

# CHAPTER I

## INTRODUCTION

### 1.1 Background

In the era of globalization and liberalization of trade, international business activities, both export and import of products, have become easier. Most countries hope that liberalization can increase trade volume and value, which can increase economic growth (Sofjan, 2017). It cannot resist that it also brings the community to be open to global products. Thus it led the countries to have a high chance of exporting goods to the global market.

With the increase in free trade activity globally, several industries have experienced growth, one of which is the sportswear industry. It is evident in **Figure 1.1** that there is an increase in income in the global market every year. Sportswear is part of the retail industry with its main products, namely athletic clothing and footwear. The sportswear industry is very competitive. The market is filled with large and small brands to compete for the smallest market share in the footwear, apparel, and complementary equipment subindustry (Callahan, Meyer, Overmohle, & DeGeorge, 2018).



Figure 1.1 The chart of Global Sportswear Market Revenue  
Source: Statista (2017)

The athletic footwear subindustry has a growing market. Increasing public awareness of health, which has become a lifestyle, led the footwear demand to increase. The athletic footwear industry is grouped based on the type of product: running shoes, aerobic shoes, hiking shoes, sneakers, and other sports shoes. This industry has its distribution channels to markets, further divided from shoe stores, sports equipment stores, supermarkets, e-commerce, and other distribution channels to end-users, namely men, women, and children. This industry has major players who already have big brands such as Nike, Adidas, Puma, Reebok, Converse, Sketcher, New Balance. Nike holds the largest market share in the world, followed by Adidas. It is evident in **Figure 1.2** that Nike has the highest footwear sales in the world market from 2016 to 2019.

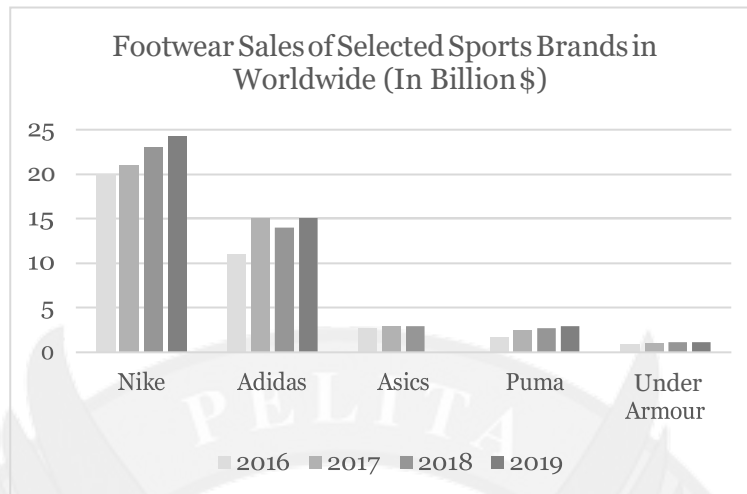


Figure 1.2 The chart of Footwear Sales of Selected Sports Brands in Worldwide  
Source: Statista (2020)

Nike is a brand from Oregon, USA, which was built by Phil Knight and Bill Bowerman in 1964. Previously, Nike was a brand called Blue Ribbon Sports, a sports clothing company, and launched Nike brand shoes in 1972. Not only sports equipment, but Nike also began selling sports technology accessories in the 21st century (Meyer, 2019). In 2017, the number of Nike employees was approximately 74,400 people worldwide and generated global revenue of \$34,350 million (Nike, 2017 & Nike, 2017 cited by Harrison, Accessed in 2020). In 2019, Nike had 1,152 retail stores throughout the world (Pratap, 2018). The following are the worldwide products offered by Nike, namely Nike Golf, Nike Pro, Nike +, Air Jordan, Nike Blazers, Air Force 1, Nike Dunk, Air Max, Foamposite, Nike Skateboarding, Nike CR7, Jordan, Converse, Nike Bauer, and Niketown retail store. Nike has the strength in the athletic footwear sector for everyone from men, women, and children. According to a survey, 56% of people choose Nike as a "fitness brand" for sports and workout accessories (Statista, 2016 cited by Harrison, Accessed in

2020). Nike is a major player in the athletic footwear industry, which has a large and growing market share. It is evident in **Figure 1.3**, which shows Nike's global market share in athletic footwear products, which is predicted to continue to increase every year.

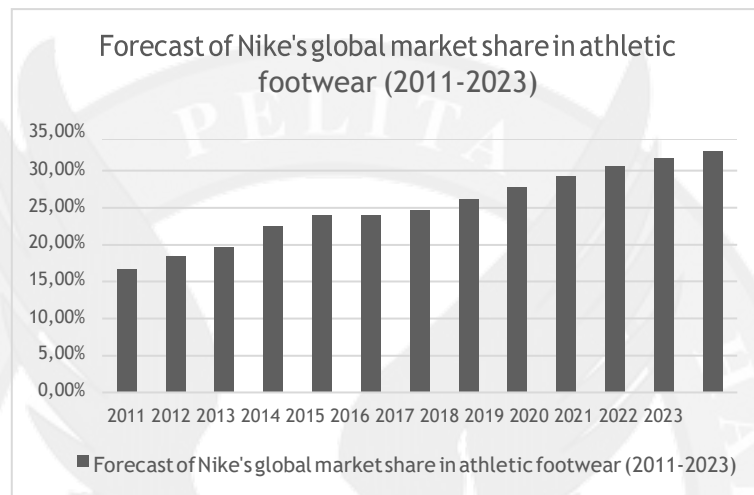


Figure 1.3 The chart of Nike's Forecast Global Market Share  
Source: Statista (2017)

Nike has a “Swoosh” logo with the tagline “Just do it,” which can create high brand awareness. Nike is considered the best sports shoemaker in the world, with a market share of 37% globally. Nike has more than 22,000 retail stores in 160 countries (UKEssays, 2018). Nike has big competitors in the athletic footwear industry, one of which is Adidas. Nike and Adidas are major brands that dominate the sports equipment industry throughout the modern era. These two brands originating from the USA and Germany are also two well-known brands throughout the world. According to Forbes (2020), Nike ranks 13th in the Top 100 The worlds most valuable brands list while Adidas ranks 51th. Based on these data, it can be stated that Nike is superior to Adidas. This is evidenced in **Figure 1.4**, which shows

that Nike had a superior market share than Adidas in the US, Western Europe, Eastern Europe, and the Asia Pacific region in 2017.

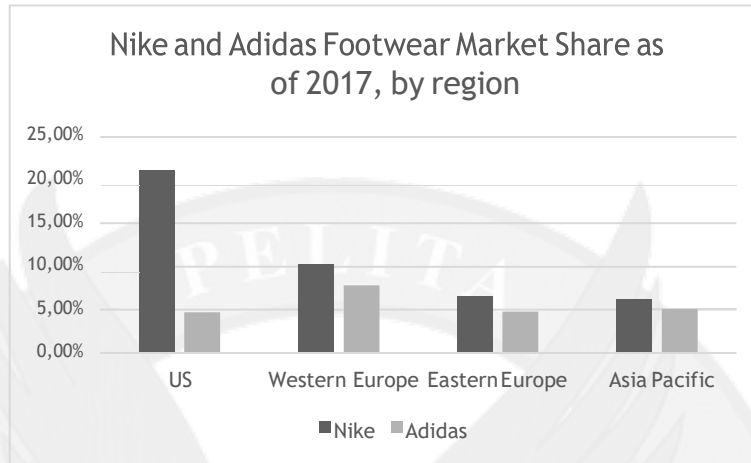


Figure 1.4 The chart of Nike & Adidas Footwear Market Share  
Source: Statista (2017)

To survive as a major player and continue to increase its market share, Nike must continue to innovate and remain competitive in the market. With existing technological advances, it encourages producers to produce footwear that can meet consumers' increasing needs and preferences. It encourages companies to be more competitive by producing the best products and offering competitive prices. Therefore, with globalization and all the existing conveniences, multinational companies are required to operate in the global area. Most of the global companies move their operations to develop countries. China, Vietnam, and Indonesia are among the countries that are trusted by international shoe companies. As in 2015, Nike carried out its shoe production activities in Indonesia by 25%, China by 28%, and Vietnam by 43% (Canada-Indonesia Trade and Private Sector Assistance Project, 2018). The aim is to get cheaper raw material and labor costs to reduce

production costs and offer competitive prices in the market. Although beneficial for the company, it raises questions for consumers to evaluate product quality.

**Figure 1.5** shows the condition of the Adidas and Nike brands in Indonesia from 2017 to 2019 through a survey conducted by the Top Brand Award. Top Brand Award is an award event for brands in Indonesia that shows the performance indicators of the Brand. Top Brand conducted interviews with respondents through a questionnaire covering the parameters of mind share, market share, and consumer commitment share to a brand. The Top Brand Index percentage value is obtained by calculating the average for each parameter. It can be seen that Adidas and Nike bear the title of Top brand; this is because both brands have TBI above 10% and rank in the top three product categories. It can be concluded that Adidas and Nike have strong brands in Indonesia. However, this survey data shows that Adidas defeats Nike and makes Nike into position two. This condition is very different from the global market conditions that Nike is always in the first position.

| Brand    | Top Brand Index 2017 | Brand   | Top Brand Index 2018 | Brand   | Top Brand Index 2019 |
|----------|----------------------|---------|----------------------|---------|----------------------|
| Adidas   | 38.2% TOP            | Adidas  | 37.6% TOP            | Adidas  | 37.0% TOP            |
| Nike     | 32.2% TOP            | Nike    | 25.6% TOP            | Nike    | 21.1% TOP            |
| Converse | 3.6%                 | Reebok  | 6.2%                 | Reebok  | 8.3%                 |
| Eagle    | 3.3%                 | Ardiles | 5.2%                 | Ardiles | 6.3%                 |
| Reebok   | 3.3%                 | Diadora | 4.6%                 | Diadora | 2.9%                 |

Figure 1.5 Top Brand Index of Sport Shoes in 2017-2019  
Source: Top Brand Award (Accessed on November 8<sup>th</sup>, 2020)

Based on the data described above, it can be concluded that the Nike brand is a major player in the athletic footwear industry in the global market. Nike is considered a popular brand and has a high reputation in the world market. Nike has a high brand equity. They continue to innovate and focus on consumer tastes in terms of design and product quality. Nike has a strong brand image, starting from sustainable product quality, a good supply chain, and accountability and plays an active role in social responsibility (Pratap, 2018). However, **Figure 1.5** shows that Adidas beat Nike in the Indonesian market.

Indonesian consumers are faced with a choice between shoe products from local brands or foreign brands. *Badan Pusat Statistik* (BPS) noted that there is an increase in product imports with one of the largest imported products is running shoes, which reached a value of US \$ 60.4 million in the January-April 2019 period, which increased in the same period in the previous year of US \$40.1 million (Kusuma, 2019). According to designer Ali Charisma, around 60% of Indonesians choose foreign fashion brands over domestic products (Yulistara, 2018). Strategically, in 2016 Indonesia is an important market with the largest economic which also being the third for the fastest growing economy in Asia. In fact, Indonesia is the fourth most populous country in the world and also one of the largest archipelagic countries (Cekindo.com). Java is the most developed island which the central is Jakarta. This city with several neighboring cities consisting of Bogor, Depok, Tangerang, and Bekasi is the largest metropolitan area in Southeast Asia. This area is considered as the center of business, politics, and culture in Indonesia.



From the things that have been described above, those encourage the researcher to conduct further research on what factors can influence Indonesia's customer's purchase intention towards Nike brand especially in Jabodetabek area. With the increasing demand for imported products in the Indonesian market, can the country of origin influence the brand and become a factor in consumer purchase intention. Then, is the Nike brand image in Indonesia is already good and can be a factor in consumer purchase intention. And the last, how consumers evaluate the Nike brand and is it can influence the consumer purchase intention.

Hence, it encourages researchers to conduct further studies on whether the country of origin image, brand image, and brand evaluation can influence Indonesian consumers' purchase intention towards Nike. Purchase Intention is a tendency to buy a brand or product (Sallam & Wahid, 2012). Many factors can affect purchase intention. However, this study will focus on the variables of the country of origin image, brand image, and brand evaluation. Previous studies have tested these variables, such as “A conceptual study on the country of origin effect on consumer purchase intention” (Rezvani et al.,2012), “The influence of perceived price, perceived quality, brand image, and store image on the purchase intention of Hypermart” (Ramadhan & Muthohar, 2019), and “Country of origin effects on brand image, brand evaluation and purchase intention” (Kim, Chun, & Ko, 2017). However, there is no research in the previous that focused on the Nike brand. Therefore, this study will focus on examining the effect of country of origin image, brand image and brand evaluation on consumers purchase intention on the Nike brand. This research framework is a replication of previous research entitled "The



effect of country of origin image on purchase intention: the mediating role of brand image and brand evaluation" from research in 2020 by (Hien NN, Phuong, Tran, & Thang, 2019 ).

## **1.2 Research Problem**

Nike is the main player in the athletic footwear industry globally and beats Adidas as the other big players in the US, European and Asian markets. However, in the Indonesian market, Nike's position shows a different condition defeated by Adidas. It encourages researchers to conduct further studies on what factors affect Indonesian customers' purchase intention of Nike shoes, especially in the Jabodetabek area. Therefore, the researcher formulates the problems to be studied in this research as the followings:

- 1) does the country of origin image influence the brand image of the Nike Shoes in Jabodetabek area?
- 2) does the country of origin image influence the brand evaluation of Nike Shoes in Jabodetabek area?
- 3) does the country of origin image influence the customer's purchase intention of Nike Shoes in Jabodetabek area?
- 4) does the brand image influence the customer's purchase intention of Nike Shoes in Jabodetabek area?
- 5) does the brand evaluation influence the customer's purchase intention of Nike Shoes in Jabodetabek area?

- 6) does the brand image is a mediator in the process by which the country of origin image influence the customer's purchase intention of Nike Shoes in Jabodetabek area?
- 7) does the brand evaluation is a mediator in the process by which the country of origin image influence the customer's purchase intention of Nike Shoes in Jabodetabek area?

### **1.3 Research Objective**

The main objective in this study is to prove that country of origin image, brand image, and brand evaluation affect customer's purchase intention of Nike shoes. This research has research benefits for academics as well as for researchers. Based on the research questions above, the research objectives are:

- 1) to examine if there is an influence of the country of origin towards brand image of Nike Shoes in Jabodetabek area.
- 2) to examine if there is an influence of the country of origin towards brand evaluation of Nike Shoes in Jabodetabek area.
- 3) to examine if there is an influence of the country of origin purchase intention towards Nike Shoes in Jabodetabek area.
- 4) to examine if there is an influence of brand image to customer purchase intention towards Nike Shoes in Jabodetabek area.
- 5) to examine if there is an influence of brand evaluation to customer purchase intention towards Nike Shoes in Jabodetabek area.

- 6) to examine if there is a mediating influence of brand image to the relationship of country of origin and customer purchase intention towards Nike Shoes in Jabodetabek area.
- 7) to examine if there is a mediating influence of brand evaluation to the relationship of country of origin and customer purchase intention towards Nike Shoes in Jabodetabek area.

## **2.1 Thesis Outline**

In this research thesis, the researcher conducts a systematic arrangement to provide clear guidelines in reading and understanding the research. Researchers arrange it into five chapters where each chapter has sub-chapters that will explain more deeply. The outline of this research is as follows:

### **CHAPTER I: INTRODUCTION**

The first chapter consists of background of the reserach, problem limitation, research problem, research question, the benefit of the research, and a research outline. In this chapter, the researcher aims to explain to the reader the purpose of the research title being carried out.

### **CHAPTER II: LITERATURE REVIEW**

The second chapter consists of several literature reviews and theoretical frameworks, which consist of several parts: international business, global marketing, dependent variable, independent variable, previous research, theoretical framework, and hypotheses. In this chapter, the researcher describes the theoretical basis that supports the variables in this study based on previous studies that correlate.

### **CHAPTER III: RESEARCH METHOD**

The third chapter consists of a discussion of the research methodology used in data collection. This chapter describes the research design, research object, measurement scale, data, unit analysis, population, sample, and data analysis method. In this chapter, the researcher describes the research methods to be used and explains the theory of the chosen method.

### **CHAPTER IV: RESULT & DISCUSSION**

The fourth chapter consists of the resulting questionnaire data. In this chapter, the researcher will describe the respondent profile, pre-test study, actual study, descriptive statistics analysis, inferential statistics analysis, and discussion. In this chapter, the researcher will describe the results of the questionnaire data obtained from the respondents and explain the results of the data obtained.

### **CHAPTER V: CONCLUSION**

The fifth chapter consists of the research conclusions, managerial implications, research limitations, and further suggestions. In this chapter, the researcher presents and summarizes the research also provides suggestions and recommendations to all parties concerned.