CHAPTER I

INTRODUCTION

1.1 Background of the Problem

At the end of 2019, December 31st, Chinese authorities notified the world regarding a cluster of pneumonia cases experienced by them in Wuhan, China (World Health Organization (WHO), 2020). This pneumonia case later on, on January 12th, 2020, is publicly known as COVID-19 (World Health Organization (WHO), 2020). COVID-19 is, also known as coronavirus, is a disease that contains a deadly virus that can make whoever infected by it suffers from a respiratory problem and other symptoms (Sauer, 2021).

The cases of this virus keep escalating each day; even cases are doubling within days. In a very short amount of time, COVID-19 spread to many countries around the world which make it characterized as pandemic on March 11th, 2020; announced by World Health Organization (WHO) (Agence France-Presse, 2020). It can happen because this highly contagious infection can spread its virus easily to a new person when the infectious droplets enter one's eyes, nose, or mouth (Sauer, 2021).

No countries are prepared for this outbreak and its effect which makes most countries in the world, including Indonesia, decide to implement several health protocols such as Large-Scale Social Restrictions *(Pembatasan Sosial Berskala*

Besar (PSBB)) as well as Enforcement of Restrictions on Community Activities *(Pemberlakukan Pembatasan Kegiatan Masyarakat (PPKM))* (Permatasari, 2021). These protocols are required, most people stay and work from home. This is done to decrease the number of people being infected by the virus with a longing that it will help flatten down the curves of COVID-19 (Direktorat Jenderal Kekayaan Negara - Kementrian Keuangan Republik Indonesia, 2019).

As it was stated earlier, this outbreak has affected and changed so many aspects of human life around the world, not only concerning public health but also affecting education systems, social, political, as well as economic problems (Pebrianto, 2020). In the economic sectors, the biggest impact has been felt by people who work in the scope of the travel industry, culinary, as well as retail industry (Widowati, 2020).

The fashion retail industry has become one of the most affected industries by COVID-19. It is proven by the number of companies in the retail industry that have suffered losses and had to close many of their outlets or boutiques in several countries including Indonesia; such as Guess, H&M, ZARA, and other famous fashion brands (NG, 2020). The Founder of Jakarta Fashion Week, Svida Alisjahbana, during her interview at the 2021 Mandiri Market Outlook Event, stated that pandemic has certainly affected the fashion industry since people are trying to restrain themselves from consuming fashion products such as clothes, footwear, sportswear, jewelry, and many others because they are more likely to consumed goods concerning their basic needs (Hasibuan, 2020).

Another fashion expert, Ali Charisma, The Chairman of the Indonesian Fashion Chamber (IFC), also mentioned that people's purchasing power for fashion products has decreased significantly since the pandemic happened (Cicilia, 2021). These statements are also supported by data from The Central Statistic Agency *(Badan Pusat Statistik)* who reported that Indonesia has experienced deflation up to 0,16% since June 2021 and the deflation can occur due to a slowdown or weakening in people's purchasing power; this also aligned with data from *Bank Indonesia (BI)* who reported that the deflation simultaneously occurs linearly with a decreased in retail sales up to 2,9% in July 2021 (Ali, 2021).

1.2 Identification of the Problem

Lately, due to the effect of pandemics, there is a lot of fashion retail company that does their promotion using digital marketing strategy through a various online platform to build their brand reputation, including LACOSTE which is subcontracted by *PT Mitra Adiperkasa* in Indonesia. Based on preliminary research done by the researcher, customers already see LACOSTE as a brand that has a good reputation since they see LACOSTE as a trustworthy and credible brand that has a durable quality compared to its competitors like Fred Perry and Tommy Hilfinger.

Brand reputation itself can be defined as collective perception or belief that is perceived by people towards a certain brand (Bhasin, 2021; Hertanto, 2018).

Brand reputation is pivotal to be built because it is not merely about how good people perceived a certain brand is, but it also because reputation has a function to create trust in the eye of the public, considering that trust will lead to customer loyalty which afterward will also lead to increase of brand's sales, and once the sales are increased, the brand can become the leader in its market (Syah, 2013; Eccles et al., 2007).

The course of action usually used to build brand reputation is using digital marketing strategy through various digital platforms such as social media and e-commerce—defined as a means to disperse, sell, buy, or market a product through electronic systems such as the Internet (Idris, 2021; Clow & Baack, 2018, p. 245; Kotler & Keller, 2016, p. 536). This is also supported by the Ministry of Tourism and Creative Economy of the Republic of Indonesia *(Kementrian Pariwisata dan Ekonomi Kreatif)* as well as Editor-in-Chief of HerStory, Clara Aprilia, who stated digitalization has given advantages for the growth of business, branding, as well as creating a good brand reputation in the eyes of the public; considering that people are often to search for the brand name in the search engines first before buying products from a certain brand (Kemenparekraf/Baparekraf RI, 2021; Yovanda, 2021).

The use of digital marketing strategy on digital platforms has also been very helpful during pandemics for business owners and marketers in building brand reputation. Both fashion experts, Svida Alisjahbana and Ali Charisma mentioned similar statements saying that since most people have done the work

from home due to flattening the curve of the pandemic, lots of boutiques and clothing stores are lack visitors; which make it become one of the barriers to promote the offline store knowing that it won't be as effective as it used to be. Hence, owners of fashion businesses ought to transform their boutiques or clothing stores to a digital platform such as e-commerce to cope with the pandemic situation (Hasibuan, 2020; Cicilia, 2021).

One of the keys to becoming successful in building a brand reputation on digital platforms such as e-commerce is to have a good price offering. Neil Patel, one of the top 10 marketers in 2014 by Forbes, mentioned that, for a business to sustain itself in e-commerce, they should be able to communicate a good price offering which can be done through lots of promotions such as discounts, or cutting-prices (Patel, 2018). This statement is also supported by previous research conducted by students from *Universitas Brawijaya*, who concluded that prices do have a greater influence on the purchase decision. They mentioned that a good online promotion will increase the likelihood of someone finally deciding to do a purchase decision (Jamaludin et al., 2015).

However, in reality, not all brands, especially luxury brands, can do the cutting prices as their way to build brand reputation in e-commerce. According to previous research, conducted by students from President University, discount framing will influence brand reputation in e-commerce (Agmeka et al., 2019). The bad influence of cutting prices had been proven by one of the world's most leading luxury brands, LACOSTE (Gapper, 2015). In the year 2000, cutting

prices almost caused LACOSTE'S entire brand reputation, not to mention, almost making them collapse and experience bankruptcy which then took them more than ten years to recover from it (Marciano, 2020).

In 2020, LACOSTE who is subcontracted by MAP *(PT Mitra Adiperkasa)* in Indonesia, remains core in keeping the prices premium. During pandemic COVID-19, while many brands can hardly build or keep their brand reputation due to the experience of loss caused by the slowdowns of economic that lead to a decrease of buying power, LACOSTE and many other luxuries brand in Indonesia subcontracted by MAP are experiencing increments scale in sales which make them successful in building their brand reputation during the crisis. Data from E-Commerce Revenue Analytics mentioned that LACOSTE itself as a whole has been seen to experienced increase sales in e-commerce during pandemics specifically in the years of 2020 and 2021 (ecommerceDB, 2021). Vice President Investor Relations, Corporate Communication, and Sustainability MAP Group, Ratih D. Gianda, reported that MAP as a whole, experiencing increments scales of sales in e-commerce; in first quarter increased to 27% and in the second quarter increased to 38% (Karunia, 2021).

Therefore, based on this problem identification, in the scope of the communication field, the researcher is interested to do research about digital marketing strategy done by MAP's marketers in building LACOSTE's reputation, as a luxury brand, during pandemic COVID-19, considering that good reputation is important for a brand as aforementioned earlier.

1.3 Statement of the Problem

Based on the explanation given above, this study is focusing on: digital marketing strategy of *PT Mitra Adiperkasa* (MAP) in building LACOSTE's reputation during pandemic COVID-19. As a result, the researcher came up with the main research question below:

> ***How does PT Mitra Adiperkasa build LACOSTE's reputation through digital marketing strategy during pandemic COVID-19?***

1.4 Purpose of the Study

This research aims to describe *PT Mitra Adiperkasa's* digital marketing strategy in building LACOSTE's reputation during pandemic COVID-19.

1.5 Significance of the Study

The significant purpose of this research has two different purposes which include academic purpose and social purpose.

Academic Purpose

In regards to academic purpose, the result of this research is expected to provide input and comparison to other researchers who want to conduct similar research. The researcher also hopes this study can give a comprehensive description and contribution to the communication field of

study especially to give a contribution to the development of digital marketing studies.

Social Purpose

The researcher hopes this study can provide practical inputs to help company leaders build their brand reputation through digital marketing strategy in times of crisis. For instance, *PT Mitra Adiperkasa's* digital marketing strategy in building LACOSTE's reputation during the pandemic COVID-19.

1.6 Limitation of the Study

Limitation of the study is used to prevent the deviation of the subject matter on the research, so the researcher can manage to achieve the objectives firmly. Therefore, the scope of this study is limited to the researcher's informants, which the informants are from *PT Mitra Adiperkasa*; who is responsible to execute the digital marketing strategy of LACOSTE in building LACOSTE's reputation.

1.7 Organization of the Study

This research will consist of the following chapter:

CHAPTER 1 INTRODUCTION

Chapter one consists of a brief explanation regarding the topic being studied which aimed to give the readers a bigger picture about what and why this topic is important to discuss. This chapter includes several points such as the background of the study, identification of the problem, statement of the problem, the purpose of the study, the significance of the study, limitation of the study, as well as organization of the study.

CHAPTER 2 RESEARCH OBJECT

Chapter two consists of the target for this research. Details explanation regarding the object and subject of research will be given in this chapter.

CHAPTER 3 LITERATURE REVIEW

Chapter three consists of concepts and theories used in this research. This chapter will provide a definition as well as an explanation related to the topic which is also supported by books, journals, and articles as its references.

CHAPTER 4 RESEARCH METHOD

Chapter four consists of the research approach, research method, data collection techniques; primary and secondary sources, unit of analysis, both

informants and key informants, data analysis method, the technique to examine the validity of the data, as well as research constraints.

CHAPTER 5 RESEARCH FINDINGS AND DISCUSSION

Chapter five will discuss the collected data and findings obtained through in-depth analysis which afterward, will be interpreted by the researchers in compact explanation hence, the reader can easily understand and comprehend the topic better.

CHAPTER 6 CONCLUSION AND SUGGESTION

Chapter six is the last chapter of the overall research. This chapter will provide the readers with two points which are conclusion and suggestion. The suggestion is given by the researcher for further research regarding similar topics.