

# CHAPTER I

## INTRODUCTION

The introduction to the research paper is the initial part and the part that consists of the research background, problem formulation, research questions and research objectives, research benefits, and all of which are important information needed to understand research.

### 1.1 Background

In this era of globalization, trade has become increasingly free. This provides an opportunity for the emergence of producers from various sectors, both industry and services, to improve and develop their products and services in order to win competition and win consumer interest. One of the sectors that is growing rapidly with this free trade is the fashion industry sector. The people's need for clothing, food and shelter is increasing day by day. The urgency of the community's needs then indirectly creates industries that are moving to meet people's needs, one of the many industries that are currently rising and promising is the fashion industry. This is because fashion is an important part of people's lifestyle in the global era. The free trade in the fashion industry then has an influence on the increasing tendency of people's consumption patterns, which ultimately forms consumer behavior towards fashion products. This trend eventually becomes a great opportunity for fashion business people to further develop their business.

In Indonesia, this consumptive behavior is also supported by the increasing purchasing power and lifestyle of the people that leads to modernization and brand-mindedness. The development of the fashion industry has shown that the Indonesian people are currently following developments in the stylist and fashion sector to update the world. According to Barnes (in developed by Very, 2018) states that fast fashion provides the latest fashion trends with the best response to consumer demand through prices. In the fashion industry in the current global era, the fast fashion trend has become a promising market.

According to an article (Green fashion, 2018) changes in fashion trends continue to move faster from time to time. Customers who follow changes in fashion trends tend to want to show their identity in front of others. By following the clothing trend that is currently booming, it is likely that these customers will be considered quite up-to-date with the development of the fashion world. Fast fashion itself is a fashion industry process that mimics trends or fashion styles from designers who are very well known in industrial fashion. Fast fashion is generally able to produce more than 11 different fashion collections every year with the standards of two or more famous fashion houses. Fast fashion moves very fast and begins to dominate the consumer mindset pattern regarding the more effective and efficient use of fast fashion products. The following is data on the number of several fast fashion outlets that have been developed in Indonesia and Medan.

Uniqlo was first founded by Tadashi Yanai, who is the 22nd generation heir of a men's clothing store called Ogori Shohi in Ube. Uniqlo stands for Unique Clothing Warehouse Uniqlo is also the largest apparel chain in Asia with total retail

outlets close to 800 outlets. Uniqlo has 3 market segments, including women, men and children. Until now, Uniqlo produces several types of clothing based on their types and needs, such as outerwear, tops, bottoms, inner-wear, and homewear and accessories. Uniqlo is also famous for its casual clothes, materials that are very comfortable to use, as well as innovating the use of fabrics in the manufacture of its clothes by creating Airism clothing products that can be used in summer and HeatTech which can be used in winter.

Seeing the very rapid growth of Uniqlo's fast fashion both in the domestic market and the global market, Uniqlo is considered a fast fashion brand that is quite successful in managing product quality and brand (brand image) well. In addition, it can be proven by the existence of a number of data from global Top Brands which show that the fast fashion brand Uniqlo is in 4th place competing with other well-known brands that previously entered the fashion sector. The number of fast fashion brands that have sprung up has made fast fashion companies compete to gain a bigger market share, one of which is by implementing various strategies to create competitive advantage. One of the strategies developed by the company is to maintain consistency of product quality and quality, as well as to carry out a process of innovation and product development for product improvement and maintaining the quality of the product itself.

Reporting from Republika Jakarta (June 2013), about 75% of cash outflows are influenced by fast retailing. If it is related to the economic condition of Indonesia and Japanese retail companies, Indonesia is indeed a promising country for Japanese companies to expand their business. Where Indonesia is considered a

country that has a strategic position and has great potential. In addition, the CEO of Fast Retailing Indonesia, Yasuhiro Hayashi also emphasized that he has a positive and interesting view that Indonesia is able to accept the existence of Uniqlo as one of the best brands from Japan (Yolandha & Ramadhani, 2013).

Reporting from The Jakarta Post (August 5 2013), Tadashi Yanai (Uniqlo Chairman and CEO) emphasized that he sees Indonesia as a country with a large population and a growing middle class, and is considered a strategic market location. In addition, the relationship between Indonesia and Japan is also very close, so it is hoped that Indonesia will be able to accept the existence of Uniqlo well (The Jakarta Post team, 2013)

In Indonesia, Uniqlo has competed with other world class brands such as Uniqlo and H&M. One of the advantages of uniqlo in making every product is that uniqlo is not only limited to thinking about its appearance, but they also apply advanced technologies in every process. Call it Heattech technology, this technology can bind heat from the body so that it still feels warm in the cold surrounding air. There is also AIRism Line technology, with this technology, allows the skin to breathe and absorb moisture. So you won't feel too hot if you use the AIRism Line. The secret of AIRism Line's technology is the use of Cupro's advanced fabric fibers. Uniqlo also guarantees the quality is guaranteed and durable. This attention arises from the anxiety and problems of the millennial generation, who have always been complicated with wardrobe matters. Lots of clothes in the wardrobe are piling up, even though they are not used at all.

Uniqlo's business strategy to reach all market segments is to create neutral designs. If you look at Uniqlo's clothes, most of the motifs are plain and the models are universal. Whether formal or informal clothes are all there. Not only a matter of model, for size, some Uniqlo also provide sizes up to 3XL in size. The price that Uniqlo offers to consumers is also quite rational and affordable around 30 percent of Uniqlo products are priced under US \$ 10. In contrast to Uniqlo, which is only 7 percent of its products under US \$ 10 and H&M is only 27 percent.

Uniqlo's way of attracting more buyers is that they not only focus on clothes, outerwear, and pants, but they also pay full attention to other products such as socks and underwear. Uniqlo also presents refreshments for their clothing products by collaborating with various brands. Call it collaboration with Marvel, Snoopy, with Disney and many more.

Customer Loyalty becomes one of the most important aspects for the sake of the company. By growing the loyalty for the consumer, company will be able to take advantage financially for their company. Consumer usually becomes loyal with one or two brand because 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; behavioural approach and attitudinal approach. In behavioural approach teach us about the proses of consumer purchases, and attitudinal approach teach us about consumer commitment to a particular brand.

Quality of service that provides perfection of service performed by service providers in meeting customer needs and desires as well as delivery accuracy to match customer expectations. Service quality is an important thing that must be considered and maximized in order to survive and remain the choice of customers. According to Parasuraman in Lupiyoadi (2013: 216) states that service quality is not much difference between service and customer expectations for the services they receive.

From the pre-study. Analysis could be seen that there are several challenges for Uniqlo in terms of Service Quality, Customer Perceived Value, Customer Satisfaction, and Customer Loyalty. Therefore, this research was conducted to analyze the problems in Uniqlo Medan according to my title “The Influence Of Service Quality, Customer Satisfaction, Customer Perceived Value Towards Customer Loyalty In Uniqlo in Medan”

## **1.2 Research Question**

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

- 1) is there an positive influence of Service Quality on Customer Loyalty in Uniqlo Medan?
- 2) is there an positive influence of Customer Satisfaction on Customer Loyalty in Uniqlo Medan?
- 3) is there an positive influence of Customer Perceived value on Customer Loyalty in Uniqlo Medan?

- 4) is there an positive influence of Service quality, Customer Satisfaction, Customer Perceived Value on Customer loyalty in Uniqlo Medan?

### **1.3 The Purpose of Study**

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

- 1) to Identify The Influence of Service Quality on Customer Loyalty
- 2) to Identify The Influence of Customer Satisfaction on Customer Loyalty
- 3) to Identify The Influence of Customer Perceived Value on Customer Loyalty
- 4) to Identify The Influence 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 Uniqlo Medan.

### **1.4.2 For the Company**

The author hopes that this research could bring benefits and add knowledge, for the company of Uniqlo and could be material for consideration, reference, and input for Uniqloin 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.

