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### International Journal of Tourism & Hospitality in Asia Pasific



### How Brand Reputation Influences Customer Satisfaction: A Case Study of Starbucks, Malaysia

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#### **ABSTRACT**

Starbucks has a lot of loyal consumers from all over the world. There are some reasons that consumers tend to purchase at Starbucks. This study examines the influences of brand reputation on customer satisfaction in Starbucks, Malaysia. The study adopted a survey research design. The method of data collection in this study are internet sources and questionnaires. A total of 100 respondents participated in this survey. The data were analyzed with descriptive statistics and inferential statistics. From the findings of the study, we find out that the aspects of brand reputation influence and correlate to customer satisfaction in Starbucks, Malaysia. Besides, some recommendations for Starbucks' improvement can be obtained through the findings.

Keywords: Brand Reputation, Customer Satisfaction, Influences, Malaysia, Starbucks

#### INTRODUCTION

Starbucks Corporation is a global coffeehouse chain that comes from the United States and its headquarters is located in Seattle, Washington. In 1971, Jerry Baldwin, Gordon Bowker, and Zev Siegl had founded Starbucks in Seattle (Bondarenko, n.d.). They opened the very first Starbuck store in Seattle's historic Pike Place Market (Marshall, 2015). Starbucks is a roaster and retailer which specializes in coffee. It has expanded to the world rapidly and become the world's largest coffee company as it owns 32,660 stores all around the world (Eira, 2021). This company has attracted a lot of attention from the world community, especially coffee drink lovers.

The first Starbucks that came into the market of Malaysia was in 1998. Berjaya Starbucks Coffee Company Sdn Bhd is the operator of Starbucks Malaysia. The performance of Starbucks Malaysia is quite good. It received Malaysia's best employer at Aon Hewitt Best Employers in 2015 and HR Best Practices Gold Award in 2014 (Starbucks Malaysia,

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2019). More than 300 Starbucks stores have been opened in Malaysia by today. Berjaya Starbucks Coffee Company Sdn Bhd has a plan to open 18 Starbucks stores with the drive-thru concept in the year 2021 (Salim, 2020). Recently, the biggest Starbucks reserve opened in Tropicana Gardens Mall at Kota Damansara (Dzafri, 2021). It seems to have a good operation in Malaysia and it is familiar to the Malaysian.

In addition to coffee, Starbucks also offered a lot of food and drinks. For example, coffee beans, smoothies, frappuccino, salads, sandwiches, spaghetti, cake, and bread. It launched a lot of merchandise that is seasonal or specific to some areas, which is really attractive to consumers. Starbucks always serves high-quality coffee and service to the customer. Its cup of coffee can bring inspiration and foster human spirit to one individual and one neighborhood at a time (Gregory, 2019). Starbucks also has a high priority on employees and customers ensuring them to gain meaningful impact from Starbucks. Besides, it also intends to grow the business continually in one place or one neighborhood. In addition to home and workplace, Starbucks is a suitable place where customers can relax and experience the inviting environment with a cup of coffee (Margalit, 2020). It is not only a place for having coffee but also a space for people to gather.

Customers are vital to a business. A successful business has a lot of loyal customers to support its sales. Starbucks understands this concept and does more innovation on its products to enhance customer satisfaction. It uses casual chats with customers to understand the customer experience at the store. This method enables it to get a lot of feedback from customers (MartinRoll, 2021). Starbucks pays high attention and consideration to the customer. In this way, it can innovate to fulfill its customer needs. Starbucks understands that customer needs are crucial to building up a good brand experience (Foster, n.d.).

Pandey et al. (2021) reported that customer satisfaction may be affected by the brand image. Besides, brand experience is important to indicate customer satisfaction. According to GuI (2014), brand reputation is highly important for customer satisfaction as it indicates the image of the business in the customer's mind. Thus, customer satisfaction may be influenced by brand reputation. On the other hand, customer satisfaction also plays a significant role in a business. One of the reasons for customer satisfaction is to create repurchase intention and customer loyalty (Copley, n.d.). Bernazzani, S. (2021) indicated that customer feeling after interacting with a business brand is reflected in customer satisfaction. The results can be collected by doing a market survey. Therefore, the business can have acknowledged customer loyalty.

Newman (2016) states that a company would be able to build emotional relationships forge bonds with the customers, which are extremely crucial to gain customer loyalty, brand advocacy, and referrals by understanding customer behavior. Starbucks can succeed for 50 years since the company can predict what, where, when, and how customers buy. This research focuses on the brand reputation and customer satisfaction

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of Starbucks Coffee. It has created a competitive advantage on its products by developing its brand reputation.

Tu and Chang (2012) found that corporate brand image significantly affects customer behavior, especially on customer satisfaction and customer loyalty. Chi (2009) found that brand quality has a positive effect on brand loyalty, and perceived quality will mediate the effects between brand awareness and purchase intention. Hanzaee & Taghipourian (2012) also found that brand prestige has a significant effect on consumer purchase intention, however, brand credibility has more influence on purchase intention process once the merchandise is low involved. Based on the research above, research on the topics is necessary to find out more clearly how far the influence of brand reputation on customer satisfaction, especially on Starbucks Company. The objective of this research is to examine the effects of brand reputation on customer satisfaction at Starbucks, Malaysia.

A good brand reputation means that customers trust and feel good about the brand and its products, and are proud of buying goods and services (Bhasin, 2021). One of the common examples is Starbucks CEO Kevin Johnson announced that he would close the company's 800 stores in the United States so that nearly 175000 employees can receive training on the prevention of implicit bias. The brand name of Starbucks has the power to affect buying decisions. Coffee is a daily habit for many people especially white-collar workers. Many citizens are affected by the Starbucks logo. Starbucks is constantly attracting potential customers by using its brand name.

In the beginning, Starbucks just focused on offering the functional benefits of coffee. However, the rise of competitors has changed Starbucks 'policy. Starbucks currently is selling a lifestyle that allows the customer to trade up and enjoy a better life. It offers a comfortable and relaxing environment that attracts customers to purchase their product and enjoy it in the shops. The customers always praise their customer service and calming atmosphere. Starbucks has been established as a third place to take a seat and chat whereas having a great coffee. It often stimulates a relaxed environment that strengthens a pick me up yet in a calm environment plan. Starbucks has been successful in focusing the customers' attention on the quality of experience and the enjoyable memories at Starbucks. Today, citizens prefer to spend their weekends outside chit-chat with friends, and Starbucks is the best solution.

Companies can build a reputation for quality by gaining accreditation with a recognized quality standard. Quality is critical to satisfying your customers and retaining their loyalty so they continue to purchase in the future. Quality is a key differentiator in a crowded market. It's the reason that Apple can price its iPhone higher than any other mobile phone in the industry – because the company has established a long history of delivering superior products (Quain, 2019). Starbucks Arabica beans are unique as they are different from regular Arabica beans. The high-quality beans can be found at higher altitudes. It will choose the denser beans that have been created on cold nights and

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warm days. The denser beans have deeper and more complex flavors. Besides, it will taste a batch of coffee before it is approved.

In addition, Starbucks is concerned about its customer feedback towards its products and service quality. Former Starbucks CEO Howard Schultz stated that the founding value of the company is based on inclusiveness and humanity. The employees will learn from their mistakes and reiterate our commitment to creating a safe and welcoming environment for each customer (Davis, 2018). Customer feedback is defined as the verbal or written communication from customers expressing how they feel about the brands, products, and/or the services they received. Customer feedback is an invaluable asset for businesses of all sizes and types (McCabe, 2020). Starbuck always encourages the customers to give feedback on their products' qualities and employees. The employees are trained to accept and respond to feedback. The feedback not only allows the company to help current customers but also benefits all future customers by fixing the issues. Improving customer feedback can create customer satisfaction, and it leads to an increment of brand loyalty.

Starbucks has utilized information technology to have continuous and convenient communication channels with its customers. Nowadays, most business plans are integrated by Information technology (IT). IT plays an important role for multinational corporations to maintain mainframe systems and databases to small businesses that own a single computer (MacKechnie, 2019). Starbucks CFO, Scott Maw, said the company's same-store sales growth majority was created by the customers who have digital relationships with the company and those that joined the Starbucks Rewards program (The Manifest, 2018). Starbucks app has provided a user-friendly mobile experience. It has added the personalization elements enabling favorite order to be recalled and suggests the food item that you prefer based on previous orders. The users will be constantly informed about the new products and promotional offers. The app also provides the Starbucks Rewards Program offering free foods and beverages based on points earned. In-store payments are also encouraged through the app, which utilizes a Starbucks gift card to process the payments. This creates seamless transactions, as the gift card can be automatically or manually reloaded using a credit card.

Besides, Starbucks is implementing value-based pricing to maximize its profit. It uses customer evaluation and research to plan their targeted price which captures the greatest price consumers are willing to pay. In pricing policy, Starbucks often just raises the price of products that target a higher income population because they value the coffee beverages as an affordable luxury. The increment of prices of insensitive customers can neither retain existing customers nor increase profit. Starbucks is also using price hikes to separate itself from the pack and strengthen the premium image of its brand and merchandise.

Furthermore, Starbucks often locates its shop in the city area which is near its target customers. The location strategy is focused on urban centers, which means areas with large middle and upper-class populations. Most of the Starbucks stores are in densely

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populated areas, shopping malls in the city area. It is to maximize the market share of the expected customer populations in the city area. People do not need to search for Starbuck shops, as the shops are just near their house.

On that basis, we hypothesized that:

H1: Brand reputation has a positive effect on customer satisfaction at Starbucks, Malaysia.

Besides, Figure 1 illustrates the conceptual framework.

Figure 1. Conceptual Framework



Figure 1 shows that the conceptual framework consists of one independent variable (brand reputation) that will influence the dependent variable (customer satisfaction). The Independent variable will affect the dependent variable.

### **RESEARCH METHOD**

### **Primary Research**

Primary research is a type of research method used to collect data directly. It is of importance as the data are first-hand information from the current situation and market. The primary research of this study is a questionnaire created by Google form. The sample size is randomly selected of 100 respondents. The respondents are required to answer all of the questions in this questionnaire. It consisted of Part A (Demography), Part B (The effect of Brand Reputation towards Customer Satisfaction), Part C (Recommendation for improvement). A 5-point Likert Scale was used at part B to measure how brand reputation influences customer satisfaction.

### **Secondary Research**

Secondary research is a type of method where the researchers use or gather data from existing sources, such as articles, textbooks, and journals. The secondary research method we used in this survey is internet source and journal review. We visited the official website of Starbucks, Malaysia. We also obtained a lot of information from journals related to our topic as references to complete this report. The journals are able to give us reliable information to master the knowledge of this study.

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### **RESULTS AND DISCUSSION**

**Table 1.** Respondent Demographics (N=100)

Response	Frequency	Percentage (%)	
Gender			
• Male	61	61.0	
• Female	39	39.0	
Age			
• 18-24	73	73.0	
• 25-39	25	25.0	
• 40-60	2	2.0	
• 60 and above	0	0.0	
Nationality			
<ul> <li>Malaysian</li> </ul>	85	85.0	
Non-Malaysian	15	15.0	
Race			
• Malay	37	37.0	
Chinese	45	45.0	
• Indian	13	13.0	
Others	5	5.0	
Occupation			
• Student	75	75.0	
<ul> <li>Employed</li> </ul>	25	25.0	
<ul> <li>Unemployed</li> </ul>	0	0.0	
Retired	0	0.0	
Range of salary			
No income	73	73.0	
• Below RM 2000	2	2.0	
• RM 2000 – RM 2999	18	18.0	
• RM 3000 – RM 3999	6	6.0	
• RM 4000 and above	1	1.0	

Table 1 shows that female respondents are more than male respondents. There are 61% of female respondents, and 39% of male respondents. Most of the respondents come from ages 18 to 24 years old (73%), between 25 to 39 years old (25%) and the remaining 2% are 40 to 60 years old. By nationality, Malaysian respondents are the most numerous,

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representing 85 out of 100 respondents. The remaining respondents come from China (10%), Japan (3%), and Indonesia (2%). By race, the data shows that the largest number of respondents is Chinese (45%), Malay (37%), Indian (13%), and others (5%). By occupation, 75% of respondents are students, and 25% of respondents are employed. Thus, 73% of respondents have no income, 18% of respondents have a monthly salary in the range of RM 2000 to RM2999 and 6% of respondents have a monthly salary in the range of RM 3000 to RM 3999. The remaining 2% and 1 % of respondents are having a monthly salary below RM 2000 and above RM 4000 respectively.

**Table 2.** Consumer Information (N=100)

Response	Frequency	Percentage (%)	
Would you like to purchase at Starbucks?			
•Yes	66	66.0	
•No	12	12.0	
•Maybe	22	22.0	
How often do you purchase at Starbucks?	•		
•Rarely	52	52.0	
•Once a week	20	20.0	
•Once a month	23	23.0	
•Always	2	2.0	
•Once every two months	1	1.0	
•Never	2	2.0	
Why are you willing to purchase at Starbu option)	cks? (Can choo	ose more than one	
Coffee	85	85.0	
<ul> <li>Foods and beverages</li> </ul>	66	66.0	
Starbucks Merchandise	17	17.0	
Store Appearance	21	21.0	
Customer service	13	13.0	
• Environment	53	53.0	
Facilities	18	18.0	
Others	1	1.0	
Starbucks is a luxury brand.			
1 – Strongly Disagree	1	1.0	
2 – Disagree	0	0.0	
3 – Neutral	5	5.0	
4 – Agree	61	61.0	

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5 – Strongly Agree	33	33.0		
Starbucks serves the best coffee, best place, best service to customers.				
1 – Strongly Disagree	20	20.0		
2 – Disagree	8	8.0		
3 – Neutral	14	14.0		
4 – Agree	48	48.0		
5 – Strongly Agree	10	10.0		
Starbucks is my first choice compared to other coffee chain stores.				
1 – Strongly Disagree	9	9.0		
2 – Disagree	22	22.0		
3 – Neutral	43	43.0		
4 – Agree	17	17.0		
5 – Strongly Agree	9	9.0		
I would likely recommend others to go to Starbucks.				
1 – Strongly Disagree	4	4.0		
2 – Disagree	17	17.0		
3 – Neutral	33	33.0		
4 – Agree	35	35.0		
5 – Strongly Agree	11	11.0		

Table 2 indicates the majority of the respondents would like to purchase at Starbucks (66%). The data also shows that 52% of respondents rarely purchased at Starbucks although many of them are willing to purchase at it. There are only 2% of respondents always purchase at Starbucks. However, 20% of respondents purchase at Starbucks, once a week, once a month (23%), once every two months (1%) and never purchase at Starbucks (2%). Generally, what influences the customers to purchase at Starbucks, is coffee (85%), followed by food and beverage (66%), environment (53%), store appearance (21%), facilities (18%), Starbucks merchandise (17%), customer service (13%) and other (1%).

The majority of respondents agree that Starbucks is a luxury brand (94%). They may use its premium price to define its luxury. Also, 58% of respondents agree and strongly agree that Starbucks serves the best coffee, best place, best service to customers. This indicates that more than half of respondents have a good image of Starbucks, thus, they would likely purchase at it.

Table 2 shows that there only 26% of the respondents agreed and strongly agreed that Starbucks is their first choice compared to other coffee chain stores. Besides, 46% of the respondents agreed and strongly agreed to recommend others to go to Starbucks. This implies that there are many possibilities for consumers to choose coffee and beverage

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industries, and the competition among them is fierce. On the other hand, it shows that Starbucks has failed to hold the majority in the competition. As a result, Starbucks should always keep abreast of the market and continue to innovate, make changes and adjustments according to consumers' opinions.

**Table 3.** Descriptive Analysis, Cronbach's Coefficients Alpha, and Zero-Order Correlations of All Study Variables

Variables	1	2
Customer Satisfaction	0.927	
Brand reputation	0.439**	0.656
M	3.8000	3.5633
SD	0.56622	0.67452

*Note*: N=100; \*p < 0.05, \*\*p < 0.01; Diagonal entries in bold indicate Cronbach's coefficient alpha; M = Mean; SD = Standard Deviation.

This section discusses the correlation between the dependent variable (i.e., customer satisfaction) and the independent variable (i.e., brand reputation). Correlation is a measure of the linear relationship between two variables. The correlation coefficient also indicates the relationship between two variables.

Table 3 shows the Cronbach's coefficient alpha of customer satisfaction is .927, indicating that the view we investigated has a high internal consistency. However, the Cronbach's coefficient alpha of brand reputation is .656, indicating that the respondents have basically different attitudes towards the brand reputation of Starbucks. Moreover, .439\*\* shows that according to the significance test method, the p-value is very significant. That is, the probability that the difference between samples is caused by sampling error is less than 0.01.

**Table 4.** Regression Analysis of Customer Satisfaction

Beta
0.439***

Note: N=100; \*p<0.05, \*\*p<0.01, \*\*\*p<0.001

According to the aspect of the brand reputation, we made three survey questions: "Starbucks is a prestigious store", "Going to Starbucks indicates my high standard of living" and "Starbucks advertisements are published everywhere". To confirm our H1 "Brand reputation has a positive effect on consumers' satisfaction at Starbucks, Malaysia", we sorted out and produced a regression analysis based on the respondents' responses. As we can see in Table 4, brand reputation is the independent variable while

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customer satisfaction is the dependent variable. The beta value of brand reputation is .439\*\*\*, and its p-value is very significant. It means that the probability that the difference between samples is caused by sampling error is less than 0.001, which further shows that it statistically significantly improves customer satisfaction. Thus, H1 is supported.

Based on the results, we can conclude that brand reputation affects customer satisfaction at Starbucks, which also supports our hypothesis (H1). A higher brand reputation will result in higher customer satisfaction. This is because a higher brand reputation will lead to better promotion (through advertising or social platforms), services, product quality, and public praise (i.e., recommended by more people). We suggest that brand reputation is directly proportional to consumer satisfaction: the relationship between brand and consumer is a process from scratch. In the beginning, consumers had no impression of a brand. Because of the influence of brand reputation, which may be initially reflected in promotion or recommendation, consumers will gradually become interested in it. Frequently, consumers may have bought behavior. After purchasing a branded product, their behavior will be affected by the brand's reputation (good service, good product quality), resulting in a satisfying purchasing experience. Thus, Starbucks, Malaysia had built a good reputation to enhance customer satisfaction.

Based on the study, Starbucks, Malaysia can have some improvements to enhance its reputation and maximize customer satisfaction. The majority of respondents deem the price of Starbucks products too high. They hope Starbucks can lower the price. Due to its premium price strategy, Starbucks is recommended to improve the overall quality to make the product worth the price. More advertisements on social media or TV are to promote the products and introduce new products. This allows the consumers not to miss a seasonal promotion. Besides, the advertisements can inspire more consumers to visit.

The facilities should also have some improvement. Since some customers like to study or work at the cafe, Starbucks should make sure the internet connectivity, more seats and tables, and some private space for consumers. Other than that, the toilets in some branches of Starbucks, Malaysia are unisex, leading to inconvenience. It is better to separate the male and female toilets. The respondents also recommended that every Starbucks should have drive-thru accessibility that makes them easier to purchase.

Many respondents also suggested Starbucks do some improvements on the menu, such as adding more choices of dessert and new drinks. Besides, the menu can be more detailed with bilinguals. It will be easier and convenient for customers to order. Some research or feedback about the taste of food is beneficial. Also, the time to prepare the food should be faster to avoid customers waiting too long. All of these recommendations are advantageous to strengthen Starbucks' reputation and maximize customer satisfaction.

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### CONCLUSIONS

The analysis and data results lead to a conclusion that Starbucks will continue to dominate the coffee shop market due to its good brand reputation among Malaysian citizens. Most of our respondents do not even have income, however, they are willing to purchase Starbucks products. The Malaysian customers not just pay for coffee but also the working environment. Besides, we understand that coffee continues to be the first option for customers followed by foods and beverages. Customer service and coffee shop environment have helped Starbucks to create a competitive advantage against the competitors. Almost all of the customers are satisfied with Starbucks employees' services and it helps to create a good brand reputation.

According to our survey, many respondents have provided a recommendation regarding the price, the facilities, and menu of Starbucks. There are many small coffee shops available in Malaysia, and they are offering a lower price compared to Starbucks. Besides, some respondents claimed that some of the branches of Starbucks just offer unisex toilets. This arrangement has caused inconvenience to men and women. In addition, they suggest Starbucks offer a more detailed menu which contains bilingual to ease all the races of Malaysian.

High product quality, caring customer services, and a warm coffee shop environment have maintained Starbucks' good brand reputation. A good brand reputation has led to high customer satisfaction. This circumstance has formed a bond between Starbucks and the customers. Although Starbucks is a luxury brand, it has many loyal customers compared to its competitors because all customers are satisfied with their products and services. In short, we can conclude that a higher brand reputation will result in higher customer satisfaction. The brand reputation of Starbucks is directly proportional to customer satisfaction.

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