

## **1. Introduction.**

### **1.1. Background**

Nowadays, corporate social responsibility has been an important aspect of the business. Corporations received the responsibility to help the social and environment given by society themselves to contribute to the growth of the community. The implementation of CSR does not only occur in developed countries but also in emerging countries. According to Rosenthal (2014), There is an increase of trends of CSR in the emerging market. Starbucks is one of the companies that involved in corporate social responsibilities programs for a long time. Starbucks is a company that provides service to the society by offering high quality of coffee to the market. Starbucks has implemented programs such as promoting a green environment, social events to help the welfare of the people where the firm runs. Starbucks business and ethical way of purchasing of raw materials from the supplier have been introduced to the society around the world including Indonesia. The vision of Starbucks is to elevate the customers, and also their neighbors to create a positive impact. It is stated on Starbucks' website that the company is committed to creating a global social impact.

Thus, Corporate Social Responsibility concept raised questions in the society whether a company should implement the concept of CSR. Friedman (1962) argues that it is not the responsibility of the firm to do corporate social responsibility because the aim of a business is to earn more profit. It is the government who is responsible for solving the problem that exists in the community. Aupperle et al (1985 p. 462) and Ullmann (1985, p. 540-577) argued that companies that have a high responsibility to the society would add more costs and might put the company into the economic disadvantage condition compared to the other businesses that have less responsibility. It means engaging in the corporate social responsibility might give bad impact to a company who invested in this program as it can result in the decrease the profitability of the company itself.

On the right side of the implementation, corporate social responsibility also created outcomes to the company who invested in the program. Many researchers believe that CSR has positive impacts in the long run such as the positive impact on company's value, image and enhancing customer reputation (Aguilera, Rupp, Williams, & Ganapathi, 2007, p. 837-845). A company will gain the competitive advantage once

the company implemented CSR program in their business process (Martinuzzi & Krumay, 2013, p.438). Engaging in a higher level of corporate social responsibility would also increase the degree of competitiveness of those who invested in this program.

This research is trying to prove that the engagement of CSR by Starbucks will give benefits that will lead to the increase of brand image. This research will find out the reaction of the market based on corporate social responsibility program that Starbucks incorporation engages and the impact of investing in the program to the brand image of the company. The researcher will be using quantitative method for this research. The questionnaire will be distributed in Jakarta as a representative of the emerging market.

## 1.2. Aim and Benefits

The aim of the research is to know market reaction towards the implementation of corporate social responsibility. This study would like to analyze whether there is a change in the perspective of the customer towards Starbucks after the implementation of corporate social responsibility. The engagement in philanthropic and ethical responsibility would increase the brand image of Starbucks in Indonesia. The research can give benefit to corporations in the emerging market. With this study, the researcher hopes that the result of the analysis can motivate companies in emerging market to implement corporate social responsibility programs.

## 1.3. Research Question

There is one research question that this study will answer which is:

How does the engagement of ethical and philanthropic responsibilities by Starbucks influence the brand image of Starbucks in the emerging market?

There are four categories of corporate social responsibility thus this research is going to focus on the two categories of CSR which is philanthropic and ethical responsibilities. The engagement of these categories of corporate social responsibilities would increase the brand image of the Starbucks. The firm has to fulfill not only what is required in the society, but also what the customers are expected which is being ethical

within the business process and also helping the society to solve implications that exist in the area where the company runs their business, which is desired by the society.

#### 1.4. Scope of Study

This research is focused on Corporate Social Responsibility. The research sought to investigate the reaction of the market towards corporate social responsibility program engaged by Starbucks. The scope is restricted only to the reaction of the market in the coffee industry. The type of research that is used is quantitative research. Quantitative research produces numeric data for the researcher to analyze. Therefore, questionnaires will be distributed to get the information needed.

The number of questionnaires distributed in total is 147, however, this research will only use 93 responses that are matched with the category that this research seeks to investigate. The range of the market that this research will analyze is the market in Jakarta, Indonesia. There will be no age restriction for this research. The method of distribution of the questionnaire is simple random sampling, non-probability convenience. Questions will be supported by theories to provide information that is related to help to answer the research question.