

## CHAPTER 1: INTRODUCTION

### 1.1 Background

Corporate Social Responsibility (CSR), as a critical strategy of global companies to create a good reputation, foster consumer trust, and build competitive advantage, has been emerging in practice. In China's fast-changing, culturally unique market, multinational brands such as Starbucks become increasingly compelled to comply with local values and regulations. In this study, researchers look at how Starbucks's CSR initiatives will increase its brand loyalty and competition in the market in China. The thesis attempts to empirically test the consumer perceptions and reactions to the Starbucks CSR efforts on ethical sourcing, environmental sustainability and community involvement. CSR can be conceived of as a strategic lever for differentiation in saturated markets, although CSR could be considered a moral obligation. This research studies whether Starbucks' CSR performance in China can shed light on how socially responsible practices translate into measurable business benefits and lasting consumer loyalty within the specific market conditions of the Chinese consumer landscape.

Corporate Social Responsibility (CSR), which in the past few decades has moved from being a peripheral concern for businesses towards a central part of business strategy, has been reinterpreted into a concept that no business should overlook any longer. In today's globalised world economy, companies are called upon to do more than generate profits helping they should also help improve society and the environment. Consumer and the environment act as the focal points of Starbucks' CSR efforts, which is a leading multinational coffeehouse chain (Le, 2023). As known for their ethical sourcing, environmental commitments and community engagement programs, Starbucks is also seeking to represent itself as a social supplier, not just a coffee

supplier, globally. With Starbucks seeking further expansion in the Chinese market, CSR strategies are one way to make the company's presence in its consumers' mind as well as lead to business success. Multinational enterprises face both a promising and highly differentiated opportunity in China. Increasingly discerning, Chinese consumers are growing up quickly, with a rapidly growing middle class, increasing urbanisation and increasing awareness of environmental and social issues. Increasingly, they expect foreign brands to respect local customs, add value to their local communities and function transparently and with accountability. In return, Starbucks has customised its CSR effort in China by signing in Shanghai, including the Starbucks China University Program, environmental sustainability projects and community outreach activities with Chinese social value elements. As opined by Pradnyani, Rahmawati, & Suci, (2020), offering rewards with possible orders to the consumers helps to increase brand loyalty towards the brand and helps to differentiate with other market competitors in this competitive market.

In 1999, Starbucks entered the Chinese market and has become one of the largest foreign coffee brands in the Chinese market. Though there is a huge contrast in the cultural consumption of coffee and brutal competitions from local and international rivals such as Luckin Coffee and Costa, Starbucks has managed to develop a loyal customer base (Li, *et al.* 2020). According to recent findings, the Chinese coffee market is estimated to surpass a 24 billion mark to be able to grow at a compound growth rate of 10.8% by the year 2025. By the beginning of 2025, there are more than 6,500 Starbucks stores in China, and they are planning to increase to 9,000 by 2027 (Investor.starbucks, 2025). In the meantime, competition in the market was increased as local rival Luckin Coffee breached the 10,000-store levels in 2024. Furthermore, a 2024 survey by Nielseniq, (2025) imposed that 76% of Chinese shoppers want a brand with apparent CSR efforts, whereas 68 percent indicated that they would give a higher value to buy goods that are

ethically produced. Such patterns make the issue of CSR as a strategic differentiator in China coffee industry important.

One of the reasons for this success is the company's investment in CSR programs oriented toward the Chinese market. Consumer expectations and relationships are important in an orientated society, and these programs deliver to both these needs. Existing academic literatures support the notion that CSR can raise brand loyalty by way of creating trust and emotional attachment. Several studies say consumers are more likely to stay loyal to brands that follow their beliefs and practice social responsibility. As China is a society that tends to stress societal harmony and collective welfare, CSR activities, therefore, strike with the public's conscience and attitude. Integrating CSR into its business operations is not a moral choice for Starbucks: it is a strategic imperative for the sustainable competitiveness of a rapidly transforming, increasingly socially responsible market.

Yet, despite a large body of literature regarding CSR and brand loyalty in Western contexts, there is a relative paucity of empirical research as to the effectiveness of CSR in China, especially in the food and beverage sector (Shah & Khan, 2020). Given the still very young nature of CSR, there is an important need for a localised understanding of cultural, political and economic dimensions of the Chinese market to understand how CSR initiatives are perceived and valued. In addition, the rise of "greenwashing" and consumer scepticism requires a more in-depth investigation of the validity and effects of CSR communications on brand perceptions. This study strives to fill this gap by providing empirical evidence of the relations between Starbucks' CSR strategy and two key firm performance outcomes in China, brand loyalty and market competitiveness. It will look at how consumers read Starbucks' CSR activities, how these activities translate into an increase in customer retention and in competing with Starbucks' rivals

in the competitive Chinese coffee market. Both qualitative and quantitative methods will be adopted for the data collection and derivation of completely usable conclusions.

These results will provide useful information for the academic and practitioner communities. Knowing the CSR and consumer behaviour link will help multinational brands do better in marketing, branding and in the way they operate within China (Akbari, *et al.* 2020). The results will help Starbucks to see if its current CSR efforts are effective and identify possible improvements. Finally, this study contributes to the much broader discussion of sustainable businesses in emerging markets and the role of CSR in achieving long-term success.

The impetus for this research is tied to the vital role of CSR in determining consumer behaviour and competitive dynamics in emergent markets as facilitated by globalisation and illustrated by the Chinese case. Given growing Chinese concerns over environmental, ethical and social issues, their consumers are demanding increasing proof of a company's responsible business practices (Tiep Le, *et al.* 2023). As a leading global brand and strong player in China, the Starbucks case is particularly interesting for assessing CSR's impact on brand loyalty and market performance in the culturally complex Chinese market.

Despite a large inventory of literature on CSR in Western markets, studies about CSR in the Chinese consumer context are not yet sufficiently developed. With China's unique socio-cultural values, economically driven regulatory frameworks and consumer expectations, there is a clear need for context-specific research. To fill this gap, this thesis examines the interplay between Starbucks' CSR activities and consumer loyalty and how these efforts affect how consumers position Starbucks strategically vis-à-vis domestic and international competitors. In addition, China's coffee retail industry is one of the fastest-growing and changing industries in the Chinese market, while competition intensifies, the pace of digital innovation quickens and



consumer behaviours evolve. In this volatile time, CSR could be the place for brands to differentiate themselves if they are looking at their long-term sustainability (Lu, *et al.* 2020). As a result, it is timely and strategically relevant to understand how CSR leads to brand equity and market advantage.

## 1.2 Problem Statement

Recently, Starbucks has invested heavily in its brand strategy for its global brand, making large investments in Corporate Social Responsibility (CSR). Starbucks has been striving to brand itself as a responsible brand, from environmental sustainability initiatives to employee welfare programmes and programmes of community engagement programmes. Nevertheless, the social effectiveness of these CSR programs in the creation of consumer behaviour is insufficiently understood, especially in other international markets such as China (Marakova, *et al.* 2021). As China is special in its cultural norms, consumer expectations, and rapidly changing, its market dynamics are not conducive or adaptable enough to Western CSR models. Though Starbucks has run prominent CSR campaigns in China, how big of an impact the campaigns make on consumer loyalty and competitive positioning remains to be seen. What's more, how has Starbucks' CSR strategy influenced the company's ability to preserve a competitive advantage in the market where other local competitors are in competition on the premises of price, innovation and localisation?

In so doing, the goal of this study is to empirically examine the relationship between CSR and brand performance outcomes in China's coffee retail industry (Alam & Islam, 2021). Starbucks does not know how CSR influences consumer behaviour or market competitiveness, and consequently devoting resources without a clear understanding of its impact or how to create

value can lead to misallocated resources or failure to meet expectations. In addition, with the rise of scepticism towards CSR practices around the world, it is important to know whether or not the public sees Starbucks' CSR messages as true or a marketing ploy. To reach the ultimate goal of assessing CSR as a sustainable competitive advantage for Starbucks in China or, perhaps, a need to reevaluate CSR in China according to local consumer behaviour and market dynamics, CSR is presented as a standalone strategic theme along with several value propositions.

### 1.3 Research Questions

***RQ1:*** Does ethical sourcing affect brand loyalty among Starbucks consumers in China?

***RQ2:*** Does Starbucks' community engagement efforts effect on brand loyalty in China?

***RQ3:*** In what ways do Starbucks' environmental initiatives influence customer perception and brand loyalty?

***RQ4:*** Does Starbucks' employee welfare policies contribute to brand loyalty and market competitiveness in China?

### 1.4 Research Aims

***RO1:*** To specify the consequence of ethical sourcing on brand loyalty among Starbucks consumers in China.

***RO2:*** To consider the role of community engagement in improving Starbucks' brand loyalty in the Chinese market.

***RO3:*** To investigate the effect of environmental initiatives on consumer perception and brand loyalty in China.

**RO4:** To examine how Starbucks' employee welfare policies contribute to brand loyalty and market competitiveness in China.

## 1.5 Research Significance

This work focuses on understanding how Starbucks' CSR activities impact loyalty to the brand and its ability to compete in the Chinese market. Its value is found in dealing with the greater focus on ethical and responsible business acts taken by consumers and stakeholders. The focus of the study is to discover how Starbucks' actions related to sourcing, the community, the environment, and employee welfare in one of its largest international markets impact customer loyalty (Mehrad, *et al.* 2024). With more people in China expecting businesses to act responsibly, observing the outcomes of these strategies gives multinational firms information about what their customers expect in terms of CSR. Companies active in different countries, including those considered emerging, can find practical use in the findings of this research. China's consumer market is expanding quickly and people there are paying increased attention to social values and staying green. Compare Starbucks' CSR strategy to see how businesses and customers interact as responsibilities keep changing. It is hoped that the results will show how a brand's CSR approach impacts how people feel about the brand and their continuing loyalty (Perez Martos, 2022). This study enhances the scholarship by connecting CSR activities with results for brands. While plenty of studies examine CSR in the West, fewer pay attention to the effects of CSR on Chinese consumers. Also, by examining particular aspects of CSR as independent variables, the research offers an orderly way to find out which components play the biggest role in creating brand loyalty. By using this qualitative data, other researchers and organizations can guide their work in corporate ethics, branding, and global marketing.

## **1.6 Definition of Terms**

### **Ethical Sourcing**

When Starbucks acquires coffee beans, the company follows socially and environmentally responsible methods. This also means partnering with people who support fair trade, sustainable farming, and honest work practices (Carter, Warren, & Steinhoff, 2023). The main goal is to support just treatment, environmental action, and the economy of the producers involved. By choosing to source ethically, businesses support top product quality and the communities helping to make their products.

### **Community Engagement**

Community engagement includes Starbucks joining in social projects and trying to make life better for people in the places where it does business. This covers job opportunities for disadvantaged youth, assistance with education, volunteer participation by employees, and teamwork with area service groups (Chen, Li, & Tang, 2021). The company uses community engagement to create trust in the community and highlight its efforts to make a difference in society.

### **Environmental Initiatives**

Sustainable practices let the company show its care for the environment and aim to have a lower impact on nature. Such efforts cover waste reduction, better energy use, recycling, renewable energy, and creating packaging that is not harmful to nature (Li, 2022). Starbucks values the need to fight climate change by using sustainable systems and certain green construction methods in its store buildings. As a result, the company proves it is in line with environmental aims around the globe and addresses people's desire to solve ecological issues.



## **Employee Welfare**

Starbucks' employee welfare program is designed to make sure its staff have a good work environment and enjoy a good quality of life. They do this by assuring workers receive decent wages, benefit from health policies, aim for career progression, exist in inclusive surroundings, and receive mental health support (Kato, 2022). Respect and dignity are the main ways Starbucks refers to and treats its partners or employees. Work satisfaction, lower turnover, and good service because of these actions improve customers' overall view of the company.

## **Brand Loyalty**

When someone repeats their purchases and praises a brand, it's often called brand loyalty. It means people feel connected, trusting, and committed to the company. For this analysis, brand loyalty is what depends on Starbucks' CSR strategies and measures how strong consumers' ongoing loyalty is towards the company (Mi, *et al.* 2021). Building loyalty is essential for profitable growth and staying on top in industries where many businesses compete.

## **1.7 Publication Plan**

The findings of this study will be synthesized into a scholarly article and submitted to the International Journal of Research and Innovation in Social Science (IJRISS), a peer-reviewed, open-access journal dedicated to advancing knowledge in the field of social sciences. Given the relevance of this research to the domains of corporate social responsibility (CSR), consumer behavior, and brand management, the journal offers an appropriate academic outlet for dissemination.