

CHAPTER I

INTRODUCTION

Introduction in a study is important because as an opening of the whole research, that consist of background of the research, research question, The purpose of the study, Benefit of the study, and the systematic of the writing.

1.1 Background

In the globalization era of 2020, the fast fashion industry becomes more and more competitive; the fashion industry's annual growth or apparel industry grows 4.3% every year, reaching a market size of USD 1.7 Trillion in 2012 (Euromonitor International, 2013). One of the factors that affected economics' growth rapidly is the fashion industry. Fashion is an important part of the human lifestyle; it could show its true colors by styling its own. The fashion industry then affects the increasing trend of public consumption patterns, forming consumer behavior towards fashion products.

Clothing brands or fashion companies are trying to minimize the production cost as minimum as possible so that the product could be bought by consumers that want luxury brands at a low price (Apriliani, 2016). That is why fast fashion was made. Fast fashion, according to Fletcher (2008), is a collection of low price clothing based on the latest trends from luxury fashion brands, which is naturally a response system that encourages disposability. This type of fashion is produced very quickly in line with changing world fashion trends, and in the

fast fashion industry, it produces retail chains from large companies to continue to produce low-end luxury goods. Moreover, fast fashion is a concept that describes and explains the desire of retailers to meet consumer demand more efficiently and effectively (Hines & Bruce, 2007).

Fast fashion increases the number of new fashion collections every year, with fast turnaround, lower prices, and new models (Environmental Audit Committee, 2019). Fast fashion contains three aspects: reasonable price, updated fashion trends, fast selling. In 2020 the fashion industry was highly influenced by street style fashion. A lot of non-fast fashion industry is making street style fashion. However, the fast fashion industry makes street style fashion with a fast-fashion version of street style that costs lower than a non-fast fashion industry (Felipe, 2014).

The global supply chain is one of the main problems affecting working conditions in the fast-fashion industry. The working conditions in this fast fashion industry create controversy, including violations of worker's rights from various sectors such as low salary, long working hours, poor work safety, and poor health insurance rights. Consumers always want to get better service with more reasonable prices, and Zara is one of the famous fashion brand shops that has caught global attention because of their services. According to a survey conducted in 2020 regarding the customer service quality of Zara, 79% of the 5.372 respondents considered Zara's customer service quality as poor (Trustpilot.com ; 2021).

Zara is one of the world's most successful fashion retail brands (Martinroll, 2020). Zara was founded in 1975 by Amancio Ortega and Rosalia Mera as a family business in downtown Galicia in the northern part of Spain. They started as a small store in Spain (Martinroll, 2020). In 1985 Amancio created a new design, manufacturing, and distribution process that reduce times and reacts to new trends quicker, which he called "instant fashion" (Fast Fashion). The first time Zara goes international was in 1988. Zara opens its first store in Porto, Portugal (Inditex, 2019). In around 1988 - 1997, Zara began to expand its wings to all around the world that includes; Portugal, New York, Paris, Mexico, Greece, Belgium, Sweden, Malta, Cyprus, Norway, and Israel. Today, in 2020, Zara has 2,264 stores located in leading cities across 96 countries. According to Mhugos (2020), Zara changes the designs every two to three weeks, while other competitors change their designs every two to three months. That is why Zara is the world's largest and fastest fashion retailer.

Not only has that Zara considered a successful fashion retail brand, but Zara also has a reasonably high level of net sales. Zara entered Indonesia on 18 August 2005. Zara has contributed to PT. Mitra Adi Perkasa Tbk. (MAP). MAP has a market share of Zara around 26% or around Rp. 2 trillion and accompanied by an increase in net profit of 18% or Rp. 90.8 billion (Swa, 2006). MAP is a company that distributes fashion products, but they also distribute; sports, lifestyle products, kids, Department stores, Etc. MAP was incorporated in 1995.

Zara has nine outlets in Jakarta: Mall Taman Anggrek, Central Park, Mall Kelapa Gading 3, Mall Pondok Indah 2, Senayan City, Plaza Senayan, ST Morits,

Kota Kasablanka, Grand Indonesia, and Plaza Indonesia. There are several Zara outlets outside Jakarta there are in Bandung, Medan, Surabaya, and Denpasar (Zara.com, 2020).

Customer Loyalty becomes one of the most critical aspects for the sake of the company. By growing the consumer's loyalty, the company will be able to take advantage financially for their company. A consumer usually becomes loyal to one or two brands because a brand is the identity of a product. Brand loyalty refers to the commitment and attention of the customer to the brand. For example, Apple products, they will use all of their laptop, computer, phone, even keyboard and mouse with an apple brand in it. Loyalty can be understood through two approaches they are; behavioral approach and attitudinal approach. In behavioral approach teach us about the process of consumer purchases, and the attitudinal approach teaches us about consumer commitment to a particular brand.

Factors that influence customer loyalty are service quality factors (Chhabra, 2018). According to a beauty blogger named Joti Singh from Vancouver, Canada (stylebymemory.com; 2017). She shopped online at the end of June because Zara has a big sale coming; when she finished shopping online, she waited for almost two weeks for her package to come and she finally called Zara and Zara told her that they had no record of her order the customer service told that a manager will call her within 72 hours, after the 72 hours wait she still has not got the phone call and begged the customer service to check their back room, after much convincing Zara finally agreed to look at their back room. It was founded that her shipment was in the backroom all along. She ran to the store and

grabbed her stuff with no apologies for Zara's mistake, no compensation for the delay. It could be concluded that Zara has a horrible service quality.

From giving out a questionnaire to ten people who have shopped in Zara Kelapa Gading, there are 80% of people who say that Zara Kelapa Gading should improve their service quality, these are the result that the writer got from distributing the questionnaire replies. 80% of respondents believe that Zara's quality of service is not up to standard considering that it is an international brand. In regards to perceived value, 60% of the respondents agreed that they had a positive customer perceived value. In comparison, the remaining 40% mentioned that they are neutral. 70% of the respondents agree that as customers, they are satisfied with Zara, but 30% of the respondents are neutral regarding Customer Satisfaction. Despite dissatisfaction in service, 60% of the respondents agree that they are loyal customers of Zara Kelapa Gading. However, the other 40% are neutral to Zara Kelapa Gading.

From the pre-study analysis, there are several challenges for Zara in terms of Service Quality, Customer Perceived Value, Customer Satisfaction, and Customer Loyalty. Therefore, this research was conducted to analyze the problems in Zara Kelapa Gading according to my title, THE IMPACT OF SERVICE QUALITY, CUSTOMER SATISFACTION, CUSTOMER PERCEIVED VALUE TOWARDS CUSTOMER LOYALTY IN ZARA AT MALL KELAPA GADING.

1.2 Research Questions

From what has been discussed in the background, I suggest these three questions within the following limits:

- 1) Is there an influence of Service Quality on Customer Loyalty in Zara Kelapa Gading?
- 2) Is there an influence of Customer Satisfaction on Customer Loyalty in Zara Kelapa Gading?
- 3) Is there an influence of Customer Perceived value on Customer Loyalty in Zara Kelapa Gading?
- 4) Is there an influence of Service quality, Customer Satisfaction, Customer Perceived Value on Customer loyalty in Zara Kelapa Gading?

1.3 The Purpose of Study

The purpose of this study is to understand the problems that are mentioned above:

- 1) To Identify The Effect of Service Quality on Customer Loyalty
- 2) To Identify The Effect of Customer Satisfaction on Customer Loyalty
- 3) To Identify The Effect of Customer Perceived Value on Customer loyalty
- 4) To Identify The Effect of Service Quality, Customer Satisfaction, Customer Perceived Value on Customer Loyalty.

1.4 Benefit of the Study

The author hopes that this research could bring benefits to those who need it that are:

1.4.1 Academic

The author hopes that this research could bring benefits and add knowledge, especially in the field of International Business. The result of this study could also become a reference from other studies interested on Service Quality, Customer Perceived Value, and Customer Satisfaction towards Customer Loyalty in the case study of Zara Mall Kelapa Gading.

1.4.2 For the Company

The author hopes that this research could bring benefits and add knowledge, for the company of Zara and could be material for consideration, reference, and input for Zara in designing strategies so they could compete with other companies and increase sale, and could increase their Service Quality, Customer Perceived Value, and Customer Satisfaction towards Customer Loyalty.

1.5 Systematic of Writing

In order to make this research easier to understand this content of the research, a systematic form developed that includes a brief description of the parts of this research. As for the systematic writing compiled as follows:

CHAPTER I: INTRODUCTION

In this chapter the author will explain about background, Research Problem, The purpose of study, Benefit of the study, Research benefits, and systematic discussion are explained.

CHAPTER II: LITERATURE REVIEW

In this chapter the author will describes the theories that serve as the basis for the preparation of research and also an explanation of each existing variables.

CHAPTER III: RESEARCH METHODOLOGY

In this chapter the author will describe the types of research, data collection techniques, conceptual and operational definitions of each variable, validity and reliability tests, and the analysis tools used in the study.

CHAPTER IV: FINDING AND ANALYSIS

In this chapter the author will discover the analysis of variable in the form of data and solving problems by examining statistics from the data collected

CHAPTER V: CONCLUSION AND RECOMMENDATION

In this final chapter the author will write about the conclusions based on the results of the research described in the previous four chapters, along with theoretical and managerial implication of research, limitations of research, and future research directions and suggestions.