

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 INTRODUCTION**

Companies must do customer behavior research in order to create effective marketing plans. This provides insight into how customers perceive their brand and the factors that influence their decision to choose that particular product over competing ones (Ed Peelen, 2005). Factors that influence consumers, the relationship with the existence of a brand can have a significant effect on consumer decisions, and word-of-mouth communication whether it is effective in influencing their decision to choose a product. There are several background that require conducting a consumer behavior analysis. The first is to make the marketing strategy better. The second application is to shape public policy. As well as the third application of social marketing involves consumers getting ideas about what kind of sales process consumers expect. (Lars Perner, 2010).

Based on (John C. Bowen and Michael S. Minor, 2001) consumer behavior is an exchange study involved in acquiring, consuming, experiences, and ideas. Studies of consumer behavior help in making a decision. The psychology of the consumer can help in understanding the habits of a consumer. It will be able to help design a marketing strategy. Understanding consumer behavior will be able to help companies in analyzing strengths, weaknesses, threats, and opportunities.

In this research, a researcher will take there are three variables and one dependent. The variables that researchers will take care Influencing Factors, Brand Trust, and Worth-Of-Mouth. As well as the dependant to be taken refers to the Consumer Purchase Decision. Variables can be a driving factor or influence consumers to make the decision to buy a product.

### **1.2 BACKGROUND OF THE RESEARCH**

Today's quick development of the coffee shop sector has a fresh effect on consumer lifestyle. The definition of a coffee shop is changing right now, going there might now imply more than just engaging in consuming activities, it can

also entail holding meetings for business or family obligations. Along with the growth of this sector, coffee shops in Malaysia have seen several changes, particularly in terms of idea. As a result, there are now numerous contemporary coffee shops that are tailored to the preferences of current customers.

Based in Seattle, Washington, Starbucks Coffee is a national network of coffee shops. The biggest coffee shop chain in the world, Starbucks has 21,160 locations throughout 63 different countries and territories, including 12,067 in the United States, 1,570 in China, 1,451 in Canada, 1,070 in Japan, and 793 in the United Kingdom (Starbucks.com, 2015). Starbucks's customer loyalty levels can have a positive impact because it is reflected in customer trust in Starbucks. To maintain public trust, Starbucks builds brand loyalty backed by consumer satisfaction as well as physical quality, employee behavior, ideal self-suitability, brand identification, and lifestyle alignment. (Barbara Farfan, 2021)

Today, coffee has a very large role and influence on consumers. Especially the new generation of working age and people living in the city can see the sales trend increasing every year. Although coffee is not a drink that originated in Malaysia, Malaysians continue to be familiar with and consume coffee because of its distinctive scent and continued popularity across the globe.

The history of coffee cultivation in Malaysia in the 17th century is through the cultivation of arabica coffee. By the end of the 18th century, liberica coffee had been introduced and in the early 19th century, farmers began to grow coffee rather than robusta species. In 2020, the area of coffee cultivation in Malaysia was 2,200 ha. Coffee production in 2020 was 4,241 tons compared to 3,559 tons in 2019, the main producing countries are Johor and Sabah (Tuan Buqhairah Tuan Muhammad Adnan, 2021).

### **1.3 PROBLEM STATEMENT**

Individual consumers vary from one another in their requirements and circumstances, which leads to complicated consumer behavior. In general, both internal and external influences have an impact on customer behavior. The elements that are internal to the consumer themselves are those. External

elements, on the other hand, are those that are independent of the customer. (Dominique Paredes, 2014).

The choice, acquisition, and consumption of products and services by consumers to meet their needs is referred to as consumer purchasing behavior. The many mechanisms that go into consumer behavior are numerous. Individual consumers each have various standards and purchasing practices. The decision-making process of the person is influenced by a variety of elements, details, and traits. Each and every one of these criteria has an impact on the choice to buy. Initially, the consumer tries to find the best quality and variations choice of coffee product. Lastly, the consumer analyzes the prevailing quality of coffee products between Starbucks and other coffee shops. Consumer purchases are also influenced by a number of other variables, including social, economic, and psychological ones. (N Ramya and Dr. SA Mohamed Ali, 2016).

Currently, the existence of coffee shops in Malaysia is familiar, one of which is Starbucks Coffee. Starbucks coffee has many outlets in Malaysia, especially in Shah Alam, Selangor. One of them is at MSU, Shah Alam. The problem faced by Starbucks MSU, Shah Alam is that with the increasing competition that is getting sharper, it becomes an interesting phenomenon to know the factors that influence this purchase decision. This further increases the curiosity of researchers to look deeper into the factors that influence consumer decisions in choosing Starbucks coffee. (Julius Antony, Jolanda, 2013).

When it comes to purchasing products, there are several attributes that consumers need to consider in choosing a Starbucks coffee shop from a local coffee shop. In general, consumers judge the quality of a product (Beharrell and Macfie, 1991), but this does not seem to be an important thing for consumers who have a high interest in Starbucks products. Brand branding, consumer trust, product quality consistency, flavor variations, and brand trust are considered to be factors that consumers consider in purchasing decisions (Bonti and Yiridoe, 2006).



Figure 1.1 Data-Driven (Number of Starbucks Stores Globally)

Source : Starbucks Website

#### 1.4 RESEARCH OBJECTIVES

The overall goal of this study is to examine the link between influencing factors, brand trust, and word-of-mouth, as well as the dependent variable—consumer purchase decision.

These are the specific objective of this research:

RO1: To identify what factors affect the consumer's decision to choose a product.

RO2: To analyze the influence of brand trust on consumers' decisions to choose a product.

RO3: To review the effect of Word-Of-Mouth on consumers' decision to choose a product.

RO4: To analyze the framework, the actual concept of consumer behavior towards the decision to choose a product.

#### 1.5 RESEARCH QUESTIONS

The research question can help the researcher supply the most accurate answers during the investigation. The Research question might also act as a guideline for the investigation, establishing the hypothesis and directing all stages of an investigation, analysis, and report writing.

These are the questions in this research:

RQ1: What are the factors that influence a consumer's decision to choose a product?

RQ2: Can the existence of brand trust influence consumers to choose a product?

RQ3: Can the Word of mouth have a significant effect on consumers' decision to choose a product?

RQ4: What is the relationship between consumer behavior and purchase decision?

## 1.6 DEFINITION OF KEY TERMS

Most of this research focuses on Consumer Behavior analysis. The main focus of consumer behavior analysis lies in the influence of what factors can affect consumers, analyzing brand trust whether it can significantly influence consumer decisions, and examining word-of-mouth communication techniques whether they effectively affect consumer decisions. Here is the key definition of terms of this study:

<b>Key Terms</b>	<b>Definition</b>
Influencing Factors	The behavior of consumers is dependent on a number of factors which may be economic or non-economic factors and are dependent upon economic factors such as income, price, psychology, sociology, anthropology, culture, and climate. (Salomon, 2004)
Brand Trust	Brand trust is the ability of a brand to be trusted (brand reliability), which originates from consumer confidence that the brand is able to fulfill the promised value and good intentions of the brand (brand intention). Which is based on consumer belief that the brand is capable put the interests of consumers first. (Delgado, 2004).
Word-of-Mouth	Word-of-mouth the word of mouth is a communication process in the form of providing recommendations, both individually and in groups to a product or service that aims to provide information personally. (Kotler & Keller)
Consumer Purchase	A purchase decision is a process carried out to combine all the knowledge gained by consumers into a consideration

Decision	value that is useful in choosing two or more alternatives so that they can decide on one of the products. (Peter and Olson, 2013)
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Table 1.1 Definition of Key Terms

### 1.6.1 Influencing Factors

Consumer behavior is an observation activity carried out to study consumer behavior. In the process of observing consumer behavior, there is a process that indicates that consumer behavior occurs. The process is called the factor of influence. The factor of influence factor is a process that encourages consumers in deciding to choose a product. Customer behavior research has shown that individuals often purchase things based on their subjectively perceived worth rather than its primary purpose. This is one of the key principles for a customer. Although the role of the product today goes beyond the scope of its services, this does not imply that the product's fundamental functions are not significant. (Salomon, 2004).

### 1.6.2 Brand Trust

In the already available branding literature, brand trust has been conceptualized in a variety of ways. For instance, (Delgado-Ballester, 2004) operationalize brand trust as a sense of security experienced while dealing with a brand based on the belief that the brand would continue to be dependable and accountable to please the client. Brand trust is defined as perceptions and expectations that are founded on beliefs that a brand has certain characteristics that are reliable and trustworthy (taken from Naggar and Bendary, 2017). Similar to this, trust has been identified as a crucial mediating factor for long-term connections that result in brand loyalty. Brand trust, according to Morgan and Hunt (1994), is crucial for fostering loyalty because it creates connections that are highly valued.

### **1.6.3 Word-Of-Mouth**

Word-of-mouth advertising is described by (Arndt, 1967) as oral, too intimate, non-commercial communication between a communicator and receiver about a company, a product, or a service that the recipient believes as non-commercial. (Reingen and Brown, 1987) Both the macro level of inquiry (flows of communication between groups) and the micro level (flows inside dyads or small groups) of inquiry include word-of-mouth.

Word-of-mouth marketing is a real thing, particularly in this day and age when customer behavior is drastically changing and becoming less susceptible to conventional forms of marketing communication like advertising. Marketers must first comprehend the significance of word-of-mouth in customers' purchasing decisions in order to implement the right approach. They must also comprehend the characteristics that make word-of-mouth the most alluring type of communication. Oral communication between the speaker and the listener is referred to as "word of mouth." The speaker would make a reference to the good, the name, or the service while speaking with depth. Furthermore, the listener's responsibility is limited to supporting the speaker's account of their own experiences.

### **1.6.4 Consumer Purchase Decision**

The process by which consumers make decisions about market exchanges before, during, and after purchasing a good or service is known as the consumer purchase decision. When there are numerous alternatives, it can be viewed as a particular type of cost-benefit analysis. A person goes through a number of steps when considering purchasing a good or service, which is referred to as the consumer purchase decision. The buyer decision process, also known as the five-stage process, starts with the recognition of a need and concludes with an assessment of the purchase's value. There cannot be any step out of the five skipped by a customer when they are purchasing a product from Starbucks. (Kotler, et al., 2017). This process is particularly effective when a new purchase or a purchase that the consumer is very invested in is made. Some businesses concentrate on

comprehending how customers learn about, select, use, and dispose of the product. (Kotler & Keller, 2016)

### **1.7 SIGNIFICANCE OF RESEARCH**

Current research emphasizes analyzing what factors can affect consumer behavior, analyzing brand trust and word-of-mouth whether it has a significant and effective effect in deciding to choose a product. While the influence of several factors influences consumers in deciding to choose a product, it also drives why customers are more inclined to one product than others. This is due to a greater level of trust, which directly impacts consumers' purchasing decisions (Palilic et.al., 2021). There is a need to test variable factors that can influence consumers' purchasing decisions such as external factors and internal factors., especially marketers of Starbucks MSU coffee shop, in Shah Alam, Malaysia to understand consumers better. This study aims to gain better knowledge about how to better understand what factors make consumers choose their products. The study examines customer buyers' decisions, which can influence marketing strategy in the long run.

### **1.8 SCOPE OF THE RESEARCH**

The scope of the research in this study was visitors from MSU Starbucks coffee. This is where the age scale of MSU Starbucks Coffe visitors is 18 years old and above. The scope of professions that are the object of research for MSU Starbucks visitors is MSU students, MSU lecturers, MSU employees, and customer who come from outside MSU. MSU Starbucks visitor population is 182 visitors per day. This population was obtained by researchers based on real data on the average daily visitors of MSU Starbucks Shah Alam. The purpose of his study was to attract respondents from MSU visitors to Starbucks coffee to analyze consumer behavior and why they decided to choose Starbucks coffee. The target scope of this research is MSU students, MSU Lecterur, and MSU employees, who are MSU consumers of Starbucks coffee.



Half Hourly Sales Report  
SB352-MSU University

Business Date 24/2/2023  
Printed On 24/2/2023 4:41:43 PM  
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Online

Time	TC	NET Value	AT
07:00-07:30	0	0.00	0.00
07:30-08:00	5	79.57	15.91
08:00-08:30	7	96.51	13.79
08:30-09:00	7	94.03	13.43
09:00-09:30	9	157.22	17.47
09:30-10:00	15	361.18	24.08
10:00-10:30	17	345.03	20.30
10:30-11:00	12	210.19	17.52
11:00-11:30	15	545.50	36.37
11:30-12:00	11	179.04	16.26
12:00-12:30	9	186.93	20.77
12:30-13:00	2	37.17	18.59
13:00-13:30	2	455.16	21.67
13:30-14:00	11	198.63	18.06
14:00-14:30	12	270.13	22.51
14:30-15:00	12	622.85	51.90
15:00-15:30	4	100.74	25.19
15:30-16:00	3	84.50	25.17
16:00-16:30	3	88.51	28.40
16:30-17:00	7	274.47	36.21
<b>Total</b>	<b>182</b>	<b>4,387.34</b>	<b>24.11</b>

Figure 1.2 : Average visitors Starbucks MSU, Shah Alam

Source : Starbucks MSU, Shah Alam