

CHAPTER I

INTRODUCTION

1.1 Background

The era of globalization has made many changes throughout the world and one of them is the Fashion World. With the development of fashion, most people especially for women is always up to date within the current fashion brand and people in any ages are concerned with the development of fashion. Indonesia is one of the countries in Southeast Asia that had experienced an increase in the growth of the middle class society and above and this led to the consumption of luxury brand. Indonesian people mostly is more interested to purchase international brands compared to local brands and this result is based on research conducted by in 2008 regarding Indonesian consumers liking “foreign-made”. Survey by Frontier shows more than 90% of products, perception of foreign made is always better than domestically made and 92% of the total population of Indonesia buy foreign-made products in 2012.

Based on the survey that was held by Global Language Monitor, London today was ranked the first city center of fashion world that was originally occupied by Paris which is the fashion center of the world, which was then followed by 9 other cities within Top 10 international fashion centres each occupied by New York, Paris, Milan, Hong Kong, Barcelona, Singapore, Tokyo and Berlin. The cities mentioned are always updating with the current mode and what they consumed is based on how much they can afford. Fashion brands that

come from Europe such as Coach, Louis Vuitton, Chanel, Gucci are brands that sell bags, shoes, wallets, and watches.

Southeast Asia is a region where most of the population is following the development of luxury fashion brands, such as Indonesia, Singapore, Thailand, Malaysia, and the Philippines always pay attention to fashion trends (Chada and Husband. 2006). Indonesia is definitely part of this phenomenon. Middle class growth upwards has contributed to increased consumption of fashion luxury brands apart from that the Indonesian government promoting Jakarta as a fashion center and a shopping paradise for fashion luxury brands of European origin. Growth rate of the small population in Europe has forced many fashion luxury brands from Europe to expand their business down to assuming Asian consumers if they consume the product means having a good fashion sense (Nueno and Quelch, 1998). Fashion luxury brands are considered to show a symbol, social identity status of the wearer (Chada and Husband 2006).

Luxury brands can certainly provide an overview of the social and cultural meanings applied by consumers in their lives which aim to fulfill their association with a brand. A characteristic of a luxury product is seen from the owner of the luxury item. Luxury products basically require offers that have good quality accompanied by relatively high prices and products that have distinctive characteristics and aesthetic values (Euromed Press, 2016). Although luxury brands are mostly expensive, people are still fond of always buying their newest arrivals. Since there are thousands of luxurious brands, they have to use creativity in order to have product development such as new arrivals to always increase their

sales and attract customer's interest. Most of the consumers, regardless of income level or social status, they are able to pay a large enough nominal in order to increase their social status. For the sake of involvement in their consumption status, most of the consumers will try to buy these luxury goods using cash-less, or use the credit method to fulfill their personal desires (Bernthal et al., 2005).

Ordinary items or luxury items can be interpreted as items that are not really needed in everyday life, but are considered highly desirable by some people (Kenton, 2020). Though luxury item is not necessary, their market is actually complex and very competitive in a way that although it is pricey, a lot of consumers are still interested in buying the luxury brand itself. The intention of luxury brand spenders is to enhance their social status and provide a sense of belonging and increasing their self esteem (Vanessa Page, 2020). For luxury brand enthusiasts, they think that being able to have the newest item from a brand is an honor because they care so much about their society.

The development of the fashion industry has been growing very quickly, particularly in high-end fashion brand groups. The most recent trend mode of numerous people by western culture especially Paris as one of the fashion centres in the world and up to this point become the most well known fashion reference. This issue where is the background of people's interest and consumption fashion product innovation is not only a mere lifestyle however has become a necessity or need.



Figure 1.1

Amount of Middle Class People in Indonesia in the Year of 2012 and 2020

Source : Boston Consulting Group (BGC)

The world bank has projected the increasement of economy in Indonesia in 2017 increase by 5,2%, mostly contributed by the middle class economy in Indonesia. The growth of the middle class in Indonesia by 64% in 2012 amounted to 41.6 million people and continues to increase by 68.2 million in 2020. Along with the increasement in the middle class to the upper class, creating established consumers with higher purchasing power than before. Not only creates economic change, but also encourages demand for luxury goods, one of which is fashion products. Seeing this potential, world-class brands have emerged opening their stores in Indonesia, one of which is the Louis Vuitton luxury fashion brand. According to statista.com, the most valuable luxury brands worldwide in 2017, by brand value (in million U.S. dollars) The global luxury goods industry that includes fashion has been on the rise over the years. Luxury goods manufactures

meet consumer consumer demands by focusing on brands, aesthetics, quality materials, craftsmanship and superior prices to transform everyday objects into status symbols.

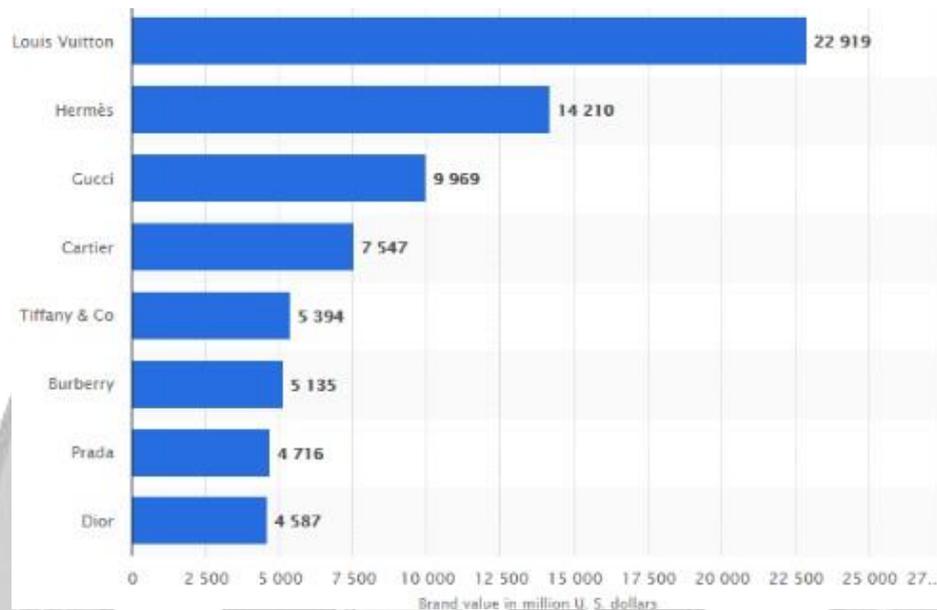


Figure 1.2
The Most Valuable Luxury Brands Worldwide in 2017
Source : www.statista.com

Based from Figure 1.2, the highest ranking brand that is demanded by consumers is Louis Vuitton. Louis Vuitton is a fashion house from France that was founded in 1854. The uniqueness of this luxury brand label lies in the iconic monogram motif that is famous throughout the world and creates a symbolic motif for Louis Vuitton brand itself. Louis Vuitton is one of the fashion retailers that most often releases new models of bags and the quality of its product and have very strict production standards. Various data reported by Interbrand (2017), shows that Louis Vuitton is a brand that is capable to have a major influence on

consumer decisions in choosing products. In addition, this brand is also considered capable of leading the market price in the premium fashion brand class.

Consumption of status is a flow to form a person's motivation where the person tries to be able to improve his social status by consuming products that have certain characteristics and aesthetic values and can describe the status of a person or certain community groups (Eastman, Goldsmith, and Flynn 1997). A lot of people have matter on what they wear everyday to prove people that they can afford luxury things and also for enhancing their social status. Status consumption also depends on what is that specific person's occupation, whether they are a role model, celebrity, influencer or just because they love the brand itself.

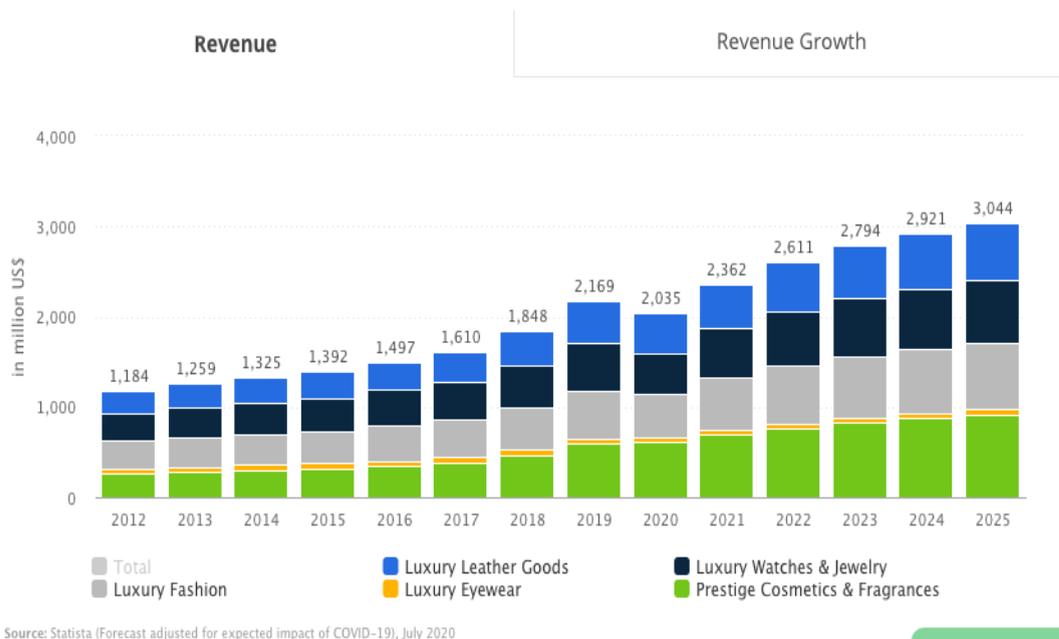
There are two factors that supports repurchase intention which are the intention to buy the product again (repurchase) and the intention to spread the positive word of mouth to recommend the product itself (referral). Repurchase intention can be interpreted as a concept or flow of purchases made by someone for a product or service in the same company over and over with a purchase motive based on previous purchases (Hellier, Geursen, Carr, & Rickard, 2003).In that case, it is crucial for a luxury brand to set the factors that indicate the repurchase by their customers because with these factors, sellers can increase the likelihood of repeat and purchases and maintain customer loyalty.

Especially in a luxurious brand, customers tend to be very selective in choosing their products, therefore customer satisfaction is much needed in a luxurious brand. The uniqueness of the brand itself is also been searched in the

market, unique is being the only one of its kind; unlike anything else (Lexico Dictionary, 2020). There are thousands of brand in the world, but when it comes to a luxury brand, they have to be one of a kind. The design and style have to adapt with the current season for being upto date and to always have new arrivals.

With regard to the description above, the Author would like to analyze some factors in a luxurious brand, both from customers' point of view and the brand's view in order to view specific objectives such as relationship, repurchasing tendency, and theoretical model that targets status-conscious consumers.

Millennial generation in Jakarta tend to purchase luxury brands and they are actually very fond of it. Therefore, this thesis will deepen the understanding of what this thesis purpose is about. Millenials are those who were born between 1980 and 1995 (Würzburger, 2016). This thesis is describing the area of (greater) Jakarta which includes Bogor, Depok, Tangerang, and Bekasi. Jakarta is known as the capital city of Indonesia and have the most shopping malls in Indonesia and they also provide stores that provide luxurious brands.



Source: Statista (Forecast adjusted for expected impact of COVID-19), July 2020

Info

Figure 1.3
 Revenue of Luxury Goods Market in Indonesia
 Source: www.statista.com

Revenue in the Luxury Goods market in Indonesia in 2020 is amounted to US \$2,035 and the market is expected to grow annually by 8.4% (CAGR 2020-2025) (Statista, 2020). Revenue in the Luxury Goods market amounts to US \$2,035m in 2020. Revenue in the Luxury Goods market in Indonesia in 2020 is amounted to US \$2,035 and the market is expected to grow annually by 8.4% (CAGR 2020-2025). The average revenue per capita is US \$7.44. The result of revenue box displays the forecasted revenue development of the selected market such as market segment and region in million of the selected currency of each year (Statista, 2020).

The following graph always displays an increasement throughout year 2012 – 2019, but unfortunately in year 2020, luxury good revenue in Indonesia experience a decrease from \$2,169 in 2019 to \$2,035 in 2020. For the global

luxury goods industry, the year of 2018, was a fantastic year for luxury goods companies to evolve that have started in the 2017. This decrease is due to the pandemic Covid-19 and consumers begin to decrease in buying luxury goods. (Statista , 2020)



Figure 1.4
 Revenue Growth of Luxury Goods in Indonesia
 Source: www.statista.com

Figure 1.4 above shows the revenue growth of luxury goods in Indonesia. The revenue growth box shows the year-over-year revenue development of the selected market (market segment, region) in percentage terms. In year 2020, the revenue growth of luxury goods decreases into the lowest point reaching up to -15.0%.

Louis Vuitton products is highly sought after in Indonesia. Research have been taken place by luxury marketplace called Maxuri and they have revealed that

the most favorite luxury brand among the Indonesian people are Louis Vuitton and Hublot, especially in modern cities such as Jakarta, Bandung, Surabaya, Medan and Makassar. In Asia Pacific, Indonesia has become the third-most-luxury consuming country based on Maxuri director and co-founder, Sophie Gorecki. Andy Roberts, the company's CEO of Maxuri, said that in the year of 2020, 12 percent of luxury goods will be bought online. (The Jakarta Post, 2016). By this, we can infer that luxury brand in Indonesia is well demanded by many consumers even though it is not essential for our daily life. The main objectives are as follows :

1. To carry out an analysis based on previous experience regarding the relationship between the need for uniqueness, materialism, status consumption, affective response and repurchase intention
2. To analyze the key factors that motivate the repurchase intention of luxury goods by consumers
3. To ascertain a theoretical model that will help academic researchers and luxury industry practitioners formulate effective marketing strategies that target status-conscious consumers who buy luxury goods.

1.2 Problem Statement

1. Does the need of uniqueness have a direct and positive influence on the status consumption of consumers in their purchase of luxury goods?
2. Does materialism have a direct and positive influence on the status consumption of consumers in their purchase of luxury goods?

3. Does the status consumption of consumers have a direct and positive influence on the formation of an effective response in the buying of luxury goods?
4. Does the affective response of consumers have a direct and positive influence on their repurchase intention of luxury goods?
5. Does the status of consumption of consumers have a direct and positive influence on their repurchase intention of luxury goods?

1.3 Research Purposes

1. To determine whether the need of uniqueness have a direct and positive influence on the status consumption of consumers in their purchase of luxury goods.
2. To determine whether materialism have a direct and positive influence on the status consumption of consumers in their purchase of luxury goods.
3. To determine whether the status consumption of consumers have a direct and positive influence on the formation of affective response in the buying of luxury goods.
4. To determine whether the affective attitude of consumers have a direct and positive influence on their repurchase intention of luxury goods.
5. To determine whether the status of consumption of consumers have a direct and positive influence on their repurchase intention of luxury goods.

1.4 Scope of the Problem

In this study, the researcher intended to examine the millennial generation in the Jabodetabek area who were born between 1980-2000, have interest in purchasing luxury brand and Louis Vuitton products.

1.5 Research Benefits

Judging by the research objectives in the previous explanation, the researcher hopes that this research can produce outcomes that can be useful for the world of education and institutions, either directly or indirectly. Therefore, the following are the benefits that can be generated through this research, namely as follows:

1. Theoretical Benefits

Theoretically, the results of this research are expected to be useful as information and enrichment for the development of science, especially in the field of Marketing.

2. Practical Benefits

As a basis or reference that can be a recommendation for agencies to participate in the leadership process with an appropriate leader profile and be able to determine the right terms and conditions as an action for the millennial generation.

3. General Purpose

For information and knowledge about the effect of the relationship between leadership and engagement on the individual performance of the Millennial generation in Jabodetabek.

1.6 Writing Structure

The writing systematics used in this research report are as follows:

CHAPTER I INTRODUCTION

2.8 This chapter will discuss the background of the problem, problem formulation, research objectives, research benefits, and writing systematics.

CHAPTER II LITERATURE REVIEW

This chapter discusses the theories used to support research, the theoretical basis used is expected to help in determining the relationship between empowering leadership, directive leadership, engagement, and human resource practices.

CHAPTER III RESEARCH METHOD

This chapter will discuss the research methods used in research including the research paradigm, the type of research, the research strategy, the study setting, the extend of the research interface, the unit of analysis, the time horizon, the data collection methods, the design and number of samples, measurement, and data analysis methods.

CHAPTER IV DISCUSSION

This chapter discusses the data analysis and discussion of problem-solving described in chapter I.

CHAPTER V CONCLUSIONS, SUGGESTIONS, AND RECOMMENDATIONS

This chapter contains conclusions, suggestions, and recommendations drawn from the discussion in the previous chapter. The suggestions given are expected in the research study and used by related parties and readers

