

## CHAPTER I

### INTRODUCTION

#### 1.1 Background

Global competition makes companies search for a technique in order that they can compete within the global market. Surely the worldwide market is going to be much more difficult and sophisticated compared to the domestic market. Within the current era, competition is beginning to expand not only domestically. But companies have begun to believe in expanding their business to the worldwide market. The more advanced technology, leading to rapid globalization.

According to the International Monetary Fund (IMF), Globalization means increasing economic interdependence between countries within the world which is characterized by increased and varied volume of transactions of products and services across countries and therefore the widespread and rapid spread of technology. With globalization, the dissemination of data, technology and culture is extremely fast and unlimited. Global-scale business will eventually grow and develop and break down international boundaries.

According to Canon et. al., (2008), within the product purchasing process psychological factors become one among the factors that influence consumer *purchasing decisions*. one among them is *Brand Image*. *Brand Image* may be a perception of a brand within the minds of consumers, therefore it's vital to create

the simplest *brand image* as possible to be a stimulant in consumer *buying decisions*.

Global companies often cash in on the perception of consumers within the global market of the facility of "home country" or better referred to as *Country of Origin* (COO), to strengthen *Brand Image* by utilizing consumer perceptions of home countries. consistent with Keegan and Green (2013), *Country of Origin* is a component of a *brand's image* and influences brand equity, and usually applies to automobiles, electronics, *fashion*, beer and music products.

Based on comparative data on sales of SPA (Specialty store retailers of Private Label Apparel) namely clothing retail companies that perform the method of buying raw materials, planning, and merchandise development, production, distribution, sales and merchandise stock management. within the fourth rank there's a corporation from Asia that's ranked tenth. Uniqlo managed to sell US \$ 13.87 billion. We will see that the majority of *fashion* businesses are dominated by companies from America and Europe.

**Table 1 Comparison of Turnover of Major SPA Companies in the World**

Company Name (Flagship Brand)	Country	End of Fiscal Year	Sales (Trillion of yen)	Sales (Billions of dollar)	Change (%) (local base)
INDITEX (ZARA)	Spain	Jan.19	3.18	29.10	+ 3.2
Hennes & Mauritz	Sweden	Nov.18	2.41	22.05	+ 5.2
<b>FAST RETAILING (UNIQLO)</b>	<b>Japan</b>	<b>Aug.18</b>	<b>2.13</b>	<b>19.48</b>	<b>+ 14.4</b>
Gap	USA	Feb.19	1.81	16.58	+ 4.6
Limited Brands	USA	Feb.19	1.45	13.24	+ 4.8
PVH (Calvin Klein, Tommy Hilfiger)	USA	Feb.19	1.06	9.66	+ 8.3
Ralph Lauren	USA	Mar.19	0.69	6.31	+ 2.1
NEXT	UK	Jan.19	0.57	5.25	+ 1.9
AMERICAN EAGLE OUTFITTERS	USA	Feb.19	0.44	4.04	+ 6.3
Abercrombie & Fitch	USA	Feb.19	0.39	3.59	+ 2.8
Esprit	Hong Kong	Jun.18	0.22	1.97	- 3.1

Source : fastretailing

Note: Compiled from the annual reports of the companies listed above.

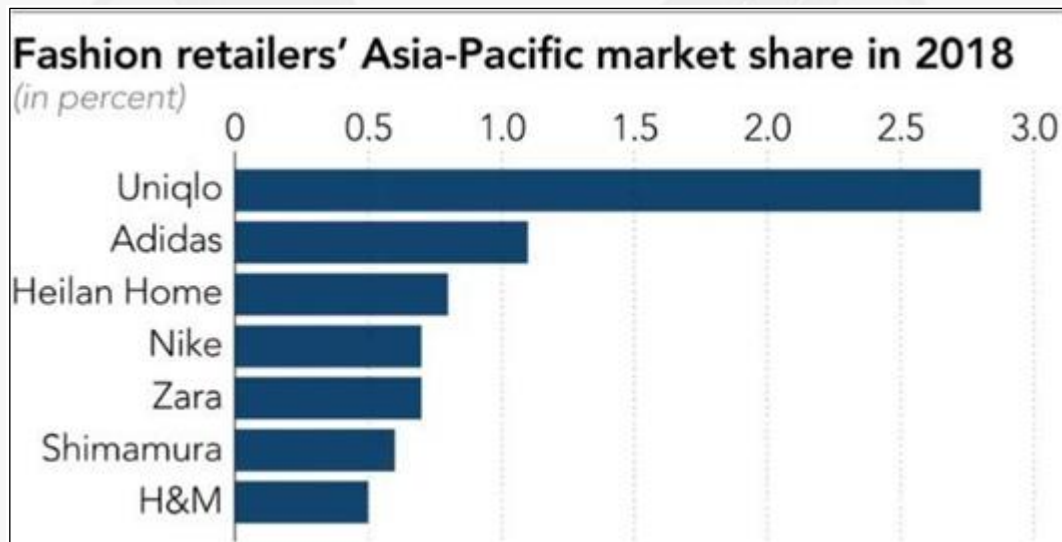
\*Figures calculated in yen using the end of May 31, 2019 FX rates. (\$1=¥109.37)

SPA stands for "Specialty Store Retailer of Private Label Apparel." An SPA's business model spans the entire clothing value chain, from the procurement of materials to product planning, development, production, distribution, retail and inventory management.

*Perceived Quality* is one among the items which will ultimately affect the acquisition decision of a product. *Perceived Quality* is that the consumer's assessment of the general quality of the merchandise regarding the expected product characteristics (Ambarwati, 2006). *Perceived Quality* of products and services are supported various sorts of information cues from those they associate in their products. a number of these intrinsic cues for products or services and also extrinsic both singly and together, cues pay more attention to the physical characteristics of

the merchandise itself, like size, color, taste, and aroma (Sciffman and Kanuk, 2010).

According to data from the Nikkei Asian Review, Iwamoto said that the market share of Uniqlo itself is the largest within the Asia-Pacific region, including Indonesia. This shows that H&M and Zara are outnumbered by the market compared to Uniqlo in 2018. This data can show that there is an outsized public interest within the Uniqlo brand.



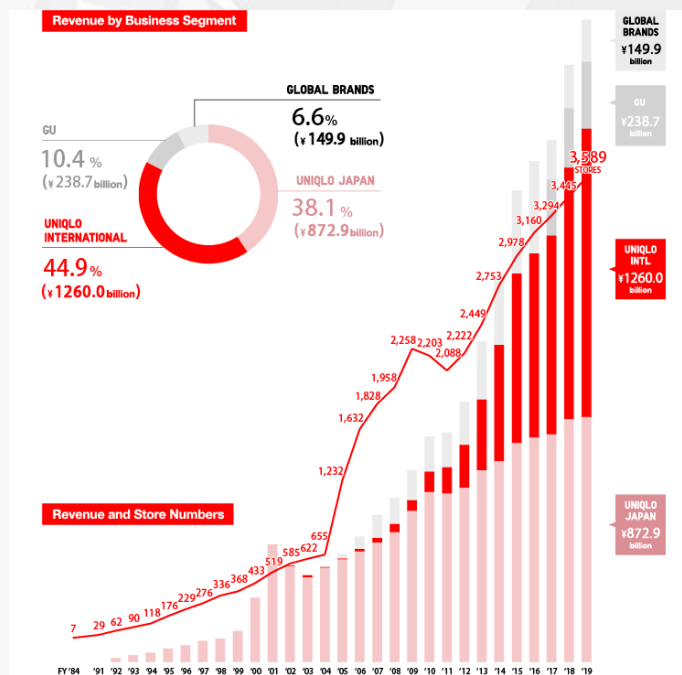
Graph 1 *Fashion Retailers' Asia-Pacific Market Share in 2018*

Source : Nikkei Asian Review, 2019

The center of the market instead of *fashion* has shifted to Asia. consistent with reports, according to the McKinsey *fashion* Scope Index said about 40% of sales of clothing and footwear happened within the Asia-Pacific and made Asia-Pacific a crucial region within the apparel industry . Asia actually sees this as a

chance despite all the uncertainties that exist during this large industry. In fact if companies want to be favorite , they need to compete to satisfy the requirements of consumers.

Uniqlo features a theme, "Life Wear" which explains who you are, what you believe: that is what you wear a day . that is what makes Uniqlo make clothes. the looks that comes from Japanese values like simplicity, quality and longevity. Designs that always adjust from time to time. Clothing that continues to be innovated but still looks simple. Because consistent with them simplicity makes our life better.



Graph 2

Source : fastretailing

We can see in Graph 2, Uniqlo International's sales were 44.9%, while in their home country, Japan, it was 38.1%. this will be concluded that the interest in

Uniqlo outside of Japan is bigger . Many enthusiast outside their own country, including in Indonesia.

Currently, there are 38 outlets in Indonesia in 14 cities until 2020. It will still increase in 2021. This proves that Uniqlo has confidence in Indonesia. If sales in Indonesia do not increase, Uniqlo will not open Uniqlo outlets. To increase sales to Uniqlo companies, Uniqlo is taking action to open more outlets and spread across Indonesian cities.

With the reason that has been described, this study aims to research the influence of Country of Origin, Brand Image, Perceived Quality on Buying Decision which may be a reference for business developers engaged within the clothing industry.

## **1.2 Purposes of Study**

The purposes of the study are :

1. To identify the effect of *Country of Origin* towards the *Brand Image* of Uniqlo in Jakarta Region
2. To identify the effect of *Country of Origin* towards the *Buying Decision* of Uniqlo in Jakarta Region
3. To identify the effect of *Brand Image* towards the *Buying decision* of Uniqlo in Jakarta Region
4. To identify the effect of *Perceived Quality* towards the *Buying decision* of Uniqlo in Jakarta Region

### 1.3 Research Questions

The research questions are :

1. Does *country of origin* affect the *Brand Image* of Uniqlo in Jakarta Region ?
2. Does *Country of Origin* affect the *buying decision* of Uniqlo in Jakarta Region ?
3. Does *Brand Image* affect *the buying decision* of Uniqlo in Jakarta Region ?
4. Does *perceived quality* affect *the buying decision* of Uniqlo in Jakarta Region ?

### 1.4 Benefits of Research

It is expected to provide benefits, either directly or indirectly live. The research benefits are divided into two categories:

1. The theoretical benefit is that the research is predicted to supply theoretical contributions to understandings of the variables in question, like the influence of country of origin, brand image, and perceived quality on purchase decisions. This is expected to hone skills in terms of study. Also as to support existing theories and may be utilized in the longer term.

2. Practical benefits, not only theoretical benefits, hoped that this research also can be a reference for prospective entrepreneurs who have an interest in starting a business during this field.

### **1.5 Scope of Discussion**

In order to not get too far within the discussion of this research, it's necessary to limit the matter in order that the discussion becomes focused and more in-depth.

This research is restricted by four variables, during which the focused variables are Country of Origin, Brand Image, Perceived Quality in order that it can create a Purchasing Decision from consumers.

### **1.6 Writing system**

To make it easier to know the content of the research, a summary is presented an outline of the systematic writing. Here's the systematics the writing of this research:

#### **CHAPTER 1 INTRODUCTION**

This chapter discusses background problems in research, problem formulation, research objectives, research benefits, scope of dialogue, and therefore the systematic writing of this research.

#### **CHAPTER 2 LITERATURE REVIEW**

This chapter describes the theories used as a basis for the preparation of the research, including an evidence of every variable and therefore the relationship between each variable. also as explaining the model built from the connection between variables and describing previous research that helps enrich the idea.

#### **CHAPTER 3 RESEARCH METHOD**

This chapter describes the methods used to collect and process data. In it there's the sort of research, the planning used, the thing and subject of the study, the unit of



study, the operational variables, and therefore the definition of those variables both conceptually and operationally. Then proceed with the measurement scale, data collection methods and ethics, questionnaire preparation techniques, sample determination and data analysis methods.

#### CHAPTER 4 RESULTS AND DISCUSSION

This chapter describes the results of data processing and analysis obtained from the results of previously distributed questionnaires. Then performed a statistical test on the variables in question and explained the discussion.

#### CHAPTER 5 CONCLUSIONS AND RECOMMENDATIONS

Contains conclusions from research, theoretical implications, managerial implications, limitations, and suggestions which will be useful for further research so as to correct mistakes in research which will be administered at a later day.