Adiperkasa, Tbk employee stock, instead of Bean Stock. This is the significant difference between Starbucks and Starbucks local (PT Sari Coffee Indonesia) This is a policy from PT Mitra Adiperkasa Tbk, as a holding company. This could be an impact to the difference of sense of belonging and decrease of emotional connection of partner in Indonesia to Starbucks. (Firdanianty, 2007)

Insight into barista in Starbucks and Starbucks Indonesia above are useful for the recommendation of research. Later in chapter IV, this study will focus on the analysis based on customer survey that has been held in this study at the end of December 2007.

CHAPTER IV

ANALYSIS

4.1. CUSTOMER SURVEY

To have a high quality research, this study is using customer survey to access the actual condition of Starbucks Indonesia from customer perspective. It consists of three aspects, are as follows:

1. Strategic Experience Modules (SEM) from the concept of Sense, Feel, Act, Thinking and Relate
2. Service Quality or Servqual (Tangible, Reliability, Responsibility, Assurance and Empathy) and
3. Brand Loyalty of Starbucks.

The screening of the survey methodology is that customer has already consumed Starbucks coffee in Indonesia. The survey was spreaded by going to Starbucks outlets, asking the community or sending to the mail groups and received back more than 80 questioners over the survey target which were only 50 samples. However, it is reduced to 75 samples since the rest of the questioners are not complete. The amounts of samples are enough to reflect the condition of Starbucks' customer in Indonesia.

The questionnaires are divided by 2 parts:

1. Profiles of respondent

It is a description of respondent. It is useful to know more who they are, how much their disbursement and their experience with Starbucks or other coffee shop. Respondent should fill in "V" or "X" in the box for the answer that suitable for them.

2. Strategic Experience Modules, Service Quality and Brand Loyalty

This study used Five scale to measure the scale of variables to indicate a degree of agreement or disagreement with each of a series of statement related to the object.

The questions consist of five answers scaling:

- 1 = Strongly agree
- 2 = Agree
- 3 = Neither agree nor disagree
- 4 = Disagree
- 5 = Strongly disagree

4.2. RESPONDENTS PROFILE

From the survey, there were a composition of 39% male and 61% female respondents coincidentally (see figure 4.2).

Figure 4.1 Sex of respondent

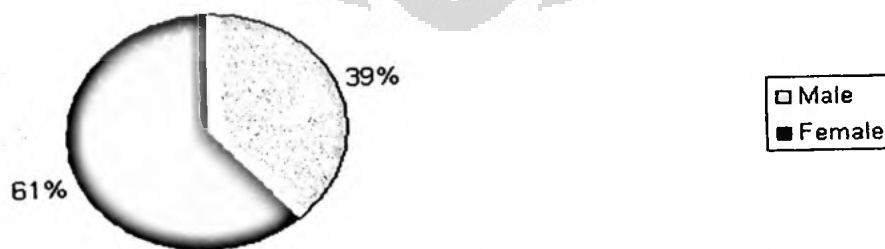


Table 4.1 stated that 20 of 46 total women (51,28%) who are going to Starbucks to have socialization or gather with colleagues/families. It is probably due to Starbucks provides

comfort seat and positive environment that is useful especially for women whose love to talk much and stay longer rather than men.

Table 4.1 Crosstabulation of “What is your purpose going to Starbucks?” versus “Sex”

		What is your purpose going to Starbucks?						Total	%
		Consume the product	To be alone	Browsing internet	Doing a job	Gathering/so sialization	Others		
Sex	Male	7	1	0	2	19	0	29	39%
	Female	15	1	2	4	20	4	46	61%
Total (n)		22	2	2	6	39	4	75	100%
%		29%	3%	3%	8%	52%	5%	100%	

From Table 4.2 below, this study indicates that majority status/class of respondent is in the middle class since 60 % (45 respondents) have total of monthly disbursement (exclude routine disbursement such as electricity, water etc) with the range between Rp 500,000 up to Rp 2,000,000. In addition, with the same range there of 69, 3 % (52 respondents) to have entertainment disbursement (i.e., have fun, pool, cinema, etc) routinely. With the premium price of Starbucks product (approximately Rp 30,000 for a cup coffee), this study believes only some community, especially most of middle-class and high-class citizen, would like to buy Starbucks Coffee.

Table 4.2 Crosstabulation of “Total Disbursement” versus “Entertainment Disbursement”

		Entertainment Disbursement			Total	%
		< Rp 500,000	Rp 500,000 - Rp 2,000,000	> Rp 2,000,000		
Total Disbursement	< Rp 500,000	1	1	0	2	3%
	Rp 500,000 – Rp 2,000,000	15	30	0	45	60%
	> Rp 2,000,000	5	21	2	28	37%
Total		21	52	2	75	100%
%		28%	69%	3%	100%	

From Table 4.3 below, only two respondents are graduated from high school. There are 85,3% (64 respondents) have Bachelor degree and 81,3% (61 respondents) are from Private Companies. We can sure that the respondents are well educated. Higher education can help customer learn faster about the information Starbucks provided about its coffee, history and any knowledge. Starbucks used the same catalog and other media communication such as website in the whole world. It is expected that customer in non-English language countries still have knowledge about English so that the transfer of information can be accepted well.

Table 4.3 Crosstabulation of “Education” versus “Job”

Education	Job					Total	%
	Private Officer	Civil Government Officer	Entrepreneur	Student	Others		
Up to High School	1	0	0	1	0	2	3%
Graduate/diploma	54	4	0	2	4	64	85%
Master/Doctor	6	1	2	0	0	9	12%
Total	61	5	2	3	4	75	100%
%	81%	7%	3%	4%	5%	100%	

For Table 4.4 below, most respondents in this study live in South and West Jakarta (22,7% and 25,3%), and 62,7 % are still single. The status of some one sometimes influences its behaviour. We can say if respondents have been married, they will be with their families in home rather than gathering with friends in coffee shop.

Table 4.4 Crosstabulation of “Place” versus “Status”

Place	Status			Total	%
	Single	Divorce	Married		
Jakarta Timur	11	0	6	17	23%
Jakarta Selatan	11	0	8	19	25%
Jakarta Pusat	8	0	3	11	15%
Jakarta Barat	7	0	2	9	12%
Jakarta Utara	5	1	1	7	9%
Outside Jakarta	5	0	7	12	16%
Total	47	1	27	75	100%
%	63%	1%	36%	100%	

From Table 4.5 below, this study shows that 75 % (18 respondents) is in the age of 23 – 28 years old and they know Starbucks for the first time from recommendation from others. This profiles impact to the success of word of mouth communication that Starbucks used in their marketing. This may mean that customer experience is crucial. The promotion is the second factor (21,3%) that respondents know Starbucks for the first time. This means Starbucks should retain the promotion especially from other partner company such as Bank Central Asia. The promotion, that is usually buy one get one in the specific of time, can affect to create purchasing from new customers.

Table 4.5 Crosstabulation of “Age” versus “Interested in trying Starbucks for the first time?”

Age	Interested in trying Starbucks for the first time						Total	%
	Recommen- dation	Promo- tion	Follower of trend	Artistic interior design	Delicious product	Others		
< 22	1	0	0	0	1	1	3	4%
23 - 28	18	10	3	7	8	1	47	63%
29 - 34	3	5	3	1	3	3	18	24%
> = 35	2	1	0	4	0	0	7	9%
Total	24	16	6	12	12	5	75	100%
%	32%	21%	8%	16%	16%	7%	100%	

For Table 4.6 below, the table is shown that the loyalty of respondent is low. It is because most of respondent 34,7% (26 respondents) went to Starbucks few months ago and 33,3% (25 respondents) less than one month ago. Surprisingly, the most respondents went to another coffee shop instead Starbucks 42,7% (32 respondents) less than one month ago. This study want to find solution to enhance brand loyalty to customer.

Table 4.6 Crosstabulation of "When last time to Starbucks" versus "When last time to other coffee shop other than Starbucks"

When last time to Starbucks	When last time to other coffee shop other than Starbucks				Total	%
	< 1 week ago	< 1 mont ago	< few months ago	Forget		
< 1 week ago	5	11	1	3	20	27%
< 1 mont ago	8	11	4	2	25	33%
< few months ago	4	9	9	4	26	35%
more than 1 year	0	0	2	0	2	3%
Forget	0	1	0	1	2	3%
Total	17	32	16	10	75	100%
%	23%	43%	21%	13%	100%	

From figure 4.2 below, most respondents chose Coffee Bean & Tea Leaf for the best coffee shop for 34,7 % (26 respondents) and the second place is Oh Lala with 26,7 % (20 respondents). Starbucks is in the third place for 20 % or 15 respondents. It is supported the initial problem based on the study described in chapter 1. Nowadays, Starbucks' reputation is diminished. Its competitor such as Coffee Bean & Tea Leaf and Oh La la became the leading coffee shops in Indonesia market.

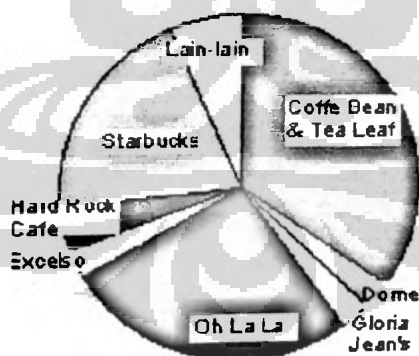


Figure 4.2 Best Coffee Shop

However, most respondents about 74,7 % (56 respondents) still recommend Starbucks to others. And the rest, 25,3 % do not want recommend Starbucks to others.

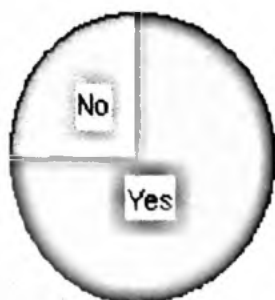


Figure 4.3 Customers' Recommendation

4.3. FREQUENCIES

As discussed in chapter II, Starbucks expects excellent customer experience and focus on high quality service to customer. To know the high quality service, this study performed survey based on the variables consisting in SEM, SERVQUAL and Brand Loyalty.

Based on the questionnaire, the study focuses on frequency of respondents in answering the questions. The study uses *mean* to identify of Need Improvement area. From tables below, the study conclude that the mean of SEM is 54,32 (table 4.7.), the mean of Servqual is 54,30 (table 4.8.) and the mean of Brand Loyalty is 60,63 (table 4.9.). If each variable is under the respective mean, therefore the variable is need to be improved.

Table 4.7. Mean of Strategically Experience Marketing (SEM)

Total of Strongly Agree and Agree*		977,7	
Divided 18 variables		:18	
Mean		54,32	
No	Variables	* Strongly Agree and Agree	Need Improvement (NI)
1	Music	44	NI
2	Package	78,7	-
3	Interior design	69,3	-
4	Delicious	80	-
5	Smelt fresh coffee	78,7	-
6	Comfort	73,3	-
1	Satisfied	64	-
2	Proud	45,4	NI
3	Happy	60	-
4	Relax	68,1	-
5	WIFI	52,1	-
6	Innovation.	41,3	NI
7	Consume more	26,7	NI
8	Third place	30,7	NI
9	At a glance thinking about a coffee shop	69,4	-
10	More attention	32	NI
11	Learn about coffee and others	30,7	NI
18	"Next generation" (being trend community).	33,3	NI
Total		977,7	

Table 4.8. Mean of Service Quality (Servqual)

Total of Strongly Agree and Agree*		1030,7	
Divided 18 variables		:17	
Mean		60,63	
		*Strongly Agree and Agree	Need Improvement (NI)
1	Ability of Barista	48	NI
2	Billing system	64	-
3	Met customer request	72	-
4	Well-educated barista	42,7	NI
5	Secure of transaction	62,6	-
6	The amount of barista	54,7	-
7	Equipment	70,6	-
8	Intereting outlets	76	-
9	Communication media	74,7	-
10	The width	61,3	-
11	Service	42,7	NI
12	Communication	54,7	-
13	Fair Price	70,7	-
14	Office hour	46,7	NI
15	Willingness to help	64	-
16	Fast	70,7	-
17	Open-minded	54,6	-
	Total	1030,7	

Table 4.9. Mean of Brand Loyalty

Total Total of Strongly Agree and Agree*		380,1	
Divided 18 variables		:77	
Mean		54,30	
		*Strongly Agree and Agree	Need Improvement (NI)
1	Consume again.	85,4	-
2	Recommend	64	-
3	Positive words.	44	NI
4	Unwilling to try other	49,3	-
5	Not the best	16	-*
6	Starbucks at first.	45,4	NI
7	Starbucks=3 best coffee	76	-
	Total	380,1	

4.3.1. Sense

The survey asked respondents to rank 5 (five) aspects of Sense which they had experienced. The objective of sense module is to appeal to the five sense which are :

1. sight (interior design and package of product),
2. sound (music),
3. touch (sofa),
4. taste (delicious) and
5. smell (fresh aroma coffee).

If five senses are managed properly, sense module creates powerful sensory experiences that differentiate companies and products, motivate customers and convey value to customers. (Schmitt, 1999)

From variables that is shown in table 4.10, the area that needs improvement is *music* that is referred in the statement, “Music played in the Starbucks outlets is fit on me”. However, regarding to the questionnaire, music played in Starbucks often does not fit on respondents’ want. Only 44 % respondents said they were agreed with the statement and music played in Starbucks did not fit on 56 % respondents.

Table 4.10 SEM – Sense Modules

No	Sense	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
1	Music played in the Starbucks outlets is fit on me	8,0	36,0	46,7	8,0	1,3	44,0	56,0	NI
2	Package of the product is fascinating.	26,7	52,0	16,0	5,3	0,0	78,7	21,3	-
3	Interior design of Starbucks is artistic.	22,7	46,7	22,7	8,0	0,0	69,4	30,7	-
4	Starbucks products are delicious.	17,3	62,7	16,0	4,0	0,0	80,0	20,0	-
5	I smelt fresh coffee in Starbucks.	20,0	58,7	17,3	4,0	0,0	78,7	21,3	-
6	Sofa is comfort and other environment is good.	18,7	54,7	24,0	2,7	0,0	73,4	26,7	-

Descriptions:

SA = Strongly Agree

A = Agree

NA/ND = Neither Agree nor Disagree

D = Disagree

SD = Strongly Disagree

NI = Need Improvement

4.3.2. Feel

Feel experiences range from mild moods to strong emotions. From the questions given in the questionnaire, the study want to explore whether the customer satisfied, proud, happy, comfort and relax in Starbucks.

Table 4.11 reflected that the need improvement area is in the statement “I am proud when I am in Starbucks”. Only 45,3 % were proud when they are in Starbucks. *Proud* will be the focus topic in the Feel of strategic experience modules.

Table 4.11 SEM – Feel Modules

No	Feel	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
1	Service of barista (employee) makes me satisfied.	8,0	56,0	29,3	6,7	0,0	64,0	36,0	-
2	I am proud when I am in Starbucks.	4,0	41,3	41,3	12,0	1,3	45,3	54,6	NI
3	I am happy and comfort in Starbucks.	5,3	54,7	33,3	4,0	2,7	60,0	40,0	-
4	I am relax in Starbucks.	10,7	57,3	25,3	5,3	1,3	68,0	31,9	-

4.3.3. Act

Act marketing strategies are designed to create customer experiences related to the following:

1. physical body (WIFI facility),
2. longer-term patterns of behavior (new innovation and repeat purchasing) and
3. lifestyles (Starbucks as a third place)

Many act experience result from public interaction or interacting with other people. They are visible to others and customers may use their action (ie lifestyle) to display their self-conceptions and values. (Schmitt, 1999)

From variables that are shown in table 4.12, the area that needs improvement is *innovation* that is in the statement of questionnaire; “Starbucks makes me want try the new product innovation”. It is because 58,7% did not agree with the statement, meaning most of the respondent did not eager to try Starbucks innovation.

The area that needs improvement also in *repeat purchasing*. Repeat purchasing can be shown in the statement of “I often consume more coffee after consuming Starbucks product” and only 26,6 % agree to purchase Starbucks products repeatedly.

Third, the area that needs improvement is *starbucks as a third place* that is shown in the statement, “Starbucks is my alternative place or my third place after home and office.” Only 30,7 % respondents make Starbucks being their alternative place or their third place after home and office.

Table 4.12 SEM – Act Modules

No	Act	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
5	WiFi/hotspot facility in Starbucks is usefull for me.	13,3	38,7	37,3	9,3	1,3	52,0	47,9	-
6	Starbucks makes me want to try the new product innovation.	6,7	34,7	38,7	20,0	0,0	41,4	58,7	NI
7	I often consume more coffee after consuming Starbucks product.	1,3	25,3	32,0	32,0	9,3	26,6	73,3	NI
8	Starbucks is my alternative place or my third place after home and office.	4,0	26,7	26,7	37,3	5,3	30,7	69,3	NI

4.3.4. Thinking

The objective of think is to engange customers’creative thinking. This requires an understanding of customer knowledge structures and their attentional and concentration

resources. (Schmitt, 1999). Three questions in table 4.13 below supports the think modules strategy.

It is found, firstly, the area that needs improvement is *more attention to starbucks* that is reflected only 32 % who agree with the statement, “Since I knew about Starbucks, I become more attention to drink qualified coffee“.

Secondary, the area that needs improvement also about *learning*. It is shown in the statement “Starbucks makes me learn about coffee and its different taste or history in different countries”. Most of respondent as 69,3 % respondents did not agree regarding Starbucks makes respondents learn.

Table 4.13 SEM – Thinking Modules

No	Thinking	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
9	If I am thinking about the Starbucks word at a glance, I am thinking about a coffee shop provided quality coffee and comfort zone to socialize.	25,3	44,0	25,3	4,0	1,3	69,3	30,6	-
10	Since I knew about Starbucks, I become more attention to drink qualified coffee.	6,7	25,3	38,7	25,3	4,0	32,0	68,0	NI
11	Starbucks makes me learn about coffee and its different taste or history in different countries.	4,0	26,7	34,7	29,3	5,3	30,7	69,3	NI

4.3.5. Relate

Relate marketing expands beyond the individual's private sensations, feeling, cognitions and actions by relating the individual self to the broader social and cultural context reflected in a brand. (Schmitt, 1999) In other words, relate modules often results in sense, feel, think and act experience. The key challenge of relate module is the selection of the right reference group to create a differentiating social identity for customers by celebrating the group or culture that customers want to be part of.

The area that needs improvement is in the statement, "When I consume Starbucks, This study become part of "next-generation" (being trend community)." Only 33,4 % agree with *starbucks as part of trend community* and the rest, 66,7 % did not agree with the statement.

Table 4.14 SEM – Relate Modules

No	Relate	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
18	When I consume Starbucks, I become part of "next generation" (being trend community).	2,7	30,7	38,7	20,0	8,0	33,4	66,7	NI

4.3.6 Reliability

Reliability on customer's perspective concerns with personnel (ability of barista), accuracy (billing system) meeting promises (product that is fit on the customer's request). The area that needs improvement is about *ability of barista*. Most of respondent (52 %) stated barista's ability could not solve their problems.

Table 4.15 Servqual – Reliability

No	Reliability	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
1	Barista is able to solve each customer problems.	6,7	41,3	46,7	5,3	0,0	48,0	52,0	NI
2	Billing system is accurate and free of error.	9,3	54,7	34,7	1,3	0,0	64,0	36,0	-
3	Product and service given have met my request.	6,7	65,3	28,0	0,0	0,0	72,0	28,0	-

4.3.7 Assurance

Assurance in Starbucks is reflected by inspiring trust and confidence in customers. For example, barista give clear explanations to customer and customer feel secure of the

transaction. The area that needs improvement is *knowledge of barista* that is reflected in the statement, "Barista is well-educated therefore they can answer from customer question."

Table 4.16 Servqual – Assurance

No	Assurance	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
4	Barista are well-educated therefore they can answer from customer question.	5,3	37,3	53,3	4,0	0,0	42,6	57,3	NI
5	I feel secure when doing transaction.	9,3	53,3	34,7	2,7	0,0	62,6	37,4	-

4.3.8 Tangible

Tangibles in Starbucks consist of physical facilities (outlets, banner), equipment (coffee machine) and appearance of personnel (number of barista)). The tangible module is relatively good enough according to the survey. In the following time, Starbucks Indonesia still can enhance this tangible module better than before.

Table 4.17 Servqual – Tangible

No	Tangible	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
6	The amount of barista is enough to help customer.	4,0	50,7	37,3	8,0	0,0	54,7	45,3	-
7	Coffee machine and equipment is modern and clean.	12,0	58,7	26,7	2,7	0,0	70,7	29,4	-
8	Starbucks have intereting outlets.	12,0	64,0	21,3	2,7	0,0	76,0	24,0	-
9	Communication media (banner or others) is suffice.	14,7	60,0	21,3	4,0	0,0	74,7	25,3	-
10	The widht of outlets are sufficient.	9,3	52,0	30,7	8,0	0,0	61,3	38,7	-

4.3.9 Emphaty

In Emphaty module, employees should provide respect, care and the provision of individual attention. The study gives questions to respondent about the service of barista, their communication, price and office hour. First, the area that needs improvement is *service of barista*. 57,3 % respondents did not agree with the statement "Barista is given personally

service and comprehensive to the specific customer needs". Second, the area that needs improvement is *office hour*. Most of respondents (53,3 %) did not agree with Starbucks office hour.

Table 4.18 Servqual – Emphaty

No	Emphaty	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
11	Barista is given personally service and comprehensive to the specific customer needs.	2,7	40,0	45,3	10,7	1,3	42,7	57,3	NI
12	Information of special offer is communicated well.	4,0	50,7	37,3	6,7	1,3	54,7	45,3	-
13	Price of Starbucks is fair with its facility and other comfort things.	13,3	57,3	21,3	6,7	1,3	70,6	29,3	-
14	Office hour is suitable for customer.	4,0	42,7	36,0	16,0	1,3	46,7	53,3	NI

4.3.10 Responsiveness

In terms of responsiveness, barista should have willingness to help customers and provide prompt service. Even though the responsiveness module is relatively good enough according to the survey. Starbucks Indonesia still can enhance this tangible module better than before.

Table 4.19 Servqual – Responsiveness

No	Responsiveness	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
15	Barista is willing to help customer.	9,3	54,7	33,3	2,7	0,0	64,0	36,0	-
16	Service is fast.		10,7	60,0	25,3	4,0	71,1	29,3	-
17	Barista is open-minded to take any critique or recommendation.	9,3	45,3	42,7	2,7	0,0	54,6	45,4	-

4.3.11. Loyalty

Brand Loyalty requires an emotional engagement with Starbucks or its product. This engagement comes from experiencing the Starbucks' brand or company in a unique way that creates true value for the customer. If the brand loyalty is high, then marketing cost will

decrease due to loyal customer will make a repeat purchasing and loyal customer will tell others about the products (word-of-mouth).

The area that needs improvement is *poor service of barista*. Least of respondents (44 %) will not say positive words to others regarding Starbucks' service. Besides that, the area need improvement is in the statement, "*If I hear coffee word, I will think about Starbucks at first*". Most of respondents 54,6 % did not agree with the statement.

Table 4.20 Brand Loyalty

	Brand Loyalty	SA <A>	Ag 	NA/ND <C>	D <D>	SD <E>	X = A+B	Y = C+D+E	Result
18	I will consume Starbucks product again.	34,7	50,7	9,3	5,3	0,0	85,4	14,6	-
19	I will recommend Starbucks to others.	29,3	34,7	26,7	8,0	1,3	64,0	36,0	-
20	I will say positive words to others regarding the service given.	8,0	36,0	29,3	26,7	0,0	44,0	56,0	NI
21	I am not willing to try another coffee shop since I am not sure they will provide good product and service like Starbucks.	4,0	45,3	48,0	2,7	0,0	49,3	50,7	-
22	Starbucks is not the best coffee shop to go.	4,0	12,0	44,0	34,7	5,3	16,0	84,0	-*
23	If I hear coffee word, I will think about Starbucks at first.	6,7	38,7	33,3	20,0	1,3	45,4	54,6	NI
24	If I can chose three best coffee shop to go then Starbucks included in it.	26,7	49,3	18,7	5,3	0,0	76,0	24,0	-

* It is not the area of need improvement since the statement is negative.

4.4. MANAGERIAL IMPLICATIONS

The discussion below will develop recommendation based on the areas that need improvement with customer experience or Starbucks' service.

4.4.1 Music

Starbucks Hear Music Division already sets up the music played in Starbucks media bar, its subsidiaries of Starbucks. It also sells compilation CD but Starbucks do not flatter

customer to buy. The sale should not interfere with the customer's in-store experience. (Michelli, 2007). It was not revenue generating to invest in music for Starbucks, but Starbucks is pleased with that service. (www.starbucks.com). Starbucks Hear Music Division was encouraged to take music to higher level, rather than simply being in the background music only. Music is developed in creating a truly unique starbucks experience. According to Timothy Jones, programming manager in Starbucks Hear Music Division said that "The idea ... provide a unique, warm, consistent enrichment to customer experience". (Michelli, 2007).

However, there was not any Starbucks Hear Music media bar in Indonesia. It is better for Starbucks Indonesia to have it in its stores. Besides that, the music played in Starbucks Indonesia could not fit on respondents' wants. It is because Indonesia citizens have quite different interest with the division's interest. Nowadays, Indonesian music has become 'booming' again. It is shown that lots of radio plays Indonesian music more often rather than foreign music and many Indonesian artists performed their concert in Indonesia. Thus, Starbucks is recommended to play Indonesian music for additional music in its store.

4.4.2 Proud

When customer consumes Starbucks coffee, he/she feel proud to be in the outlet with its environment and its supportive factors. The study suggests Starbucks to make a Talk Show in television that can be seen by customers in the outlet and outside the outlet especially new customers that never consume Starbucks coffee. Probably this Talk Show will take much money but it is still normal and it is not contradiction to Starbucks marketing strategy with less advertising. From Starbucks Indonesia annual report, it is shown that Earning Before Income and Tax as of December 31, 2007 is sufficient about Rp 5 billion.

This Talk Show will discuss simple and attractive topics, such as current issue, lifestyle, entertainment etc. This Talk Show can invite model, artist, or informant related to

the topic. With those people, Starbucks can show public figures that make customers proud of what they are doing and what they are thinking and finally they also proud to Starbucks.

4.4.3 New Product Innovation

Due to the inquiry with Starbucks partner, the new product from Starbucks is come from regional Starbucks Indonesia in Hongkong and Starbucks Indonesia can choose which product can be sold. The selection itself is depended on the tasting from coffee master/coffee ambassador. The coffee ambassador/coffee master can be different taste with the most of Indonesian customers.

Then, the best solution is to find out new coffee product that will be accepted by many Indonesian customers then it proceeds to be sold in Indonesia. Starbucks Indonesia should let customer to experience Starbucks' new product themselves by bringing the new product to Indonesia and give sample or discount to new product. If lots of customer loves the product, they will make purchasing or tell others to try it.

4.4.4 Repeat purchasing

Probably most of Starbucks' customer has already loves coffee before Starbucks came to Indonesia. Starbucks Indonesia should enhance non-coffee lover to try coffee or non-coffee product. Thus, Starbucks Indonesia can manage for improvement in its innovation. New customer eager to experience Starbucks' product and loyal customer can still have alternative to consume.

Using "Starbucks card" is an alternative to stimulate repeat purchasing. Starbucks card has already implemented in other countries. However, Starbucks Indonesia has not applied this program. The study hope Starbucks card will increase repeat purchasing more often.

Starbucks Indonesia should enlarge its cooperation with its partner. Starbucks Indonesia nowadays cooperates only with one biggest private bank, Bank Central Asia. This cooperation makes customer eager to try new innovative product due to the repeat program continuously these years. However, the typical way cooperation between Starbucks and BCA (B2B or Business to Business) are “buy one get one” and “upsized program”. In addition, it is recommended to Starbucks Indonesia to find out the alternative program in B2C (Business to Customer), i.e. discount 40 % to all products to all customers in specific period.

4.4.5 Starbucks as a third place

As John Schultz (1997) stated in his book about Starbucks, Starbucks have become a Third Place – a comfortable, sociable gathering spot away from home (first place) and work (second place). Nevertheless, Starbucks Indonesia could not provide the supporting environment which Starbucks’ customer can enjoy the place to be the third place after home and work.

If Starbucks Indonesia succeeds in implementing Starbucks Experience, then the respondents might agree with the statement of “Starbucks is my alternative place or my third place after home and office”. Nevertheless, most of respondents did not agree with it. Starbucks Indonesia should give “something” to give impact to them, so that Starbucks is more than just a coffeeshop. That “something” can mean physical facility of the shop or barista’s services. Improving barista performance and improving music are the most important factor to be solved since the other facility is good according to the answer from customer survey. Barista performance will be discussed next and Music has been discussed before that needs improvement.

The other alternative to make Starbucks as third place after home and work is that Starbucks might need live music in its store. The sound system of its outlet has been

programmed from Head Quarter so that CD that has played must be came from Starbucks Head Quarter. If Starbucks management can not convince regional office in Hongkong to play Indonesian music as this study discuss before and Starbucks could not provide Starbucks media bar in Indonesia, then Starbucks might need bring live music to its outlet. Live music could be in its outlet on special days or specific time such as Saturday evening, valentine, etc. this study believe if Starbucks has conduct the live music in its outlet, most customer will be stay longer and Starbucks has provided best place as third place after work and home.

4.4.6 More attention to qualified coffee (Starbucks' Learning)

From coffee farmer until giving the table of tit to customer, Starbucks might sharpen its focus on detail. Everything is matters. Starbucks always wants to give qualified coffee to its customer. Customer, who really loves coffee, will know the different what one is good or not. Starbucks have already lots of information about coffee, the supplier of its coffee and how to make the best coffee to the customer.

Starbucks Indonesia can use banner, pamphlet, brochure or other media communication tools in the outlet to educate Starbucks' customer about coffee culture. Beside that, Talk Show, that this study has been already discussed above, can be the time to educate. The other solution is having its own website (Indonesian website instead of Starbucks Head Quarter website) consisted of forum discussion between its members, Starbucks information, coffee learning, etc.

4.4.7 Being trend community

Howard Schultz established Starbucks Foundation in 1997. This foundation centralized Starbucks corporate giving efforts and prioritized support for literacy and programs affecting children and families. Employees can join as vollunteer team. Starbucks

provide \$ 10 per hour up to \$1000 per project to its partner to join as a community volunteerism. (Schultz and Yang, 1997)

In Singapore, Starbucks serves as a training arena for students' work and life skills. The student between the ages 12 to 15 are being trained in the skills necessary to handle money, serve customers and make sandwich. In Malaysia, Starbucks opened Berjaya Coffee and HOPE Worldwide Penang's Free Pediatric Clinic. (Michelli, 2007) However, Starbucks in Indonesia associates with its mother company, PT Mitra Adhi Perkasa (MAP) to conduct Corporate Social Responsibility.

This study suggests Starbucks to make and build its own community. Starbucks Indonesia can make events without interfere with MAP. Doing social activity or training involved customer to attend will be the example.

Sense belonging is the important factor to enhance good customer experience. If the member feel the sense of belonging and enjoy being in one community, she/he can share his/her experience about Starbucks and its coffee

4.4.8 Ability, knowledge and service of barista

Increase employee performance usually by training and development. The difference is training focuses on formal education – events where participants learn specific skills and information. Development includes the array of guided activities that help people by experience. (Ulrich, 2005). Even though the types of training and development of barista is the same with Headquarter, most of barista in Indonesia are not able to implement their ability, knowledge and their service to the customers. It is an input for Human Resource Division in Starbucks Indonesia to find another way to increase their motivation continuously and good performance of barista.

Probably, the factor of the problem is the ESOP (Employee Stock Option Plan or in Starbucks named Bean Stocks). If the barista is given Bean Stock, they can have sense of belonging to the company. It is influence their ability, their knowledge and their service to the customers. However, this is difficult to implement regarding that Starbucks Indonesia is under PT Mitra Adi Perkasa, instead of Starbucks global.

4.4.9 Office hour

The office hour is different everywhere in the whole world. Even though it is the same country or even in the same regional. The difference such as the peak time in China is not 7 – 10 am in the morning; instead, it is 4 to 8 pm in the afternoon. (www.starbucks.com)

Starbucks store in Indonesia are located in mall or plaza or in office building and open in limited time between 10 am - 10 pm or 8 am – 8 pm. Otherwise, in some places it is depend on building developer policy. There is one store opened 24 hour, Sarinah Thamrin. According to the survey, it is better for Starbucks Indonesia to lengthen the office hour in strategically places. Thus, customer can experience the “Starbucks Experience” longer.

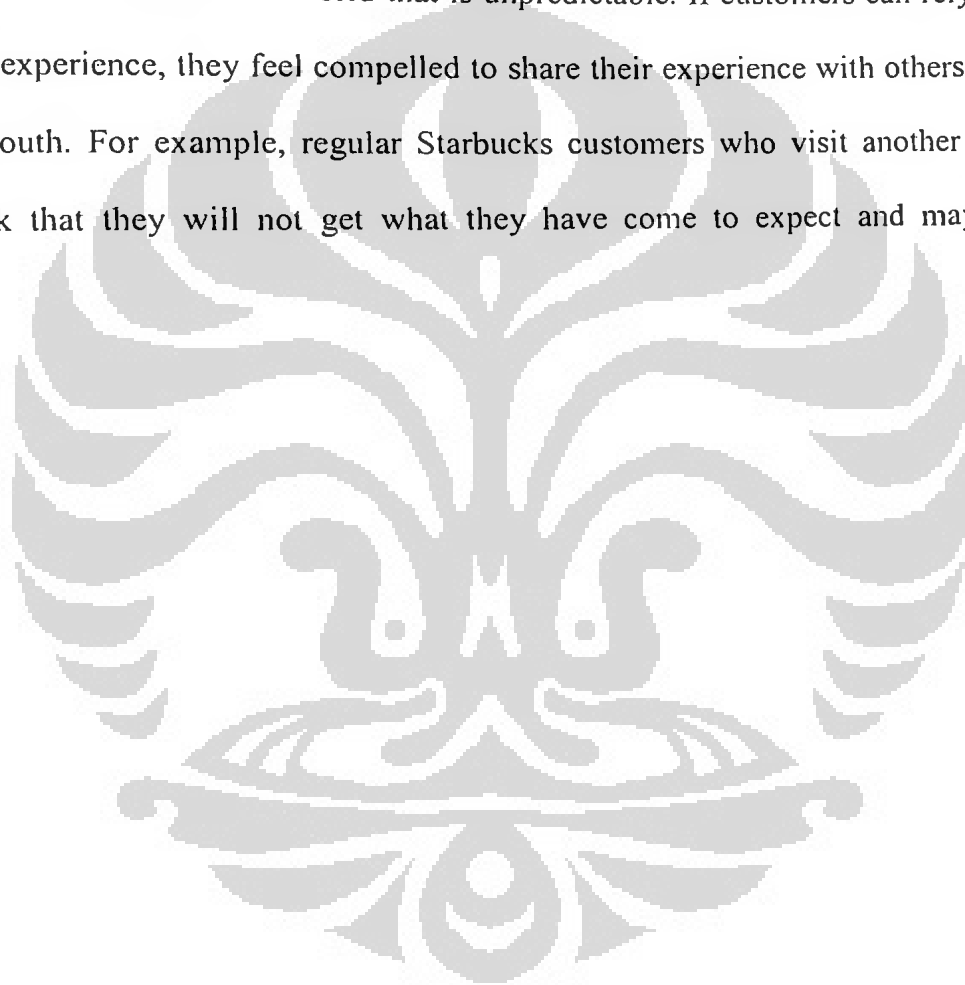
4.4.10 Brand Loyalty

Most respondents did not agree to the statement “I will say positive words to others regarding the service given”. It is impacted from poor service from barista. Improvement in barista is important because they are the touch point that directly relate to customers. The study has already discussed above. Besides that, the need improvement area is about bad word-of-mouth communication.

By surprising customers in unconventional ways makes activities more meaningful and powerful to touch others. For example in Afghanistan, Starbucks give free coffee to train passenger or free ice cream located in 6000 US stores. (Michelli, 2007) Starbucks Indonesia

also gives free coffee or new product to its customer. The activity is suggested to enhance Starbucks' brand loyalty.

When Starbucks provide customers with exactly what they expect no matter wherever they are, Starbucks can reinforce the image and strength of the brand in the minds and hearts of Starbucks' customers. With consistency comes customer trust, therefore customer gain stability when they know they can depend on having a reliable experience. Consistency is crucial for success in a world that is unpredictable. If customers can rely on a consistent positive experience, they feel compelled to share their experience with others. This creates word of mouth. For example, regular Starbucks customers who visit another coffee shop will face risk that they will not get what they have come to expect and may feel disappointed.



CHAPTER V

CONCLUSION AND RECOMMENDATION

5.1. CONCLUSION

Experiential marketing is a new methodology of marketing field that focuses on customers through experiences and being personally emotional and meaningful. The experience marketing in this study related to customer perspectives instead of employee perspective which is called Customer Experience. Service Quality. It focuses in improving services to meet customer expectations resulting into improving Brand Loyalty.

Starbucks is an experiential brand that strives to get customers interested. Because the customer experience at Starbucks is the essential marketing for Starbucks, everything is matters, from the customer experience (sense, feel, act, think and relate variables) to service quality (reliability, assurance, tangible, empathy and responsibility). Those variables are matters to Starbucks and it will enhance Starbucks brand loyalty.

Starbucks expects excellent customer experience and focus on high quality service to customer. To know the high quality service, this study performed survey based on the variables consisting in SEM, SERVQUAL and Brand Loyalty. Based on the survey, the study focuses on frequency of respondents answering the questions. The study use *mean* as an indicator of Need Improvement area.

Creating Customer Experience requires thought, effort and resources. It takes careful design; it takes new forms of collaboration between Marketing, HR and Operations. According to the survey, HR should focus on the training and development of Starbucks' barista that most of respondents said service given by barista was poor. Hopefully, the recommendation that this study given below will be useful for Starbucks Indonesia or PT Sari Coffee Indonesia.

5.2 RECOMMENDATION

The study has identified significant problems to be concerned based on the findings from survey of each variable. The main factor to be concerned in SEM is Act Variables since the need improvement area are 3 variables from 4 variables (75 %). The variable consists of Innovation, Repeat Purchasing and Third Place. The main factor to be concerned in Servqual is Empathy Variables. The main factor to be concerned in Servqual is Empathy Variables since the need improvement area are 2 variables from 4 variables (50 %). The variable consists of Personally Service and Office Hour. The main factor to be concerned in Brand Loyalty is Word of Mouth.

The recommendations are given as follows:

1. Starbucks might give opportunity to its customer to experience Starbucks' new product themselves on specific days.
2. Starbucks might launch "Starbucks card" to stimulate repeat purchasing, enlarge its cooperation with its partner not only to private Bank but also directly to customer i.e. discount.
3. Starbucks might bring live music to its outlets.

4. Starbucks should increase employee motivation continuously and good performance of barista by training and development and give Bean Stock as their benefit.
5. Starbucks might lengthen the office hour in strategically places.
6. Starbucks could use banner, pamphlet, brochure or other media more optimal and Talk Show to educate Starbucks' customer. Barista can also conduct activities more by surprising customers in unconventional ways such as giving customer free coffee.

The study concludes that Starbucks Coffee Indonesia could not provide coffee shop to be the third place after home and work. (Schultz and Dori.Jones Yang, 2002), since Starbucks Indonesia could not provide the supporting environment for the Starbucks' customer to enjoy the place and other respective factors as the third place after home and work. With the new innovation, improved barista performance, great music (with media bar or bring live music in its store), lengthened the office hour in strategically place, Talk show, media communication and trying new product by customer themselves, would give Starbucks as a third place and finally be the best coffee shop amongst its competitor.

All recommendation should be developed in order to create a truly unique Starbucks Experience in Indonesia. By performing improved action to be the third place, this study believes Starbucks can enhance its brand loyalty in the future.

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UNIVERSITAS INDONESIA
FAKULTAS EKONOMI
PROGRAM STUDI MAGISTER MANAJEMEN

QUESTIONNAIRE

Dear Responden,

I, Jesly Panjaitan, am a Magister Manajemen Universitas Indonesia student. I perform research regarding to relevance between Strategic Experience Modules and Service Quality to brand loyalty of PT Sari Coffee Indonesia (Starbucks). In order to have high credibility to the input of company business, I do ask your help to fill in the questioner completely and true. Please take my gratitude for your help and your willingness to fill in this questioners. Thank you.

Screening

Have you consume Starbucks product?

- Yes --> next
 No --> stop

Fill in the box below (X).

PROFIL

- 1) Male
 Female

2) Where do you live?

- Jakarta Timur
 Jakarta Selatan
 Jakarta Pusat
 Jakarta Barat
 Jakarta Utara
 Outside Jakarta (Depok, Bekasi, etc)

3) How much is your total disbursement monthly (exclude your routine disbursement ie electric) ?

- < Rp 500,000
 Rp 500,000 - Rp 2,000,000
 > Rp 2,000,000

4) How much is your disbursement for entertainment/having fun monthly? (café, cinema, etc)

- < Rp 500,000
 Rp 500,000 - Rp 2,000,000
 > Rp 2,000,000

5) What is your status?

- Single
 Divorce
 Married

6) What is your age?

- < 22
- 23 - 28
- 29 - 34
- > 35

7) What is your lastest degree?

- High School or less (SD/SMP/SMA)
- Diploma/Graduate (Bachelor)
- Post Graduate (Master/Doctor/PhD)

8) What is your proffesion?

- Private officer
- Civil government officer
- Entrepreneur
- Student
- Others _____

Fill in the box below, except number 3 fill in the number!

1 Why did you interested in trying Starbucks product in the first time?

- | | |
|---|---|
| <input type="checkbox"/> Recommendation from others | <input type="checkbox"/> Interesting outlet |
| <input type="checkbox"/> Promotion | <input type="checkbox"/> Delicious product |
| <input type="checkbox"/> To be follower of trend | <input type="checkbox"/> Others _____ |

2 What is your purpose going to Starbucks?

- | | |
|--|---|
| <input type="checkbox"/> Buy Starbucks product | <input type="checkbox"/> Doing your job |
| <input type="checkbox"/> To be alone | <input type="checkbox"/> Gathering with friends |
| <input type="checkbox"/> Browsing internet | <input type="checkbox"/> Others _____ |

3 Please fill in the box the best coffee shop (sequential number 1 - 8) according to your opinion.

- | | |
|---|---|
| <input type="checkbox"/> The Coffee Bean & Tea Leaf | <input type="checkbox"/> Excelso |
| <input type="checkbox"/> Dome | <input type="checkbox"/> Hard Rock Café |
| <input type="checkbox"/> Gloria Jean's | <input type="checkbox"/> Starbucks |
| <input type="checkbox"/> Oh La la | <input type="checkbox"/> Others _____ |

5 What is your coffee shop that you often come?

- | | |
|---|---|
| <input type="checkbox"/> The Coffee Bean & Tea Leaf | <input type="checkbox"/> Excelso |
| <input type="checkbox"/> Dome | <input type="checkbox"/> Hard Rock Café |
| <input type="checkbox"/> Gloria Jean's | <input type="checkbox"/> Starbucks |
| <input type="checkbox"/> Oh La la | <input type="checkbox"/> Others _____ |

6 When is your last time going to Starbucks?

- | | |
|---|---|
| <input type="checkbox"/> few days ago (< 1 week ago) | <input type="checkbox"/> more than 1 year ago |
| <input type="checkbox"/> 1 - 4 weeks ago (< 1 bulan lalu) | <input type="checkbox"/> forget |
| <input type="checkbox"/> few months ago | |

7 When is your last time going to other café except Starbucks?

- | | |
|---|---|
| <input type="checkbox"/> few days ago (< 1 week ago) | <input type="checkbox"/> more than 1 year ago |
| <input type="checkbox"/> 1 - 4 weeks ago (< 1 bulan lalu) | <input type="checkbox"/> forget |
| <input type="checkbox"/> few months ago | |

8 Will you recommend Starbucks to others?

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

Please circle or cross (X) the number given below as follows:

- 1 = Strongly Agree
- 2 = Agree
- 3 = Neither agree nor disagree
- 4 = Disagree
- 5 = Strongly disagree

STRATEGIC EXPERIENCE MODULES

Sense

- 1 Music played in the Starbucks outlets is fit on me
- 2 Package of the product is fascinating.
- 3 Interior design of Starbucks is artistic.
- 4 Starbucks products are delicious.
- 5 I smelt fresh coffee in Starbucks.
- 6 Sofa and other environment is good.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Feel

- 7 Service of barista (employee) makes me satisfied.
- 8 I am proud when I am in Starbucks.
- 9 I feel happy and comfortable in Starbucks.
- 10 I am relax if I were in Starbucks outlet.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Act

- 11 WIFI/hotspot facility in Starbucks is usefull for me.
- 12 Starbucks makes me want to try the new product innovation.
- 13 I often consume more coffee after consuming Starbucks product.
- 14 Starbucks is my alternative place or my third place after home and office.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Thinking

- 15 If I am thinking about the Starbucks word at a glance, I am thinking about a coffee shop provided quality coffee and comfort zone to socialize.
- 16 Since I knew about Starbucks, I become more attention to drink qualified coffee.
- 17 Starbucks makes me learn about coffee and its different taste or history in different countries.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Relate

- 18 When I consume Starbucks, I become part of "next generation" (being trend community).

1	2	3	4	5
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SERVICE QUALITY

Reliability

- 1 Barista is able to solve each customer problems.
- 2 Billing system is accurate and free of errorr.
- 3 Product and service given have met my request.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Assurance

- 4 Barista are well-educated therefore they can answer from customer question.
- 5 I feel secure when doing transaction.

1	2	3	4	5
1	2	3	4	5

Tangible

- 6 The amount of barista is enough to help customer.
- 7 Coffee machine and equipment is modern and clean.
- 8 Starbucks have intereting outlets.
- 9 Communication media (banner or others) is suffice.
- 10 The widht of outlets are sufficient.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Emphaty

- 11 Barista is given personally service and comprehent to the specific customer needs.
- 12 Information of special offer is communicated well.
- 13 Price of Starbucks is fair with its facility and other comfort things.
- 14 Office hour is suitable for customer.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

Responsiveness

- 15 Barista is willing to help customer.
- 16 Service is fast.
- 17 Barista is open-minded to take any critique or recommendation.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5

BRAND LOYALTY

- 18 I will consume Starbucks product again.
- 19 I will recommend Starbucks to others.
- 20 I will say positive words to others regarding the service given.
- 21 I am not willing to try another coffee shop since I am not sure they will provide good product and service like Starbucks.
- 22 Starbucks is the best coffee shop to go.
- 23 If I hear coffee word, I will think about Starbucks at first.
- 24 If I can chose three best coffee shop to go then Starbucks included in it.

1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5
1	2	3	4	5