

CHAPTER I

INTRODUCTION

1.1 Background

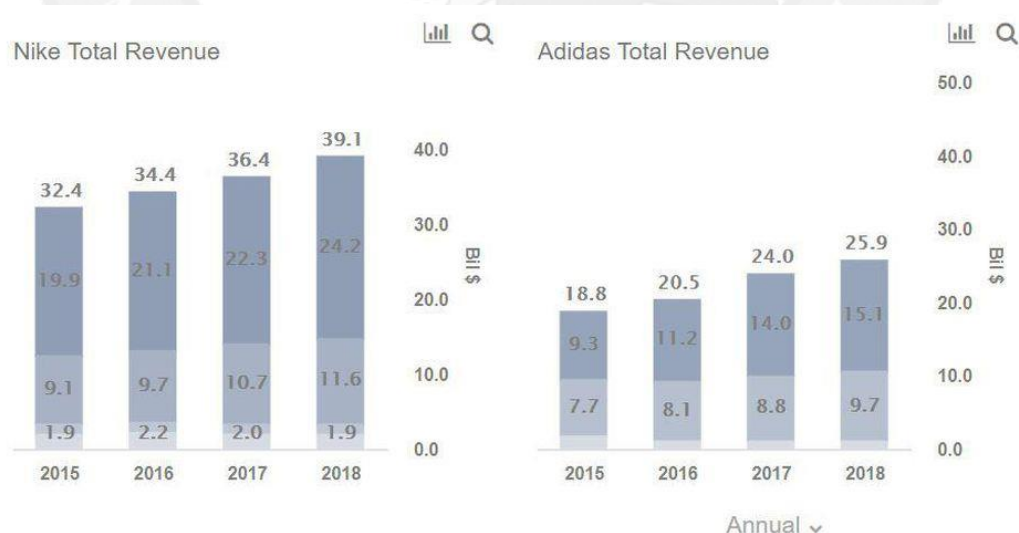
Nowadays, people tend to purchase and use products that suits their interest and needs, same with sports and daily attires. There are few well-known brands for sport and daily attires, such as Adidas, Nike, Puma, Reebok and much more. In terms of quality, innovation and durability, Adidas keep being on the top as it was expensive but worth the payment. Adidas start small in a small town named Bavaria, Germany and before then, its name was “Gebruder Dassler Schuhfabrik”, embarked on Adi Dassler mission to provide athletes the best attires. Adi Dassler starts from humble steps and become a well-known success story. It’s used by professional athletes back in nineteenth era, for Olympics use, expanding for broader range of users and product lines (History - Adidas Group, n.d.).

In 1970s, Adidas was the leading athletic shoe brand sold inside the US. Muhammad Ali and Joe Frazier were both wearing Adidas boxing shoes in their "Battle of the Century" in 1971. Adidas was named the official supplier for the 1972 Munich Olympic Diversions. In spite of the fact that Adidas still being a strong, well-known brand these days, Adidas' share of the world sports shoe publicizes dropped over a long time, and what began as a German family exchange is directly an organization (Adidas-Salomon AG) combined with the French around the world concern Salomon. In 2004, Adidas bought Valley Clothing Company, a U.S. company that held licenses for outfitting more than 140 U.S. college athletic

bunches. In 2005, Adidas detailed that it was procuring the American shoemaker Reebok, which permitted it to compete more particularly with Nike inside the U.S. The Adidas world central station are still found in Adi Dassler's hometown of Herzogenaurach. They moreover have a possession stake in German soccer club FC Bayern München.

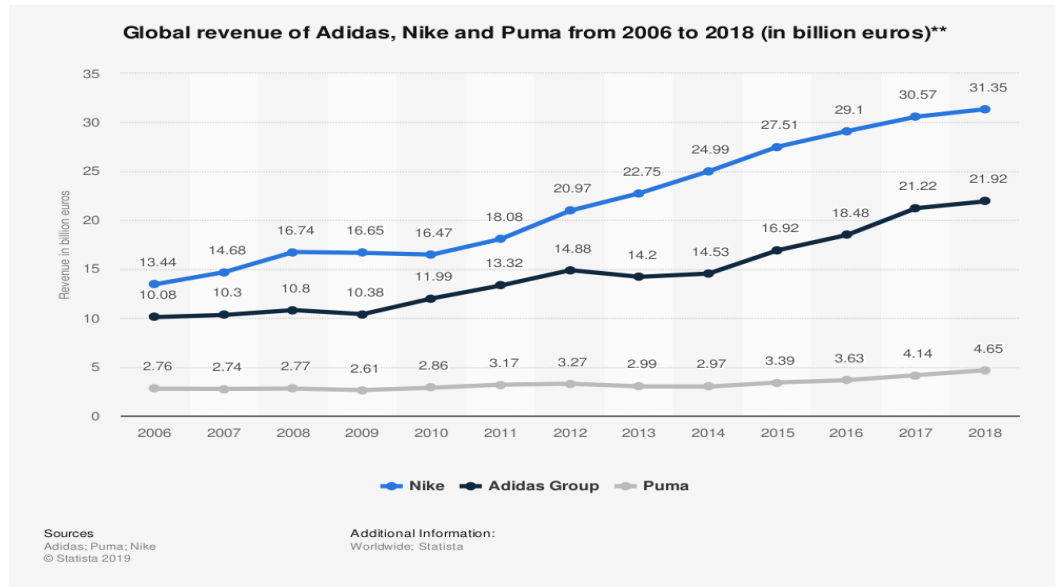
While kept innovating its products, Adidas brought its new CEO as the time goes by, Kasper Rorsted. Adidas on its top position, has notable competitors which exceed its own revenue globally and also competes in the matters of style, quality and durability. Adidas primary competitors were Nike and Puma but recently, Puma has been acquired by Adidas, eliminating its own competitor. Effective marketing strategies and innovative products in attempts to fulfil the needs and desires of community were the preparations and steps for Adidas to outperform other apparel industries.

Figure 1.1 *Total Revenue of Adidas and Nike Worldwide*



Source: (Adidas Is Giving Nike A Run For Its Money, 2019)

Figure 1.2 *Global Revenue Worldwide of Adidas, Nike and Puma*



Source: (Global revenue of Adidas, Nike and Puma from 2006 to 2019 (in billion euros), 2020)

Adidas Brand spread its wings in many countries globally, including Indonesia. Rapid economic growth in Indonesia has affect the markets significantly. In Figure 1, Revenues of both company, Adidas and Nike were great in the states of development from 2015 to 2018, Nike 39.1 Billion Euros and Adidas 25.9 Billion Euros, therefore, Nike still win its positions for its total revenue worldwide. In Figure 2, Net Sales and Revenues of both companies were concluded there, and still, the winner is Nike, but their growth as we can see, quite tremendous and having a great run. Trade values, import and export were treated as normal basis and effectively increase economy potentials in Indonesia. Global products and materials were traded and being used frequently in Indonesia. However, to stay on the top tier markets, Adidas must survive the competitions that it's facing up until now. Competition is one of the first unpreventable qualities in today's commerce

world and a challenge for Adidas that must go through against, particularly Nike. No matter what a firm is, huge or little, it has competitors inside the industry and the methods of these competitors impact the strategy of defining key plans. Competition is a recognized highlight of corporate life for profit-driven organizations.

Examining organization's competitors makes a contrast to discover its deficiencies as well as recognize openings and dangers from the mechanical environment. Though characterizing an organization's technique, supervisors must consider the methods of the organization's competitors. Competitor investigation may be a driver of an organization's procedure and affects how firms act or respond in their industries. The organization does a competitor investigation to degree and or assess its standing among competitors. Whilst competitor examination may be a bit smaller term of competitive investigation, the two key management terms are frequently utilized as equivalent words. In this term, Adidas makes sure that they have the right strategy and steps to utilize their movements and functions to excel their competitors, by responding to the existing needs and by doing daily evaluations to their products. In this respective strategy, Adidas should or must consider doing some competitive examinations or analysis.

Zahra and Chaples (1993), cited by Adom, Nyarko, & Som, (2016), characterize competitive examinations as "the preparation by which a company endeavours to characterize and get it its industry, recognize its competitors, deciding the strengths and shortcomings of its rivals, and expect their moves". Besides, they state that it "embodies both competitive insights to gather information

on rivals and the examination and elucidation of the information for managerial decision-making”. Competitive examination points to supply an in-depth understanding of the competitive powers that are to be found in any given organization’s competitive environment. It’ll endeavour to get it an organization’s industry, its competitive position inside it, the prerequisites for survival and thriving with the nature of competition and the showcase preparation (Oxenfeldt and Schwartz, 1981 cited by Adom, Nyarko, & Som, 2016). The examination too offers management a gathering where they can examine and assess their presumptions around the organization’s capabilities, showcasing positions and competitors.

Through all the journeys of competing and existing, innovations and developments of brand or the technologies to be used for, become a must to do for all business to support their entire being, to be carried out properly and well guaranteed in the eye of consumers. Innovation and development were followed by integration to make sure the effectivity and efficiency of all instruments involved on making Adidas product as a brand works well based on companies target. Weights on firms to create development can come from directions (such as technological advance and changes within the economy) or on-screen characters (such as shareholders, providers, clients and competitors). In arrange to kill the pressure between the disability of the status quo and existing competencies, organization begins to seek for openings and assets to enhance and build unused centre competencies. Hence, firm begins an advancement handle. Administration shapes the nature and action of the method by separating the assets into the operational aptitudes and changing these assets into fundamental abilities that are

troublesome to mimic for competitors, therefore creates a signature for their own products, that can withstand and put them in the top tier of markets (Sammut-Bonnici and Parautis, 2013: 925, 928 cited by Doğan, 2017).

Involvement of innovations consist of any form that can be considered as a part of innovation, such as product innovation, strategic innovation, process innovation, social innovation and also political innovation. All form, introduced as means to create a gap between respective company to another company with their instruments, their outcomes. Any shape of innovations that happens from value brought by the companies is included to create a hitherto novel outcome (Ahmed and Shepherd, 2010: 7-11 cited by Doğan, 2017). Companies have presently realized that processes involved isn't as it were behavioural but too was an intellectual teach which diverse considering could be a vital condition to be diverse from others (Styles and Goddard, 2004: 65 cited by Doğan, 2017). These diverse that we can see, Adidas was primarily trying to prioritize the style and durability of its product, by conducting a great marketing strategy, conventionally and digitally, to promote their signature diverse. The other things that Adidas conduct as the time goes by, was an improvement of technology processing and products.

In the existing era of 2020, technologies were used as a daily basis and as standards for improvement of something that brings greater value to business or any instruments. Terms of technology that has been used by Adidas was therefore an up to date thing, which is an automations processing. Adidas has a few automation factories called Adidas SpeedFactory which conclude the use of digital technology on the processing of its product. Almost all Adidas factory was conducted by

automation, but not entirely automated, it still needs the hand of human resources, except this SpeedFactory. Chui et al. (2017) cited by Wilburn et al., (2018), said that mechanization “can convey noteworthy esteem that's associated with labour substitution” and is permitting companies to discover other ways to get it the inclinations of customers, improve operations by utilizing predictive-maintenance devices, optimize documentation work, and respond immediately to climate changes that influence items. However, extricating esteem from mechanization often entails updating entire processes, not fair computerizing person components of the method. They also caution that commerce pioneers must persistently see at what competitors are embracing to guarantee that any disruptive utilize of innovation does not make a trade show obsolete.

Ford, (2015) cited by Wilburn et al., (2018), contends that businesses must embrace AI and robots in arrange to remain competitive since robots can do employments speedier and cheaper than people can. Computerization permits supply to coordinate request since robots, unlike people who are paid to proceed creating with the overabundance put away in distribution centres that taken a toll money to keep up, can be sat value when request moderates. In expansion, robots can work 24/7 and do not require wellbeing benefits and excursion, nor do companies that utilize them pay charges on the work they do. The few people that are required will require abilities to utilize, keep up, and repair the programs and robots, but these aptitudes might not be ones that the lion's share of those who had done the work can learn. Be that as it may, to make productive utilize of AI and robots, point by point prepare examinations must be tired arrange to get it where

robots, for case, can make strides generally effectiveness, not just efficiency of an assignment. Robots will create absolute benefits to society. There will be less work-related wounds; fewer traffic mishaps; more secure, less obtrusive surgical methods; and heap modern capabilities, from sick, homebound children being able to go to school to giving the control of discourse to those who are deaf and quiet. It could be a net great for the world (Ross, 2016; 42 cited by Wilburn, 2018). By these reasons, Adidas was trying to do, to minimize their cost, to ensure their effectivity and efficiency, to gain more profits also to become a pioneer in technology-based processing products with high quality and is well-regarded by consumers.

With all these causes and attributes, it becomes the strength for Adidas to win its battle against many of its competitors and keep staying on top tier markets. On its attempt to penetrates the markets, Adidas prove its steps by entering Asian Countries, getting tremendous responses. Indonesia's doing exports of goods and products outside and globally manage to equal its progress on doing imports, in terms of oil and gas and non-oil and gas. It means that imports of products such as Adidas brand and others were quite excellent and gain its purpose as Adidas wants to go global.

Adidas keep pursuing their business and prospect by doing much developments. They put themselves to be an eco-friendly brand that end plastic wastes, purpose to change lives and gaining respective positions in the market. Adidas also pursuing a good relation between its brand and the environments involved, and all users. Conducting much events to strengthen their own communities around the world and as their purpose goes by, to change lives. What

makes adidas's endeavours indeed more amazing is its overarching conviction that making quality items is fair as critical as decreasing squander and utilizing reused materials.

Figure 1.3 *Export and Import Development in Indonesia in 2019-2020*



Source: (Perkembangan Ekspor dan Impor Indonesia Agustus 2020, 2020)

Many accept sustainability is as it were almost all about materials and processes, but it's too, about quality, making an item that cherished since it performs well and ages well, that includes a history with Adidas, which won't drop separated and have to be replaced. Two examples of product that Adidas create as a response to this was Terrex serial, that concludes numerous steps toward sustainability which conveys high-performance gear that is safe to used and safe for the planet.

Figure 1.4 Adidas Sustainability Structures



Source: (ADIDAS DELIVERS STRONG RESULTS IN 2019, 2020)

The mentioned picture indicates that Adidas provides and deliver strong results in terms of their sustainability goals and their competition in providing better products that still care to surroundings. It gives a value to the users regarding what Adidas done and achieve these years. The other thing, Adidas give a positive force

to the users on caring to the near environments around which makes Adidas more recognizable as a top-tier brand which cares not just for profit, but to the local and nearby forces or environments.

Table 1.1 *Revenue Percentage of Shoes Company in Six Cities in Indonesia 2017*

Satuan : %

Merek/kota	JAKAR TA	BAND UNG	SEMA RANG	YOGYA KARTA	SURAB AYA	MEDAN
Adidas	23.69	27.72	23.96	12.77	12.1	29.15
Nike	14.35	16.9	15.9	3.82	9.95	11.25
Eagle	10.37	8.32	11.88	14.17	13.25	12.43
Bata	6.96	8.58	1.55	6.78	9.96	0.72
Reebok	6.89	7.5	10	4.32	4.69	2.09
Spotec	6.31	3.45	7.67	4.32	4.84	31.21
Kasogi	3.96	3.57	0.48	2.42	1.11	0.72
Specs	3.56	3.92	3.5	1.22	4.25	1.67
Loggo	2.83	1.93	1.96	10.43	4.16	1.2
Puma	2.74	2.07	6.46	0.6	1.5	3.94
Piero	2.21	1.43	0.95	7.9	3.53	2.65
New era	2.03	1.88	0.39	6.03	3.38	0
Fila	1.8	2.11	2.91	1.77	0.37	0
Convers	1.22	1.27	2.03	0.59	0.99	0
Pro ATT	1.09	1.2	0.76	2.41	0.97	0
Warriors	1.03	1.25	2.11	0	0	0

Source: Batu (2019)

Mentioned in above picture, the total revenue percentage of shoes company in a few big cities in Indonesia, and Adidas wins the competition against many competitors and its primary competitors, Nike. Based on the data, it can be concluded that Adidas users were bigger than expected, with a reason that globally Nike still had the top position on the competition, but solely in Indonesia, Adidas win the competition. The utilization and purchase of Adidas with measured numbers indicates more usage regarding the brand in Indonesia, and it's concluded

too that many people use Adidas more than other brands. By these conditions, arise the problem which consist of whether the usage, interactions, experiences toward Adidas brand, provides the usage or purchase consistency toward the brand or not.

Through this entire background, the needs and desires of the community have an impact on the type, function, purpose of a product being created. The creation of these products provides an opportunity for the public or consumers to try and use this product for various reasons. The use of these products leaves a value and promise to the users who we can also call the brand. Experience in using a product that provides value, self-image, and promises is what becomes a Brand Experience.

Through this Brand Experience, a brand can be trusted or not by the users, that the products produced can contribute and benefit the users, it's also called brand trust. Behind the existence of a Brand Trust, there is another element that is user satisfaction with a product brand or Brand Satisfaction that leaves an impression for its users, for comparison of expectations with the reality of the use of the product. All of these things are believed to be important in order to build brand loyalty, which is how strong the community or user preferences are towards a brand. Furthermore, the background of the implementation of this research is to find out the effects of brand experience, satisfaction and trust on building brand loyalty based on the use of Adidas brand. It is hoped that with this research, researchers can find out and look deeper into the relationship between the variables or not, and how these variables can influence and impact each other, respectively for the Adidas Brand as a whole.

1.2 Objectives

Based on the background in this study, the objectives of this study can be identified as follows;

1. To find out the influence of Brand Experience on Brand Satisfaction regarding Adidas Brand.
2. To find out the influence of Brand Experience on Brand Trust regarding Adidas Brand.
3. To find out the influence of Brand Satisfaction on Brand Loyalty regarding Adidas Brand.
4. To find out the influence of Brand Trust on Brand Loyalty regarding Adidas Brand.
5. To find out the influence of Brand Experience on Brand Loyalty regarding Adidas Brand.

1.3 Research Questions

There are several statements in this study that are formed from several variables, which are as follows;

1. What is the influence of Brand Experience on Brand Satisfaction?
2. What is the influence of Brand Experience on Brand Trust?
3. What is the influence of Brand Satisfaction on Brand Loyalty?
4. What is the influence of Brand Trust on Brand Loyalty?
5. What is the influence of Brand Experience on Brand Loyalty?

1.4 Limitation of Study

This research only limited to the users of Adidas brand.

1.5 Thesis Systematic Structure

CHAPTER I : INTRODUCTION

In this chapter, the researcher mentions and explain background of the study, research problem, problem limitations, objectives, and thesis structures.

CHAPTER II : LITERATURE REVIEW

In this chapter, both of the variables, dependent and independent variables will be used as basis of research, with theories that support these variables, along with research model.

CHAPTER III : METHODOLOGY

This chapter includes of decisions that has been made regarding the methods used in research, along with the samples and data analysis, extend of research, time horizon, that includes data and sources.

CHAPTER IV : RESULTS AND ANALYSIS

This chapter explains about the results and data analysis regarding the research, which obtained on previous attempt that provide hypothesis to describe the relations among the variables and prove the truth behind the hypotheses.

CHAPTER V : CONCLUSION AND RECOMMENDATION

This chapter contain of thoughts, implications and the truth of the results based on data and calculation from attended implications with necessary recommendations.