Corporate Governance and Liquidity Risk of Starbucks Company

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Abstract

The purpose of this study is to measure the corporate governance and its impact to the firm performance and risk of Starbucks. The research method for this study was to perform regression analysis on Starbucks using the SPSS system. The study found that the Starbucks' liquidity has been relatively stable over the past five years. Regression analysis shows that Starbucks' liquidity risk is affected by the return on assets (internal factors) and the US gross domestic product (external factors).

Keyword： Liquidity risk， macroeconomics and corporate governance

1.0 Introduction

1.1 Background of company

Starbucks was founded in Seattle in 1971. It has three partners: Jerry Baldwin, Gordon Bowker and Zev Siegel. These three partners are people who have a certain position in academia, and they all like coffee and tea. They opened their first store in Seattle with their savings and borrowed money, and the origin of the Starbucks name was the name of the first companion in Herman Melville's classic novel Moby Dick.

Starbucks' raw coffee bean supplier is a Dutch immigrant Alfred Peet, a famous coffee roaster entrepreneur, has been importing quality Arabica coffee from the United States since the 1950s. In 1966, he opened his first store in Berkeley called Peet's Coffee and Tea, which specializes in imported first-class coffee and tea. Peet's success inspired the founders of Starbucks, based on the sale of quality coffee beans and equipment as their business model. And bought a used roaster from the Netherlands, Baldwin studied and researched Peet's baking technology and created a flavor of his own brand.In the early 1980s, Starbucks had opened four stores in Seattle, and they stood out in the industry with excellent baking techniques and fresh coffee materials. In 1980, Siegel wanted to pursue other interests, so he left Starbucks and left two other partners. Baldwin became the company's president.

By 1981, a Swedish company called Hammarplast had noticed the sales of starbucks, which prompted them to visit Starbucks, Hammarplast's kitchen equipment and household items for the drip coffee machine from Starbucks, Hammarplast sales representative Howard Achultz Impressed with Starbucks and very interested in the company, he decided to stay and work at Starbucks and was hired by Starbucks as Marketing Director in 1982. Schultz was very careful. He noticed that new customers sometimes felt uncomfortable with the lack of understanding of coffee, so he worked with the store staff to develop customer-friendly sales techniques and made small introductions to the company's products. The booklet gives customers a better understanding of the product. In the spring of 1983, the company sent Schultz to Milan to participate in the International Housewares Fair. During this time, he was very impressed with the Italian cafes, and he wanted to make Starbucks similar. But the idea that the company's two partners are jealous of Schultz does not agree. They want Starbucks to maintain the status of selling coffee and equipment. They don't want to be too different from the traditional business model. They don't want Starbucks to become espresso and cappuccino. coffee shop. Schultz saw that he couldn't convince the partner to accept his advice, so he left Starbucks in 1985 and

opened his own chain of coffee shops II Giornale, and he quickly gained success and traveled to other cities.
In March 1987, Starbucks' two partners decided to sell Starbucks, and Schultz quickly acquired Starbucks. He combines all of the company's businesses and focuses on the business concept of coffee. Coffee beans, equipment and other items are sold in the Starbucks store. The company quickly entered a rising period and successfully listed in 1992. Soon Starbucks became the world's largest coffee shop chain and has continued since then. By the beginning of the 21st century, Starbucks has operated more than 20,000 cafés, and the number of countries in which the world operates is more than dozens.

1.2 Problem statement

Recently, corporate governance has become increasingly important. Sound corporate governance has the following characteristics: open, honest and transparent, independent, and responsible. Good corporate governance ensures and sustains the company's long-term value. For Starbucks corporate governance issues, Starbucks faced the toughest business operations in 2008, during which the share price fell nearly 40% compared to the same period last year, and profits fell 28%. The main reason for this result is not only the financial crisis, but also the threat of competitors, such as MacDonald and Deng Jin. During Jim Donald, he focused only on the rapid growth of investment and stores, not on the upcoming Starbucks vision and product quality or customer service (violating service commitments, not ethical). In a short period of time, the number of outlets increased from 5,000 to more than 10,000. The main intention of Starbucks gradually disappeared due to poor management and poor decision-making.

Starbucks also found some internal problems: (1) the number of stores has increased rapidly, and some stores have low profit returns. (2) Customers lost interest in their star product "Frapppuccino". (3) Many consumers are beginning to complain that Starbucks is too focused on making money and forgetting what customers really want. Specifically, Starbucks not only creates a store to buy specialty coffee, but also aims to develop “a third party” that allows “people” to escape, reflect, read, chat or listen. At the beginning of 2008, Starbucks had a serious impact, and customers were more aware of the spending on luxury goods. Starbucks coffee was not considered to be value for money, but also faced pressure from competitors such as McDonald's and Duncan Donuts. These competitors' products are usually much cheaper than Starbucks coffee.

Starbucks management also faced quality problems that led to a decline in the company's financial performance. Initially, they received feedback that the quality of coffee drinks was declining, which is their core product. Customers found Starbucks coffee to taste less than before and did not provide good value compared to the price. The “in-store experience” is an indispensable part of the Starbucks dynamics, but the atmosphere in the store has been repeatedly said to be no better than before. Starbucks stores no longer have a tempting coffee aroma because they no longer bake coffee beans in the store as they used to. Instead, coffee beans are now processed in a central baking center and shipped to branches around the world. When Starbucks changed the store layout to achieve sales growth to accommodate non-coffee products such as CDs and books, the experience of in-store customers has also deteriorated.

1.3 Research Objective

1. To investigate the internal factors that will influence to the liquidity risk.
2. To investigate the external factors that will influence to the liquidity risk.
3. To investigate both internal and external factors that influence to the liquidity risk.

1.3 Research Questions

1. Does any relationship between the internal factors and liquidity risk?
2. Does any relationship between the external factors and liquidity risk?
3. Does any relationship between both internal and external factors to liquidity risk?

1.4 Scope of Study

The sample of study is details about the fast food industry in US, namely Starbucks. The accounting and financial ratios was based on Starbucks 2014-2018 annual reports.

1.5 Organization of The Study

This study includes 5 chapters. The first chapter is the introduction of this study, includes overview, research objectives, research questions, scope of study and organization of the study. In second chapter, we discuss about the literature review of the independent and dependent variables, which is internal and external factors that influence the company liquidity ratio. Chapter three tells that the measurement of variables, research methodology and data analysis. In chapter four , we discuss the findings and results of this study. In final chapter is summary and conclusions of this study.

2.0 Literature Review

For discussing corporate governance, we must first explore the theme of governance in general. In simple terms, governance refers to the behavior or process of governance. Governance has existed since the birth of civilization and has continued to evolve throughout the process (what is corporate governance ?, 2005). When we start governing a business, corporate governance can be defined as a process of oversight the company and control the company's management which is acting in the interests of the shareholders (Parkinson, 1994). Corporate governance can also be defined as the role of governance is not related to the operation of corporate activities, but to the overall management of the company, as well as to companies that monitor and control executive performance and respond to the interests of external companies. Reasonable expectations of liability and regulation (Tricker, 2009). Similarly, corporate governance is about monitoring the performance of executives, ensuring management is accountable to shareholders and motivating them to create shareholder value and protect the structure and processes of others. stakeholders, including the company (Indian Industrial Corporate Governance Compliance, 2008 Year).

Corporate performance is one of the most relevant structures in the field of strategic management (Rumelt, R. P. et al., 1994). In this report, we realize that there is an inseparable relationship between the company's quality corporate governance and company performance. Therefore, understanding the meaning of company performance (company performance) is very important. The definition of company performance is somewhat different. However, with the improvement of human capital, it can be clearly defined. You can use the Perceived Performance Approach (also known as subjective performance metrics) to measure business performance, in which case you use a scale similar to Likert to measure business performance from a top management perspective (Selvarajan, 2007). Typically, business performance is defined as “the operational capacity to meet the expectations of the company's major shareholders” (Smith & Reece, 1999, p. 153), which must be evaluated to measure the organization's achievements.

The company's internal environment plays a vital role in determining direction and unique quality (Aldrich, 1979). This macro environment includes a variety of factors that companies can use effectively to adapt to the changing external environment. Unlike the external environment, internal environmental factors are largely controlled by the management of the enterprise. Factors such as tangible commercial resources, its management, its ability to manage, marketing, and strategic choices are strong traditional contributors to the effective and efficient operation of any business (Kibera, 1996). In the 2010 Challenges of Implementing Corporate Governance, the company's performance may be affected by its internal and external risks. In general, risks can be divided into four categories: Operational risks (including external and internal risks), business risks, strategic risks and systemic risks. Internal (company/business/organization) internal failures lead to operational risks. For example, unforeseen external events, such as transportation system failures or supplier delivery of goods (Ching, Colombo et al., 2017). The financial loss caused by the series of potential operational failures, we can consider the system, control failure, operational error based on internal processes, personnel or system deficiencies or failures, or the risk of loss caused by external events (such as fraud, lack of computer) Circumvented norms or natural disasters (Michel Crouhy, Dan Galai, Robert Mark, 2014)

Liquidity risk refers to the possibility or insufficient amount of investors who may not be able to purchase or sell an investment as needed due to limited opportunities. Liquidity risk is the risk that a company or bank may not be able to meet short-term financial needs. For example, selling real estate does not convert securities or hard assets into cash without losing capital and/or revenue in the process (Ching, Colombo et al., 2017). According to Investopedia, liquidity risk is the ability of a company, company or individual to repay debt without any devastating loss. Market risk refers to the risk that changes in market factors will reduce investment value. For example, changes in federal policy, economic changes (Ching, Colombo et al., 2017). Moreover, market risk is the risk of loss due to changes in market risk factors. Changes in interest rates, exchange rates or commodity price factors may result in market risk (Michel Crouhy, Dan Galai, Robert Mark., 2014). According to Investopedia, market risk means that investors may have losses due to factors that affect the overall performance of the financial markets in which they are involved. Credit risk refers to the risk of loss of principal or loss of financial incentives due to the borrower's failure to repay the loan or to fulfill the contractual obligations (Ching, Colombo et al., 2017). Similarly, credit risk can be defined as a risk of loss following a factor that stimulates the credit quality of an asset. These include migration at credit level (including default) and adverse recovery rate effects (Michel Crouhy, Dan Galai, Robert Mark, 2014).

Looking at it now, corporate governance is very important. If a company does not have corporate governance, it is equivalent to losing control. Corporate governance can enhance the sense of responsibility of the entity. Corporate governance can avoid avoiding catastrophic metrics. In modern times, the entity company completely needs "the relationship between ownership and management is the foundation of modern companies. Moreover, it leads to the specialization of tasks, shareholders take risks, strategy formulation and managers develop methods in an effective way" (Hassen, 2008)).

Among all financial institutions, the principle of corporate governance is very important, and risk management is the most highly acclaimed principle. Because every financial institution and non-financial institution has huge risks. Financial institutions do their best. Corporate governance will diversify risks to shareholders and stakeholders in certain ways. Companies or financial institutions can obtain formal guarantees for defaulting shareholders and bankrupt employees. Scandals, fraud, civil and criminal intent are an important factor for every company. If there is a well-managed management body, and the correct implementation of the principles of these frauds will not be established. This huge mechanism will enhance the public's image and thus allow the acquisition to acquire more shareholder capital. Without a common policy and accountability or transparency, the entire financial entity will be destroyed and lead to a financial crisis.

3.0 RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, a more detailed study of the sample and population is carried out, by making assumptions, data collection, data analysis, and understanding the problem through more objective methods.

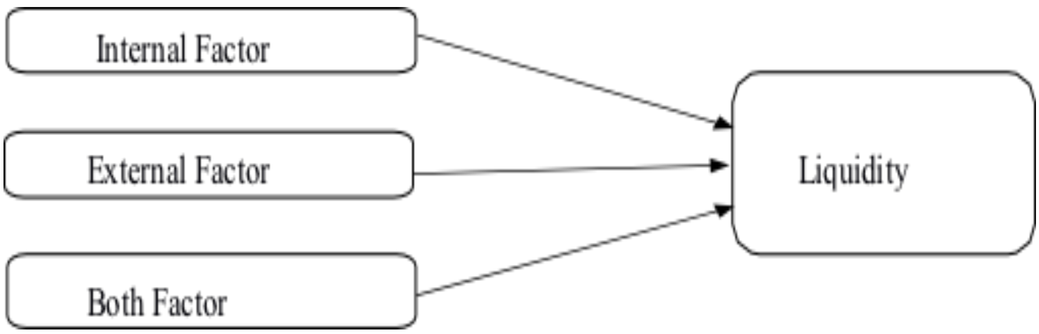
3.2 Population and sample

Population is a group of researchers who want to promote research results. The population of this article is a listed company in which all scandals in the world occur. The selected samples are data that were found and calculated from Starbucks's annual report. Including corporate governance index, credit risk, operational risk, liquidity risks and market risk and also the performance. To measure the dependent variables (liquidity risk) and the independent variables (internal factors and external factors), the data of the annual reports from 2014 until 2018 is used.

3.3 Statistical Technique

Starbucks had been chosen in this study. We use the data obtained from annual report (from 2014 until 2018) for this company to examine the effect of firm related internal and external factors from various aspect, namely profitability, company performance, operational, and credit. The disclosure of information regarding board of director in terms of qualification, gender diversity, nationality, audit committee, community service project, meeting attendance and director experience is used to find the corporate governance index score. In the process of determining effect of macroeconomic factors to liquidity risk, we collected the data of the US's GDP, inflation rate, interest rate and exchange rate from 2014-2018.

3.4 Research Framework



Independent Variable **Dependent Variable**

1.Statistical Package for Social Sciences (SPSS)

Multiple regression models were used to determine the impact of internal and macroeconomic factors on Starbucks liquidity risk. Model 1, Model 2 and Model 3 illustrate this hypothesis.

Model 1: Pooled model of internal factors to the liquidity risk of Starbucks Liquidity risk = $a + a_1ROA_i + a_2ACP_i + a_3DTI_i + a_4OR_i + a_5OM_i + a_6CGI_i + \varepsilon_{it}$

Model 2: Pooled model of external factors to the liquidity risk of Starbucks Liquidity risk = $a + a_1GDP_i + a_2Inflation_i + a_3IR_i + a_4ER_i + a_5MR_i + \varepsilon_{it}$

Model 3: Pooled model of liquidity risk of Starbucks
Liquidity risk = $a + a_1ROA_i + a_2ACP_i + a_3DTI_i + a_4OR_i + a_5OM_i + a_6CGI_i +$

$a_7GDP_i + a_8Inflation_i + a_9IR_i + a_{10}ER_i + a_{11}MR_i + \varepsilon_{it}$

4.0 Analysis and Finding

Introduction：

Researchers can determine the company's trends by comparing the company's ratios by comparing the financial ratios of different companies in different time periods or in the same industry. In the first study, we obtained financial information for the company's financial statements, namely the income statement, balance sheet and cash flow statement.

4.1 DESCRIPTIVE ANALYSIS

Table 1: Descriptive statistics of dependent and company specific variables

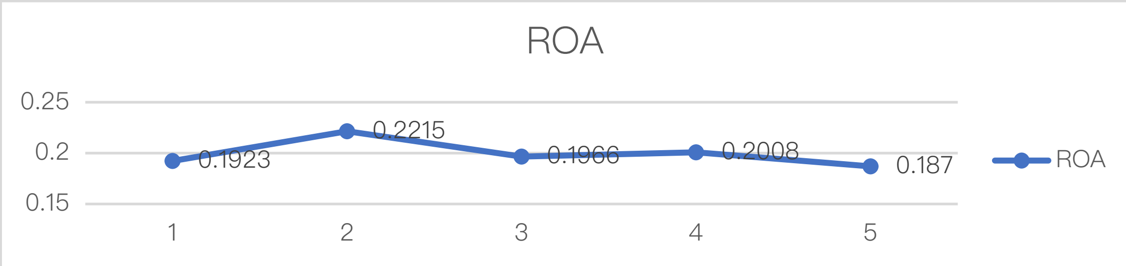
Descriptive Statistics

	Mean	Std. Deviation	N
ROA	.199640	.0132485	5
CURRENT RATIO	1.412040	.4547292	5
QUICK RATIO	1.094160	.4898795	5
AVERAGE-COLLECTION PERIOD	12.878660	1.6031953	5
DEBT TO INCOME	.480480	.2528000	5
OPERATIONAL RATIO	.832240	.0137333	5
OPERATING MARGIN	.203900	.0173342	5
GDP	2.420	.5450	5
Inflation	1.500	.8916	5
Interest rate	2.0300	.43243	5
Exchange rate	1.1360	.06877	5
STDV	.6197200	.15130176	5
CGI	.680	.1095	5

This data used has already been run in SPSS System using regression analysis with 5 samples from year 2014 to year 2018. The mean and standard deviation of dependent and variables ratio are recorded in the Table 1. The explanation below will round off the value to 4 decimal places.

1. COMPANY PERFORMANCE

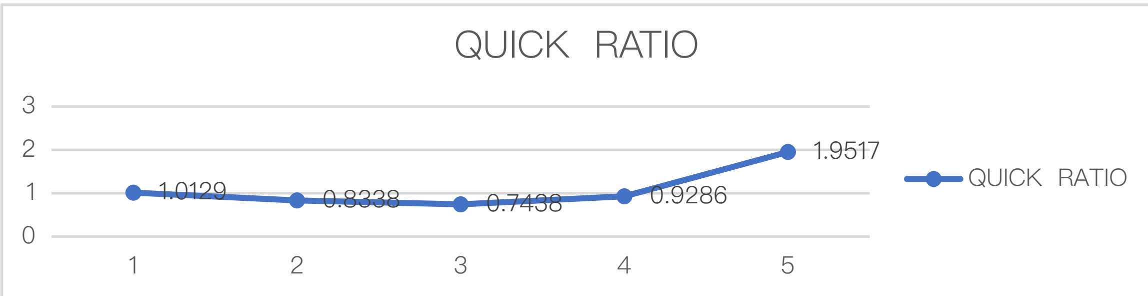
Graph 1: Return on asset ratio of Starbucks from year 2014 to year 2018



ROA is the ratio of return on assets used to measure the company performance. The higher ROA tells us that the company has higher profitability. As you can see from the above chart, Starbucks' return on assets has been fluctuating for many years. Starbucks' return on assets increased from 2014 (19.23%) to 2015 (22.15%). It declined slightly in 2016 (19.66%) but rose again to 20.08% in 2017. Finally, in 2018, it dropped to 18.7%. The lowest ROA for Starbucks over the past five years is 2018 (18.7%), and the highest is 2015 (22.15%). According to the Table 1, Starbucks has an average ROA of 0.1996 and a standard deviation of 0.0132. Each dollar of assets invested by Starbucks will generate 19.96 cents. The profit generated by the assets is only ±1.3 cents in 5 years. Starbucks has a higher ability to generate profits from assets.

2. LIQUIDITY RISK

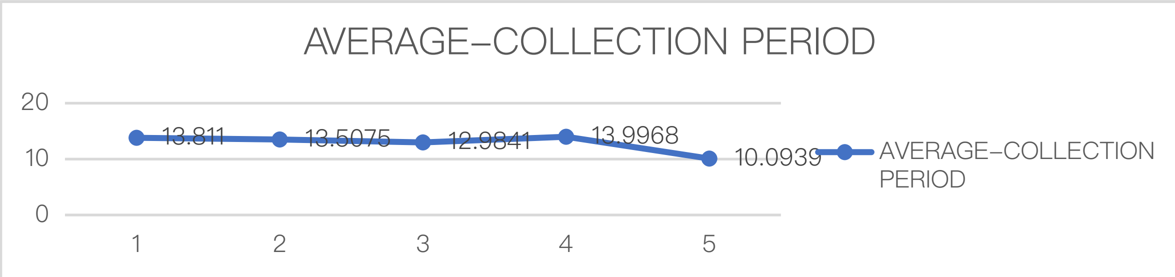
Graph 2: Quick ratio of Starbucks from year 2014 to year 2018



The quick ratio, also known as the acid resistance test ratio, represents the ratio of a company's quick assets to its current liabilities. The higher the quick ratio, the liquidity is the short-term liabilities the company encounters. From 2014 to 2016, Starbucks's quick ratio has fallen for three consecutive years. And from 2016 to 2018, it continued to rise. The lowest ratio is in 2016 (0.7438) and the highest is in 2018 (1.9517). According to Table 1, the average quick-moving ratio of Starbucks for 5 years is 1.0942, and the standard deviation of the quick-moving ratio is 0.4899. This shows that from 2014 to 2018, Starbucks can repay 1.0942 cents for every short-term liability of $1, and the company's ability to repay short-term debt is in the range of 0.60 cents to 1.58 cents (1.0942±0.4899) per dollar. Responsibility. This tells us that Starbucks has a higher ability to encounter short-term emergencies that may occur.

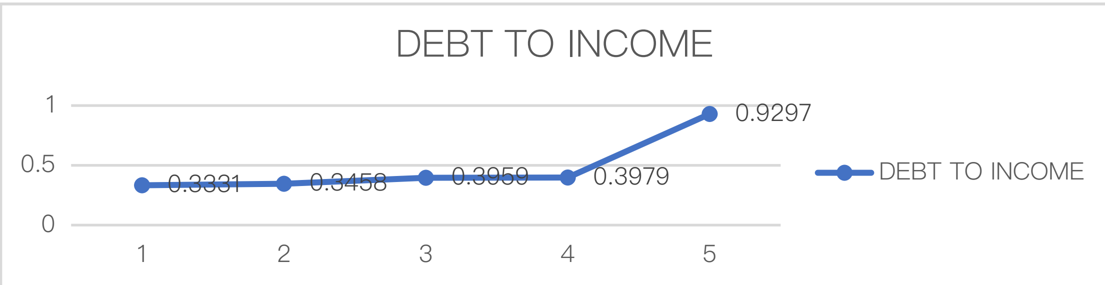
3. CREDIT RISK

Graph 3: Average-collection period of Starbucks from year 2014 to year 2018



In 2014, 13.8110 days is required for receipts to accept receivables, while in 2015 it is 13.5075 days. Performance improved in 2016, a one-day decrease from 2015, but the performance of its accounts receivable declined in 2017 (13.9968). In 2018, it took 10.0939 days and the highest performance. (The average payback period in 5 years is 12.8787 days, and the standard deviation is 1.6032 days. The company's ability to recover accounts receivable is better.

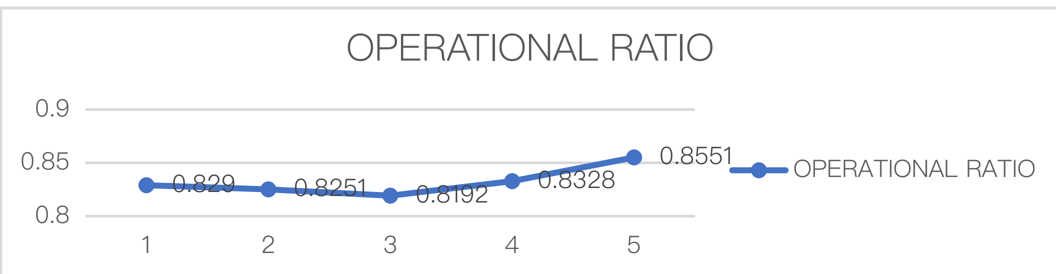
Graph 4: Debt to income ratio of Starbucks from year 2014 to year 2018



The debt-to-income ratio is a ratio that indicates the sustainability of the company's debt burden. The ability of an enterprise to repay debt depends on its cost and income structure. Often, larger businesses and companies with stable cash flows can maintain high debt ratios as long as they have an effective cost structure. Starbucks debt income increased from 0.3331 cents/$1 in 2014 to 0.9297 cents/$1 in 2018. Over the years, Starbucks has increased its burden of using the company's income to pay off debt. Starbucks has a revenue ratio of 0.4805 and a standard deviation of 0.2528. This shows that for every dollar of debt generated by Lenovo, it can generate 48.05% of profits. Moreover, their ability to generate profits using responsibilities is unstable, with a dispersion of ±25.28 cents.

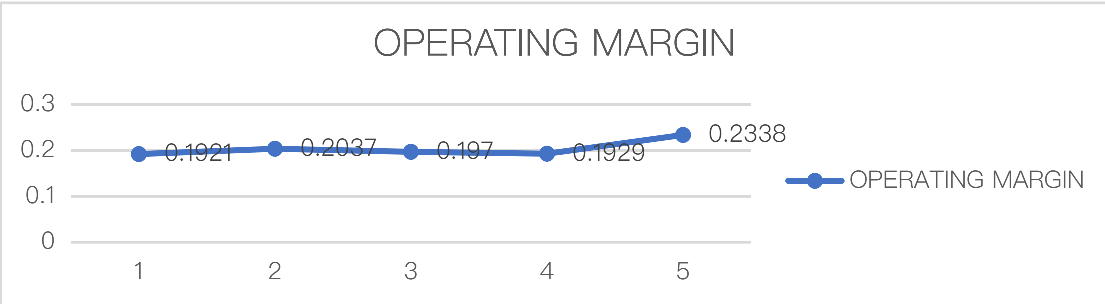
4. OPERATIONAL RISK

Graph 5: Operational ratio of Starbucks from year 2014 to year 2018



The operational ratio indicates the company's management efficiency. The higher the ratio, the weaker the organization's ability to generate revenue. As you can see from the above chart, Starbucks has the lowest operating ratio in 2016 because it can effectively manage its operating expenses. The higher the ratio, the less profitable the company is in generating profits. Starbucks has an average operating ratio of 0.8322 and a standard deviation of 0.1373. This tells us the efficiency of the company's management. Starbucks costs 83.22% for every $1 in sales, which is not stable for starbucks because of its higher standard deviation.

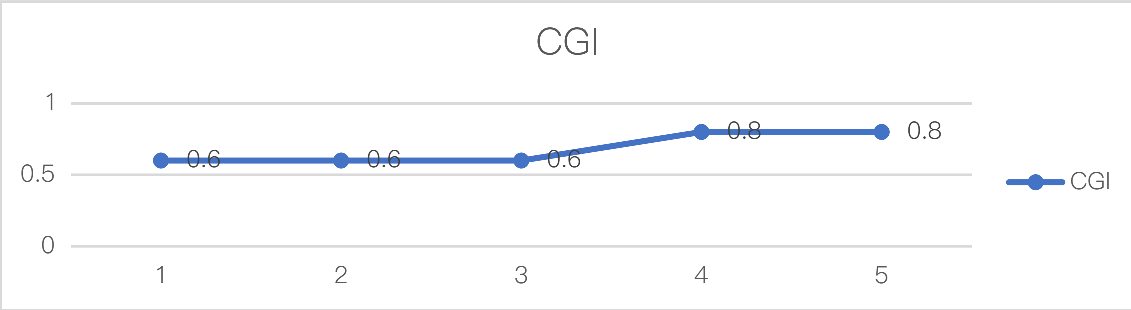
Graph 6: Operating margin of Starbucks from year 2014 to year 2018



The operating profit margin shows us that the company can profit from the $1 sales revenue after deducting interest or taxes such as employee wages and raw material costs. It can be calculated by dividing the company's operating profit by the net sales. The graph shows the trend of fluctuations. Starbucks' lowest operating margin was 19.21% in 2014, while the highest operating profit was 2018 (23.38%). Starbucks' average operating margin was 20.39% with a standard deviation of 0.0173. This means that the company's average operating profit is 20.39% of total revenue. This percentage is very stable when the standard deviation of operating margins approaches zero.

5. Corporate Governance Index（CGI）

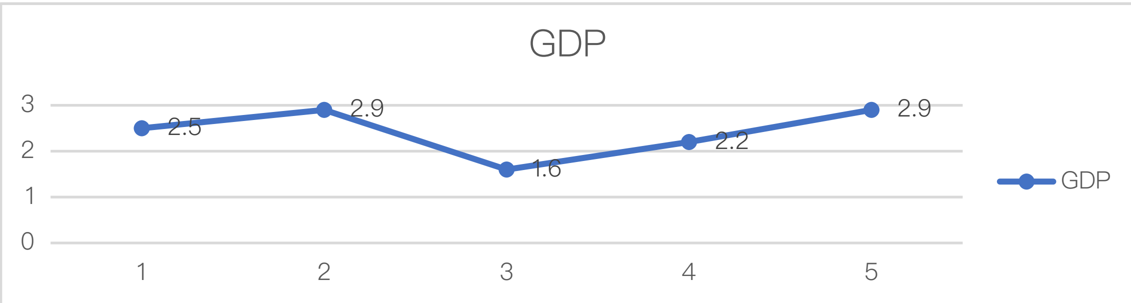
Graph 7: CG Index of Starbucks from year 2014 to year 2018



The Corporate Governance Index (CGI) is based on five principles, namely accountability, transparency, independence, fairness and sustainability. The criteria for representing each principle are the convening of the meeting, the attendance of the audit committee, more than 50% of the non-executive committee, and the participation of women executives and social responsibility programs of the board of directors. Each standard is counted as 1 point. Starbucks only got 3 points in the Corporate Governance Index in 2014-2016, and 4 points in 2017 and 2018.

6. GROWTH DOMESTIC PRODUCT (GDP)

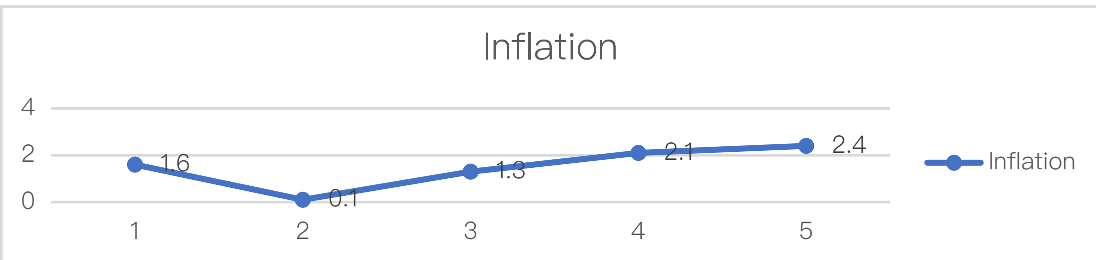
Graph 8: Growth Domestic Products (GDP Annual %) of US from year 2014 to year 2018



GDP measures the value of economic activity within a country. The variable used in this study is the annual growth rate of US GDP. The figure shows that the US GPD fluctuates every year. The lowest is 2016 (1.6%) and the highest is 2015 and 2018 (2.9%). From Table 1, we can see that its average gross domestic product (GDP) is 2.420%.

7. INFLATION RATE

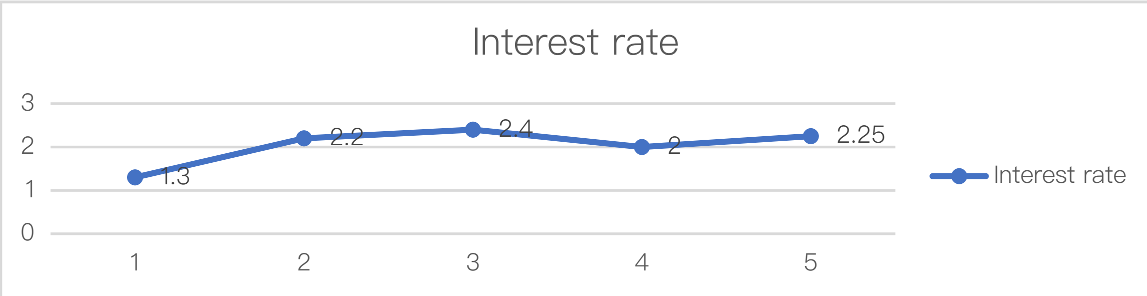
Graph 9: Inflation rate of US from year 2014 to year 2018



The inflation rate is a change in the value of a country's currency purchases. The inflation rate in the United States fluctuated between 2014 and 2018. The highest inflation rate is 2.4% in 2018, while the lowest inflation rate is 0.1% in 2015. Table 1 shows that the average inflation rate is 1.500%

8. INTEREST RATE

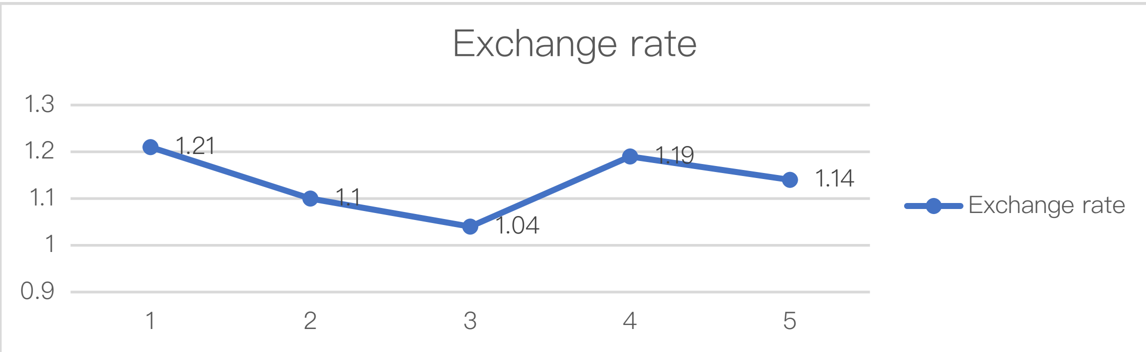
Graph 10: Interest rate of US from year 2014 to year 2018



Interest rates in the United States increased from 1.3% in 2014 to 2.4% in 2016, to 2% in 2017, and eventually to 2.25% in 2018. The average interest rate in Table 1 is 2.0300%.

9. EXCHANGE RATE (1USD TO CNY)

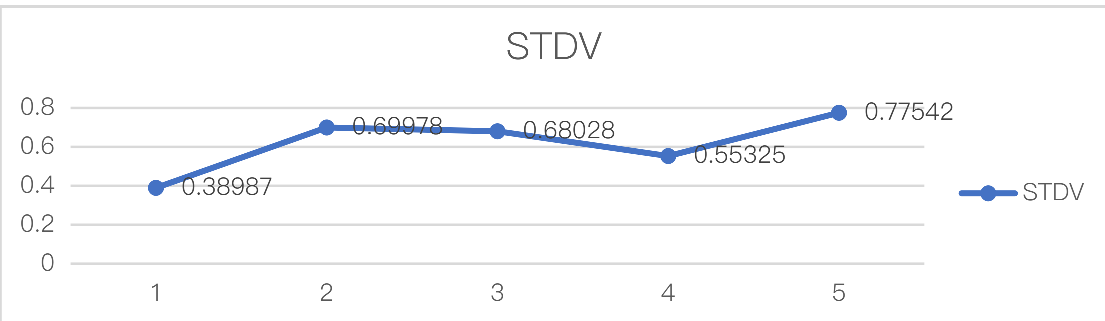
Graph 11: 1 original USD to 1 current USD Exchange rate from year 2014 to year 2018



The above line graph shows the exchange rate of original USD to current USD. The value of USD increases from 2014 (1OUSD to 1.21CUSD) to 2016 (1OUSD to 1.04CUSD). The value of USD got a bit downward in 2017, but up immediately in 2018. The average of 1original USD exchange to current USD is 1.1360 from table 1.

10. MARKET RISK (STDV)

Graph 11: Market risk of Starbucks from year 2014 to year 2018



The market risk of in 2014 is 38.99%. The highest market risk for Starbucks is 77.54% in 2018. The market got better after 2014, though it had a dropped in 2017. The average market risk for Starbucks is 61.97%.

4.2 SPSS ANALYSIS

We will discuss SPSS analysis of liquidity risk for company-specific variables from four perspectives, namely correlation, model summary, analysis of variance and coefficients.

1. Correlation

Table 2: Correlation of dependent variable and company internal and external factors of Starbucks

Correlations

		ROA	CURRENT RATIO	QUICK RATIO	AVERAGE-COLLECTION PERIOD	DEBT TO INCOME	OPERATIONAL RATIO
Pearson Correlation	ROA	1.000	-.562	-.580	.507	-.551	-.523
	CURRENT RATIO	-.562	1.000	.998	-.886	.941	.975
	QUICK RATIO	-.580	.998	1.000	-.907	.960	.974
	AVERAGE-COLLECTION PERIOD	.507	-.886	-.907	1.000	-.971	-.817
	DEBT TO INCOME	-.551	.941	.960	-.971	1.000	.919
	OPERATIONAL RATIO	-.523	.975	.974	-.817	.919	1.000
	OPERATING MARGIN	-.313	.898	.909	-.966	.952	.847
	GDP	.210	.608	.565	-.370	.411	.596
	Inflation	-.876	.610	.629	-.462	.605	.678
	Interest rate	.224	.044	.093	-.426	.354	.056
	Exchange rate	-.282	.276	.234	.194	-.009	.368
	STDV	.151	.372	.409	-.686	.610	.350
	CGI	-.396	.628	.645	-.474	.662	.778
Sig. (1-tailed)	ROA	.	.162	.153	.192	.168	.183
	CURRENT RATIO	.162	.	.000	.023	.008	.002
	QUICK RATIO	.153	.000	.	.017	.005	.003
	AVERAGE-COLLECTION PERIOD	.192	.023	.017	.	.003	.046
	DEBT TO INCOME	.168	.008	.005	.003	.	.014

	OPERATIONAL RATIO	.183	.002	.003	.046	.014	.
	OPERATING MARGIN	.304	.019	.016	.004	.006	.035
	GDP	.367	.138	.160	.270	.246	.144
	Inflation	.026	.137	.128	.217	.140	.104
	Interest rate	.359	.472	.441	.237	.280	.464
	Exchange rate	.323	.327	.353	.377	.495	.271
	STDV	.404	.269	.247	.101	.137	.282
	CGI	.255	.128	.120	.210	.112	.060
N	ROA	5	5	5	5	5	5
	CURRENT RATIO	5	5	5	5	5	5
	QUICK RATIO	5	5	5	5	5	5
	AVERAGE-COLLECTION PERIOD	5	5	5	5	5	5
	DEBT TO INCOME	5	5	5	5	5	5
	OPERATIONAL RATIO	5	5	5	5	5	5
	OPERATING MARGIN	5	5	5	5	5	5
	GDP	5	5	5	5	5	5
	Inflation	5	5	5	5	5	5
	Interest rate	5	5	5	5	5	5
	Exchange rate	5	5	5	5	5	5
	STDV	5	5	5	5	5	5
	CGI	5	5	5	5	5	5

The table 10 shows the correlation between Starbucks liquidity risk and internal and external factors. Starbucks ROA, operating profit margin, GDP, interest rate and market risk are positively correlated with liquidity risk, while the average payback period, debt and income are positively correlated. Starbucks' operating ratio, inflation rate and exchange rate are negatively correlated with liquidity risk. CGI has nothing to do with liquidity risk. As can be seen from the table, among the external factors of Starbucks, inflation has the least impact on liquidity risk, while GDP has the greatest impact on liquidity risk.

2. Model 1: Liquidity Risk on Internal Factors

Table 3: Model summary of Starbucks's liquidity risk on internal factors

Model Summary[c]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	1.000[a]	1.000	.	.	.[b]

a. Predictors: (Constant), CGI, Interest rate, GDP, AVERAGE-COLLECTION PERIOD

b. Not computed because there is no residual variance.

c. Dependent Variable: ROA

From table 3, model summary of dependent and internal factors

Table 4: Anova of Starbucks's liquidity risk on internal factors

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	4	.000	.	.[b]
	Residual	.000	0	.		
	Total	.001	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), CGI, Interest rate, GDP, AVERAGE-COLLECTION PERIOD

From table 4, we can learn that ROA and operating margin has a great effect to the dependent variables.

Table 5: Coefficients of Lenovo's liquidity risk on internal factors

Coefficients[a]

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.005	.000		.	.
	AVERAGE-COLLECTION PERIOD	.009	.000	1.062	.	.
	GDP	.020	.000	.811	.	.
	Interest rate	.027	.000	.870	.	.
	CGI	-.029	.000	-.242	.	.

a. Dependent Variable: ROA

At the last, as can be seen from the coefficient table, ROA has the greatest impact on the liquidity ratio. This shows that as the company's profits increase, the company's liquidity will also increase. This result is the same as the study of the impact of liquidity on corporate return on assets. Besides, ROA has positive effects on the quick ratio, while operating margins have negative effects on the quick ratio.

5.0 Discussion and Conclusion

Introduction

The purpose of this study was to identify internal and external factors that affect Starbucks' liquidity risk. Completion of objectives, internal factors (credit risk, corporate performance and corporate governance) and external factors (market risk, inflation, gross domestic product, interest rates and exchange rates) were used for this study. Therefore, we will discuss the findings in this chapter. This chapter includes recommendations and conclusions for future research.

5.1 Limitations

This study is limited only to Fast food industry in US. This study also limited to the data used, as it only includes five years (2014-2018) performance and financial statements of Starbucks.

5.2 Conclusion

In short, in the past five years, Starbucks' liquidity has been relatively stable. Its liquidity is mainly affected by ROA (internal factors) and GDP (external factors). The higher the ROA and GDP in the US, the better the company's liquidity will be. Liquidity risk depends on internal and external factors. In this case, Starbucks' external factors have a greater impact on the company than internal factors. However, it is difficult for the company to control its external environment. From this point of view, it will be easier for Starbucks to improve its internal performance. If a company can improve its ROA, the company's performance and ability to withstand short-term responsibilities will be better. Therefore, Starbucks must make the most of every dollar of assets it receives.

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