CHAPTER I
INTRODUCTION

1.1 Research Background

Trading and commerce have existed since years ago and evolved for the past centuries in following new trends. It begins from a simple trading of goods and services up to the end of World War II where trading it has gone from simple to a complex buying and selling activities such as online transactions that has been used and becomes very popular through this era. An increase in the number of multinational companies has transform the basic institutions of global company and change the market activity in a country. This new type of transaction activity has also changed the behavior of consumers in buying goods and services (Sacas, 2021).

Managing a business is a part of a process where planning and organizing a company by using its resources given helps to achieve the main objectives. Global market is a market operation that has gone beyond its nation border and try to outperform its business in another foreign countries. According to Wijoyo et al. (2020), Global market is a market activity that is conducted by global companies that owns a global business strategy, market and products that has to meet the global standards in various countries.

In global market industry, international trade has shown a huge progress based on various occasions that we can see in a business activity such as the borderless of goods exchange and the technological advancement which ease the trading process into a whole new level. The easy and fast trading process allows quantity level of inventory

to raise (Dewi, 2019). With the increase of global market entry, it effects the perceptions a consumer has towards a brand as it may affect the number of product sales. When a positive and high satisfactory level towards a brand, more product quantity and sales will increase.

Through globalization, it represents an opportunity for foreign marketers to be integrated to the local market and boost its economic activity, value of investment and trading demand where bigger selections of goods and services are served to the customer. This has changed the consumers attitude towards a product to be more selective and aware on what they are buying. More products from foreign countries will be better known amongst the public consumers for a period of time (Thogersen et al., 2017). Due the increase demand in foreign goods, more brands and multinational companies are fighting to enter Indonesia's border that has a great potential in growing their market expansion. A multi-national brand has been known in the local eyes as they own its particular identity of being a worldwide brand (Anholt, 2005 cited by Kusuma et al., 2019).

Unilever is one of the multinational companies that works in producing Fast Moving Consumer Goods (FMCG) such as all sorts of beauty care, personal care, foods, refreshments, and home care products. More than 400 brands have been established under the company's name throughout the years and some of their key global brands are Dove, Sunsilk, Rexona, Vaseline, Lipton, Magnum, Ben & Jerry's, and Sunlight (Johnston, 2021). The company owns more than 400 product brands in more than 190 countries and 25 million networking in the global retail industry. It is

stated in the official website (www.unilever.co.id) that 2,5 billion people have been using its products daily with a turnover of €51 billion recorded in 2020 (Unilever,2021).

According to the Annual Reports of PT Unilever (2020), the vision of the company is to be able to earn some love and respect from the Indonesian community by living in the everyday lives and their routines. The mission of the business is being carried in order to achieve these four points; creating a better future, allow people to be more confident by looking and feel good, inspire them to make differences by making small actions, and creating new ways to increase the business operations and impact to the local society.

The product that has been produced by Unilever has been accepted positively by the local consumers as it has provided the essentials for the consumer with the most reasonable price and good quality.

Figure 1.1 Business Model of Unilever

Source: Unilever, 2021

Unilever has created a business model that is structured to allow the business to compete with other well-known brands and received the consumers trust as shown in Figure 1.2 (PT Unilever Indonesia Tbk, 2020). They were structured to make a sustainable place of living to achieve a new growth in long term period. The purpose of the business model is to be closer the what the consumers' needs and able to face the current challenges existing in the market today. The competition in the global industry are no doubts as companies like Loreal, Nestle, P&G, PepsiCo Inc. and Danone are some of the major lists of rivals for Unilever. They are a multinational company that also works in the FMCG industries which also has a huge impact on the field (Reza, 2020).

However, Unilever has found difficulties in persuading their consumers to change their perceptions on the brands to be more sustainable. According to Rosie Baker (2012), the CMO of Unilever, Keith Weed has revealed that they are having difficulties in improving their perspective which complicates the development of its global market strategy.

It has been operating successfully up to this moment in the Indonesian market since 1933. They have succeeded in overcoming the challenges of entering a new foreign market and has become one of the trusted companies to produce consumer goods worldwide. (Unilever,2021). As Indonesia is well known for its agricultural resources, they created a new marketing strategy to meet the customer needs and satisfaction level. They have expanded their company in Indonesia by establishing a subsidiary company called PT Anugrah Lever (PT AL) under an agreement made

between Unilever with PT Anugrah Indah Pelangi. It works in the field of manufacturing, developing and marketing the local Indonesian specialty cooking ingredients products such as Bango, Sari Wangi, and Jawara (Unilever, 2021).

Table 1.1 Net sales of PT. Unilever Indonesia 2016-2020

Year	Net Sales
2016	40,053,732
2017	41,204,510
2018	41,802,073
2019	42,922,563
2020	42,972,474

Source: Unilever Indonesia, 2020

Figure 1.2 Net Sales of Unilever
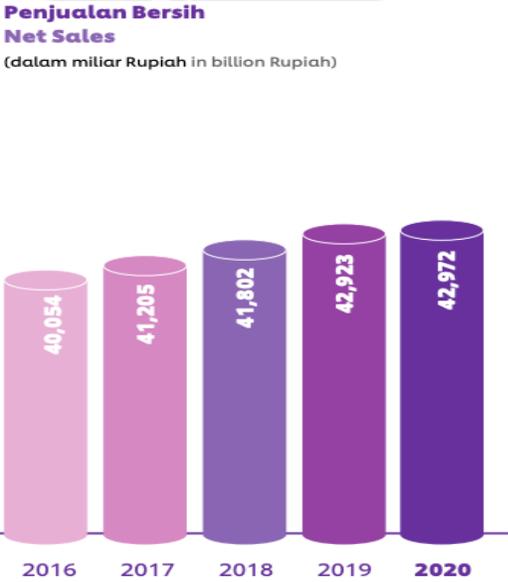
Source: Unilever Indonesia, 2020

Based on the Table 1.1 and Figure 1.1 above, the company has made an increase on their net sales for the past five years operations with the implemented marketing strategy that has been evaluated by the company which means its sales performance are secure and strong in its FMCG industry. However, the company have a slow increase for the last two years which shows that the marketing strategy that has been implemented has not shown a great result for the business. According to Samuel Sekuritas Analyst, Sulaeman (2021), This fall has not been able to improve its performance, since it has been restrained in the marketing and sales divisions. The advertising promotion to sales ratio is typically about 20%. This demonstrates that the company's efficiency has reached its limit. Unilever's market share may drop in the next following year if marketing and sales risks are minimized once again. The Director of Unilever Indonesia, Ira Noviarti, the average net sales increase has reduced for about 8.83% value from the previous year.

Household needs and personal care still dominate the sales of Unilever with Rp. 12,5 million of sales in the beginning of 2021 which is 10.71% lower than the first semester of 2020. Then the sales in the food and beverages industry only contributes a slightly increased with 0.33% sales for Unilever. The slowing growth of sales in Unilever has pressured the company's net profit by 15.85% in the first semester of 2021 (Intan, 2021).

Based on the financial report of Unilever Indonesia (2020), the financial stability of the company was measured based on its ratios and its profit margin on sales which its growth appeared to have fluctuated and slower for the past 5 years. Yuli Santi (2016)

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stated that Unilever Indonesia have been lacking in managing its investments and increased in expenses such as operational cost that are relatively high which cause the sales performance to affect the profit itself to become unstable. According to Astutik et al., (2019), the number of strategies implemented in the company of Unilever Indonesia such as the production costs should be lowered which it will likely to help attracting more consumer to purchase goods from the brand and the company can maintain the increasing level of demand as well as the product sales growth. Mimi (2020), an analyst from Mirae Assets Sekuritas Indonesia also stated that the declining number of product sales performance in Unilever Indonesia are most likely triggered by the changes in customer behavior in reducing their consumptions in a number of products in the health and personal care categories due to the social distancing and Work From Home (WFH) system that has been operationalized to most of businesses in Indonesia considering the increasing number of infected patient with Covid-19 since mid-2021.

Based from the phenomena highlighted in the previous discussion, it can be state that the influence of global marketing strategy implemented to a business can have an impact to the behavior of the potential consumer which influence the growth and the performance of product sales. Therefore, the researcher came up with the title of the study "The effect of global market strategy and consumer behavior towards product sale performance at Unilever Indonesia"

1.2   Research Problem

Based on the background that has been described above, the formulation for the research problem is given:

1. Does global marketing have a direct and positive relationship towards product sales performance?

2. Does global strategy have direct and positive relationship towards product sales performance?

3. Does consumer behavior positively mediate the positive relationship between global marketing and product sales performance?

4. Does consumer behavior positively mediate the positive relationship between global strategy and product sales performance?

5. Does consumer behavior have a direct and positive relationship towards product sales performance

1.3   Research Purpose

Based on the background that has been described above, the formulation for the research purpose is given:

1. To examine whether global marketing have a direct and positive relationship towards product sales performance

2. To examine whether global strategy have direct and positive relationship towards product sales performance

3. To examine whether consumer behavior positively mediates the positive relationship between global marketing and product sales performance

4. To examine whether consumer behavior positively mediates the positive relationship between global strategy and product sales performance

5. To examine whether consumer behavior have a direct and positive relationship towards product sales performance

1.4 Benefits of Research

1.4.1 Corporate

With this research, we expect to help the company know how important a global market strategy and consumer behaviors is in the performance of their product sales and get the solutions in overcoming challenges and make planning and make a careful decision when dealing with the obstacles.

1.4.2 Investor

With this research, we expect to help investors in making the right decision when making investments in the future. It helps the investors to know the restrictions that occurs in the company. They are able to make consideration in investing in a company by analyzing these factors.

1.4.3 Academic

With this research, we expect to give more reference and additional information for further research in the future that has the same or related topics as our research study.

1.5 Research Scope

Research scope should be determined in study research. In this case, the research is done on a multinational company of Unilever that has been operating in the FCMG

industry worldwide. The researcher chooses this company as it has a strong influence over the global market as well as the local market as its products has been marketed to all sectors all over the world.

1.6 Writing Systematics

The writing systematics of this study are as follows:

CHAPTER I: INTRODUCTION

This chapter contains of explanations on the research background, research problem, research purpose, benefits of research, research scope as well as its writing systematics

CHAPTER II: LITERATURE REVIEW

This chapter contains a number of theories uses as a supporting statement while analysing the main research problem, explanation on the relationship between each variables, research hypothesis and also its conceptual model.

CHAPTER III: RESEARCH METHOD

This chapter contains of the explanation on the research paradigm, research object, unit analysis, type of research, research and sample design, data collection and analysis method, model evaluation and also its research implementation tools.

CHAPTER IV: RESULTS & DISCUSSIONS

This chapter contains of the explanation on the respondent profile, preliminary study test result, descriptive and inferential

statistics, and also the hypothesis discussion which include comparison to the previous study.

CHAPTER V: CONCLUSION & RECOMMENDATION

This chapter contains of the conclusion, managerial implications, research limitations and recommendations for future research.