

# CHAPTER I

## INTRODUCTION

This chapter explains the research background, research questions, research objectives, research scope, research contributions and systematic outline.

### 1.1 Research Background

In Globalization Era, the development of Information Technology has minimized the barriers of delivering information to almost every corner of the world (Sudarevic & Drazen, 2018). The progressive in this era has create bigger opportunity to many businesses to deliver their product and service worldwide and customer also able to evaluate and learn about Global brand and its product (Sudarevic & Drazen, 2018; Sulhani et al, 2018). Consumers from emerging countries are becoming more experienced with global brands and are more likely to compare them with local brands while shopping online or offline. In choosing from the different options available, consumers may compare and evaluate product characteristics and brand attributes. The fast growth of information technology has also enabled consumers to constantly gather knowledge about particular items throughout the world, especially multinational items, and brands. It is generally believed that consumers from less developed and developing countries have a marked preference for imported goods over local ones (Karoui and Khemakhem, 2019).

The annual Nielsen Global Brand-Origin Report (2017) highlights consumers' preference for and sentiment toward products manufactured by local manufacturers versus large global or multinational brands across 34 categories. The report signifies that consumer preference is tipping toward global brands across the majority of categories. Consumers in the developed countries have a general inclination for their local made products because that are high quality over global products whereas consumers in emerging countries are expected to prefer foreign goods over local ones since many believe that foreign products are better of quality value over local products, and using foreign labels would electrify others because they are tied to high

style and luxury with high-status concerns. (Wang, Siu and Hui, as cited in Ahmed, 2014).

Indonesia as one of the developing countries, is reported has more than 50% of the market denominated by global brands (Ratriana, 2018) and 60% of Indonesian consumers prefer global brands compare to local brands (Tulistara, 2018). Hypebeast was nothing more than college student Kevin Ma's personal blog at its beginning in 2005, wherein he frequently published on his tastes in streetwear apparel and also most commonly, sneakers. The article of the blog quickly exploded, and Ma started to commercialize his online published material. Hypebeast ultimately grew as its own business and were ready to qualify for an initial public offering in 2015. The business succeeded to collect 65 million HK dollars as of 2016 and reported a valuation of 270 million US dollars, which becomes the highest performing launch stock throughout the year in Asia (Wang, 2016). Hypebeast's evolution means that it was no longer merely a popular blog; it has become a trend with a multi-million-dollar brand and lifestyle spread on by digital media. Hypebeast is currently the world's leading online platform for streetwear apparel, specifically targeting the market of mostly male teens including young adults around the ages of 18-30. According to Ma, the followers of the platform are "from high school, college, even some who have already graduated and joined the workforce" (Lieber 2016). In simplistic words, young people who have a lot of money to spend and are tech-savvy are the target market of Hypebeast.

Due to new technologies and social media, the business's rise in promoting niche streetwear labels such as Supreme, Bathing Ape, and Off-White in youth culture globally has been made possible. Throughout the digital marketing business, Hypebeast has been a major player that delivers important advertisement services as well as an e-commerce site for clothing companies worldwide. As being one of the world's top trendsetters, the "approval stamp of Hypebeast will positively impact or break an obscure or indie brand seeking to gain the interest of influencers (Zax, 2012). For fashion companies, it would be like a Michelin Star. Today, the concept Hypebeast does not merely apply to a particular website or a style icon; it has become an image to define people or groups who are following waves to attract others with high-priced streetwear, costly "hype" (cool and trendy) outfits. Therefore, in this digital era, the

Hypebeast label has a huge influence over the customer tastes of young people. There has been a growing demand for streetwear apparel in Indonesia once Hypebeast made its way to the souls of the young consumer in Indonesia. As a result, imports of luxury fashion items from developed nations such as the United States, Italy, and Japan, especially those popularized by Hypebeast, have risen in recent years. It is disputed that the growth of the streetwear trend in Indonesia will have a significant effect on the fashion industry of the world including its local cultures' survival (Widjaja, et al., 2019).

According to Jonathan Gabay, author of *Brand Psychology: Consumer Perceptions, Corporate Reputations*, "a brand is an extension of one's self—psychologically, in terms of how you want the world to see you, or what you want the world to believe you are, but deeper than that: what you believe you are, through that brand." (Clifton, 2016). Young Indonesians tend to express their identity by buying such Hypebeast products in such a way that highlights the feeling of prestige, money, and power, "status is very externally focused - it's an opportunity to 'show off' and feel that you have 'made it' in life" (Kadence International, 2019). A young consumer who finds the Hypebeast community's exploration of trends a part of their lifestyle is vulnerable to hedonistic behaviors since they form the perception that the buying and owning of rare, expensive products should be their identity. According to the 2016 Asia Luxury Index, luxury product revenues in Indonesia increased by 84 percent in 2016, representing Asia's biggest rise in online luxury product purchases. This index is based on the 2014-2015 sales results and market study of Reebonz, a Singapore-based online luxury goods website. Bernard Widjaja, senior marketing manager for Reebonz Indonesia, said the community of luxury customers in Indonesia is growing and expanding. With more affluence and accessibility, luxury goods can be bought easily by more customers. He continued that the demographic of customers able of buying said products have grown to the customer in their early 20s (Rahmiasri, 2016). As young adults are the largest demographic of Hypebeast, one aspect leading to the huge expansion of the Hypebeast trend in Indonesia was its change in luxury customers in Indonesia. Indonesia's youth as the next generation may increasingly sacrifice their civic duty to conserve and respect the diversity of native cultures in the

world by pursuing a lifestyle that emphasizes status, power, and money (Widjaja et, al. 2019). A study conducted by Nguyen et al (2018), has shown that people typically view foreign goods are more favorable than those from their home country. Additionally, consumer prefer global brand compare to local brand, because in terms of sophistication, modernity, prestige status and technology, global brand is considered more appealing to them (Ozsomer, 2012). Regarding how 60% of Indonesians tend to buy more foreign goods than their local products (Yulistara, 2018), this Hypebeast trend has shown to create a rising demand for global products, especially in terms of fashion and youth. Furthermore, the increasing passion for following trends particularly to global brands rather than local brands leads to the rise of consumerism, narcissism, and the lack of nationalism (Widjaja, et al., 2019).

In this research, researchers also conducted a small survey to know the young consumer's orientation about global and local brands, in which 10 people are given questionnaires that contain 2 questions that researchers will discuss. The first question is their opinion about which one is superior between global brands or local brands, and the second question is about global or local products that they buy more often. This small survey is conducted as a preliminary study before starting the research. Based on the survey summary that has been conducted to the students of young consumers at Universitas Pelita Harapan, the researcher found 7 out of 10 consumers said that global brands were superior to local brands, while 3 out of 10 claimed that local brands were not less competitive with global brands in terms of quality. Also, 6 out of 10 consumers based on the survey stated that they buy global products more often than local brands.

## **1.2 Problem Statement**

Hypebeast has found its way to young people's hearts in Indonesia, based on Ratriana's research in 2018, more than 50% of Indonesia's domestic market is denominated by global brands. Also, in 2016, luxury goods sales in Indonesia have grown by 84 percent, becoming Asia's largest online luxury goods sales growth (Asia Luxury Index, 2016). It is increasingly important to understand why some consumers prefer global brands products to local brands, especially in today's global market

(Joseph et al., 2017). Especially young consumers, this makes the researcher interested in why they tend to pursue trends that are set up by the Hypebeast community and their intentions to purchase global exclusive and luxury goods comparing with local brands.

### **1.3 Research Questions**

Based on the description of the research background above, the topic was raised which leads to factors of what interests the customers, thus the research questions of the problem for this research is as follows:

1. Is there any positive relation between Consumer Global Orientation and Foreign Brand Admiration?
2. Is there any positive relation between Consumer Global Orientation and Willingness to Pay More on Foreign Brand?
3. Is there any positive relation between Inferior Image of Local Brands and Foreign Brand Admiration?
4. Is there any positive relation between Inferior Image of Local Brands and Willingness to Pay More for Foreign Brand?
5. Is there any positive relation between Foreign Brand Admiration and Willingness to Pay More for Foreign Brand?

### **1.4 Research Objectives**

This research focus on Indonesian consumers' perspective concerning on how their global orientation affect their decision of choosing between global and local brands. The purpose of this study is to examine the role of global consumers' orientation, the inferior image of local brands, and consumers' admiration for foreign brands on willingness to pay more for them. Based on the research questions above, the objectives of this research are as follows:

1. To examine and test the relationship between Consumer Global Orientation and Foreign Brand Admiration
2. To examine and test the relationship between Consumer Global Orientation and Willingness to Pay More on Foreign Brand
3. To examine and test the relationship between Inferior Image of Local Brands and Foreign Brand Admiration
4. To examine and test the relationship between Inferior Image of Local Brands and Willingness to Pay More for Foreign Brand
5. To examine and test the relationship between Foreign Brand Admiration and Willingness to Pay More for Foreign Brand

### **1.5 Significance of Study**

#### *The Researcher*

This study aims to help researcher in understanding the influence of Indonesian consumer orientation towards global and local brands and their willingness to pay more on foreign brand.

#### *Business School*

This research is expected to be an inspiration for faculty of business to conduct further research on consumers intentions to buy either global or local brands and their impact on local's fashion industry.

#### *Fashion Consumers*

For fashion consumers, this research is expected to find out why consumers prefer global brands rather than local brand, and to educate consumers to appreciate, and value more by buying local brands, because by that they can help local fashion industry to grow and to compete worldwide.

#### *Next Researcher*

For future researchers, it is hoped that this research can help future researchers to obtain reliable data and complete further research.

## Local and Foreign Business Actors

This research will provide important insights for local and foreign business actors, especially regarding the potential for strengthening the brand's ability to face competition in Indonesia, where the market is increasingly open.

### **1.6 Organization of study**

The systematic outline of this research paper will consist of five chapters. The chapters organised as follows:

#### *Chapter I: Introduction*

This chapter explains the research background, research questions, research objectives, research scope, research contributions and systematic outline.

#### *Chapter II: Literature Review*

This chapter explains the complete existing theories and literature review of the research topic that will be taken from textbooks, journals, and other research sources. This chapter also contains the research model and hypothesis that discusses several variables with regards to the research questions posed.

#### *Chapter III: Research Methodology*

This chapter explains the research methodology that is being used in this research in order to answer the research questions that have been written and give complete understanding of research that is used. Starting from research paradigm, research object, research subject, unit of analysis, types of research, research design, ethics in data collection, types of variable, conceptual and operational definition, measurement scale, data source and techniques, types of question and sample design.

#### *Chapter IV: Data Analysis and Methodology*

The fourth chapters in this research represent the findings of the linkages among variables in this study. The result using statistical examination performed with the data collected. The result of the discussion will provide the answers to the research question and lead to a conclusion of the research.

*Chapter V: Conclusion and Suggestion*

This chapter sums up the conclusion of research questions and other chapters based on the findings of the analysis of this research and some recommendations will be formulated for further research in the future.

