

# **BRAND IMAGE, STAFF INTERACTION BEHAVIOR AND OVERALL SERVICE QUALITY ON DECLINING SALES: A CASE STUDY OF STARBUCKS COFFEE MALAYSIA**

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## **Abstract**

The selected company for the case analysis and evaluation is Starbucks Coffee Malaysia Company. The company is selected due to its strong presence and established reputation in the food and beverages market, as well as its effective business approach. The corporate profile will consist of four subparts: the company's history, functions, brand positioning and competitive strategies of the organization within the local context of Malaysia. This study aims to investigate the variables contributing to the decline in sales at Starbucks Malaysia. This study examines three independent variables that are associated with the causes contributing to the decline in sales: brand image, staff interaction behavior, and overall service quality, also referred to as customer service. We shall conduct a comprehensive analysis of how these three factors contributed to the decline in Starbucks' sales in Malaysia. The study was done by distributing the questionnaire via Google Form to a sample of 120 Starbucks customers in Malaysia. The dependent variable has a positive correlation with all of the independent factors. The study's consequences lie in its ability to offer insights into the variables that contributed to the decline in sales, as well as strategies to address these issues and enhance sales while minimizing the risk of further declines.

## **Keywords**

Starbucks Malaysia, Decline Sales, Brand Image, Staff Interaction Behavior, Overall Service Quality

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### **Introduction**

This study pertains to the factors that contribute to the decline in sales of Starbucks Malaysia. Several factors contribute to the decline in sales, including the challenges faced by Starbucks as a whole. The brand exhibits remarkable stability and employs robust marketing strategies. However, the company can face significant repercussions when confronted with issues such as boycotts. The decline in sales is a pressing concern that requires immediate attention, as its consequences are significant and could worsen if not promptly addressed. The organization has faced multiple challenges throughout its operations and is currently dealing with a few in recent months. The sales experienced an initial decrease in 2021 due to the worldwide Covid-19 pandemic. A nationwide movement control order was enforced, imposing restrictions on consumers' ability to purchase Starbucks as frequently as they previously did. They are restricted to acquiring items solely via drive-thru or online ordering. The CEO of Starbucks Malaysia indicated that a substantial proportion of their Starbucks outlets relied on customers who would consume their beverages on-site, a practice that became unfeasible when the pandemic hit the country (Azman, 2021).

Given the ongoing conflict between Israel and Palestine, Malaysians have recently commenced a boycott against Starbucks. Starbucks openly expressed its endorsement of Israel, resulting in a substantial portion of the population initiating a widespread boycott of the company's retail establishments. As per CGHS-CIMB Research's report, the boycott will undeniably negatively impact Bfood's sales in the near future, specifically during the second quarter of its current fiscal year. As a result, the company's share price will be negatively impacted until the boycotts come to an end.

Presently, Starbucks Malaysia is facing a substantial decrease in sales as a result of the majority of their outlets being unoccupied. If this situation continues, the cascading impact of declining sales will intensify, potentially impacting the stock price of Starbucks Malaysia. Furthermore, an ongoing boycott could compel certain franchisees to shut down their outlets due to their inability to sustain the expenses. Starbucks Malaysia is currently encountering several challenges, and it is crucial for them to identify the underlying factors that are impacting their operations. By doing so, they can effectively address these issues and devise appropriate solutions to overcome them. Certain issues can be resolved through internal means, while others are external factors that are beyond their control (World Coffee Portal, 2023).

## **Literature Review**

### **Shifts in Consumer Buying Patterns**

Amidst the COVID-19 pandemic, the emergence of the epidemic has led consumers to demand higher standards for products or services. During times of crisis, consumers tend to opt for practical solutions and services rather than those that focus on emotional support or healing (Tao et al., 2022). Utilitarian products, in contrast to hedonic items, are more efficient in fulfilling consumers' immediate requirements. Amidst the pandemic, consumers would escalate their acquisition of utilitarian products, such as disinfectants, masks, and health foods. Alternatively, individuals tend to activate a psychological defense mechanism when they experience pressure or anxiety due to external threats. This mechanism involves adopting cognitive and behavioral tendencies unconsciously in order to alleviate tension and anxiety, rather than directly confronting the issues at hand. Its purpose is to safeguard individuals from the negative effects of frustration or conflict (Rao et al., 2021). The COVID-19 pandemic has elicited individuals' psychological defense mechanism, resulting in a heightened sense of prudence in purchasing behavior. Consumers exhibit not only heightened price sensitivity, but also an increased expectation for superior quality and greater product reliability. Consumers prioritize the quality of the objects they purchase. Consumers' willingness to reveal their personal information has been enhanced by the rise in online purchasing activities (Tao et al., 2022).

### **Overview of Consumer Buying Behaviour Causing Sales Drop**

The decline in sales can be ascribed to multiple factors, and it is imperative to comprehend consumer purchasing behavior in order to effectively tackle and reverse this pattern. Several factors can contribute to a decrease in sales and their correlation with consumer purchasing patterns (Hanaysha, 2018).

During economic downturns, consumer spending decreases due to financial caution driven by unemployment or uncertain job prospects (Hampson et al., 2021). Trends, customer preferences, and product relevance affect sales, while competition or ineffective marketing can erode market share and revenue (Rodrigues et al., 2021). Adapting strategies, ensuring product quality, and addressing price sensitivity and customer service issues are crucial. External factors

like pandemics impact consumer behavior, demanding adaptable strategies (Wu et al., 2022). In today's digital era, online presence and ethical brand conduct significantly influence consumer confidence (Li et al., 2023). To recover from sales declines, analyzing internal and external factors is vital, enabling targeted strategies (Jacobson et al., 2020). Understanding buyer behavior and the impact of reviews on marketing mix are crucial for a successful marketing strategy (Dwivedi et al., 2021).

These factors—economic fluctuations, consumer trends, competitive landscapes, and ethical conduct—affect sales and require adaptive strategies. Adapting marketing approaches, ensuring quality, addressing pricing and customer service issues, and staying resilient during external influences are essential (Jacobson et al., 2020). Online presence and ethical conduct significantly impact consumer trust and purchasing decisions in the digital age (Li et al., 2023). Understanding buyer behavior and the power of reviews in altering marketing strategies are crucial for success (Dwivedi et al., 2021).

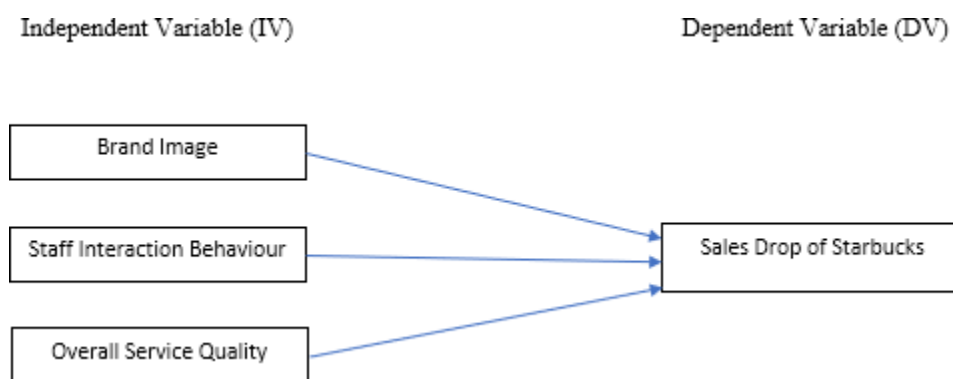
### **Starbucks Coffee Malaysia Staff Interaction Behaviors (Staff Service) and Overall Service Quality (Customer Satisfaction)**

In the present dynamic business environment, companies must promptly and efficiently cater to consumer preferences and demands. Environmental concerns now exert a substantial influence on consumers' decision-making process. Consumers have become increasingly aware and watchful in seeking out environmental information about a company's product, actively participating in efforts to preserve the environment (Suda & Miltenberger, 1993).

Starbucks Malaysia prioritizes corporate social responsibility (CSR) by offering decaffeinated options and milk choices for customers (Jain, 2023). Employees are treated well, given breaks, and offered complimentary beverages, while the company emphasizes responsible sourcing, environmental protection, and community support. Despite leveraging viral marketing and CSR to justify higher prices amid global economic challenges (Samoggia & Riedel, 2019), internal issues with managerial incompetence lead to financial losses and a compromised work atmosphere at certain locations, impacting service quality and the company's word-of-mouth marketing strategy.

The company's CSR-driven practices aim for customer satisfaction, but challenges arise due to potential erosion of competitive advantage amidst higher pricing strategies (Samoggia & Riedel, 2019). Internal mismanagement affects service quality and workplace harmony, crucial for Starbucks' marketing approach (Ozbekler & Ozturkoglu, 2020). Understanding service quality, defined by tangibles, reliability, responsiveness, assurance, and empathy, is pivotal for the industry's sustainability (Parasuraman et al., 1985; García-Dastugue & Eroglu, 2019).

### The Conceptual Framework



The effect of brand image, staff interaction behavior and overall service quality influencing the consumer purchase intention and indirectly causing sales drop for Starbucks.

### Hypotheses

Based on the study of the three independent variables above that affect the dependent variable, there are three hypotheses that we can develop.

H1 : Brand image of Starbucks will have a significant and positive influence on the sales drop of Starbucks.

H2 : The staff interaction behavior in Starbucks will have a significant and positive influence on the sales drop of Starbucks.

H3 : The overall service quality of Starbucks will have a significant and positive influence on the sales drop of Starbucks.

## Methodology

### Research Design

A research design is a comprehensive strategy consisting of methodologies to gather and analyze data and guide the research process to address research questions or test hypotheses (Singh, 2023). The following is a summary of the research design used in this study:

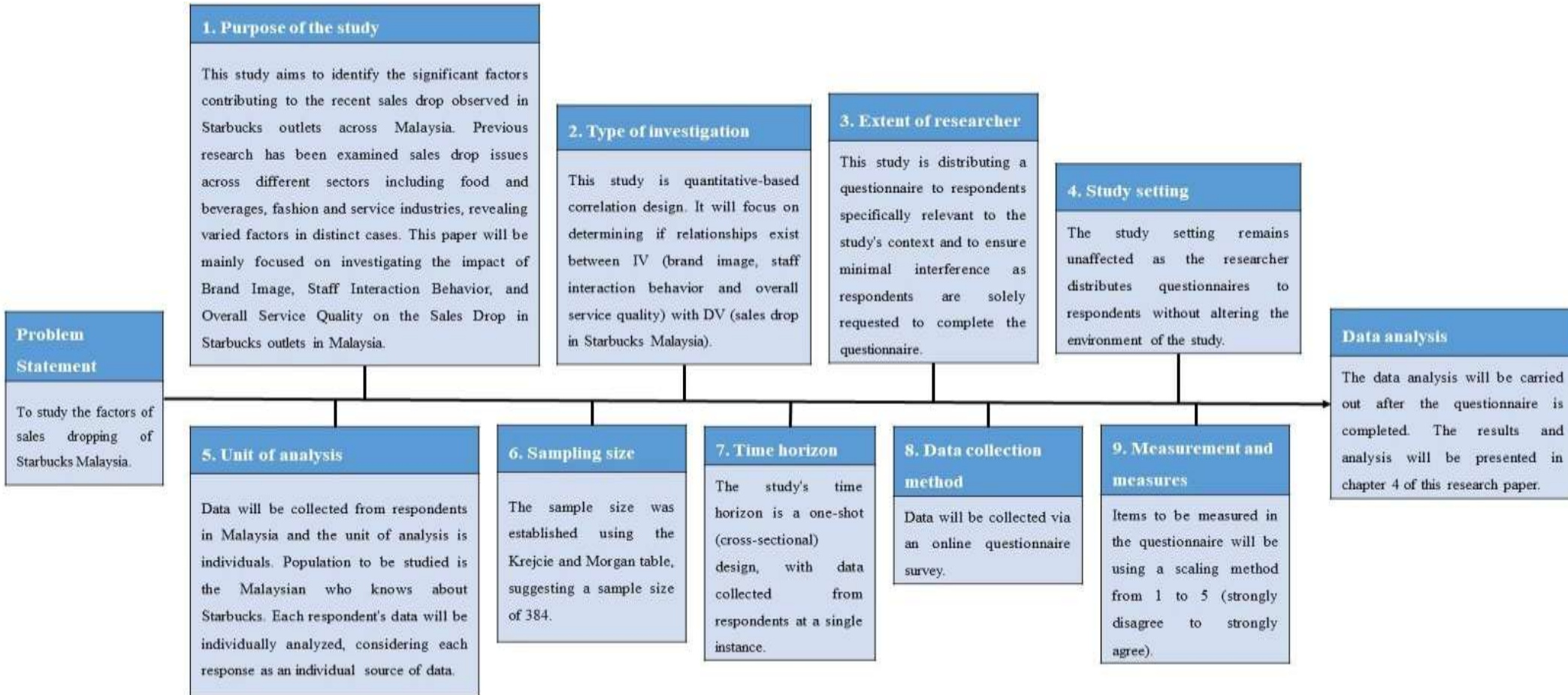


Figure: Research Design Summary

- **Problem Statement:** To study the factors of sales dropping of Starbucks Malaysia.
- **Purpose of the Study:** This study aims to identify the significant factors contributing to the recent sales drop observed in Starbucks outlets across Malaysia. Previous research has been examined sales drop issues across different sectors including food and beverages, fashion and service industries, revealing varied factors in distinct cases. This paper will be mainly focused on investigating the impact of Brand Image, Staff Interaction Behavior, and Overall Service Quality on the Sales Drop in Starbucks outlets in Malaysia.
- **Type of Investigation:** This study is quantitative-based correlation design. It will focus on determining if relationships exist between IV (brand image, staff interaction behavior and overall service quality) with DV (sales drop in Starbucks Malaysia).
- **Extent of Researcher:** This study is distributing a questionnaire to respondents specifically relevant to the study's context and to ensure minimal interference as respondents are solely requested to complete the questionnaire.
- **Study Setting:** The study setting remains unaffected as the researcher distributes questionnaires to respondents without altering the environment of the study.
- **Unit of Analysis:** Data will be collected from respondents in Malaysia and the unit of analysis is individuals. Population to be studied is the Malaysians who know about Starbucks. Each respondent's data will be individually analyzed, considering each response as an individual source of data.
- **Sampling Size:** The sample size was established using the Krejcie and Morgan table, suggesting a sample size of 384.
- **Time Horizon:** The study's time horizon is a one-shot (cross-sectional) design, with data collected from respondents at a single instance.
- **Data Collection Method:** Data will be collected via an online questionnaire survey.
- **Measurement and Measures:** Items to be measured in the questionnaire will be using a scaling method from 1 to 5 (strongly disagree to strongly agree).
- **Data Analysis:** The data analysis will be carried out after the questionnaire is completed. The results and analysis will be presented in chapter 4 of this research paper.

## **Data Analysis**

### **Descriptive Analysis**

Descriptive analysis will be analysed (only Section B & C in the questionnaire) according to the respective Dependent Variable and Independent Variables.

The analysis encompassed 480 data points from 120 respondents, each addressing four questions across three key sections. Section B exclusively examined the perceived sales drop at Starbucks in Malaysia, with a predominant agreement among respondents (mode of 4) indicating acknowledgment of this decline. Section C delved into factors influencing the sales drop, focusing on brand image, staff interaction behaviors, and overall service quality. Across these factors, a consistent pattern emerged: a majority of respondents (mode of 4) agreed that brand image, staff interaction behaviors, and overall service quality significantly impacted their purchasing decisions at Starbucks. This concurrence underlines the perceived influence of these factors on consumer choices within the Starbucks context in Malaysia.

### **ANOVA Test**

The ANOVA tests aimed to discern the significance between Sales Drop in Starbucks Malaysia and three key influencing factors: Brand Image, Staff Interaction Behaviors, and Overall Service Quality. For Sales Drop vs. Brand Image and Sales Drop vs. Staff Interaction Behaviors, the calculated p-values (0.11392 and 0.050318, respectively) surpassed the significance level ( $\alpha = 0.05$ ). Therefore, there wasn't enough evidence to reject the null hypotheses, suggesting no significant difference between Sales Drop and these factors. In contrast, the comparison between Sales Drop and Overall Service Quality yielded a notably smaller p-value (0.005918), indicating strong evidence to reject the null hypothesis. This indicates a significant difference in the average Sales Drop in Starbucks Malaysia concerning Overall Service Quality, highlighting its potential impact on sales.



### Correlation Test

The correlation tests aimed to ascertain the relationship between Sales Drop in Starbucks Malaysia and three factors: Brand Image, Staff Interaction Behavior, and Overall Service Quality. Three tests are being performed in Microsoft Excel. Results are as follow:

#### Test 1: Correlation Test of Sales Drop in Starbucks Malaysia and Brand Image

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	<i>Sales Drop in Starbucks Malaysia</i>	<i>Brand Image</i>
Sales Drop in Starbucks Malaysia		1
Brand Image	0.041349668	1

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#### Test 2: Correlation Test of Sales Drop in Starbucks Malaysia and Staff Interaction Behavior

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	<i>Sales Drop in Starbucks Malaysia</i>	<i>Staff Interaction Behavior</i>
Sales Drop in Starbucks Malaysia		1
Staff Interaction Bahavior	0.062974	1

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#### Test 3: Correlation Test of Sales Drop in Starbucks Malaysia and Overall Service Quality

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	<i>Sales Drop in Starbucks Malaysia</i>	<i>Overall Service Quality</i>
Sales Drop in Starbucks Malaysia		1
Overall Service Quality	0.064121	1

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For Sales Drop vs. Brand Image, Sales Drop vs. Staff Interaction Behavior, and Sales Drop vs. Overall Service Quality, the correlation coefficients (approximately 0.041, 0.063, and 0.064, respectively) all indicated very weak, positive linear relationships between these variables. These findings suggest that changes in Brand Image, Staff Interaction Behavior, or Overall Service Quality have minimal predictive power or influence on the Sales Drop in Starbucks Malaysia individually. It implies that other unexplored factors not considered in this analysis likely play a more significant role in driving the decline in sales compared to these specific variables in isolation.

### **Discussion**

In this survey analysis, our response rate for the questionnaire is at 71% with 120 respondents receiving out of 170 questionnaires distributed. Most of the respondents are between the age of 18 – 35 years old, comprising 60% of the respondents. The respondents are mostly employed and earning an income below RM10,000. From the questionnaire we can see that 70% of the people are aware of the sales drop that Starbucks is facing, even their respective locality. They realize that Starbucks is experiencing reducing customer traffic lately. Many of them did not purchase Starbucks products in the past 3 months.

As for Brand Image, the majority of the respondents agree that the Starbucks brand is rather appealing to them and they communicate their brand through its products and services, maintaining its status of a premium coffee brand. The prestige that Starbucks brand holds has influenced 75% of the respondents to purchase Starbucks in the recent months or years. Based on descriptive analysis for the first independent variable, the majority of the respondents agree that brand image influences their buying decision when it comes to Starbucks.

For the second independent variable, which is the staff interaction behavior, we can see that not everyone feels that the Starbucks staff are courteous and friendly, but however most of them feel valued and respected by the Starbucks staff during their visit. The respondents agree that the staff working in Starbucks are knowledgeable about the products they are offering and that the feeling that the staff give during their visit will likely impact them to revisit Starbucks in the future. Based on the descriptive analysis for this independent variable, the majority of the

respondents agree that staff interaction behavior will influence their buying decisions when it comes to purchasing Starbucks products.

The overall service quality, which is also known as customer service, that Starbucks offer has satisfied quite a number of the respondents and they manage to meet the customers service expectation during their visit to Starbucks. Many of the respondents agreed that the quality of service at Starbucks does influence their loyalty towards the brand, as they agree that they feel valued and respected during their visits to Starbucks. The respondents agreed that they will recommend Starbucks to their friends and families based on its service quality that they have to offer. Based on descriptive analysis for the third independent variable, the majority of the respondents agree that the overall service quality that Starbucks offers definitely influences their buying decisions for Starbucks.

### **Limitations**

The study encountered several limitations that impact the depth and representativeness of its findings. Firstly, the questionnaire's distribution among a network of friends and their circles, while convenient, resulted in a small, skewed sample. The study's insights predominantly reflect the perspectives of a narrow age range and social group, limiting the broader representation of Malaysian society. Additionally, the use of solely English-language questions might have hindered respondents' understanding, potentially leading to biased or inaccurate responses among those more comfortable in Bahasa Malaysia.

Moreover, the study's questionnaire structure, relying solely on closed-ended questions, restricted respondents from offering nuanced opinions or suggestions beyond the provided response options. Furthermore, the research narrowly focused on Starbucks without considering the broader coffee market landscape. Not exploring other coffee outlets or the overall market context limited the study's ability to comprehensively analyze factors contributing to sales declines, such as industry-wide trends or economic influences. A more expansive approach encompassing multiple franchises could have provided a more holistic view of the factors impacting sales in the coffee market beyond a single outlet.

### **Future Directions of Research**

In future research, expanding the sample size is crucial, emphasizing random distribution of questionnaires to ensure a more diverse and representative dataset. Incorporating open-ended questions in future surveys will encourage respondents to freely share opinions and suggestions, enabling richer insights for analysis and discussion. Moreover, offering bilingual questionnaires in English and Bahasa Malaysia can enhance clarity for Malaysian respondents. Expanding the scope beyond a singular franchise like Starbucks to encompass other similar outlets, such as Coffee Bean or Gigi Coffee, would provide a more comprehensive understanding of sales drops within the broader coffee market, potentially uncovering industry-wide factors like economic trends impacting sales. This broader approach promises a more nuanced analysis of market trends and influences on sales declines across multiple franchises.

### **Conclusion**

The three independent variables which are brand image, staff interaction behavior, and overall service quality (customer satisfaction) does impact the dependent variable which is the sales drop of Starbucks. Our findings show that most of the respondents are aware of the sales drop that is happening with Starbucks. However, the cause of the sales drop is not so clear as many of the respondents are happy with the staff interaction behavior of Starbucks, their overall service quality, and the branding. We also looked into the limitations that we faced during this research which needs to be more perfected in order to get a more accurate result. Nevertheless, we provided future directions of the research, such as using a bigger sample size, in order to gain more detailed and accurate findings for this topic.

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