

CHAPTER I

INTRODUCTION

1.1 Research Background

The new era of globalization has resulted in substantial changes in many facets of human existence, including social, economic, cultural, technical, and other domains. This will have an impact on the community's economic development. These modifications appear to be in response to rising human wants, preparing them for careers in the fashion industry. Based on Bekraf data, which states that the fashion sub-sector is 18.15% making the development of the fashion industry in Indonesia rapidly. The fashion industry is widely known by the people of Indonesia. This industry is related to trends in society, increasingly wide-open markets, new technologies, and shifting consumer needs, all of which present not only opportunities but also risks.

The developments that occur in the fashion world in Indonesia are increasing very rapidly, especially the development of clothes with well-known brands. Fashion is a term for a person's style of dress. Fashion and women are two things that cannot be separated from one another. Every woman wants to appear in a fashionable style, which indirectly wants her to look attractive. People often stop in front of a shop, when they see an item that looks interesting, such as a shirt with a unique and interesting design. To get the best variety of clothes at attractive prices, you often compare different brands of clothes. From comparing prices, product quality, country of origin

of production, materials, to the model, which are sometimes considered when buying a product.

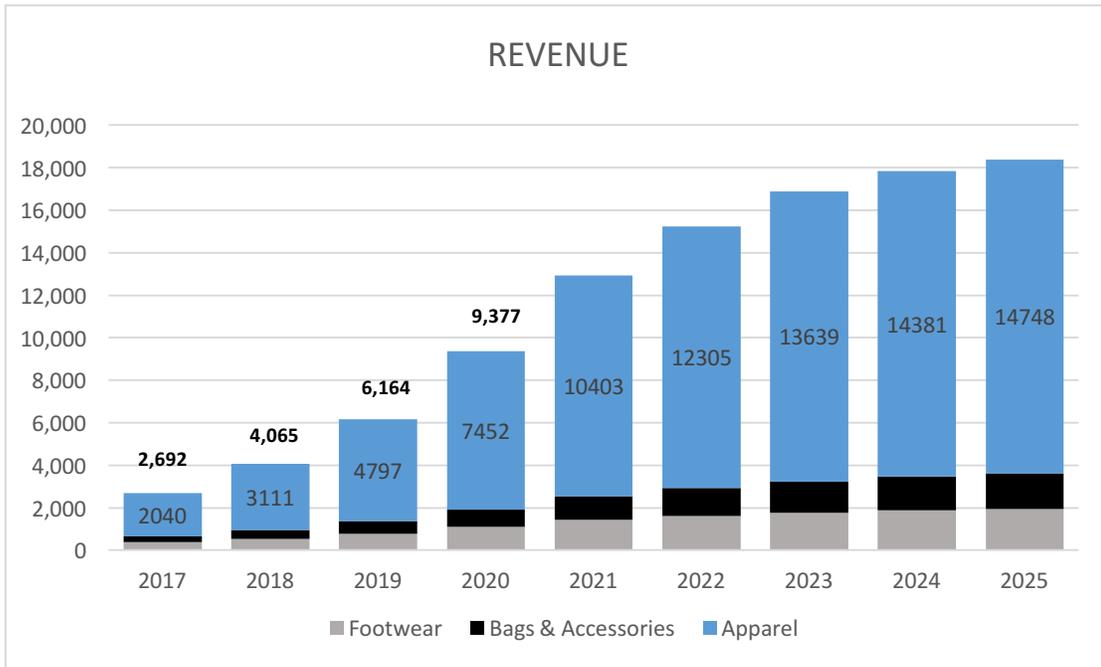


Figure 1.1 Revenue Fashion Indonesia from 2017-2025
 Source: Statista, 2021

It can be seen from Figure 1.1 that income in the Indonesian fashion industry is increasing every year. Revenue in the Fashion segment reached US\$12,943 million in 2021. Revenue shows an annual growth rate from 2021 to 2025 of 9.15%. This results in a projected market volume of US\$18,370 million in 2025. The largest market segment is Apparel with an estimated market volume of US\$10,403 million in 2021. And is expected to continue to increase in 2025 to reach US\$14,748.

The attitude of Indonesian consumers who tend to be consumptive, it is not surprising that Indonesia is the target market for most foreign products. One of the foreign products that many Indonesians are interested in is fashion products. In

Indonesia, there are many companies that produce clothes but the people are more interested in foreign products, therefore foreign companies operating in Indonesia must be able to compete with other companies to sell their products to consumers. Pratama (2013) states that the consumptive culture in Indonesia is a profitable business opportunity for foreign fashion industry countries to market products to Indonesia because the growth rate of domestic consumption in Indonesia is expected to continue to increase for the next 10 years.

The world of fashion is now evolving at a breakneck pace in terms of current trends, inventiveness, and lifestyle. People are increasingly conscious of the importance of fashion that is more than just about clothing, but also about being fashionable and trendy. Fashion also reflects a sense of self-identity. A person's choice of attire might reveal how that individual chooses to live his or her life. The community's need for the same product can be met by various variations of similar products with different brands. This condition provides business opportunities for entrepreneurs to create a similar product, but with different brands and advantages. So that the alternative to a similar product offered in the market is more diverse. Therefore, in competition, the company must have the right marketing strategy for the products it produces.

H&M is one of the most well-known fashion brands in the world today. H&M (Hannes & Mauritz AB) is a Swedish fashion retailer. H&M is a Swedish apparel retailer that was started in 1947 and is known for its fast fashion items. H&M is the

world's second biggest apparel retailer. They constantly monitor the quality of their products, and their design staff oversees the production process, which includes 800 facilities across Europe and Asia. In 2006, they established its first store in Asia, in Dubai, United Arab Emirates. They opened a store in Hong Kong in 2007 to boost their company. They established their first outlet in Japan in 2008. They then relocated to Seoul, South Korea, and opened a shop in Myeongdong. In Southeast Asia, they established locations in Singapore in 2011, Thailand and Malaysia in 2012, and Indonesia, Chile, as well as Estonia in 2013.

H&M expanded into Indonesia in October 2013, opening its first shop. To purchase Hanes & Mauritz items, many Indonesians have had to travel to neighboring nations such as Singapore and Malaysia (Investor.id, 2013). Hennes & Mauritz chose to build a shop in Indonesia as a result. H&M opened their first outlet located at Mall Gandaria City officially opened on October 5, 2013. The first H&M store covering an area of 2,400 square meters will display the latest collection of clothing and accessories for Autumn 2013. Carrying the concept of “Stylish and Affordable Fashion at a Best Price”, H&M will showcase fashion for the whole family, including high fashion for men, women, youth, and children. The reason H&M opened outlets in Indonesia is that the market in Indonesia is very attractive, the population in Indonesia is more than 200 million people, and Indonesia is one of the largest countries in the world, and the fast-growing economy makes the fashion world in Indonesia varied with the presence of new fashions such as H&M.

H&M is a well-known and globally recognized brand, with a large range of products that reflect current trends and constantly feature the newest innovations. Furthermore, H&M is a prominent brand that elevates social prestige, and the price is well-known to be high. Consumers who make a purchase do not only require the things; they also exhibit something in serving the society, an image established based on someone's experience with something, which is then utilized to make a purchase. As a



Figure 1.2 Net sales of the H&M Group worldwide from 2014 to 2020

Source: Statista, 2021

result, it is critical for a firm to be able to produce the highest quality that is equivalent to the price supplied in order to retain clients.

Based on Figure 1.2 in 2014, H&M's net sales were US\$ 20,403 million. Then in 2015 it increased to 20,681 million US Dollars. In 2017, H&M's net sales experienced a significant increase, reaching 23.926 million US Dollars. Furthermore, in 2019 H&M net sales increased rapidly to 24,339 million US Dollars. And in 2020, net sales from H&M fell drastically by 4,200 million US dollars to 20,160 million US dollars due to the COVID-19 pandemic. Judging from the graph, net sales of the H&M brand have decreased where interest in buying this product has decreased in 2020. So it can be interpreted that many people are starting to be less interested in buying H&M products.



Figure 1.3 Online or On Store Shopping 2020

Source: Replubika.co.id, 2020

Based on figure 1.3, in 2020, H&M's net sales fell drastically by 4,200 million US dollars. The reason is that in 2020 the number of people infected with the corona

virus is so high that people are afraid and lazy to go out and shop. In addition, the implementation of the lockdown has forced shops including H&M to close and can only sell their products online where people prefer to buy fashion products directly at the store so they can try to see the original products first.

Purchase intention comes when someone has received appropriate information about the desired product. According to Assael (2002), buying interest (purchase intention) is a purchase interest that shows the customer's desire to make repeat purchases. Meanwhile, according to Schiffman and Kanuk (2007) said that the existence of external influences, the emergence of the need for a product, product introduction, and evaluation are things that can lead to a consumer purchase intention. Meanwhile, specifically, purchase intention in this study is defined as purchase intention in H&M products as a retail product from Sweden.

The attitude of consumers in purchasing behavior who are interested in a product is referred to as purchase intention. Consumers' buying intentions and decisions are influenced by the product's manufacturing site. A country's reputation for a specific product will be seen as exclusive. Country of Origin has been highlighted as a significant influencer of consumer preferences among the elements influencing fashion consumption (Ahmed & d'Astous, 2007; Runfola & Guercini, 2013; Pujitoya et al., 2014).

According to several research, the country of origin has a beneficial influence on purchasing intent (Abdellah-Kilani & Zorai, 2019; Hamzaoui-Essoussi et al., 2011).

According to Lin and Kao (2004), Country of Origin will influence a product's impression, which can be favorable or negative, until the degree of positive perception encourages the development of real sales. The rising globalization of the economy has resulted in decreased trade barriers between nations, allowing foreign items to be more widely available in local markets than before. Many products and services, under such circumstances, see the nation of origin as a possible competitive differentiation in each country's local market. Country of Origin, according to Czinkota and Ronkainen (2001), is an impact on consumer views that is impacted by the location where a product is manufactured.

The sensory experience they deliver is another component that may impact customer preferences (Veale & Quester, 2008; 2009; Dekhili et al., 2011; Bruwer & Buller, 2012). The former allows customers to have a multi-sensory experience (e.g., seeing and touching clothing), whereas the latter just allows them to have a single sensory experience (online visual images). Sensory perceptions (body sensations) are a source of information regarding consumer assessments; existing research demonstrate that a sensory approach provides different impressions for consumers and impacts consumer product evaluations (Barsalou, 2008; Krishna & Schwarz, 2014). (Barsalou, 2008; Krishna & Schwarz, 2014). (Cho et al., 2015; Streicher & Estes, 2016). Furthermore, haptic perception adds aesthetic appeal to a product, increasing the likelihood of buyers acquiring it (Streicher & Estes, 2016). According to this line

of reasoning, sensory perception is an essential variable that influences consumer fashion.

However, commercial rivalry in Indonesia is fierce. H&M must increase product quality and improve its corporate image in order to compete with other apparel businesses. Consumers will be more interested in purchasing H&M items as a result of this. Consumers are the ones who make the final choice on the quality of H&M items on the market. In terms of marketing, quality measurement must take into account the consumer's perspective on quality. Consumer perceptions of a product's overall quality or relative advantage over relevant alternatives in relation to the objectives to be met are referred to as perceived quality. As a result, perceived quality cannot be measured objectively since perceived attributes include what is significant to buyers. As a result, perceived quality is a broad assessment based on customer views of what factors they believe influence product quality and how well the brand performs in that area (Magdalena, 2004).

Changes in marketing strategies carried out by retail businesses indirectly attract consumers to try the products offered by marketers to consumers to meet their needs and desires. So that when consumers are new and interested in a product, they spontaneously buy a product without seeing the consequences. this is called an unplanned purchase. In'am, Suharyono, and Yulianto (2016) stated that there are times when the consumer buying process just happens without being planned beforehand. This type of buying begins with impulsive buying. According to Verplanken and

Herabadi (2001), people in Indonesia currently have a tendency to impulsive buying because the market in Indonesia encourages people to increase competition without paying attention to the consequences that may befall consumers.

When a customer feels that the activity is justified, a spontaneous urge to buy can usually result in a purchase. Unplanned buying is an act of buying that is not consciously acknowledged as a result of deliberation or buying intentions that are established before visiting the store, or can be described as a sudden, strong want to buy something without thinking about the repercussions (Ermy et al., 2018). People who shop at H&M frequently do so without a strategy. Especially when H&M has special deals. These deals entice customers to buy without hesitation.

In this study, the influence of consumer personality factors on fashion consumption behavior is also looked at (Valaei & Nikhashemi, 2017; Saran et al., 2016). Fashion combines two traditionally diametrically opposed marketing positions, fashionable and reasonably priced, into a single market position, allowing young people to follow their particular interests while still meeting their fashion involvement objectives (Muzinich et al., 2003). The fashion fair price approach encourages buyers with strong impulse purchasing inclinations to act quickly and buy on the moment (Park et al., 2012; Valaei & Nikhashemi, 2017). As a result, the goal of this research is to see how fashion engagement affects fast fashion buy intent, as well as if high and low impulsive customers have distinct preferences.

Another factor that influences buying interest in fashion products is fashion innovativeness. (Park et al., 2007) show that fashion innovation is one of the most important factors influencing consumer buying behavior. According to (Park et al., 2007) attitude towards the purchase of a fashion product is determined directly by Fashion Innovativeness according to (Turkey in Rahman et al., 2019) which states that fashion innovators do not spend more time and money on new products than they use. innovator mode. (Cho and Workman., 2014) discuss that those who are high in fashion innovation usually tend to use more shopping channels. These trailblazers raise awareness and interest in new products/brands, as well as encourage other customers to acquire the brand (Kim et al. in Cho et al., 2018). With the fashion innovativeness owned by consumers, it is also a potential where fashion innovators will buy fashion products that follow trends such as those offered by H&M.

Based on the times and fashion trends, the author wants to examine the influence of country of origin, sensory perception, fashion innovativeness, buying impulsiveness, and perceived quality on interest in buying H&M products. The author wanted to see if a good reputation of the country of origin could influence purchase intention because based on data from Kompas.com (2017), the same type of product produced by two countries or two different companies shows different sales volumes.

Finally, the purpose of this study was to provide a framework that explains how customers' sensory perceptions and personality traits influence perceived quality and purchase intent of fast fashion items in their own country. The findings add to the

literature on Country of Origin and sensory marketing, filling in gaps about the mediator role of perceived quality in product evaluation.

Researchers are interested in doing study on because of the background given above about "The Effect of Country Of Origin Towards Purchase Intention for H&M Brands in Indonesia. The Moderating Roles of Sensory Perception, Fashion Innovativeness, and Buying Impulsiveness.

1.2 Research Questions

Based on the background described previously, the research questions can be formulated as follows:

1. Does Sensory Perception as moderating variable, moderate the relationship between Country Of Origin and Purchase Intentions Connection on H&M brand in Indonesia?
2. Does Sensory Perception as a moderating variable, moderate the relationship between Country Of Origin and Purchase Intention, mediates by Perceived Quality?
3. Does Perceived Quality as an intervening variable, mediate the relationship between Fashion Innovativeness and Purchase Intention on H&M brand in Indonesia?
4. Does Buying Impulsiveness have an effect on Purchase Intention on H&M brand in Indonesia?

5. Does Buying Impulsiveness as moderating variable, moderate the relationship between Country of Origin and Purchase Intention on H&M brand in Indonesia?

1.3 RESEARCH OBJECTIVES

The aim of this research is :

1. To analyze the whether Sensory Perception moderate the relationship between Country Of Origin and Purchase Intention on H&M brand in Indonesia.
2. To analyze the whether Sensory Perception moderate the relationship between Country Of Origin and Purchase Intention mediates by Perceived Quality on H&M brand in Indonesia.
3. To analyze the whether Perceived Quality mediate the relationship between Fashion Innovativeness and Purchase Intention on H&M brand in Indonesia.
4. To analyze the effect of Buying Impulsiveness on Purchase Intention on H&M brand in Indonesia.
5. To analyze the whether Buying Impulsiveness moderate the relationship between Country Of Origin and Purchase Intention on H&M brand in Indonesia

1.4 Research Contribution

Contributions that can be given in this research are divided into two, including:

1.4.1 Theoretical Contribution

This research is expected to increase understanding of the influence of Country of Origin on Purchase Intention which is moderated by Sensory Perception, Fashion Innovativeness, and Buying Impulsiveness, and mediated by Perceived Quality. In

addition, this research is also expected to be able to contribute to be used as a reference for further research on buying interest in H&M fashion products.

1.4.2 Practical Contribution

In the academic field, it is hoped that the results of this research can be a source of information for readers, namely academics related to Country of Origin, Sensory Perception, Fashion Innovativeness, Buying Impulsiveness, Perceived Quality and Purchase Intention. Then the results obtained from this study are expected to contribute to the company in making decisions and determining company strategy. And this research is expected to increase the knowledge and understanding of researchers regarding marketing management, especially regarding the Country of Origin on Purchase Intention which is moderated by Sensory Perception, Fashion Innovativeness, and Buying Impulsiveness, and mediated by Perceived Quality.

1.5 Research Outline

The researcher divides this research paper into five chapters to compile and provide a direct and detailed description of this research. These five chapters consist of introduction, literature, research methodology, results and discussion, and conclusions and suggestions.

CHAPTER 1: INTRODUCTION

In this chapter, the researcher explains the background of the research, research questions, research objectives, research justification, research methods and the outline of this research.

CHAPTER 2: LITERATURE REVIEW

This chapter describes the theoretically relevant literature and the basis used to support the research. Furthermore, the theory used in this chapter helps the researcher to analyze and prove the hypothesis in this study.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter describes the types of methods used for research, including data collection, data analysis, and hypothesis testing.

CHAPTER 4: DATA ANALYSIS AND DISCUSSION

This chapter shows data analysis and answers to research problems that have been carried out from data that has been collected from questionnaires where the data is analyzed for variables and indicators of variables.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

This chapter contains conclusions drawn from the discussion in the previous chapters. In addition, the resulting conclusions can be used as recommendations or suggestions for further research.