

CHAPTER 1

INTRODUCTION

1.1 Research Background

Fashion industry is currently experiencing a rapid growth. New brands emerge both in local market and international market. The positive trends have been going very well in the industry, because fashion indeed is one of the primary need that people seek. Fashion takes the needs of clothing to the next level. Not to mention expensive, but today, people are more keen in distinguishing clothing materials and design, which influence the purchase intention of many people in fashion brands which makes the industry's growth rockets.

Table 1.1 Indonesia's Creative Economics Subsectors GDP Growth

Subsectors	2016	2017	2018
Architecture	6.05	7.63	7.55
Interior Design	5.92	6.01	5.95
Visual Communication Design	8.98	8.13	8.05
Product Design	7.67	5.88	5.82
Film, Animation and Video	10.09	10.28	10.18
Photography	6.89	8.24	8.16
Crafting	2.27	1.59	1.57
Culinary	5.06	5.67	5.61
Music	7.59	7.99	7.91
Fashion	4.05	3.85	3.81
Apps and Game Development	8.06	7.88	7.80
Publisher	3.60	2.07	2.05
Advertisement	7.07	6.78	6.71
TV and Radio	10.33	10.34	10.23
Performance Art	9.54	7.75	7.68
Fine Art	4.50	5.69	5.64
Total	5.03	5.07	5.17

Source: Performance Report – Indonesia Creative Economy Agency, 2019.

According to the Creative Economy Agency, Indonesia's fashion GDP has been growing from 2016 to 2018. In 2016, fashion has grown 4.05% while in 2017, it has been accounted for its positive growth again for 3.85% and finally in 2018, it has grown for 3.81% from the previous year. This has shown that the fashion industry has been receiving a positive response from the market.

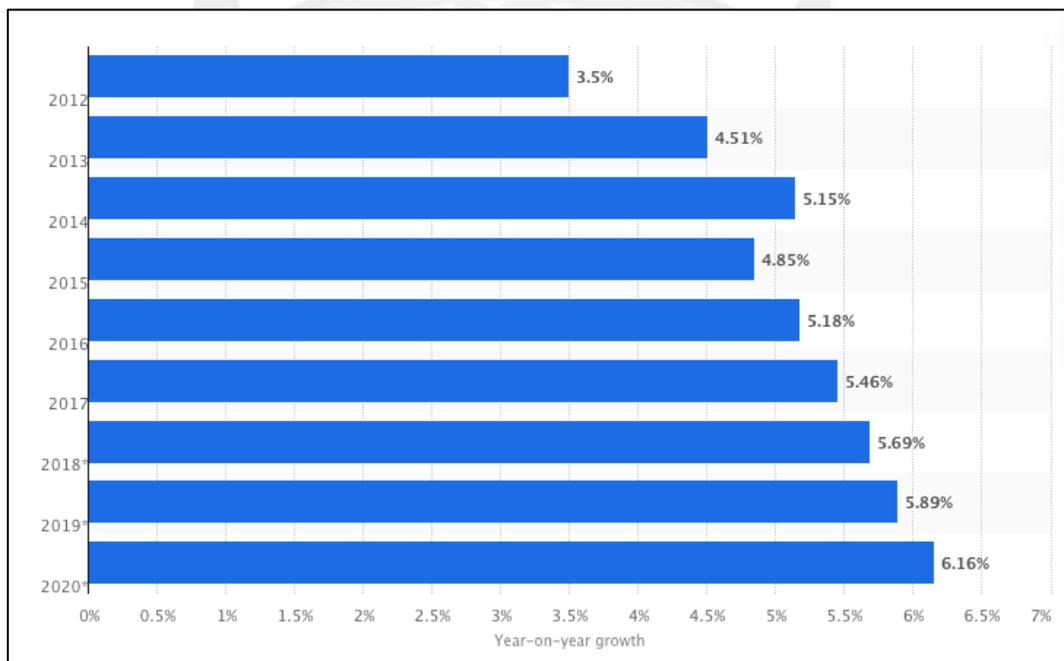


Figure 1.1 Market Growth on Fashion Industry Worldwide

Source: Statista.com, 2021.

According to Statista.com, the year-on-year growth of the global fashion industry from 2012 to 2020 is quite amazing. The resilience of the industry has brought the growth to consistently positive and greater every year. The consistent increasing growth of the industry has proven that market demand of fashion, along with the average consumption rate is also growing bigger every year.

Boston Consulting Group has described that Indonesia's middle class, upper middle class, affluent class and elite class population has been growing significantly in 2020 compared to the year of 2012. In 2012, the population of Indonesia's middle class is at 41.6 million, while in 2020, it has grown to 68.2 million. At the same time, upper middle class population has grown from 23.2 million in 2012 to 49.3 million in 2020. Affluent class also has grown from 6.6 million in 2012 to 16.5 million in 2020, while the elite class has grown from 2.5 million in 2012 to 6.9 million people in 2020. The growing middle to elite class population also means the positive growth in buying power and thus, consumption rate.

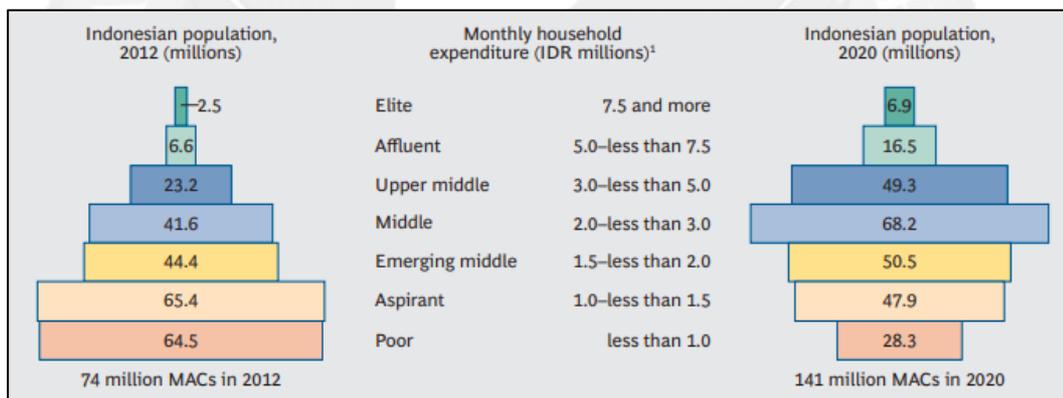


Figure 1.2 Middle, Upper-Middle, Affluent and Elite Consumers Population

Source: Boston Consulting Group, 2021.

The easiness of marketing in the globalization era leads to a lot of brands to market their product to many countries at once. Every business wants to market their products to every country possible. The rise of the internet as the main hub to every information possible in the world has made everything easier for consumer. To add to it, it is all accessible from only one gadget, one smartphone. The ease on gaining information made it easy for consumer to access information

about other culture, or any information about a country and its specialized product, or known as country-of-origin image. Among all the specialization, French is one distinguished country for their fashion products.

Cateora and Graham (2020) mentioned country-of-origin image in their book *International Marketing* as “A manufacturing country that have major influence of creating the consumers positive or negative perception of a product”. By the fact that the availability of imported products in most of the national market is increasing, the importance of country-of-origin rises. Bilkey and Nes (1982) added that this is justified by the way consumers value imported goods often differently and highly compared to the domestic competitors.

Country-of-origin image has created a biased way of consumer seeing a product based on country. They appreciate and associate certain product with certain country. It becomes a label for certain attribute of product that associated with a country. For example, Chinese products usually associated with low quality, cheap, and easily broken, while German products usually associated with high quality, expensive, and last for a lifetime (Kara, 2014). In this global market era, a country-of-origin image and identity are very important to give an appeal to potential consumer, including France, especially the city, Paris, as a country-of-origin image for fashion brand such as Louis Vuitton.

As Paris and France has been very well-known as the country where fashion trend starts, many people in the world also tend to identify fashion items with France as the country of origin. For example, if a person went to Europe and

brought back a fashion item such as tops or even scarf, people will think that the item is decent if it's bought in France.

Louis Vuitton is one of the big fashion brands from Paris established in 1854. Along its' growth, Louis Vuitton has been well known around the world as a top tier fashion brand. In 1888, the founder of Louis Vuitton patented the LV icon as its' brand signature. The fashion icon have more than 500 outlets that are spread in more than 60 countries around the globe, including Indonesia.

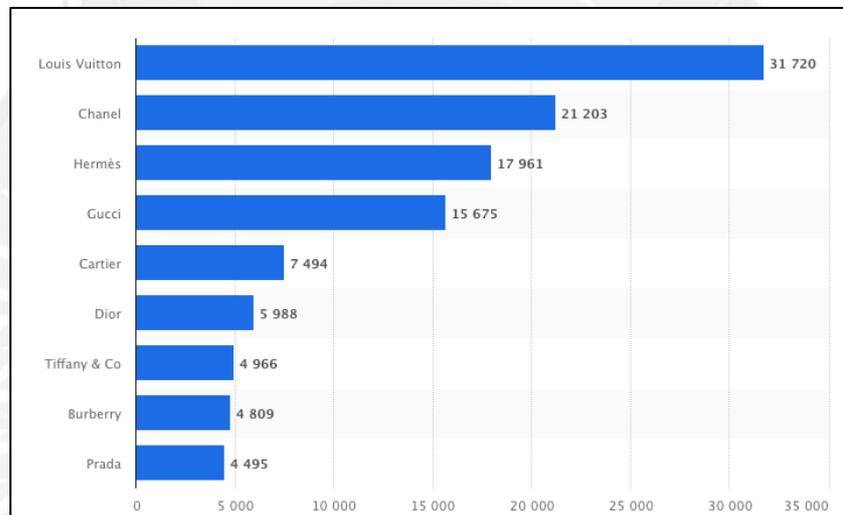


Figure 1.3 Brand value in million USD
Source: statista.com, 2021.

Louis Vuitton, according to Statista.com, is the world's current leading fashion brand, based on their brand value that has reached 31.72 billion USD. Louis Vuitton is popular for their brand image that built among the world. They are prestigious, one of the high-end Parisian fashion brand that are experienced in quality. Their dedication and quality has convinced people around the globe to at least purchase one of their product thus accounting for the brand's value growth.

People highlight Louis Vuitton as a Parisian fashion brand, coming from the world's main country of fashion, France. So, from this point of view, it

becomes interesting to see how motivated a person could be and how has the brand image of Louis Vuitton been viewed, judging from their country-of-origin image and how do the aspects influence people's purchase intention towards the brand. Because of the mentioned phenomena, this research will be entitled, **“The Effect of Brand Image and Motivation on Louis Vuitton Purchase Intention with Country-of-Origin Image as Intervening Variable”**

1.2 Research Problems

Based on the phenomenon that explained in the background of the research above, the research problems are:

1. Does brand image positively affect Louis Vuitton's consumer's purchase intention?
2. Does motivation positively affect Louis Vuitton's consumer's purchase intention?
3. Does country-of-origin image positively affect the relationship between brand image and purchase intention?
4. Does country-of-origin image positively affect the relationship between motivation and purchase intention?

1.3 Research Objectives

Based on the research problems, the objectives of this research would be as follows:

1. To analyze brand image's positive effect on Louis Vuitton's consumer's purchase intention.

2. To analyze motivation's positive effect on Louis Vuitton's consumer's purchase intention.
3. To analyze country-of-origin image's positive effect on the relationship between brand image and purchase intention.
4. To analyze country-of-origin image's positive effect on the relationship between motivation and purchase intention.

1.4 Research Contribution

Theoretical Contribution

Theoretically, this research is expected to be able to analyze the impact of brand image, motivation and country-of-origin image of Louis Vuitton on customer's purchase intention. Additionally, this research is intended to contribute to increase the knowledge of how some aspects such as brand image and motivation, affected by country-of-origin image can contribute to consumer's purchase intention. It's necessary for the reader to analyze and comprehend the theoretical part of this thesis and have suggestions by their own.

Practical Contribution

a. For Companies

Practically, the result and findings obtained from the research should be valuable to give a better view for Louis Vuitton Indonesia on how brand image, motivation and country-of-origin image could contribute to their sales. Additionally, Louis Vuitton Indonesia can also view this research as a suggestion and aspiration media from their customers.

b. For Academics and Scholars

This research is expected to ignite academics and scholars in Indonesia to start more further researches on high-end brands especially fashion brands. It is essential to understand how do high-end brands build their business and what aspects contributes the most on their sales so that in the near future the contribution of the research can help Indonesian brands to enter international market in the most effective ways.

1.5 Research Limitation

As Covid-19 pandemic has been impacting the world including Indonesia from March 2020, this research is limited to only online research in response to avoid the virus transmission. This means that all of the studies including the data collection method will be online. Beside the Covid-19 transmission concern, this research is also limited to the consumer of Louis Vuitton in Jakarta.

1.6 Research Outline

CHAPTER I Introduction

Chapter 1 Introduction contains explanations of the background research that trigger the emergence of problems. With research background determined the identification of more detailed problems as a reference to determine the hypothesis. In this chapter also described the purpose and objective of research, at the end of chapter describe how the research limitation apply on the rest of this research.

CHAPTER II Literature Review

The literature review chapter will be described on the basis of the theory on which fundamental of thinking in searching for validation and appropriate solutions for the hypothesis to be proposed, variable that will be used as the basis

of this research. Chapter II will be described about the theoretical framework and the formulation of hypotheses from the problems that has been discussed in chapter I.

CHAPTER III Research Methods

Explanation of research method contains about research variables and operational definition used in this research. Additionally, elaborated on the number and characteristic of the sample used, types and sources of data were obtained, as well as methods of collecting data from respondents. Next chapter will be discussed the method of analysis used to process the data that has been collected from the object of research (sample).

CHAPTER IV Analysis and Discussions

Chapter IV will be described and elaborated the data analysis result obtained from the object of the research (sample) along with the result of processed data and empirical model from the object of the research itself.

CHAPTER V Conclusion and Suggestions

Chapter V will contain a brief explanation or summary of this research in a form of conclusion chapter. All the insights, findings and analysis results will be concluded in a brief and easy-reading format. In addition, this chapter also present suggestion for further research about this study in future for improvement.