



Investigation of the Behavior of Starbucks Consumers

by

Ms. Thirada Uarsakchai

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

November 2004

Investigation of the Behavior of Starbucks Consumers

by
Ms. Thirada Uarsakchai

A Final Report of the Three-Credit Course
CE 6998 Project

Submitted in Partial Fulfillment
of the Requirements for the Degree of
Master of Science
in Computer and Engineering Management
Assumption University

November 2004

Project Title Investigation of the Behavior of Starbucks Consumers


Name Ms, Thirada Uarsakchai

Project Advisor Dr. Thanatphong Pratheepthaweephon

Academic Year November 2004

The Graduate School of Assumption University has approved this final report of the three-credit course, CE 6998 PROJECT, submitted in partial fulfillment of the requirements for the degree of Master of Science in Computer and Engineering Management.

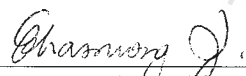
Approval Committee:



(Dr. Thanatphong Pratheepthaweephon)
Advisor



(Prof. Dr. Srisakdi Charmonman)
Chairman



(Dr. Chamnong Jungthirapanich)
Dean and Co-advisor



(Assoc. Prof. Somchai Thayarnyong)
CHE Representative

November 2004

ABSTRACT

Successful business enterprises are the ones that can best capture and transform resources to provide benefits in the form of profit for its own existence. With this objective in mind, it can be observed that every business should develop successful relationship with its network. Moreover, business enterprises should also establish key success factors that can best achieve the corporate's objectives. However, it is important that regardless of alternative strategies employed by the organization, one thing is certain that effective strategy should be customer-centric strategy and understanding customers is the first and most effective way of conceptualizing the firm's strategy.

The research is conducted to test customers' behavior against four marketing factors which are product, price, place, and promotion with the aim of developing a formula of relationship in linear regression format with specification to Starbucks customers as a case study basis. The survey is conducted through the use of questionnaire, which is then being distributed across the Bangkok area.

Finally, the result of the research suggests that though all marketing factors are related to the numbers of Starbucks customers, product is the most influential factor followed closely by place, and then by Starbucks promotion. On the contrary, though the pricing variable exhibit strong relationship, its relationship is expressed in negative terms, in other words, price increase will be detrimental to the increase of purchase decision of Starbucks by customers.

ACKNOWLEDGEMENTS

Several people have made contributions to this project. The author would like to acknowledge their efforts and thank them for their contributions.

The writer would like to thank Dr.Thanatphong Pratheephaweephon for his valuable suggestions and advice given for the preparation of this project.

In addition, the writer would like to thank Mr.Chatchai Thiengkamol and Mr.Chamnan Ngammaneeudom for their constructive information from the beginning of this project to the last stages of its completion

Finally, the writer wishes to give her deepest appreciation to her family for their love, understanding and encouragement. The writer dedicates this thesis to them with love and gratitude.

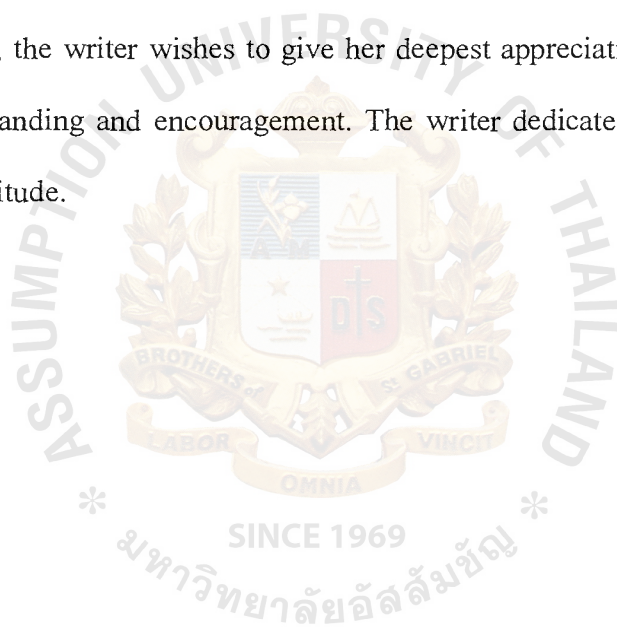


TABLE OF CONTENTS

<u>Chapter</u>	<u>Page</u>
ABSTRACT	i
ACKNOWLEDGEMENTS	iii
LIST OF FIGURES	v
LIST OF TABLES	vi
I. INTRODUCTION	1
1.1 Starbucks Company Background	1
1.2 Research Objectives	11
1.3 Scope	11
II. LITERATURE REVIEW	12
2.1 Competence, Practices and Competition	12
2.2 Relations and Resources	14
2.3 IT as Needed Resource	15
2.4 From Capabilities to Practices	18
2.5 Relationship Strategy	19
2.6 Success Factors and Network Management	21
2.7 Key Success Factors through Network dimensions	22
2.8 Customers as the Most Important Group in the Network	23
III. RESEARCH METHODOLOGY	25
3.1 Research Methodology	25
3.2 Research Sample	25
3.3 Structure of Questionnaire	27
3.4 Collection of Data/Gathering Procedure	30

<u>Chapter</u>	<u>Page</u>
3.5 Data Analysis Technique	30
IV. DATA ANALYSIS	32
4.1 Descriptive Analysis	32
4.2 Multiple Regression	52
V. CONCLUSIONS AND RECOMMENDATIONS	55
5.1 Conclusions	55
5.2 Recommendations	56
APPENDIX A QUESTIONNAIRE IN ENGLISH	58
APPENDIX B QUESTIONNAIRE IN THAI	63
BIBLIOGRAPHY	66



LIST OF FIGURES

<u>Figure</u>	<u>Page</u>
4.1 Frequency of Customer visiting Starbucks	32
4.2 First Thing That Come to Customer's Mind When Thinking Starbucks	33
4.3 How Customers Like Their Coffee	34
4.4 Flavors That Customers Enjoy	35
4.5 Customers' Order	36
4.6 Time That Customers Visit Starbucks	37
4.7 Location That Customers Usually Visit	38
4.8 Do Customers Think that Starbucks Location is Convenient	39
4.9 How Customers Consume Starbucks' products	40
4.10 How Customers Perceive Starbucks' Decoration	41
4.11 How Customers Perceive About Starbucks' Current Price	42
4.12 How Customers Hear About Starbucks	43
4.13 Sales Promotion That Can Attract Customers to Purchase More Of Starbucks Products	44
4.14 How Does Starbucks' Conservation/Environmental Protection Program Influence Customer Buying Decision	45
4.15 The Strongest Driver Behind Customer Purchase Decision of Starbucks' Products	46
4.16 Gender of Respondents	47
4.17 Age of Respondents	48
4.18 Marital Status of Respondents	49
4.19 Occupation of Respondents	50
4.20 Personal Income of Respondents	51



LIST OF TABLES

<u>Table</u>	<u>Page</u>
2.1 Key IT Capabilities	17
3.1 Arrangement of Questionnaire	28
4.1 Prediction Value Summary of the Model	53
4.2 Equation from the Multiple Regression	54



I. INTRODUCTION

1.1 Starbucks Company Background

Starbucks began in 1971 when three academics—English teacher Jerry Baldwin, history teacher Zev Siegel, and writer Gordon Bowker—opened a store called Starbucks Coffee, Tea, and Spice in the tourist Pike's Place Market in Seattle. The three partners shared a love of fine coffees and exotic teas and believed they could build a clientele in Seattle much like that which had already emerged in the San Francisco Bay area. Each invested 1,350 and borrowed another 5,000 USD from a bank to open the Pike's Place store. Baldwin, Siegel, and Bowker chose the name Starbucks in honor of Starbuck, the coffee-loving first mate in Herman Melville's *Moby Dick* (so the company legend has it), and because they thought the name evoked the romance of the high seas and the seafaring tradition of the early coffee traders. The new company's logo, designed by an artist friend, was a two-tailed mermaid encircled by the store's name.

The inspiration for the Starbucks enterprise was a Dutch immigrant, Alfred Peet, who had begun importing fine arabica coffees into the United States during the 1950s. Peet viewed coffee as a fine winemaker views grapes, appraising it in terms of country of origin, estates, and harvests. Peet had opened a small store, Peet's Coffee and Tea, in Berkeley, California, in 1966 and had cultivated a loyal clientele. Peet's store specialized in importing fine coffees and teas, dark-roasting its own beans the 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 well acquainted with Peet's expertise, having visited his store on numerous occasions and spent many hours listening to Peet expound on quality coffees and the importance of proper bean-roasting techniques. All three 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.

Company-operated Retail Stores

Starbucks has a long-held strategy to expand its retail business by opening additional stores in the domestic market and opening stores in new markets where the opportunity exists to become the leading specialty coffee retailer. At fiscal year end, Starbucks had 3,779 company-operated stores in the United States, 373 in the United Kingdom, 316 in Canada, 40 in Australia and 38 in Thailand. Company-operated retail stores accounted for approximately 85% of the total net revenues during fiscal 2003, or \$3.5 billion.

Specialty Operations

During fiscal 2003, specialty revenues (which include royalties and fees from licensees as well as product sales derived from Specialty Operations) accounted for approximately 15% of the total net revenues, representing \$611.3 million. Specialty operations are conducted through the Licensing segment; Food Services segment; and Other Initiatives segment.

Licensing

During fiscal 2003, Starbucks opened 315 licensed retail stores in the United States. In addition, Starbucks obtained 76 franchised SBC retail stores through the acquisition of SCC in July 2003. As of September 28, 2003, the Company had 1,422 licensed or franchised stores in the United States. Product sales to and royalty and license fees from these stores accounted for approximately 22% of specialty revenues in fiscal 2003.

Food service

In fiscal 2003, the company had approximately 12,800 foodservice accounts, and revenues from these accounts comprised approximately 27% of specialty revenues.

Other initiatives

The company has several other initiatives designed to enhance its core business. The company maintains two websites namely Starbucks.com and SeattlesBest.com, from which customers may purchase coffee, coffee flavourings and gift items online. Collectively, these operations accounted for approximately 8% of specialty revenues in fiscal 2003.

Starbucks' Mission Statements

Establish Starbucks as the premier purveyor of the finest coffee in the world simultaneously maintaining the uncompromising principles while the company is growing.

The following six guiding principles will help the company to measure the appropriateness of decisions:

- (1) Provide a great work environment and treat each other with respect and dignity.
- (2) Embrace diversity as an essential component in the way we do business.
- (3) Apply the highest standards of excellence to the purchasing, roasting and fresh delivery of our coffee.
- (4) Develop enthusiastically satisfied customers all of the time.
- (5) Contribute positively to our communities and our environment.
- (6) Recognize that profitability is essential to our future success.

Starbucks' Environmental Mission Statement

Starbucks is committed to a role of environmental leadership in all facets of our business. We fulfill this mission by a commitment to:

- (1) Understanding of environmental issues and sharing information with our partners.
- (2) Developing innovative and flexible solutions to bring about change.
- (3) Striving to buy, sell and use environmentally friendly products.
- (4) Recognizing that fiscal responsibility is essential to our environmental future.
- (5) Instilling environmental responsibility as a corporate value.
- (6) Measuring and monitoring our progress for each project.
- (7) Encouraging all partners to share in our mission.

SWOT ANALYSIS

Starbucks is the world's leading specialty coffee retailer. The company has roughly 6,500 retail store locations around the world in such locations as office buildings, shopping centres, airport terminals and supermarkets. Long-standing concerns over the sustainability of growth within the US retail division remain.

Strengths

Financial resources

Starbucks has considerable financial strength. In fiscal 2003, Starbucks generated revenues of \$4.1 billion, a 24% increase on the previous year. The company's most recent financial reporting relates to the four-week period that ended on January 25, 2004, when the company generated net revenues of \$367 million, up by 28% in the same period in 2003. The company is the world's #1 specialty coffee retailer, and as such it has a greater financial reach than practically all of its competitors. Huge

financial resources enable the company to take advantage of market opportunities, investments and expansion activities that are not available to smaller firms with a reduced capital.

Global Presence

Starbucks is a truly global brand. The company has roughly 6,500 retail store locations around the world, the majority of which are company owned and operated. The company has cast its net across 30 countries in a bid to establish a pioneering image, and although such a strategy has generated limited early returns from its international business, the company has succeeded in developing a truly global brand. At fiscal year end 2003, the company had a total of nearly 1,300 licensed retail stores, including nearly 1,000 in the Asia-Pacific region, 176 in Europe/Middle East/Africa and the remainder in the Americas, excluding North America (Canada, Hawaii, Mexico, Puerto Rico, Peru and Chile).

A Disciplined Innovator

Starbucks is a disciplined innovator, and good management of its innovation time line is one of the primary reasons behind the company's success in generating consistent high level of same store sales. Starbucks currently has a number of new ideas being tried and tested in its stores. In fiscal 2002, the company introduced new Frappuccino Blended Beverages, and in July 2003, the "Iced Shaken" refreshments product line was launched. Starbucks' ability to roll out new initiatives and products relatively quickly is a considerable competitive strength for the company. That it can rapidly fill gaps in its calendar is a by-product of Starbucks' company-owned retail structure, vertical integration of many products and relatively simple store operations.

Consistent Strength of Core Product

In the last seven years, Starbucks has consistently derived increasing proportions of its annual revenue from its beverage business unit. It is good for Starbucks to focus on the beverage market, as this core product division dictates the direction of other units, such as merchandise and food. A continued growth in the beverages unit represents the overall company growth for Starbucks, as it shows the consistent strength of the core product.

Weaknesses

Reliance on US market

Starbucks', headquartered in Seattle, derives approximately 85% of its revenue and substantially all of its profits from its domestic US market. Given the company is an international brand with wide ranging operations, it should be looking to generate a greater proportion of revenues from outside the US. Such is Starbucks' reliance on this market, the company's entire performance will be materially affected should the company's US units under-perform, as a result of economic conditions or increased levels of competition.

Rapid Build-out Hangover

Starbucks based its international strategy on the basis that maximum benefit can be derived from entering markets early to capture a first mover advantage. In accordance with this, the company rapidly cast its net, establishing operations in around 30 countries since 1995, and in doing so, incurring sizeable overhead charges. Also, in the company's haste to increase its scale, some rash decisions were made and some of these mistakes have delayed progress to profitability. Starbucks' business model has certainly come in for some criticism, although the company's international business should finally become profitable in fiscal 2004.

Reliance on Beverage Innovation

An important long-term risk to the company's stock is a lower valuation caused by a slowdown in US sale store growth. Starbucks' store sales growth has been largely driven by beverage innovation, but there are questions over how long this can last. Diminishing return from beverage innovation, one of the company's competitive strengths, would have a significant adverse effect on the company's performance.

Performance of International Operations Unit

Starbucks' International operations division has faced problems of expansion, with a number of openings failing to be successful. In 2003 Starbucks Coffee International ended its joint venture with the Delek Group of Israel. Following this decision, Shalom Coffee Company, the joint venture between Starbucks Coffee International and the Delek Group, closed its six Starbucks stores in Tel Aviv.

Opportunities

International Operations

By the end of fiscal 2004, Starbucks' international business should finally achieve profitability. About 23% of the company's stores are located outside North America. Key markets include the UK and Japan, which should provide useful indicators for the respective performances of Starbucks' other operations in Europe and Asia.

Growth market

The specialty coffee sector accounts for roughly 15% of the US retail coffee market, which is already worth \$21 billion. By 2005, the retail coffee market is expected to be worth \$22 billion, and the specialty coffee sector will grow to account for 41% of this market. Starbucks has a market share of over 40% of the specialty coffee market, and the anticipated growth in this category will offer the company considerable opportunities for further growth and expansion in the near future.

Starbucks Visa Card

The Starbucks Visa Card is likely to bolster revenues in 2004. During fiscal 2003, the company's retail sales mix by product type was comprised of approximately 78% beverages, 12% food items, 5% whole bean coffees and 5% coffee-making equipment and accessories. By diversifying its revenue streams Starbucks should be able to both increase the stability of its financial position by reducing its reliance on certain product lines, and also grow its revenues.

Clustering of Company Units

With the continued growth of the coffee market, the company has looked to expanding its business, including those areas where it has an established presence. Working on the basis that a key driver of business is the convenience of the company's outlet location, Starbucks has looked to cluster its units so as to dominate particular areas. The financial reward derived from this practice has been found to be considerable, as new outlets have not been found to eat into the business of existing outlets. A continued strategy of unit clustering, and a focus on stores that have convenient access for pedestrians and drivers, represents further opportunity for Starbucks to capture an increasing share of the coffee market.

Threats

Supply Risk

Starbucks is dependent on trading companies and exporters for its supply of green coffee. The company is looking at securing long term supply contracts, and in some cases has had to pay inflated prices in order to obtain such contracts. Starbucks responded to world coffee prices reaching 30-year lows during fiscal 2001 by offering suppliers more money to guarantee supply, and as such the risk of non-delivery on such purchase commitments is low. However, the nature of the business dictates that the company's dependency on suppliers does put it at risk.

Slowing US Retail Sales

Long-term concerns regarding US store growth potential still remain. If current growth continues, saturation levels within the North American retail division will be reached inside five years. This represents a considerable concern for Starbucks, given that over the last two years, domestic retail has been the source of about 75% of the company's revenue growth and an even greater proportion of profit growth. Before they reach saturation point, US retail sales growth will slow considerably over the next three to five years, further increasing the pressure on the international division to justify the company's investment in expansion.

Competition

The global coffee market is a very competitive sector, and Starbucks must compete against the likes of restaurants, coffee shops, and street carts. A major competitor, with substantially greater financial, marketing and operating resources than Starbucks, could enter this market at any time and compete directly against the company. The US specialty coffee market continues to grow, and an increasing number of firms are looking to enter the market. Starbucks must be aware of competition on all levels and maintain its operational performance if it is to retain its status as the world's leading specialty coffee retailer.

Volatility of Market

Starbucks is at risk to the volatility of the supply and price of coffee. The company's search for superior standard coffee means it can be adversely affected by multiple factors in the producing countries, including weather, political and economic conditions. In addition, green coffee prices have been affected in the past, and may be

affected in the future, by the actions of organizations and associations that have in the past attempted to influence prices of green coffee through agreements establishing export quotas or restricting global coffee supplies. The actions of these associations could cause a degree of costly disruption to Starbucks's operations.

Rising Dairy Costs

A further concern for the company is rising dairy costs. At the end of the last calendar year, these were up about 40% year on year, and this issue could begin to affect Starbucks' cost of goods. Milk and other dairy products probably represent between 3% and 5% of sales, and sustained high margins could impair the company's margins.

Starbucks' Problems

Of course the route to the top is never perfectly smooth, and Starbucks itself is no stranger to criticism and controversy. There are numerous "anti Starbucks" Web sites, which provide various levels of detail about alleged mistreatment of suppliers and anti-competitive practices. Whether these stories have a basis in fact is open to question. What is not, however, is that this negative publicity is bad news for the Starbucks brand.

But for all the negative publicity, there are also many shining examples of good corporate citizenship. For instance, Starbucks was among the first companies to offer health benefits and stock options for part-time employees. And in an interview with Business Ethics Magazine, CEO Orin Smith is quoted as saying: "social responsibility is not an add-on to our business - it's an essential part of who we are". Although an easy declaration to make, Fortune magazine reports how founder Howard Schultz has won the respect of many critics through his handling of a robbery at one of his Washington cafés in which three Starbucks employees lost their lives. Schultz was immediately on

the scene, helped in every way he could and also declared that all future profits from that café would be donated to charities in the future.

1.2 Research Objectives

- (1) To identify consumer behavior of Starbucks current customers.
- (2) To analyze the key success factors of Starbucks.
- (3) To recommend strategies that would strengthen Starbucks' key success factors

1.3 Scope

The scope of this project would be to analyze current consumer behavior of Starbucks(Thailand) to identify its key success factors in order to create the marketing strategy that would strengthen its key success factors.



II. LITERATURE REVIEW

No company can survive or even exist by only using its internal resources. Every company is in some way dependent on external resources but these resources are not for free, they have to be achieved. There is also a strategic choice for the best combination between resources to exchange with others and resources to develop internally. As the demand for innovation and economic efficiency has increased, the complexity of relationships has grown. Instead of straight forward buyer-seller relationships there are strategies such as joint ventures, strategic alliances and supply chain management (Leek et.al. 2001). It is not unusual that more than two parties are involved in a relationship affecting the interaction.

Many models and concepts about how to handle this exist and the purpose of this paper is to examine the basic question on how to achieve a competitive advantage and what determine key success factors.

2.1 Competence, Practices and Competition

The concept of “core competence” was introduced by Hamel and Prahalad (1990) and takes a starting point in the resource based view of competition, which explains a company’s success in terms of its internal competencies. Competence is often defined as a series of processes or activities or as a potential or qualification to perform activities (Hamel and Prahalad, 1990).

However, competence can never create an advantage in competition if the skills and qualifications based on this competence are not used in practice. Practices are what a firm is actually doing or have done so that there is a record of performance as well as some element of continuity in behaviours and its results, otherwise it is hard to recognize as “a practice”, not only sporadic behaviour. Best practices are business

practices that can be found in a population of firms that can show a track record of comparatively very high operational performance of the particular business practice or process in the population (Knuckey et al, 1999).

Equally important is that the competences developed by the company supports the factors critical for competitive performance and success. Several studies have been done on identifying the key success factors and there are similarities in their findings and some common factors can be defined for achieving excellent performance. Ghosh et.al (2001) found that good customer relationship, effective management and marketing were among the important factors that contributed to successful SMEs in a cross-national study covering Singapore, Malaysia, Australia and New Zealand.

DeHayes and Haeberle (1990) identified the ability to develop and sustain technological advantages, the ability to identify and focus on market niches, strategic alliances with customers and strategic use of information technology as important factors for success.

According to Ritter and Gemünden (2004) particular relevance to a company's innovation success is its ability to develop and use technology oriented inter-organizational relationships. Ritter and Gemünden (2003) also use the term 'network competence' to describe the company-specific ability to handle, use and exploit inter-organizational relationships. Access to resources through the surrounding network and the importance of interaction and relationship strategy is also the main theme in network theory (Håkansson, 1982; Easton and Arajou, 1985).

Obviously, one common success factor is the company's ability to handle relations with customers, suppliers and partners. The starting point of these relationships and the development of a relationship strategy is the interdependence of companies based on the need to acquire resources, knowledge and abilities of others in the

surrounding network (Turnbull, Ford and Cunningham, 1996). These resources can be discussed in at least three categories (Turnbull and Wilson, 1989) where the category concerning the skills which companies possess is relevant to competences and success factors. These skills can be viewed as a set of technologies separated in product technology, which consists of the ability to design products and services; process technology, which comprise the ability to manufacture or produce products and services and finally marketing technologies, which consists of the abilities to analyze the requirements of customers. Marketing technology also includes relationship competence and the skills concerning managing the relations.

The true mission of a company should be the creation of value for the three key constituencies of a business system: customers, employees, and investors. A successful business enterprise is a partnership that includes customers, employees, and investors (Reichheld, 1994). However, like all types of partnership, the roles of business must be mutually beneficial to this network relationship (Håkansson, 1987). Any business that fails to provide mutual benefits to these three constituencies will eventually die out.

2.2 Relations and Resources

Companies get accesses to external resources by developing and maintaining relations and positioning in the network. Which resources to exchange externally and which to develop internally, and among them, what is the core competence of the company should be defined by strategy. But this strategy cannot build a competitive advantage if not realized in practice. Nor can the resources, internal or external, be useful if the company does not have the capabilities to explore them. No matter how many relations the company builds and thereby gets access to valuable resources, success will never be achieved. Therefore the combination of network competence, exchange of resources, required capabilities and use of practices could be the key to

success. The model of two layers in industrial networks, the exchange layer and the resource layer, handles parts of this combination (Wedin & Johansson, 1997). The relation exists in the exchange layer where the resources to exchange are defined. The resource layer concerns the actual value creating resources, i.e. machines, competence, people etc. Therefore it is the resource layer that determines which exchanges are possible and the exchange layer can be viewed as embedded in the resource layer. In this view the capabilities and practices is of importance to which resources will be exchanged and thereby direct the preferable relations.

2.3 IT as Needed Resource

In the process of developing and exploiting resources in more and more complex and knowledge-intensive relations inside and outside the company IT can play a key role. With quick and easy access to external resources of knowledge and efficient communication channels with partners, IT can extend the ability to develop relations and leverage flexibility and responsiveness.

To achieve this, a strategy for implementing and developing the IT structure and processes has to be created. Schwarz and Hirschheim (2003) suggests that if organizations focused more on developing and implementing a sound IT governance strategy, it would help executives to manage not only the IT related activities but also to focus on the IT capabilities, relational architectures and integration architectures that are currently used by successful organizations. However, most literature as well as research, is focusing large organizations and there is a lack of literature on IT applications in SMEs. Corso et.al. (2001) has found a substantial lack of empirically grounded explanatory models on IT application in SMEs. In most cases the small size of a company is interpreted as synonymous of the inability to commit financial and human resources, unable to rely on external technical skills, not using IT as a tool for long term

strategic plans and not understanding the potential benefits of IT. But there are more recent and ongoing studies documenting increasing levels of technological competence and greater management commitment within SMEs. (Piscitello and Sgobbi, 2003; Saarenketo et.al, 2002; Corso et.al 2001). Sambamurthy and Zmud (2000) have defined six critical capabilities related to IT (table 1). A specific company can require one or several of these capabilities. The set of capabilities required is not related to industry or size of the company, rather the environment and competition will define which capabilities the company would benefit from.



Table 2.1. Key IT Capabilities.

Capability	Description
Value Innovation	Envisioning how novel combinations of strategic business Levers could be realized through IT and thus promote IT-based Business innovation.
Knowledge work leverage	Developing collaborative and harmonious relationships between IT and business managers so as to enable the sharing of Knowledge and innovation risk and the joint ownership of Technology based initiatives.
IT-enabled business Platform	Architecting IT infrastructures to create resilient and reliable Business platforms that enable and shape current and future product-market initiatives.
Operational excellence	IT enables business units to meet their supplier and customer Needs in a cost effective, reliable and timely manner.
Value-chain extension	IT implementing internal and external business processes that Are adaptable, effective and cost-efficient.
Solutions delivery	Gaining access to and effectively managing IT assets such that Continual streams of IT-based solutions are provided in Response to emerging business opportunities and challenges.

Source: Sambamurthy and Zmud (2000)

These critical capabilities can also be divided into three main characteristics (Schwarz and Hirschheim, 2003):

- (1) Defined by the value added contribution of IT assets and routines to the company.

- (2) Understood and operationalized as comprised of highly interdependent core assets and routines that take on distinctive profiles in their situational execution,
- (3) Dynamic in that the capabilities apply skill sets and routines that evolve very rapidly and are typically acquired and retired in a discontinuous fashion.

2.4 From Capabilities to Practices

As we have seen above, IT could be a key contributor to achieve an advantage. But the question still remains that the capability has to be realized to create the advantage. Capabilities is what a firm can do, in other words the performance of different business practices that vary in different ways, and in coordination, contribute to the creation of value for customers. Dynamic capabilities is what a firm can do in the area of innovation, e.g. product development practices, or learning processes and practices for improving on what it does (e.g. benchmarking, learning by doing), that can be seen as its different types of business practices. Capabilities come close to organizational routines as codified and/or institutionalized ways of doing things that is a form of practices. But capabilities are in many cases at a level of abstraction from concrete business operation and include the assumed potential of what a firm would be able to do. There is also a link between the practices adopted and the performance of processes within businesses. Those businesses that adopt a coordinated and cooperative approach to development generally outperform firms that do not follow this approach. This coordinated and cooperative approach has often been denoted the “best practice”. The logic behind the best practice is simple. Because operational outcomes are key contributors to competitiveness and business performance, and because best business

practice should improve operational outcomes, good practice should lead by implication to improved competitiveness (Knuckey et al, 2002).

However, in the past few years, the notion of “best practice” has increasingly become recognized as a moving target. What was earlier considered as ‘best practice’ is not necessarily today regarded as one and there is no single set of “best practices” – there are too many variables. Instead, companies speak of good practice, business improvement and business excellence. These are practices that in combination appear to provide firms that adopt them with a competitive advantage over firms that do not (Wikström, S. & Norman, R. 1994).

Good business practices can be regarded as the base on which the firm’s distinctive capabilities and competitive advantages are built. Maintaining these, and to develop them further, a continual reinvestment and development of processes and practices are required (Norman, R & Ramirez, R, 1994). The reputation of a firm, for example, is a function of its history in areas such as customer service, customer satisfaction and delivery performance. But reputation does not last forever - it needs to be assessed and possibly enhanced. (Senge, P M, 1990)*

2.5 Relationship Strategy

A strategic approach on inter-company relationships is required if a company seeks to exploit and enhance resources. The interdependence of companies should be the basis of the strategy development and should cover the need to generate revenue from other companies, the need to use the knowledge and abilities of others and also the need to acquire some knowledge from other companies for itself (Turnbull, Ford & Cunningham, 1996). The basis for this interdependence is the resources the companies possess and in order to exploit and develop these resources companies interact and develop relations. These relations evolve over time and by careful management the best

possible value can be obtained from these relations. The pattern of interaction with others defines the nature of the company and its position in the network. Each interaction will have its own characteristics depending on the motivations of the two parties. Each of these interactions has a different function for the two parties involved and relationship strategies involves the process of exploiting, maintaining or altering the company's position in the network. In order to achieve this it is necessary for both suppliers and customers to make some degree of investment in the relationship. Such investments are classified as general, market-specific and relationship-specific and could be costly in the early stages but are expected to decrease over time as the relationship develops (Hägg & Johansson, 1982).

To maximize the long term profitability the portfolio theory can be applied to customer relationships. The purpose is to allocate the suppliers limited resources to an optimal combination of customers. These customers are classified in three dimensions – cost to serve, net price and relationship value. However, relationship portfolio management also involves choosing between different sets of relations. Developing a closer relation with one customer, or group of customers, would involve a level of commitment, which could mean that the supplier has to keep a more distant relationship to others (Turnbull, Ford & Cunningham, 1996). Besides, within a customers' portfolio, there is a combination of different customers -- some are profitable, some provide break even, and a number is unprofitable. Thus, establishing customer relationship will not always increase profit. Therefore, customer retention should be targeted at the company's profitable customers group. Building customer relationships also requires different perspectives toward the marketing approach. Payne, et. al, 1998, 2000, Peck, et. al, (2000) and Ballantyne (2000) suggested a theory of relationship marketing based on a broader perspective than an earlier transactional approach. The key elements are:

emphasis in the interaction between suppliers and customers shifting from a transaction to a relationship focus; relationship marketing focuses on maximising the lifetime value of desirable customers; relationship marketing strategies are concerned with the development and enhancement of relationships with a number of important markets (customers, suppliers, referral sources, influence markets, and recruitment markets); and relationship marketing is a joining force that brings quality, customer service, and marketing closely together. The relationship marketing concept suggests that instead of the narrow, transactional, one-time, view of marketing, marketing should emphasize on closer relationship between an organization and its markets.

2.6 Success Factors and Network Management

It is not possible to analyse a dyadic relationship isolated from influences from and interactions with other organizations related to the parties in the dyadic relation. This understanding has led to the development of theory on network structure and dynamics. It provides a useful framework for analysis of business relations. An important issue of this framework is the concept of network position. Network position can be seen as the result of the management of the relationship portfolio. It can be analysed in three categories:

- (1) *Access* to the resources of other network members,
- (2) *Reputation* among other network members based on their experiences,
- (3) *Expectations* from other network members that can both facilitate and restrict the freedom of action of a company.

The different stages in the development of the network approach from the early studies of supplier-customer relationships can, when related to competitiveness, be described in the following sequence (Turnbull, Ford & Cunningham, 1996):

(1) *Competitiveness and interaction with customers*

This view recognizes that the pattern and characteristics of the interaction is important to the customer's attitudes towards suppliers.

(2) *Competitiveness and interaction strategies*

Different strategic approaches can be used on customer interaction, i.e. technical innovativeness, supply security, low price or product adaptation.

(3) *Competitiveness through organizational evolution*

The formal and informal structures within supplier companies are of vital importance when presenting to customers a co-ordinated and competitive ability.

(4) *Competitiveness through improvements in customer portfolios*

The portfolio concept allows for selectivity and focuses on strategically important customers and segments.

(5) *Competitiveness through inter-organizational personal contacts*

Competitiveness is a function of how personal contacts between individuals and groups are managed and how the human resources involved are distributed and coordinated.

(6) *Competitiveness through mobilizing the network.*

Competitiveness is associated with the ability to mobilize and coordinate the resources of the surrounding network.

2.7 Key Success Factors through Network Dimensions

In the final stage of the development of network approach, competitiveness is defined as associated with the exchange and coordination of resources. But the exploring of these resources, leading to value added activities is rather associated with action which in turn relates to practices. In the network approach the network is defined

in three dimensions: resources, activities and actors (Gadde, Huemer & Håkansson, 2003). Regarding activities, focus is on the coordination of activities in the network. This coordination affects the performance of the company and it is therefore important to relate the activities to those of other companies to enhance performance. Regarding actors the network view is that actors are defined as being based on the resources they have mobilized and the activities they are involved in. This is in contrast to the earlier discussion about competitiveness based on capabilities and practices.

Network approach explains many aspects of a company's behaviour but not all. When trying to understand factors for success and competitiveness, the network approach focuses on the handling of relations and network position in order to achieve resources. But no explanation to the next step, the exploration of these resources in an efficient way is given other than that of the continual importance of the network relations. Actually there is limited support for the decisions on the initial step also – what combination of resources would fit the company best. Therefore the network approach should be considered as one part of the overall view of the company. Capabilities, where the company actively strives for a set of desired capabilities based on its own strategy, are definitely a vital part in understanding a company's behaviour. Practices are also useful in understanding the outcomes of the company. Core competence is another example of concept that falls outside the network approach but still explains many successful companies. The author therefore repeats what has been said in the beginning that “the combination of network competence, exchange of resources, required capabilities and use of practices could be the key to success”.

2.8 Customers as the Most Important Group in the Network

As mentioned earlier, the true mission of a company should be the creation of value for the three key constituencies of a business network: customers, employees, and

investors (Reichheld, 1994). Though all of the three constituencies must be well treated, customers are the group that should be considered before the other two because customers are very volatile in their needs, which results in the degree of mobile loyalty (Reichheld, 1994). Customers are the groups that have the least emotion and capital invested in the company and usually can leave the partnership network with minimal effort (Reichheld, 1994). So one of the key underlying foundations to corporate success is to thoroughly understand and accurately predict customer behavior.

Customer satisfaction has traditionally been regarded as a fundamental determinant of long-term consumer behaviour (Oliver, 1980; Yi, 1990). The more satisfied customers are, the greater is their retention (Anderson and Sullivan, 1993; Fornell, 1992), the positive word of mouth generated through them (Reichheld and Sasser, 1990), and the financial benefits to the firms who serve them (Fornell *et al.*, 1995). It is no surprise, therefore, that a fundamental aim of firms is to seek to manage and increase customer satisfaction.

There are at least four behavioural mechanisms that customer satisfaction can produce regarding purchase behaviour:

- (1) Higher arrival rate: A satisfied customer is likely to make more trips to the firm. In other words, the firm can increase its market share of the product category by making the customer satisfied.
- (2) Lower death rate: A satisfied customer is less likely to switch to another seller or leave the product category entirely.
- (3) Higher expenditure: A satisfied customer may increase her average spending in the product category on each purchase visit.
- (4) Positive word of mouth: A satisfied customer may spread positive word of mouth to other potential customers and hence increase the number of new customers.

III. RESEARCH METHODOLOGY

This chapter provides an overview of the research methodology used in this research. Research methodology is discussed, followed by the research sample, structure of questionnaire, and collection of data/gathering procedure. Finally, the data analysis technique is also included in this chapter in the last section.

3.1 Research Methodology

Secondary Research

Secondary data was applied both directly and indirectly to this research. The researcher collected relevant information from textbooks, journals, and web sites on key success factors, and marketing mix. The researcher tried to gather the information to ascertain the various definitions of key success factors as well as the marketing mix concept. These secondary data can lead to more insight in conducting primary research (used to create questionnaire).

Primary Research

This research study uses the Sample Survey as a research method. Surveying is a method of gathering information from a sample of people by use of a questionnaire. This is done in order to describe or predict phenomena. Sample survey methods are used in order to obtain information from respondents about the population.

3.2 Research Sample

Target population

The target population of this research is Starbucks's customers. The Starbucks's customers are classified as customers who have been going to Starbucks

Sampling Method

Non-probability sampling method will be used in this research. Non-probability sampling is defined as a sampling technique in which units of the sample are selected on the basis of convenience; the probability of any particular member of the population being chosen is unknown (Wright, 2000).

Non-probability sample is a sample that relies on convenience somewhere in the element selection process and therefore prohibits estimating the probability that any population element will be included in the sample (Wright, 2000).

Judgment sampling technique will be used to select the respondent, in which the researcher uses her own judgement alone with the screening questions in selecting the respondent who can provide the needed information for the study.

Sample Size

The sample size equation below was used to calculate the sample size needed relative to the population. (Yamane, 1999).

$$n = \frac{N}{1 + N(e)^2}$$

In the study, the total population (Starbucks's customers) is unknown. The researcher replaces the unknown number with the population of Thailand or 63,431,560. The confidence interval 95% with precision level of $\pm 5\%$ was accounted in the equation below:

$$400 = \frac{63,431,560}{1 + 63,431,560 (.05)^2}$$

Thus, $n = 400$. Therefore, in order to be 95% confident of estimating the proportion, a sample size of 400 is the minimum number of samples required for this research. Therefore the sample size for this research is 400 sets of data.

3.3 Structure of Questionnaire

The research instrument to be used for collecting primary data is self-administered questionnaire, which is the most flexible of data collection methods. The form of the questions is closed-ended which helps respondents to answer quickly with ease from among several alternative responses. It consisted of questions to be asked to respondents, who are Starbucks's customers.

The questionnaire consists of 7 parts as the following:

- Part I : Screening Question
- Part II: Marketing Mix in terms of Product
- Part III: Marketing Mix in terms of Place
- Part IV: Marketing Mix in terms of Price
- Part V: Marketing Mix in terms of Promotion
- Part VI: Summary of Marketing Mix
- Part VII: Demographic Profiles

Table 3.1. Arrangement of Questionnaire.

Main Variable	Sub Variable	Question Number
Screening	<ol style="list-style-type: none"> 1. Have you ever drunk coffee at Starbucks Coffee? 2. How often do you visit the Starbucks Coffee? 	Q1-2
Product	<ol style="list-style-type: none"> 3. When tasting coffee in Starbucks, what is the first thing that comes to your mind? 4. How do you like your coffee? 5. What sort of flavors do you generally enjoy? 6. What type of drink do you usually order in Starbucks? 7. When do you usually visit Starbucks? 	Q3 – Q7
Place	<ol style="list-style-type: none"> 8. Which branch of Starbucks do you go often? 9. Do you think that the current Starbucks location is convenient for you? 10. How do you usually consume Starbucks' products? 11. How do you perceive the attractiveness of Starbucks' decoration? 	Q8 – Q11

Table 3.1. Arrangement of Questionnaire (Continued).

Main Variable	Sub Variable	Question Number
Price	12. How do you perceive Starbucks' current price?	Q12
Promotion	<p>13. How did you come to know about Starbucks?</p> <p>14. What types of sales promotion can attract you to purchase more of Starbucks products?</p> <p>15. How does Starbucks' conservation / environmental protection program influence your decision to purchase its products?</p>	Q13-15
	<p>* 16. From all of the mentioned factors, what is the strongest driver behind your purchase decision of Starbucks' products?</p>	Q16
Demographic Profiles	<p>17. Gender</p> <p>18. Age</p> <p>19. Marital Status</p> <p>20. Education</p> <p>21. Career</p> <p>22. Personal Income</p> <p>23. Household Income</p>	Q 17-23

3.4 Collection of Data/Gathering Procedure

The data collecting method applied in this research consists of the primary data, which is the data gathered and assembled specifically for the research project at hand. The research instrument used in collecting the primary data is a self-administered questionnaire, the most flexible of data collection methods. The questions are closed-ended, which helps respondents answer quickly and with ease by choosing among several alternative responses. The respondents are Starbucks's customers.

A sample size of 400 is the number of samples required for this research. The survey method is self-administered questionnaires distributed to current customers when they came to the company for service, whereas former customers were contacted by phone first to see if they were willing, and if they were, then the questionnaires were sent to them by mail. The researcher collected the data from the target population during October 2004.

Respondents were allowed to complete only one survey and were asked to base their answers on their cumulative experiences with the service providers. Then, structured questionnaires will be distributed to respondents on the basis of personal judgment. After the required data are collected, it will be analyzed and summarized in a readable and easily interpretable form. The Statistical Package for Social Science (SPSS) program will be employed to summarize the data as needed.

3.5 Data Analysis Technique

After the completion of data collection, the data will be interpreted using the Statistical Package for Social Sciences (SPSS). The form of data presentation from these procedures is presented in easily interpretable formats. All the statistical

procedures will be carried out on computer software package to ensure accuracy and to minimize cost.

Two statistical procedures will be used in this research, which are descriptive statistic and multiple regression. The researcher will use SPSS for statistical analysis. The statistic tools will be used to answer the following research questions based on the statement of the problem of this research.

- (1) Descriptive analysis will be performed to derive the frequency tables and percentages in order to observe the distribution of variables within the populations based on the frequency of occurrence, and percentage of occurrence exhibited by the population regarding the various factors affecting the key success factors.
- (2) Multiple regression is used often to develop a self-weighting estimating equation by which to predict values for a criterion variable from the values for several predictor variables. The generalized equation is (Wright, 2000).

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + \epsilon$$

Where :

- β_0 = A constant, the value of Y when all X values are zero
- β_1 = The slope of the regression surface or the response surface. The β represents the regression coefficient associated with each X_i
- ϵ = An error term, normally distributed about a mean of 0. For purposes of computation, the ϵ is assumed to be 0.

IV. DATA ANALYSIS

4.1 Descriptive Analysis

In this section descriptive analysis will be used to analyze the distribution of variables within the population based on the frequency of occurrence, and percentage of occurrence exhibited by the population regarding the various factors affecting the key success factors.

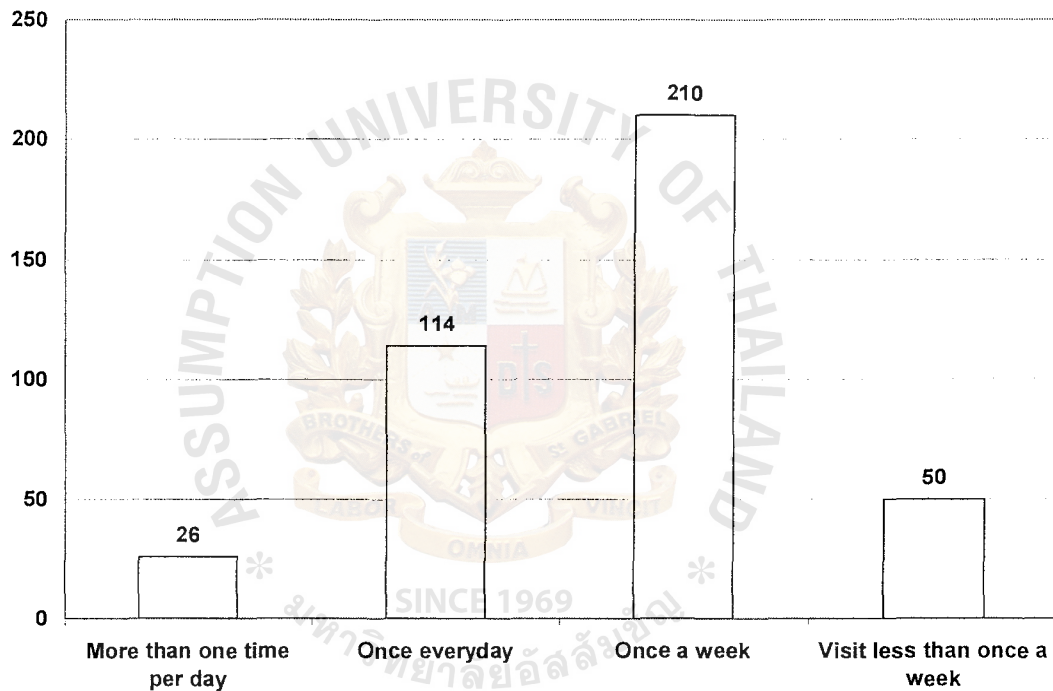


Figure 4.1. Frequency of Customer visiting Starbucks.

Normally, 210 customers visit Starbucks once a week, 114 customers visit the company's shops daily, 50 customers visit less than once a week, and another 26 customers visit more than one time per day.

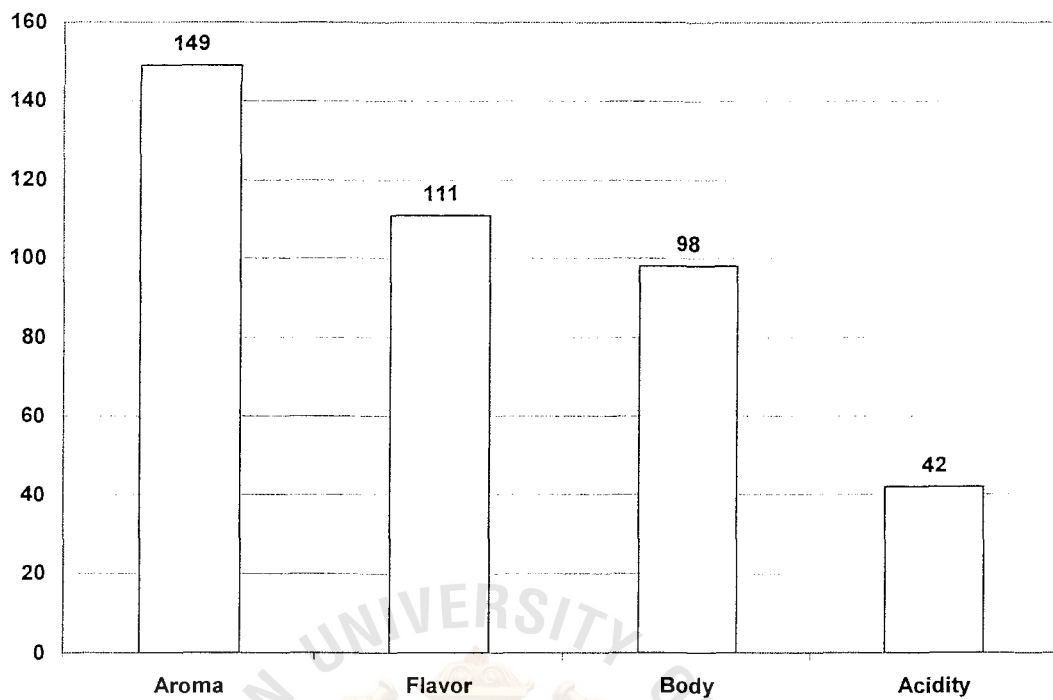


Figure 4.2. First Thing That Comes to Customer's Mind When Thinking of Starbucks.

Most customers (149 persons) think of aroma first when they come to Starbucks, while 111 customers prefer flavor of the coffee, another 98 customers prefer coffee body, and another 42 customers like coffee for its acidity.

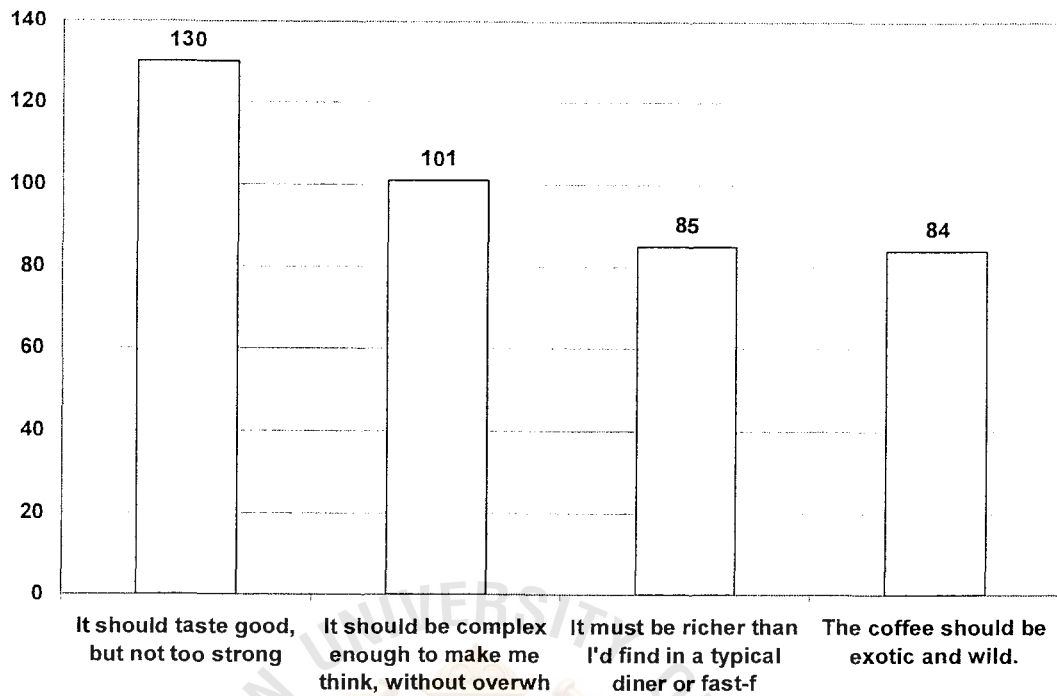


Figure 4.3. How Customers Like Their Coffee.

Customers usually preferred less body and lighter coffee with 130 customers who prefer coffee that is not too strong. Another 101 customers prefer complex but not overweight coffee. For the heavier body coffee, 85 customers prefer rich coffee and another 84 customers prefer exotic and wild coffee.

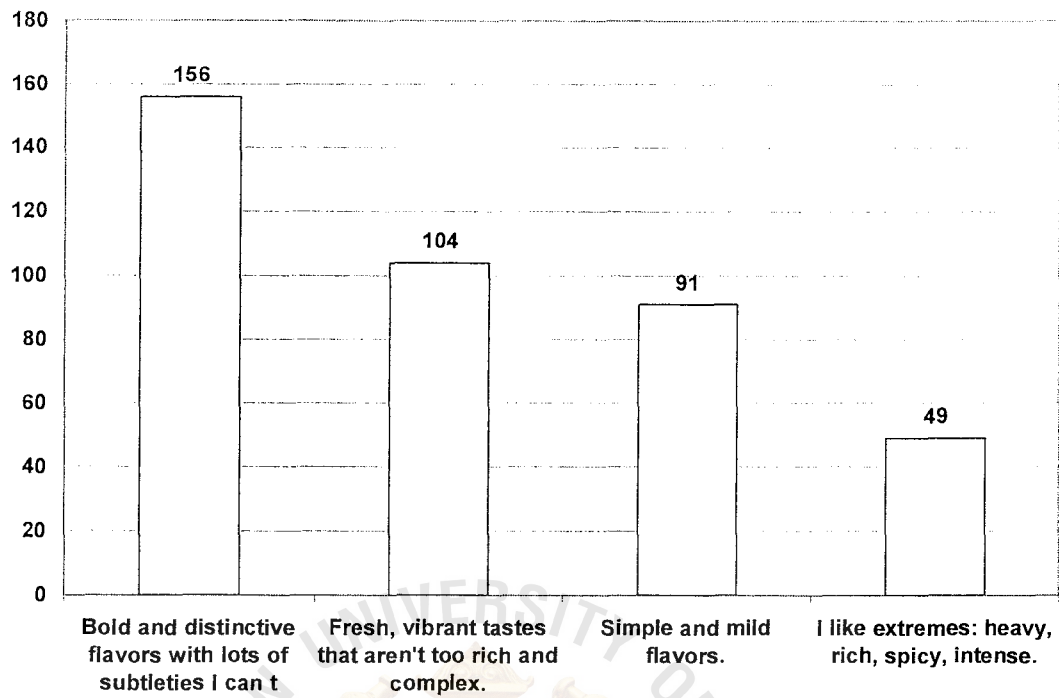


Figure 4.4. Flavors That Customers Enjoy.

This table also confirms that Thai customers prefer lighter coffee with 156 customers who prefer coffee with bold and distinctive flavor. Another 104 customers like fresh and vibrant tastes whereas 91 customers like simple and mild flavors. However, 49 customers like extremely heavy coffee with rich, spicy, and intense tastes.

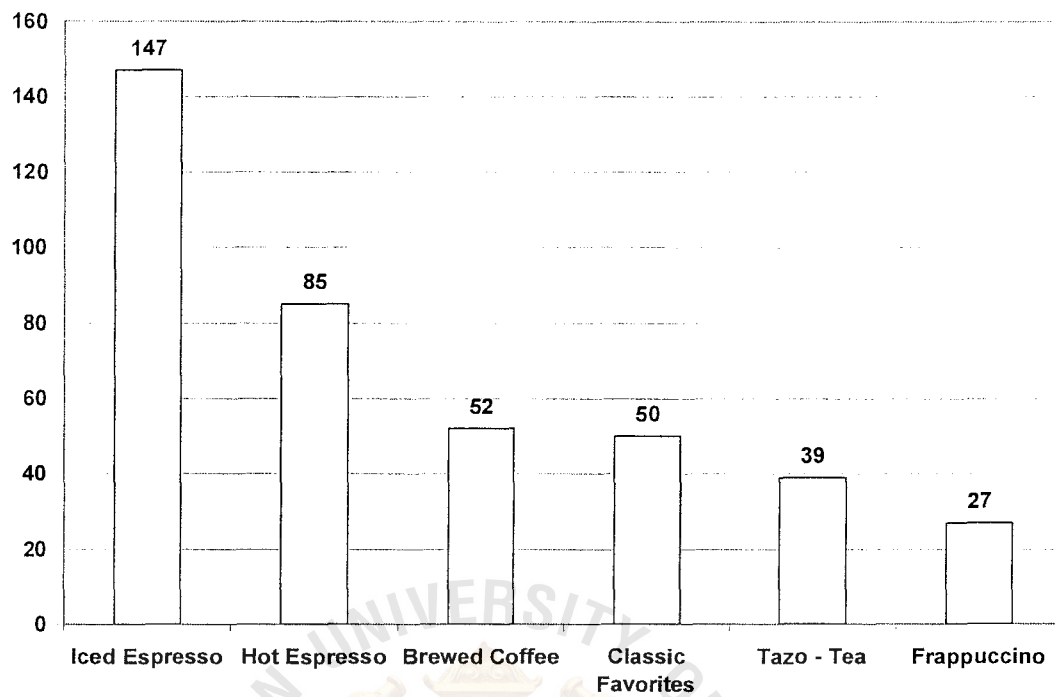


Figure 4.5. Customers' Order.

Most people prefer to order iced espresso with 147 customers who like iced espresso. Another 85 customers like hot espresso and 52 brewed coffee like to order brewed coffee, 50 customers like to order classic favorites, 39 prefer to order Tazo tea, and the rest of the 27 customers generally order Frappuccino.

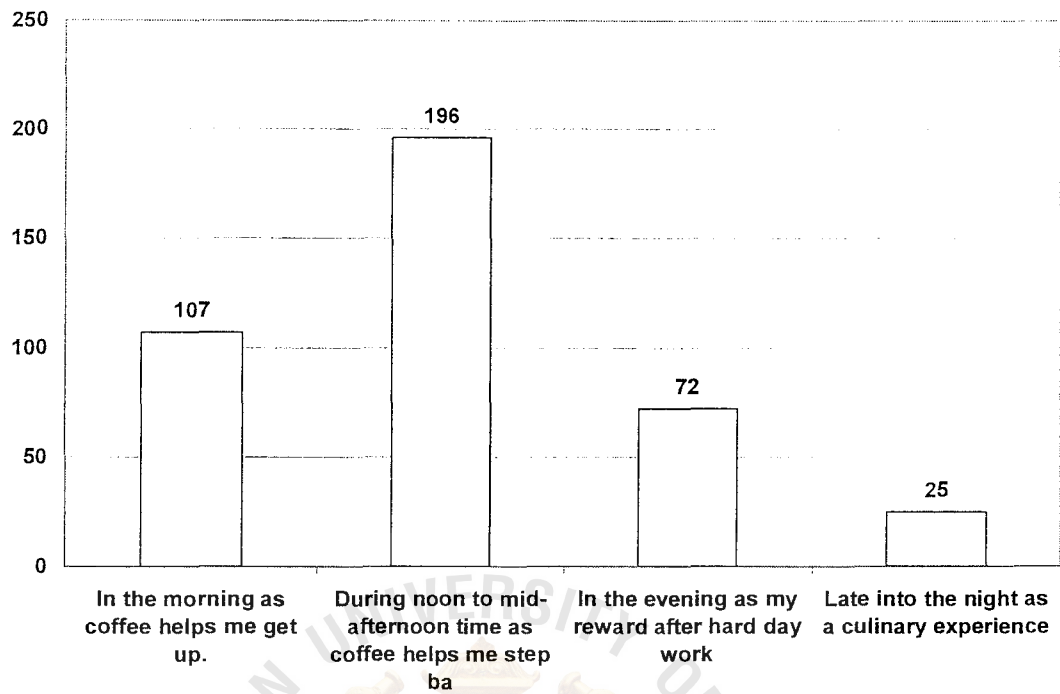


Figure 4.6. Time That Customers Visit Starbucks.

It does seem that 196 of Starbucks customers regularly come to the shop during noon to mid-afternoon hours as a break from their work.

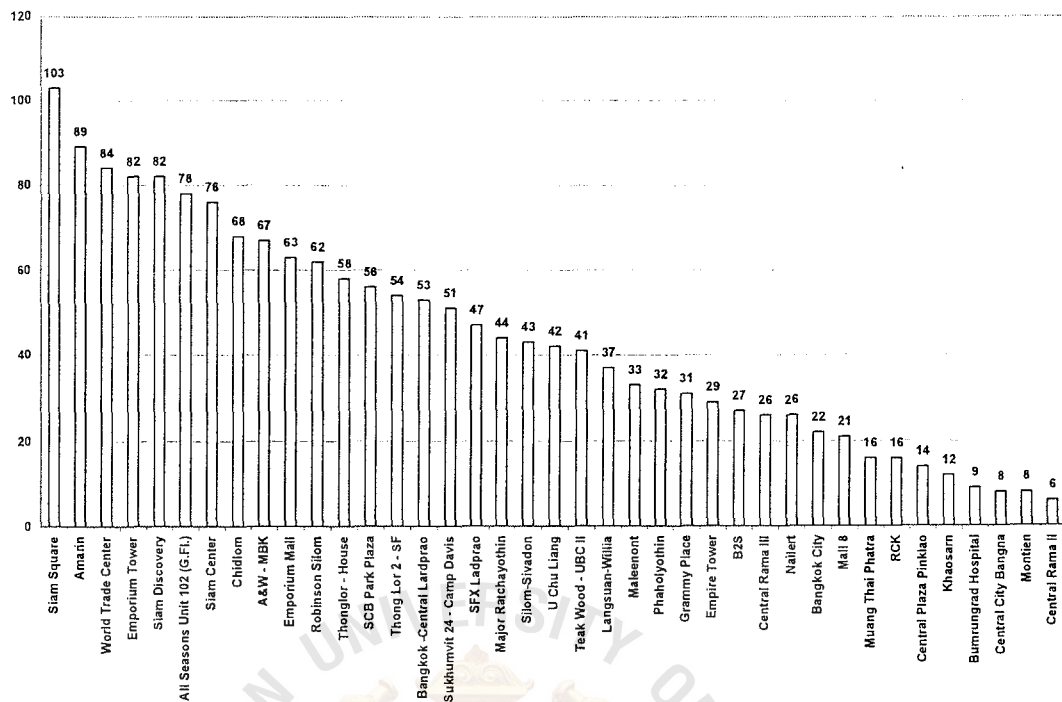


Figure 4.7. Location That Customers Usually Visit.

Among Starbucks' branches in Bangkok, Siam Square is the most visited branch.

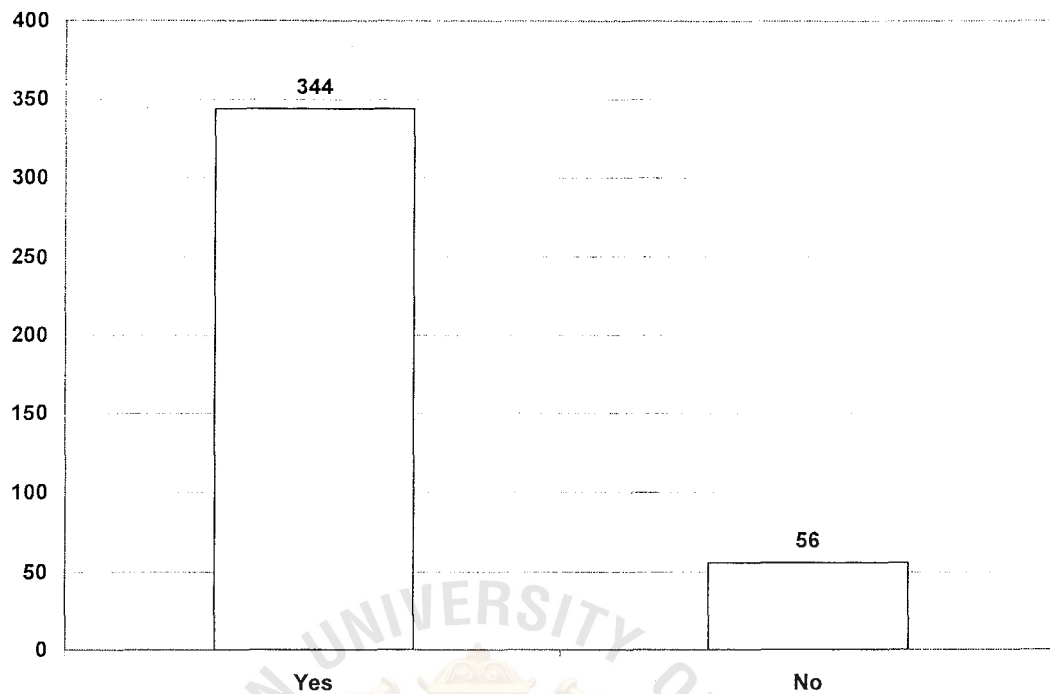


Figure 4.8. Do customers Think that Starbucks Location is Convenient?

Since Starbucks entered Thailand, the company has expanded its locations in rather an aggressive manner to cover Bangkok and major cities in Thailand, so most of the customers (344 respondents) view Starbucks location as convenient.

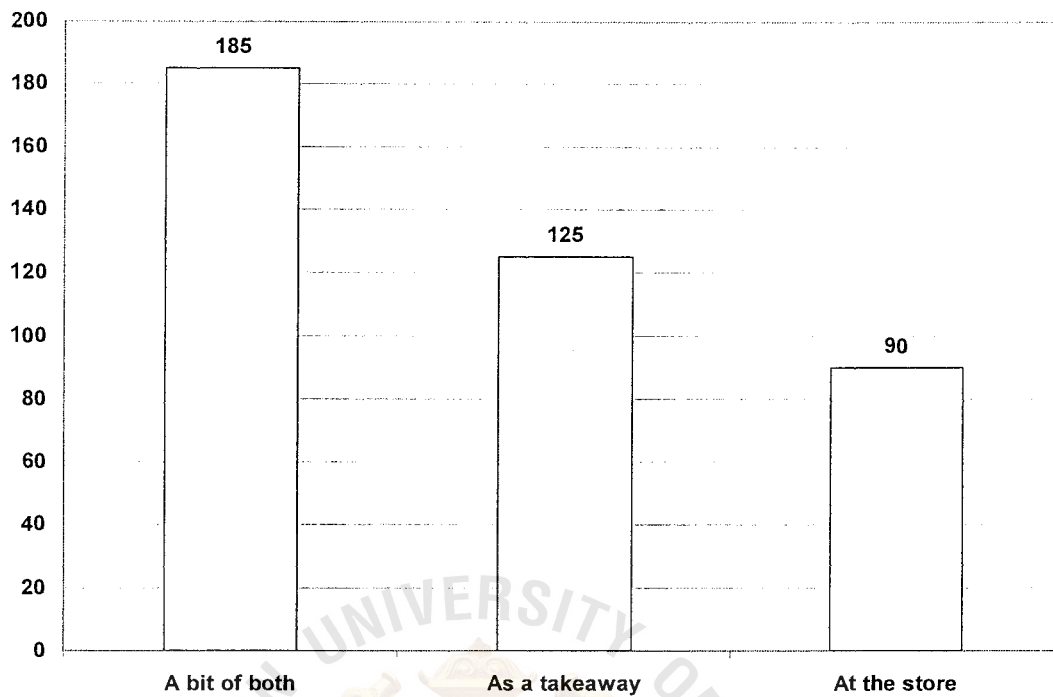


Figure 4.9. How Customers Consume Starbucks' products.

Most of the customers buy Starbucks in both the shop and as a takeaway (185 respondents) whereas 125 customers generally buy for take away with only 90 customers who usually buy and consume at the store.

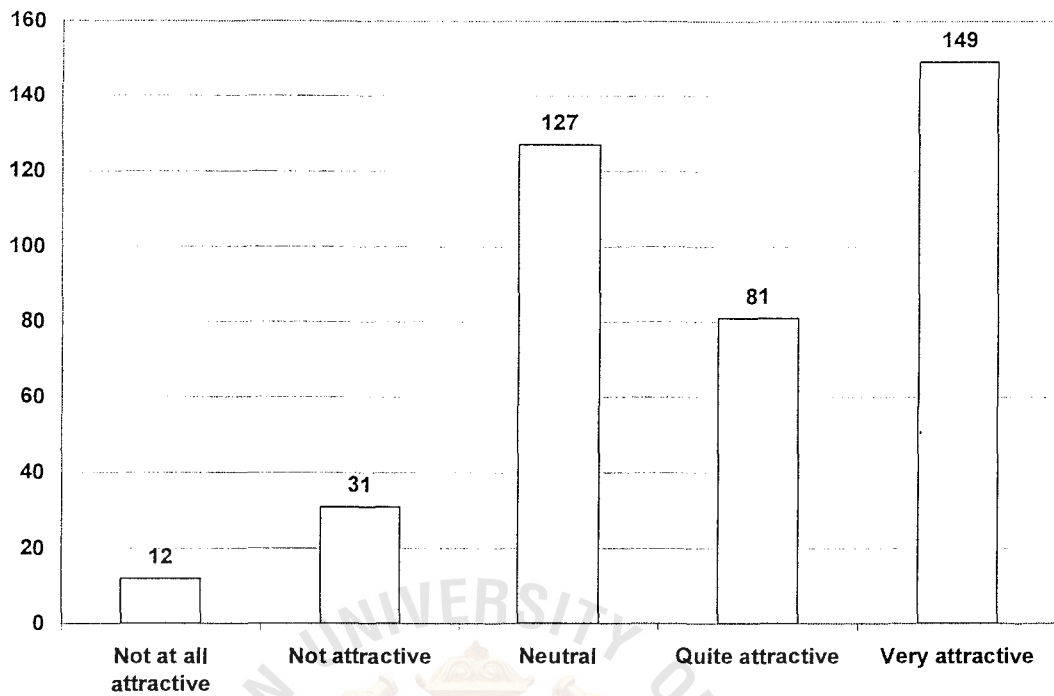


Figure 4.10. How Customers Perceive Starbucks' Decoration.

Most customers view Starbucks decoration as very attractive (149 respondents). And the data also suggest that most of the respondents perceive Starbucks decoration in quite a positive manner.

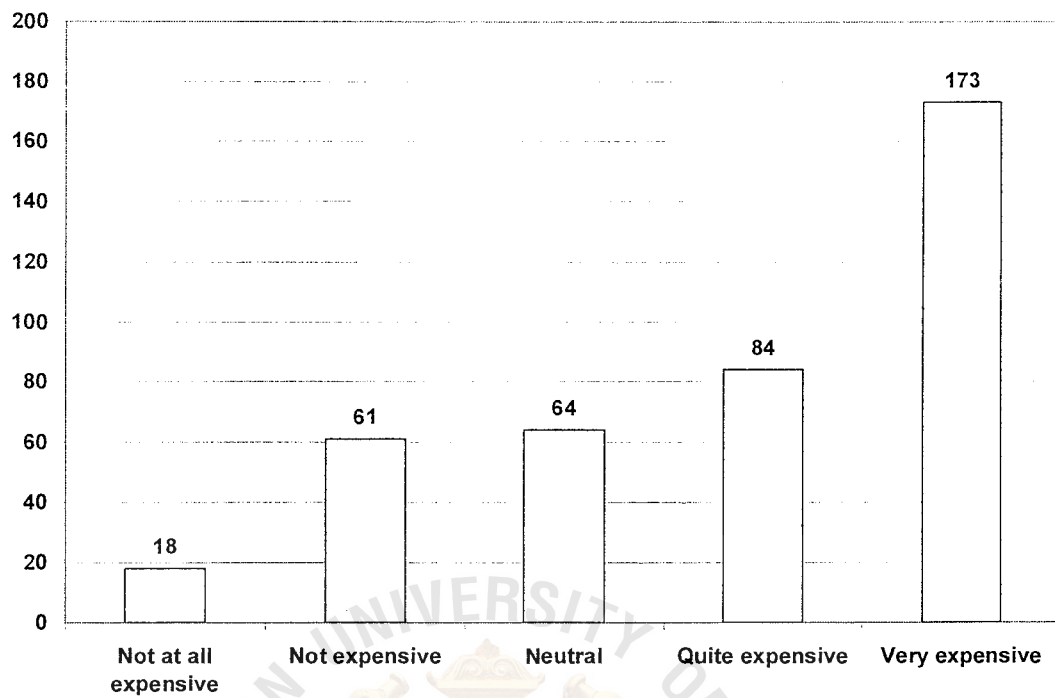


Figure 4.11. How Customers Perceive Starbucks' Current Price.

The data further suggests that customers view Starbucks price in an expensive range from quite expensive (84 respondents) to very expensive (173 respondents).

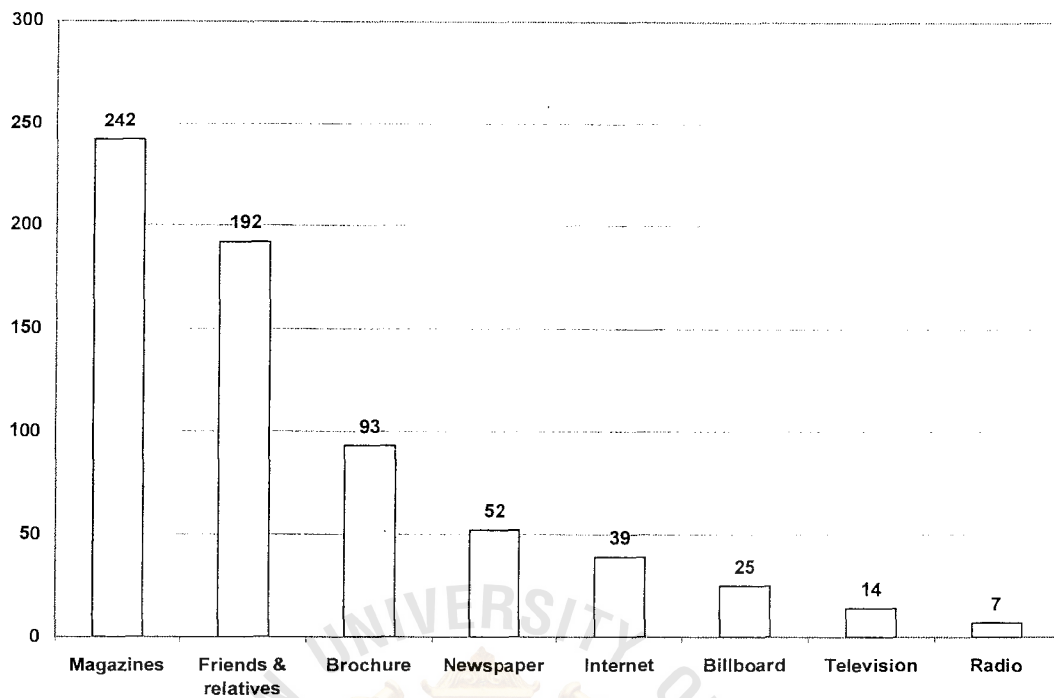


Figure 4.12. How Customers Hear About Starbucks.

The channel that can most effectively convey the message of Starbucks is magazines (242 respondents) and friends and relatives (192 respondents).

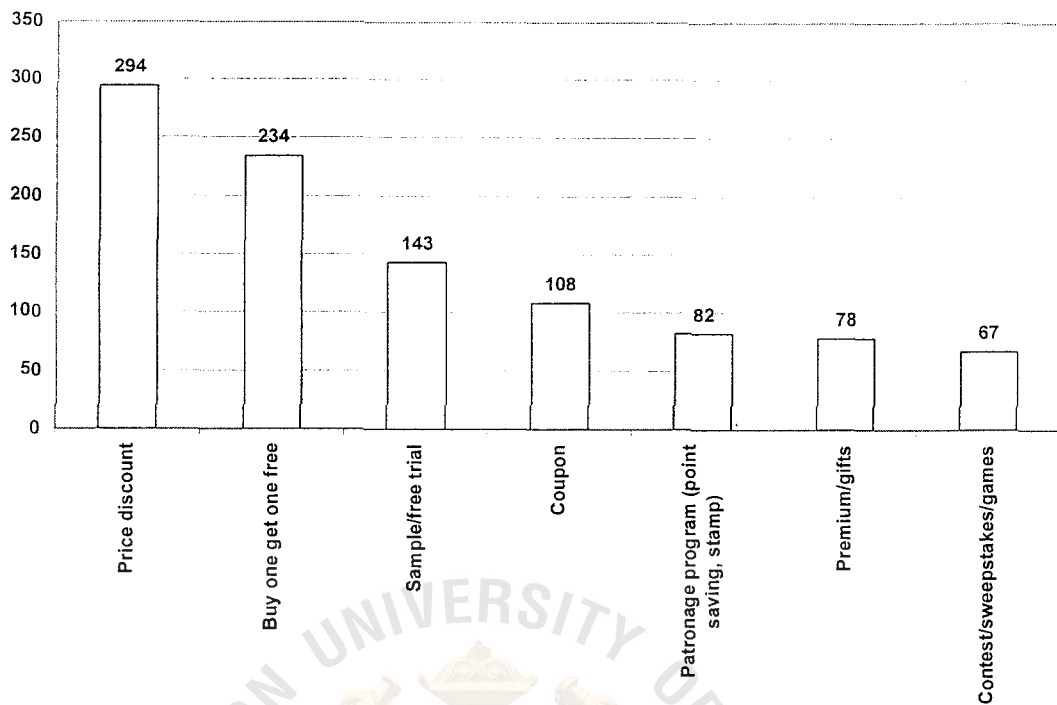


Figure 4.13. Sales Promotion That Can Attract Customers To Purchase More Of Starbucks Products

Among all types of sales promotion, price discount is the most effective means to influence customers as 294 respondents confess. Besides price discount, buy one get one free is another preferred method with 234 respondents reporting degree of preference toward the method, however contest/sweepstake/games are the least preferred methods with 67 respondents.

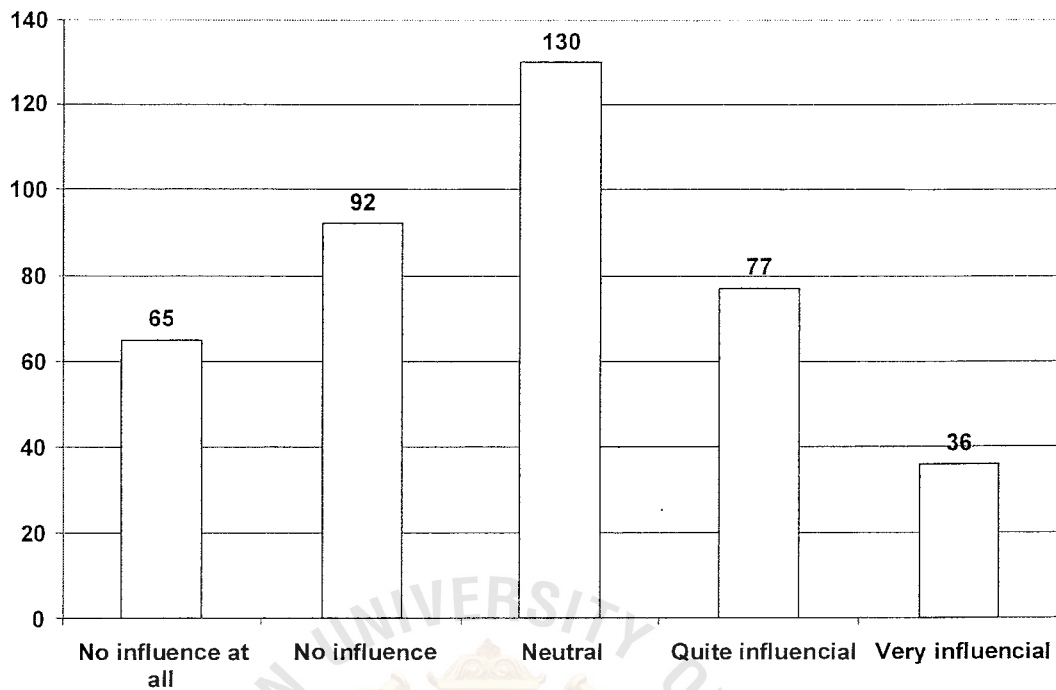


Figure 4.14. How Does Starbucks' Conservation/Environmental Protection Program Influence Customer Buying Decision.

Most Thai customers have neutral feelings about Starbucks' mission to conserve the environment with 130 respondents. And from the table, it is also observable that the data is skewed toward no influence which means that Thai customers generally do not care about Starbucks' environmental conservation.

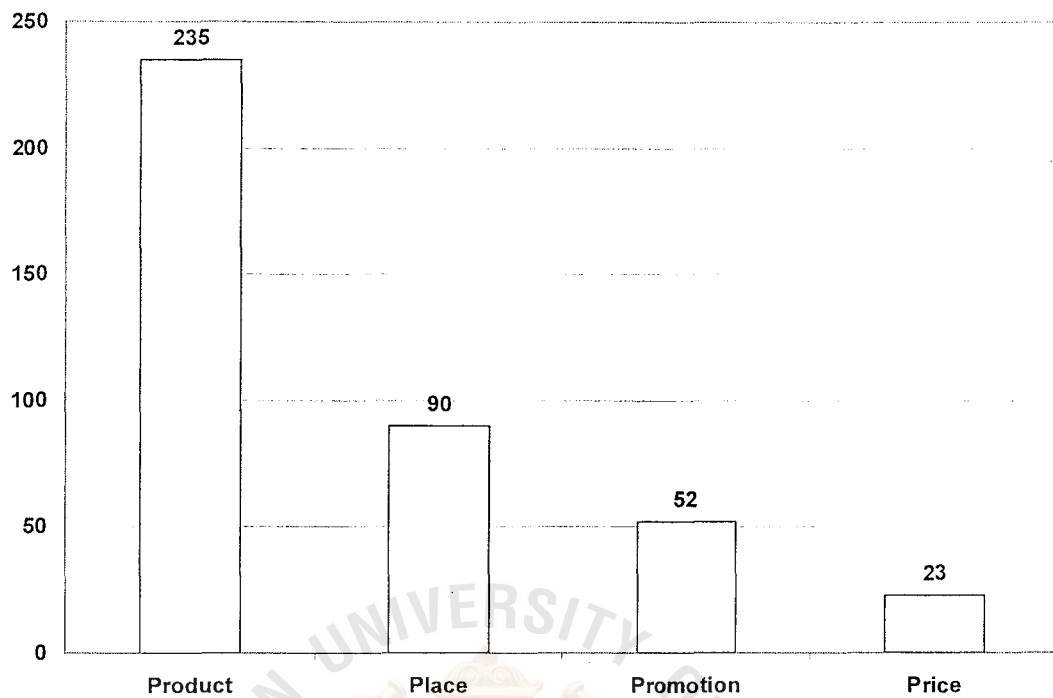


Figure 4.15. The strongest driver behind customer purchase decision of Starbucks's Products.

From the data, one can see that product is the most effective and strongest driver behind the consumption and purchase of Starbucks' products (235 respondents), followed by place (90 respondents), promotion (52 respondents) and price as the last factor with 23 respondents.

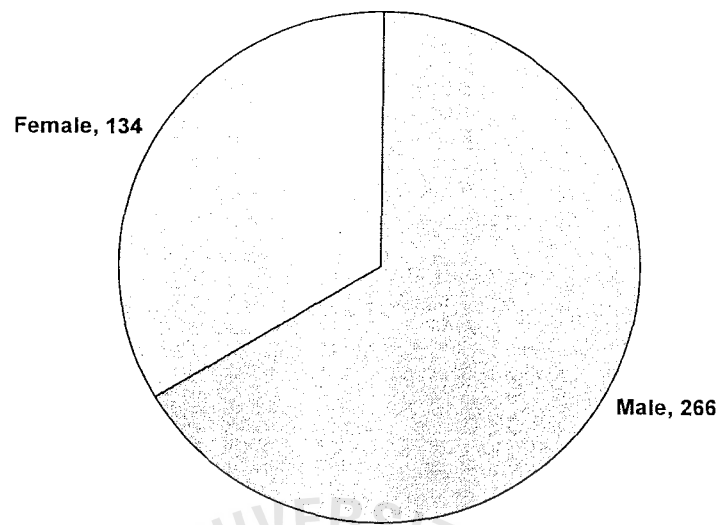


Figure 4.16. Gender of Respondents.

The respondents under study are mostly male (266 respondents) and the rest (134 respondents) are females.

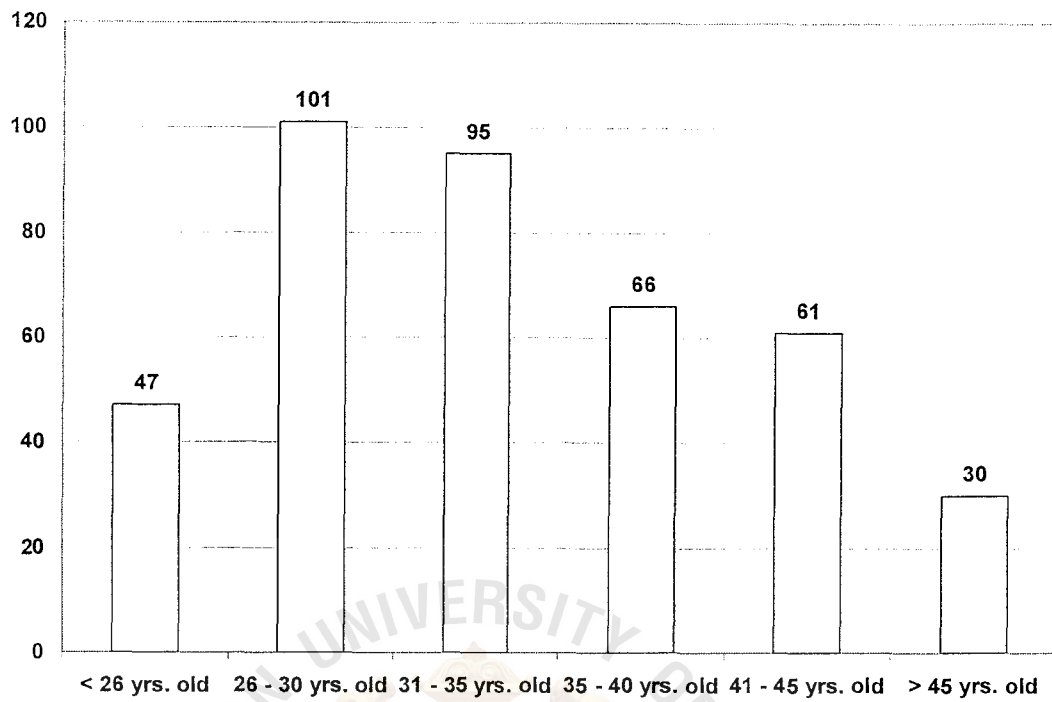


Figure 4.17. Age of Respondents.

Respondents under study are mostly early adults who start working, with 101 respondents in the age group of between 26 to 30 years old and 95 respondents in the age group of between 31 to 35 years old.

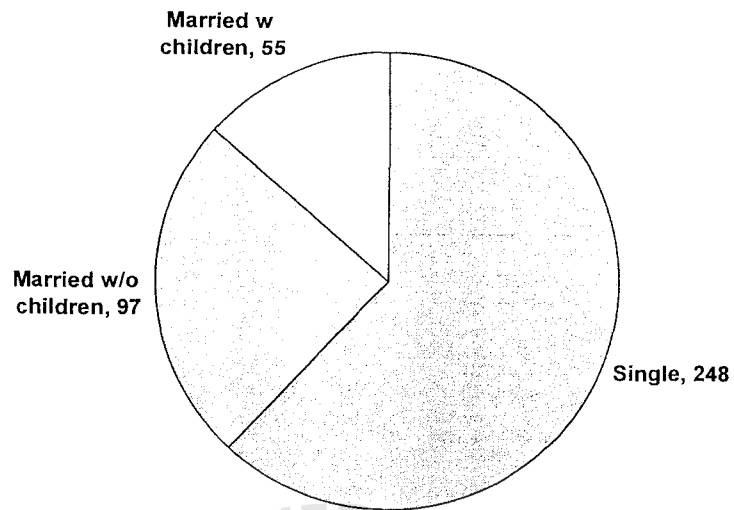


Figure 4.18. Marital Status of Respondents.

Most respondents are single (248 respondents), another 97 respondents are married without children and 55 respondents are married with children.

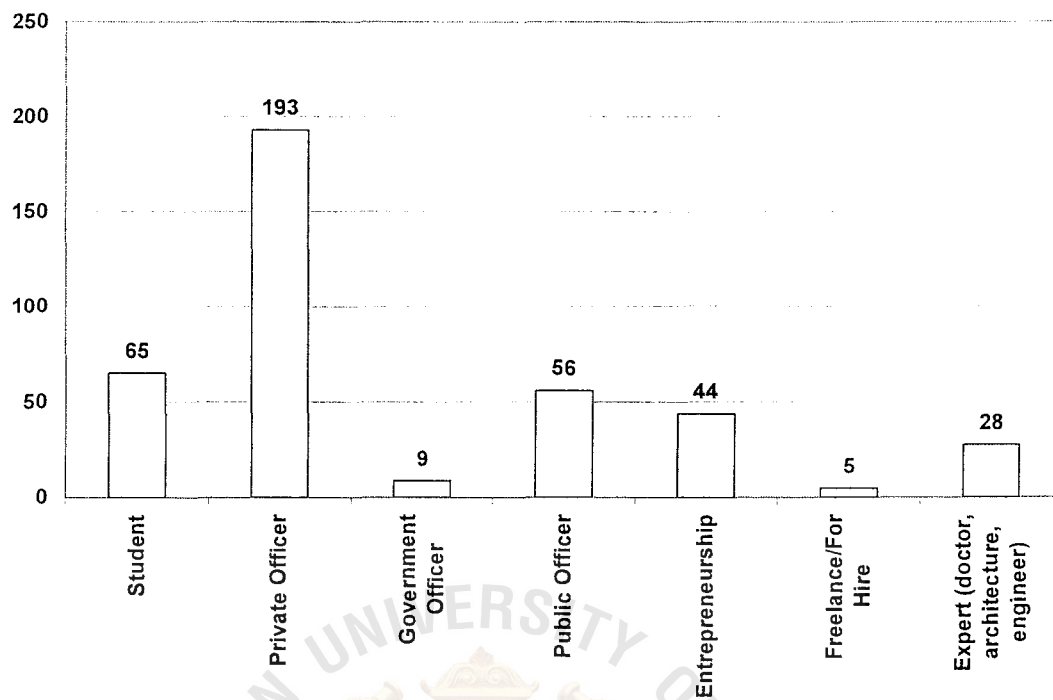


Figure 4.19. Occupation of Respondents.

Most of the respondents under studied are private officers, which comprised of 193 respondents. The second-highest group is students with 65 responses.

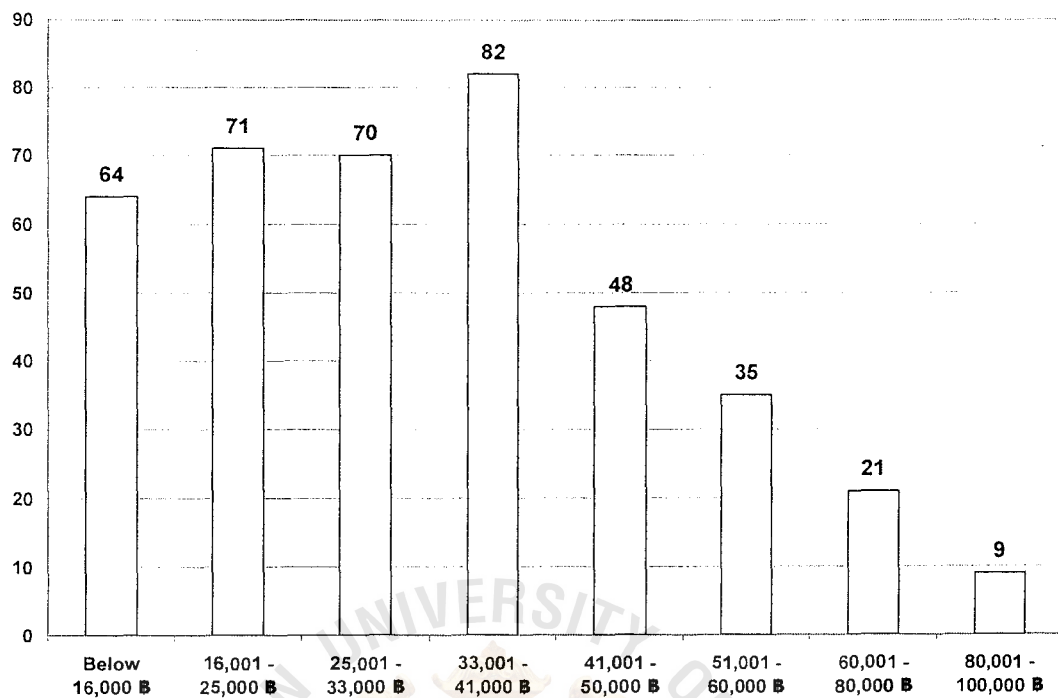


Figure 4.20. Personal Income of Respondents.

Most of the respondents are in the middle income range of between 16,001 baht per month to 41,000 baht per month and this group comprises three subgroups with 223 respondents in total (71 respondents earn income between 16,001 to 25,000 baht, 70 respondents with income between 25,001 to 33,000 baht, and 82 respondents making an income between 33,001 to 41,000 baht).

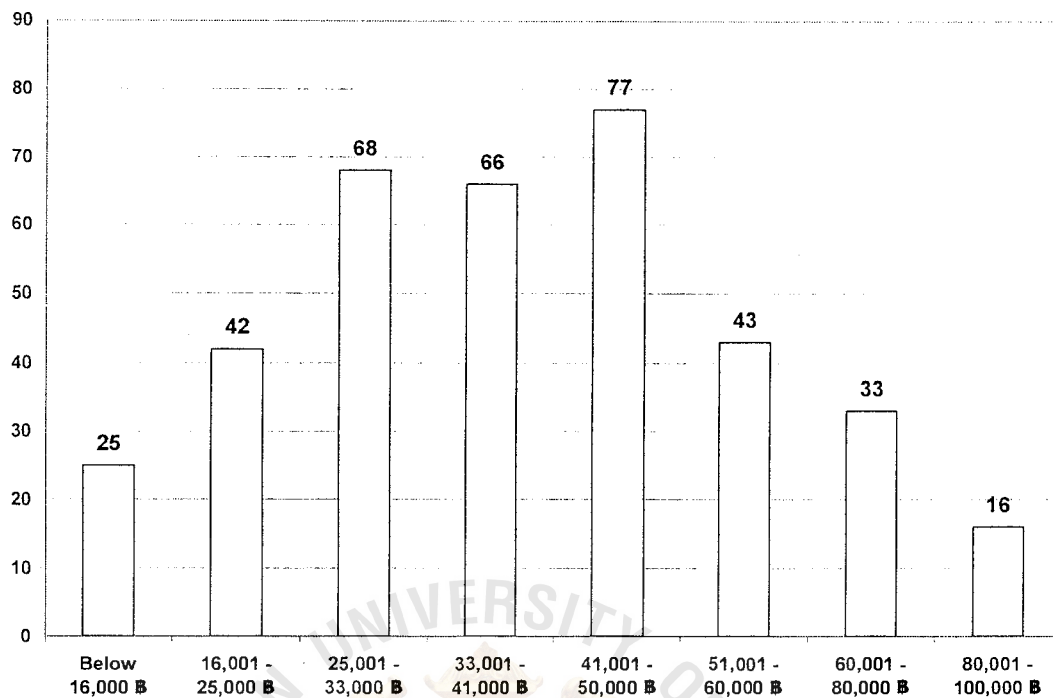


Figure 4.21. Household Income of Respondents.

Most respondents' household income are also in the middle income group with 41,001 to 50,000 baht at the highest with 77 respondents. The second-highest group has household income of between 25,001 to 33,000 baht and the third largest group with household income of between 33,001 to 41,000 baht with 68 and 66 number of respondents sequentially.

4.2 Multiple Regression

In this section multiple regression will be used to create the equation to predict how marketing mix can effect the frequency of customers visiting Starbucks.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \cdots + \beta_n X_n + \epsilon$$

Where :

Y = Number of Customers who Visit Starbuck

B₀ = Constant Value

B₁ = Product

B₂ = Price

B₃ = Place

B₄ = Promotion

The researcher used the stepwise method to calculate for the model that can best predict the frequency of customers visiting Starbucks.

Table 4.1. Prediction Value Summary of the Model.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.671(a)	.450	.449	.569
2	.801(b)	.641	.639	.460
3	.830(c)	.689	.687	.429
4	.835(d)	.698	.695	.424

a Predictors: (Constant), Product

b Predictors: (Constant), Product, Place

c Predictors: (Constant), Product, Place, Price

d Predictors: (Constant), Product, Place, Price, Promotion

From table 4.1, it shows when trying to explain the frequency of customers visiting Starbucks the model that employs only product, product with place, and product, place and price are not as efficient as the model that combines all marketing mixes together (model 4, which contain all 4Ps). The model number 4 can best predict the frequency of customers visiting Starbucks at about 69.8% accuracy.

Table 4.2. Equation from the Multiple Regression.

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.097	.044		47.347	.000
	Product	1.043	.058	.671	18.058	.000
2	(Constant)	2.048	.036		56.900	.000
	Product	.903	.048	.580	18.906	.000
	Place	1.015	.070	.446	14.532	.000
3	(Constant)	2.120	.035		60.934	.000
	Product	.858	.045	.552	19.142	.000
	Place	.980	.065	.431	15.019	.000
	Price	-.729	.093	-.222	-7.817	.000
4	(Constant)	2.116	.034		61.564	.000
	Product	.812	.046	.522	17.514	.000
	Place	.768	.091	.337	8.467	.000
	Price	-.711	.092	-.216	-7.710	.000
	Promotion	.255	.077	.139	3.336	.001

a. Dependent Variable: How often do you visit the Starbucks Coffee?

From Table 4.2 it shows that product, place, and promotion have significant positive relationship with frequency of customers visiting Starbucks, while price has significant negative relationship with frequency of customers visiting Starbucks. This information implies that increase in product, place, and promotion offerings can better lead to customers buying Starbucks product. And among the three positively-related variables, product is the most correlated factor, that is, most customers visit Starbucks due to product reasons. However, price influences buying behavior in the opposite way – that is reducing price will increase the frequency of buying at Starbucks.

V. CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

From the data above, it can be concluded that the model summary that can best explain the number of customers visiting Starbucks is the linear regression model that can be listed as follows:

$$Y = 2.116 + 0.812B_1 - 0.711B_2 + 0.768B_3 + 0.255B_4$$

Where :

Y = Number of Customers Visiting Starbuck

B₀ = Constant Value

B₁ = Product

B₂ = Price

B₃ = Place

B₄ = Promotion

This formula suggests the importance of product as the determining factor on the number of Starbucks' customers with 0.812 degree of correlation, while price is negatively related with -0.711 correlation, place is positively correlated with 0.768 degree of correlation, and finally promotions is the least correlated factor with 0.255 degree of correlation.

In the descriptive statistics, it also shows that the major factors that drive customers to visit Starbucks are product, place, promotion, and price respectively. When interpreting both descriptive statistics and inferential statistics together, it can be concluded that when considering marketing mix as the key success for Starbucks, the most important key success factors for Starbucks via the Thai customers is the product, followed by location of the shop, and the last once is promotion, while in terms of price

Thai customers are not very satisfied with Starbucks. This might be from the reason that Starbucks uses the premium pricing strategy. But this high price setting by Starbucks is offset by the high quality product and convenient location of the shop that Starbucks offers.

5.2 Recommendations

From the model mentioned earlier, three recommendations can be concluded as follows:

First Recommendation: Continuous Development of a premium brand

Since Starbucks' coffee is priced around 300 to 350% higher than competitors where a cup of coffee would typically cost 50 cents, the charge at a US Starbucks is around the region of \$1.75. The reason for price premium is not solely due to a high quality of beverage, but also making a social statement at the same time. As explained in *The Far Eastern Economic Review*, consumers are buying an experience, a lifestyle and an attitude. So it's important that Starbucks continues to support its premium brand image by emphasizing on two factors of innovating new products and making its store to be a social gathering and meeting place.

Second Recommendation: Measured Expansion

Whilst McDonald's is famed for its ultra-fast location assessment and business set-up process, Starbucks has adopted a slightly more cautious approach, particularly in its foreign markets. *The Far Eastern Economic Review* explains how the final decision to open a new outlet is based upon the "mix of pavement traffic analysis, location-based buzz and local real estate savvy". The art of mixing several factors in deciding location has always been Starbucks secret and it seems that it's still working in international environment as evident from Starbucks' rapid expansion in Asian countries like China and

Thailand.

Third Recommendation: Experimentation and Innovation

In an effort to keep the formula fresh and appeal, Starbucks' soon-to-arrive innovation will be hi-tech cafés offering customers music CDs - in addition to the high speed Internet access provided in over half of its US outlets. Using computer equipment and support from Hewlett-Packard, Starbucks customers will be able to record five songs onto a CD for \$6.99. The first Starbucks "Music Café" will open in Santa Monica, California. The continuous development of market offerings is the key to Starbucks' secret. Only through trial-and-error can Starbucks explore the new facet of innovative offering to continuously create values to customers.

Forth Recommendation: Out of the Box Promotional Campaign

With the difference from conventional promotional norm, Starbucks should not rely on traditional marketing strategies. And since the data suggests that promotional tools are the least correlated factors with regard to customers' purchase, therefore it is recommended that Starbucks should rely on its cafés and its products to market themselves as there is the inevitable heavy dependence on a strong brand and word-of-mouth to spread a positive reputation.



Investigation of the behavior of Starbucks consumers

1. Have you ever drunk coffee at Starbucks Coffee?

_____ Yes _____ No (skip to personal data)

2. How often do you visit the Starbucks Coffee?

_____ More than one time per day

_____ Once everyday

_____ Once every other day

_____ Once a week

_____ Visit less than once a week

Product

3. When tasting coffee in Starbucks, what is the first thing that comes to your mind?

_____ Aroma

_____ Acidity

_____ Body

_____ Flavor

4. How do you like your coffee?

_____ It should taste good, but not too strong.

_____ It must be richer than I'd find in a typical diner or fast-food coffee.

_____ It should be complex enough to make me think, without overwhelming my senses.

_____ The coffee should be exotic and wild.

5. What sort of flavors do you generally enjoy?

_____ Simple and mild flavors.

_____ Fresh, vibrant tastes that aren't too rich and complex.

_____ Bold and distinctive flavors with lots of subtleties I can taste.

_____ I like extremes: heavy, rich, spicy, intense.

6. What type of drink do you usually order in Starbucks?

- ___ Brewed Coffee (coffee of the week)
- ___ Classic Favorites (apple juice, chocolate, milk, etc.)
- ___ Hot Espresso (espresso shot, Caffè Latte)
- ___ Iced Espresso (Iced Caffè Latte, Iced Caffè Mocha, Iced Caramel Macchiato)
- ___ Frappuccino®
- ___ Tazo ® Tea

7. When do you usually visit Starbucks?

- ___ In the morning as coffee helps me get up.
- ___ During noon to mid-afternoon time as coffee helps me step back from my busy day.
- ___ In the evening as my reward after a hard day's work
- ___ Late into the night as a culinary experience

Location

8. Which branch of Starbucks do you go often?

- ___ Bangkok --Muang Thai Phatra
- ___ Bangkok --A&W - MBK
- ___ Bangkok --All Seasons Unit 102 (G.Fl.)
- ___ Bangkok --Amarin
- ___ Bangkok --B2S
- ___ Bangkok --Bangkok City
- ___ Bangkok --Bumrungrad Hospital
- ___ Bangkok --Central City Bangna
- ___ Bangkok --Central Plaza Pinklao
- ___ Bangkok --Central Rama II

- ___ Bangkok --Central Rama III
- ___ Bangkok --Chidlom
- ___ Bangkok --Empire Tower
- ___ Bangkok --Emporium Mall
- ___ Bangkok --Emporium Tower
- ___ Bangkok --Grammy Place
- ___ Bangkok --Khaosarn
- ___ Bangkok --Langsuan-Willia
- ___ Bangkok --Central Lardprao
- ___ Bangkok --Major Ratchayothin
- ___ Bangkok --Maleenont
- ___ Bangkok --Mall 8
- ___ Bangkok --Montien
- ___ Bangkok --Nailert
- ___ Bangkok --Phaholyothin
- ___ Bangkok --RCK*
- ___ Bangkok --Robinson Silom
- ___ Bangkok --SCB Park Plaza
- ___ Bangkok --SFX Ladprao
- ___ Bangkok --Siam Center
- ___ Bangkok --Siam Discovery
- ___ Bangkok --Siam Square
- ___ Bangkok --Silom-Sivadon
- ___ Bangkok --Sukhumvit 24 - Camp Davis
- ___ Bangkok --Teak Wood - UBC II

____ Bangkok --Thong Lor 2 - SF

____ Bangkok --Thonglor - House

____ Bangkok --U Chu Liang

____ Bangkok --World Trade Center

9. Do you think that the current Starbucks location is convenient for you?

____ Yes

____ No

10. How do you usually consume Starbucks' products?

____ At the store

____ As a takeaway

____ A bit of both

11. How do you perceive the attractiveness of Starbucks' decoration?

____ Not at all attractive ____ Not attractive ____ Neutral ____ Quite attractive

____ Very attractive

Price

12. How do you perceive Starbucks' current price?

____ Not at all expensive ____ Not expensive ____ Neutral ____ Quite expensive

____ Very expensive

Promotions

13. How do you come to know about Starbucks?

____ Television

____ Radio

____ Magazines

____ Newspapers

____ Brochures

____ Billboards

____ Internet

____ Friends & relatives

14. What types of sales promotion can attract you to purchase more of Starbucks products?

- ☐ Price discount
 ☐ Premium/gifts
☐ Patronage program (point saving, stamp)
 ☐ Buy one get one free
☐ Coupon
 ☐ Sample/free trial
☐ Contest/sweepstakes/games

15. How does Starbucks' conservation/environmental protection program influence your decision to purchase its products?

- ☐ No influence at all
 ☐ No influence
 ☐ Neutral
 ☐ Quite influential
 ☐ Very influential

Conclusion

16. From all of the mentioned factors, what is the strongest driver behind your purchase decision of Starbucks' products?

- ☐ Product
 ☐ Price
☐ Place
 ☐ Promotions

Personal Data

SEX	<input type="checkbox"/> Male	AgeYears	Marital Status	<input type="checkbox"/> Single
	<input type="checkbox"/> Female				<input type="checkbox"/> Married w/o children
Your Education			Career		
<input type="checkbox"/> Primary	<input type="checkbox"/> Secondary	<input type="checkbox"/> Student	<input type="checkbox"/> Private Officer		
<input type="checkbox"/> High School	<input type="checkbox"/> Vocational/Diploma	<input type="checkbox"/> Government Officer	<input type="checkbox"/> Public Officer		
<input type="checkbox"/> Bachelor	<input type="checkbox"/> Master	<input type="checkbox"/> Entrepreneurship	<input type="checkbox"/> Freelance/For Hire		
<input type="checkbox"/> Higher than Master	<input type="checkbox"/> Other.....	<input type="checkbox"/> Expert (doctor, architecture, engineer)	<input type="checkbox"/> Other.....		
<input type="checkbox"/> Below 16,000 ฿	<input type="checkbox"/> 51,001 - 60,000 ฿	<input type="checkbox"/> Below 16,000 ฿	<input type="checkbox"/> 51,001 - 60,000 ฿		
<input type="checkbox"/> 16,001 - 25,000 ฿	<input type="checkbox"/> 60,001 - 80,000 ฿	<input type="checkbox"/> 16,001 - 25,000 ฿	<input type="checkbox"/> 60,001 - 80,000 ฿		
<input type="checkbox"/> 25,001 - 33,000 ฿	<input type="checkbox"/> 80,001 - 100,000 ฿	<input type="checkbox"/> 25,001 - 33,000 ฿	<input type="checkbox"/> 80,001 - 100,000 ฿		
<input type="checkbox"/> 33,001 - 41,000 ฿	<input type="checkbox"/> Above 100,000 ฿	<input type="checkbox"/> 33,001 - 41,000 ฿	<input type="checkbox"/> Above 100,000 ฿		
<input type="checkbox"/> 41,001 - 50,000 ฿	<input type="checkbox"/> Not have income	<input type="checkbox"/> 41,001 - 50,000 ฿	<input type="checkbox"/> Not have income		

Thank you very much for your collaboration



APPENDIX B

QUESTIONNAIRE IN THAI

การศึกษาพฤติกรรมของผู้บริโภคสตาร์บัค

1. ท่านเคยดื่มกาแฟที่ร้านกาแฟสตาร์บัค หรือไม่?
_____ เคย _____ ไม่เคย (ข้ามไปถามข้อมูลส่วนบุคคล)

2. บ่อยเท่าใดที่ท่านไปดื่มกาแฟที่ร้านกาแฟสตาร์บัค?
_____ มากกว่าหนึ่งครั้งต่อวัน
_____ วันละครึ่ง
_____ สองวันครั้ง
_____ อาทิตย์ละครึ่ง
_____ น้อยกว่าอาทิตย์ละครึ่ง

สินค้า

3. เมื่อทดลองดื่มกาแฟที่สตาร์บัค อะไรคือลำดับแรกที่ท่านนึกถึง?
_____ กลิ่น _____ ความเปรี้ยว
_____ เนื้อกาแฟ _____ รสชาติ

4. กาแฟที่ท่านชอบกาแฟแบบใด?
_____ ควรมีรสชาติดี, แต่ไม่เข้มข้นเกินไป.
_____ มันควรต้องเข้มข้นมากกว่าที่ท่านอาหารเย็น หรือกาแฟตามร้านอาหารจานด่วน.
_____ มันควรที่จะมากพอให้ฉันคิดถึงรสชาติ โดยที่ไม่ควบคุมประสาทการรับรู้ของฉัน
_____ กาแฟควรที่จะไม่ใช่กาแฟพื้นเมือง และควรที่จะมีรสชาติเข้มข้น

5. โดยปกติรสชาติกาแฟแบบใดที่คุณชื่นชอบ?
_____ กาแฟรสชาติอ่อน และนุ่มนวล
_____ กาแฟสด มีชีวิตชีวาที่ไม่เข้มข้นเกินไป
_____ กาแฟรสชาติเข้ม และโดดเด่นเป็นพิเศษ แต่ก็มีความละเอียดอ่อนที่ฉันสามารถจะลิ้มรสได้
_____ ฉันชอบกาแฟรสชาติที่สดเข้ม, ช้น, สดโด่ง, เผ็ดร้อน, รุนแรง

6. เครื่องดื่มชนิดใดที่คุณมักจะสั่งเป็นประจำในร้านสตาร์บัค
_____ การแฟกลั่น (กาแฟประจำสัปดาห์)
_____ เครื่องดื่มอื่นๆ ที่ท่านชื่นชอบเช่น (น้ำแอปเปิ้ล, ชอคโกแลต, นม, หรืออื่นๆ)
_____ เอสเพรสโซร้อน (เอสเพรสโซ ช็อต, คาเฟ่ ลาเต้) _____ เอสเพรสโซเย็น (คาเฟ่ ลาเต้เย็น, คอฟฟี่ มอคคาเย็น, คาราเมล มอคเคียแอดโดเย็น)
_____ แฟรปูชิโน
_____ ชาทาโฮ

7. โดยปกติคุณจะไปสตาร์บัคเมื่อใด?
_____ ในช่วงเช้า โดยที่กาแฟเพื่อช่วยทำให้ฉันตื่น
_____ ช่วงกลางวันถึงบ่าย โดยที่กาแฟช่วยให้ฉันได้ผ่อนคลายจากวันที่แสนวุ่นวาย
_____ ช่วงเย็น โดยที่กาแฟเป็นรางวัลสำหรับตนเองหลังจากงานที่หนักมาทั้งวัน
_____ ช่วงกลางคืน หลังอาหารมื้อค่ำ

สถานที่

8. สาขาใดบ้างของสตาร์บัคที่ท่านไปเป็นประจำ?

- ☐ กรุงเทพฯ –เมืองไทยภัทรา
- ☐ กรุงเทพฯ –เอ แอนด์ ดับบลิว เอ็ม บี เค
- ☐ กรุงเทพฯ –ออลซีซั่น ร้าน 102 (ชั้นกราวน)
- ☐ กรุงเทพฯ –อมรินทร์
- ☐ กรุงเทพฯ –บี ทู เอส
- ☐ กรุงเทพฯ –บางกอก ชิตี
- ☐ กรุงเทพฯ –โรงพยาบาลบำรุงราษฎร์
- ☐ กรุงเทพฯ –เซ็นทรัล ชิตี บางนา
- ☐ กรุงเทพฯ –เซ็นทรัล พลาซ่า ปิ่นเกล้า
- ☐ กรุงเทพฯ –เซ็นทรัล พระราม 2
- ☐ กรุงเทพฯ –เซ็นทรัล พระราม 3
- ☐ กรุงเทพฯ –ชิดลม
- ☐ กรุงเทพฯ –เอ็มไพร์ ทาวเวอร์
- ☐ กรุงเทพฯ –เอ็มโพเรียม มอลล์
- ☐ กรุงเทพฯ –เอ็มโพเรียม ทาวเวอร์
- ☐ กรุงเทพฯ –แกรนด์ เฟลส
- ☐ กรุงเทพฯ –ข้าวสาร
- ☐ กรุงเทพฯ –หลังสวน วิลเลียม
- ☐ กรุงเทพฯ –เซ็นทรัล ลาดพร้าว
- ☐ กรุงเทพฯ –เมเจอร์ รัชโยธิน
- ☐ กรุงเทพฯ –มาลีนนท์
- ☐ กรุงเทพฯ –มอลล์ 8
- ☐ กรุงเทพฯ –มณเฑียร
- ☐ กรุงเทพฯ –นายเลิศ
- ☐ กรุงเทพฯ –พหลโยธิน
- ☐ กรุงเทพฯ –อาร์ ซี เค
- ☐ กรุงเทพฯ –โรบินสัน สีลม
- ☐ กรุงเทพฯ –เอส ซี บี พาร์ค
- ☐ กรุงเทพฯ –เอส เอฟ เอ็กซ์ ลาดพร้าว
- ☐ กรุงเทพฯ –สยาม เซ็นเตอร์
- ☐ กรุงเทพฯ –สยาม ดิสคอฟเวอรี่
- ☐ กรุงเทพฯ –สยาม สแควร์
- ☐ กรุงเทพฯ –สีลม ศิวะดล
- ☐ กรุงเทพฯ –สุขุมวิท 24 แคมป์ เดวิด
- ☐ กรุงเทพฯ –ไม้สัก
- ☐ กรุงเทพฯ –ทองหล่อ 2
- ☐ กรุงเทพฯ –ทองหล่อ
- ☐ กรุงเทพฯ –อ้อ จ้อ เหลียง
- ☐ กรุงเทพฯ –เวิลด์ เทรด์ เซ็นเตอร์

9. คุณคิดว่าสาขาของร้านกาแฟสตาร์บัคที่เปิดให้บริการอยู่ ทำให้คุณรู้สึกสะดวกที่จะไปใช้บริการ

☐ ใช่

☐ ไม่

10. คุณทานกาแฟสตาร์บัคอย่างไร

_____ ดื่มที่ร้าน _____ นำไปดื่มนอกร้าน
_____ บางทีก็ดื่มที่ร้านบางทีก็นำไปดื่มนอกร้าน

11. คุณคิดว่าการตกแต่งร้านของสตาร์บัคนั้น ดึงดูดใจคุณมากน้อยเพียงใด?

_____ ไม่ดึงดูดเลย _____ ไม่ดึงดูด _____ เฉยๆ _____ ค่อนข้างดึงดูด _____ ดึงดูดมากที่สุด

ราคา

12. คุณคิดว่ารากาแฟของร้านสตาร์บัคในปัจจุบันเป็นอย่างไร How do you perceive about Starbucks' current price?

_____ ไม่แพงเลย _____ ไม่แพง _____ เฉยๆ _____ ค่อนข้างแพง _____ แพงมากๆ

การส่งเสริมการขาย

13. คุณรู้จักสตาร์บัคได้อย่างไร?

_____ ที่รี
_____ วิทยุ
_____ แมกกาซีน
_____ หนังสือพิมพ์
_____ โบรชัวร์
_____ ป้ายโฆษณา (บิลบอร์ด)
_____ อินเทอร์เน็ต
_____ เพื่อน หรือ ญาติ

14. การส่งเสริมการขายรูปแบบที่ดึงดูดคุณให้ดื่มกาแฟสตาร์บัคมากขึ้น?

_____ การลดราคา _____ ของสมนาคุณ/ของแถม
_____ การสะสมแต้ม สะสมแสดมปีส่วนลด _____ ซื้อ 1 แถม 1
_____ คุปองลดราคา _____ การแจกลินค้าตัวอย่าง
_____ การประกวด/จับสลากชิงโชค/แข่งขันเกมส์

15. โปรแกรมการส่งเสริม หรืออนุรักษ์สิ่งแวดล้อมของสตาร์บัคมีส่วนทำให้คุณตัดสินใจซื้อกาแฟสตาร์บัคมากน้อยเพียงใด?

_____ ไม่มีผลต่อเลย _____ ไม่มีผล _____ เฉยๆ _____ ค่อนข้างมีผล _____ มีผลมาก

สรุป

16. จากปัจจัยต่างๆ ข้างต้น อะไรเป็นปัจจัยที่สำคัญที่สุดที่ทำให้คุณตัดสินใจซื้อกาแฟสตาร์บัค?

_____ ผลិតภัณฑ์ _____ ราคา
_____ สถานที่ บรรยากาศของร้าน _____ การส่งเสริมการขาย

ข้อมูลส่วนบุคคล

เพศ	<input type="checkbox"/> ชาย	อายุปี	สถานภาพ สมรส	<input type="checkbox"/> โสด
	<input type="checkbox"/> หญิง				<input type="checkbox"/> แต่งงานแต่ไม่มีบุตร
การศึกษา				อาชีพ	
<input type="checkbox"/> ประถมศึกษา <input type="checkbox"/> มัธยมปลาย <input type="checkbox"/> ปริญญาตรี <input type="checkbox"/> สูงกว่าปริญญาโท		<input type="checkbox"/> มัธยมต้น <input type="checkbox"/> ปวช./ปวส. <input type="checkbox"/> ปริญญาโท <input type="checkbox"/> อื่นๆ.....		<input type="checkbox"/> นักเรียน/นักศึกษา <input type="checkbox"/> ข้าราชการ <input type="checkbox"/> เจ้าของกิจการ <input type="checkbox"/> อาชีพอิสระ <input type="checkbox"/> อาชีพเฉพาะทาง (เช่น หมอ, วิศวกร, สถาปนิก) <input type="checkbox"/> อื่นๆ.....	
<input type="checkbox"/> ต่ำกว่า 16,000 บาท <input type="checkbox"/> 16,001 - 25,000 บาท <input type="checkbox"/> 25,001 - 33,000 บาท <input type="checkbox"/> 33,001 - 41,000 บาท <input type="checkbox"/> 41,001 - 50,000 บาท		<input type="checkbox"/> 51,001 - 60,000 บาท <input type="checkbox"/> 60,001 - 80,000 บาท <input type="checkbox"/> 80,001 - 100,000 บาท <input type="checkbox"/> สูงกว่า 100,000 บาท <input type="checkbox"/> ไม่มีรายได้		<input type="checkbox"/> ต่ำกว่า 16,000 บาท <input type="checkbox"/> 16,001 - 25,000 บาท <input type="checkbox"/> 25,001 - 33,000 บาท <input type="checkbox"/> 33,001 - 41,000 บาท <input type="checkbox"/> 41,001 - 50,000 บาท	
				<input type="checkbox"/> 51,001 - 60,000 บาท <input type="checkbox"/> 60,001 - 80,000 บาท <input type="checkbox"/> 80,001 - 100,000 บาท <input type="checkbox"/> สูงกว่า 100,000 บาท <input type="checkbox"/> ไม่มีรายได้	

ขอขอบพระคุณที่ท่านให้ความร่วมมือในการตอบแบบสอบถาม



BIBLIOGRAPHY

1. B. Seebohm Rowntree, Poverty[:] A Study of Town Life, London, Macmillan and Co., Ltd., pp. 86-88 and 115-117, 1901.
2. E. T. Elbourne (1896): Factory Administration and Accounts.; Reprinted 1980.
3. Frederick W. Taylor, "The Principle of Scientific Management", the American Society of Mechanical Engineers, Vol. XVI, 1911, pp. 856.
4. Garcke E and Fells J M, Factory Accounts, 1st edition. London: Crosby, Lockwood and Son., 1887.
5. Herzberg, Frederick, Bernard Mausner, and Barbara Bloch Snyderman, The motivation to work, New York: Wiley, 1959.
6. Hofstede, G. (1980), Cultural Consequences; International Differences in Work-related Values, Sage Publication, Beverly Hills, CA.
7. Joseph Slater Lewis. The Commercial Organization of Factories; London; Reprint New York: Arno Press, 1896.
8. Likert, Rensis. The Human Organization: Its Management and Value. McGraw-Hill, New York, 1967
9. Luthans, Fred. Introduction to Management: A Contingency Approach. McGraw-Hill, New York, January 1976.
10. Maslow A H (ed), New Knowledge in Human values, Harper, 1959
11. Maslow A H, Eupsychian Management, The Good Society, Journ. Humanistic Psychol, 1965.
12. Maslow A, Critique of self-actualisation, Journal of Individual Psychology, 15, 24-32.
13. Maslow A, Motivation and Personality, Harper, 1954
14. Mayos, George Elton, Hawthorne Experiment, Harvard Business School, 1927.
15. McClelland, D. Power the Inner Experience, New York, Irving, XIV, 1975.
16. McGregor D, The Human Side of Enterprise, McGraw Hill, 1960.
17. Sekaran, U. (1992), Research methods for business: a skill building approach, second edition, New York: Wiley, J.
18. Vroom V, Work and Motivation, Chichester, John Wiley, 1964.
19. Wright, T.L. & Crimp M., 2000. The marketing research process fifth edition, England: Financial Times Prentice Hall.

20. Taro Yamane (1999), Statistics an Introductory Analysis, Third Edition. Harper International Edition.



