CHAPTER I

INTRODUCTION

1.1 Background

In the increasingly advanced era, not only technology that is moving forward, fashion is also developing. Currently the fashion industry is not only competing around quality, but also product design that has to be on trend. Besides design, each company needs to consider giving their products affordable price as well so that it can reach a more broad market. In Germany, 'fashion' is usually called 'mode' which came from the word '*modus'* from Latin, which also is the root for the word 'modernity'. The word mode is usually associated with the capital city life in several countries in Europe which tend to reckon fashion as a symbol or metaphor (Jenns, 2016). Fashion is already a symbol to each individual in several countries.

Jakarta area is known as the current capital and the special region of Indonesia. It is the center of politics, culture, and economy. In 2019, Jakarta had the population around 10.557.810 (Badan Pusat Statistik, 2019) with a diverse residents. The fashion industry also contributed in Jakarta's economic growth.

Looking at the fast-paced growth of the fashion industry in Indonesia, especially Jakarta, many foreign companies in the same industry decided to enter the market. The example of fashion industries that have already stepped into the market are H&M, Zara, Mango, and Uniqlo. In 2020, Uniqlo has a total of 12 stores located in Jakarta area.

Uniqlo is one of the fashion company from Japan that is incorporated in Fast Retailing along with GU, J Brand, Comptoir des Cotonniers, and Princesse Tam-tam. Fast Retailing is a global company with multiple fashion brands. Uniqlo was first found by Tadashi Yanai in 1949 which he then called Ogori Shoji. Then, in 1963, Tadashi built the company under the name Ogori Shoji Co., Ltd. with 6 million yen in capital before it finally changed into Fast Retailing Co., Ltd. in 1991.

Uniqlo Japan

Contribution to Net Sales

¥872.9billion

38.1%

Uniqlo International

Contribution to Net Sales

¥1,026.0billion

44.9%

Figure 1.1 Uniqlo Japan and International Net Sales in 2019.
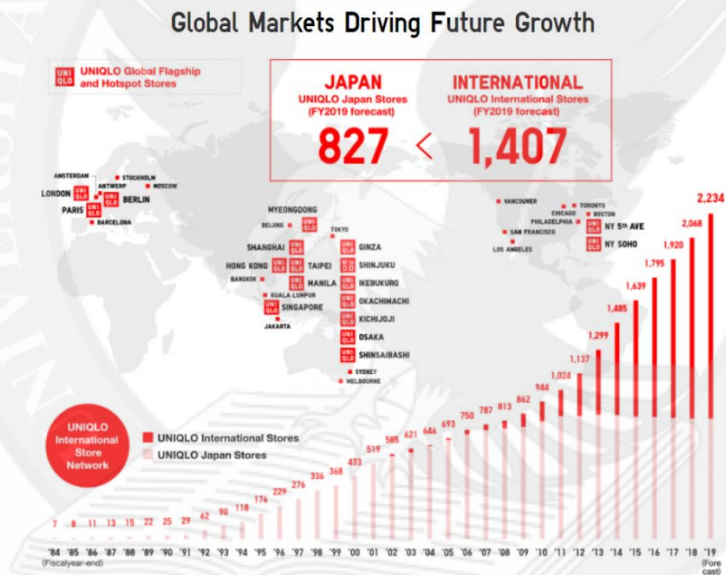Source: Overview of Business Segments. (2019). Retrieved from
https://www.fastretailing.com/eng/about/business/segment.html

Global Markets Driving Future Growth

JAPAN
UNIQLO Japan Stores
(FY2019 forecast)
827 < **1,407**
INTERNATIONAL
UNIQLO International Stores
(FY2019 forecast)

Figure 1.2 The Total of Uniqlo Japan & International Stores.
Source: About Fast Retailing. Retrieved from
https://www.fastretailing.com/employment/id/uniqlo/id/business.html

Fast Retailing starts to open Uniqlo in other countries to expand globally. The first overseas Uniqlo store was opened in 2001 in London. Years went by before it is proven that Uniqlo sells better internationally. Now, Uniqlo International has opened

approximately 1407 stores in the world except the home country, expanded to more than 10 countries, and obtains around JPY1,026 Billion.

Uniqlo was first established in Indonesia in 2013. Uniqlo is very innovative in creating their product. The company has created a specialty of their own, which the other clothing companies have not yet to achieve, which are HEATTECH and AIRism.

HEATTECH uses clothing material that changes humidity into warmth. Even though the material is thinner than the other warm clothing, Uniqlo HEATTECH can still give the users warmth during the cold days. Not only it is warm, Uniqlo HEATTECH also let the users move freely wrapped in the thin material. On the other hand, AIRism aims to lessen the typical problems while wearing clothes, such as feeling sticky while one sweats, feeling the moist on the skin when the temperature change, or the uncomfortable feeling people have when they wear thick clothing. AIRism solves this problem by using clothing materials that control the circulation of the air underneath the clothes.

Not only the uniqueness of their product's concept that attracts customers, the fact that Uniqlo also offers products which are friendly to be used daily adds more value to the brand. The company calls this as LifeWear. LifeWear intends to design clothing products that will change the users' life into a better one. LifeWear products will be simple, but use the best quality material and will put on more effort in the tiniest detail to make the product special.

With these achievements and how innovative their products are, Uniqlo ranked third in the Major Global Apparel Manufacturer and Retailer. This can also be considered as an achievement as well since Uniqlo is the only Japan brand that is stated in the list.

Table 1.1 Major Global Apparel Manufacturer and Retailer

Company Name (Flagship Brand)	Country and Region	End of Fiscal Year	Sales (Trillion of yen)	Sales (Billions of dollar)	Change (%) (local base)
INDITEX (ZARA)	Spain	Jan. 2020	3.55	33.68	+8.2
Hennes & Mauritz	Sweden	Nov. 2019	2.84	26.99	+10.6
FAST RETAILING(UNIQLO)	**Japan**	**Aug. 2020**	**2.01**	**19.06**	**-12.3**
Gap	USA	Feb. 2020	1.73	16.38	-1.2
Limited Brands	USA	Feb. 2020	1.36	12.91	-2.4
PVH (Calvin Klein,Tommy Hilfiger)	USA	Feb. 2020	1.04	9.91	+2.6
Ralph Lauren	USA	Mar. 2020	0.65	6.16	-2.4
NEXT	UK	Jan. 2020	0.60	5.69	+2.4
AMERICAN EAGLE OUTFITTERS	USA	Feb. 2020	0.45	4.31	+6.8
Abercrombie & Fitch	USA	Feb. 2020	0.38	3.62	+0.9
Esprit	Hong Kong	Jun. 2020	0.13	1.19	-21.1

Source: Industry Ranking of Fast Retailing. Retrieved from
https://www.fastretailing.com/eng/ir/direction/position.html

Now, customers are not only faced with local fashion products, but also fashion products from foreign countries. This causes customers to have more characters of the product that they need to consider before buying one. One of the important aspects that can be considered before buying a product is country of origin, especially with the fact that many fashion industries from other countries have started to tap into Indonesia market, including Uniqlo. Country of origin image is an important variable for Uniqlo to consider since Japan is the only country that is listed in the Major Global Apparel Manufacturer and Retailer list.

Currently we are also in globalization era. Everything is up on the internet, whether it is a basic information about a product or even customers' feedback about a product. Positive feedback online, which can be called positive electronic word of mouth, on a product leads to trustworthiness towards the product, based on Utz, Kerkhof, and van den Bos (2012) research. When the product has gained customers' trust, it also may lead to purchase decision (Mahliza, 2020). Uniqlo has several ways to spread positive electronic word of mouth. They are able to do it through social media platform, mostly Instagram. Positive electronic word of mouth is an important variable to be considered by Uniqlo as well since a lot of people now is depending on the internet.

Not only the country of origin that matters, advertisement, marketing, and testimonials of the customers also play a huge part in customer's purchase decision. The right advertisement strategies as well as positive feedbacks online from customers can give product involvement alongside product knowledge to potential customers. Uniqlo has three main products with special features that needs better understanding than any other products. Therefore, the product knowledge of Uniqlo has to be delivered well to the customers in order for them to be able to know the importance of Uniqlo. In that way, not only customers gain product knowledge, they will also feel the involvement towards the product.

1.2 Research Problems

Based on the background, the author formulates the problems to be studied in this research as the followings:

1. Does country of origin influence Uniqlo customer's purchase decision?
2. Does the product knowledge influence Uniqlo customer's purchase decision?
3. Does the product involvement influence Uniqlo customer's purchase decision?
4. Does positive electronic word of mouth influence Uniqlo customer's purchase decision?

1.3 Objective

Based on the problems above, the aims of this research are:

1. To examine if the country of origin influences positively Uniqlo customer's purchase decision.
2. To examine if the product knowledge influences positively Uniqlo customer's purchase decision.
3. To examine if the product involvement influences positively Uniqlo customer's purchase decision.
4. To examine if the positive electronic word of mouth influences positively Uniqlo customer's purchase decision.

1.4 Thesis Outline

CHAPTER I INTRODUCTION

This chapter discusses the background of the study, research problem, research objectives, and elaborate thesis outline

CHAPTER II: LITERATURE REVIEW

This chapter discusses theories that are used to examine the problem and the hypothesis of the study

CHAPTER III: RESEARCH METHOD

This chapter elaborates the analytical methods used in the study as well as the data and its sources.

CHAPTER IV: DISCUSSION AND ANALYSIS

This chapter describes the result of data analysis which also includes the result of statistical calculation of the relationship of every variables, as well as testing the hypothesis

CHAPTER V: CONCLUSION AND SUGGESTION

This chapter concludes the result of the analytical calculations and its impact of the study.