CHAPTER I

INTRODUCTION

1.1   Background of the Study

Economic development and trade in Indonesia are proliferating at the moment, as evidenced by the entry of a variety of imported goods that are readily available in both modern and traditional markets, as well as the growth of apparel industry companies, which are demonstrating increasing gain, which is, of course, consistent with the trend. Globalisation has made it hard to prohibit free commerce in Indonesia, one of which is fashion or fashion. Fashion is a very lucrative sector in Indonesia, and as a result, entrepreneurs, and traders, particularly fashion retail entrepreneurs, both locally and internationally, are highly interested in this business.

The world of fashion retail has been growing and continues to proliferate in recent years. Several well-known brands such as Zara, HM, Uniqlo, Pull and Bear, Charles and Keith from abroad, and famous from Indonesia such as Erigo, The Executive, and others continue to expand and open their outlets in all big cities central areas. They were shopping in Indonesia.

As a fashion retail brand, Zara is a well-known brand and has opened outlets in major malls in Indonesia, one of which is also in Medan City at Sun Plaza Medan. Husband-and-wife Amancio Ortega and Rosalia Mera founded Zara in 1975 under the auspices of PT Mitra Adi Perkasa, Tbk, with the concept of a casual, elegant and elegant impression on each of its products with European style.

In addition, Zara is also known as an alternative brand when many people have difficulty touching branded products that are very expensive. With Zara, people can still have fashionable fashion at affordable prices.

Also, Zara is one of the biggest brand in fashion industry that came to Indonesia compared to other competitors brand such as H&M, Pull&Bear or Onitsuka Tiger. a is one of the most popular fast fashion companies in the world. It shows that the fast fashion industry is one of the most significant contributors to the world's waste since the fashion life cycle changes every week and companies like Zara constantly respond and keep up with the changing fashion trends, which cause the company to produce new designs in the store every week. Zara only needs several weeks to create and launch the new items while it is still on-trend. Meanwhile, other clothing company needs several months. And due to the fast production of clothing, the environment is getting impacted since fashion production causes 10% of global carbon emissions, dry water sources, as well as more than 80% of textiles are getting thrown away each year. The fabric that are used for clothing will end up in the landfill or will get burned. Fast fashion companies like Zara knows that this is an issue that will influence customers' role behaviors. And it turns out that customers who are aware of this problem decided not to support Zara anymore by not purchasing its products since the fast-fashion company has been seen as the problematic sector industry. And for customers who care about the environment also thinks that what Zara did to make the production of the clothes faster than other companies is wrong since the

environment is getting impact behind the fast manufacturing production and as well as producing waste are piling up each year.

However, in the retail journey, it has difficult challenges due to the COVID-19 pandemic, which has caused a decline in economic activity throughout the world. The COVID-19 pandemic that hit various countries in the world had a significant impact on the economic sector, including in the retail sector. Popular clothing retailer Zara has had to close up to 1,200 of its stores. Despite closing almost thousands of its stores, the company will switch to selling online. Considering their online sales increased sharply by 95 per cent during the lockdown in April. This prompted the company to spend 2.7 billion euros on improving the technology of their online purchasing system and encouraging their online sales. So the company predicts a quarter of online sales will occur in 2022, compared to 14 per cent this year. Not only Zara, retailers H&M, to Gap, a subsidiary of Inditex, also reported a sharp decline in offline purchases. This is because, many shoppers have started to switch to shopping online during the lockdown to stop the spread of the coronavirus (viva.co.id, 2020).

The pandemic condition is the latest challenge for the fashion retail business currently. During the pandemic, the increase in online shopping has also increased sharply and made the transition from offline consumers to online in general. This makes all companies turn to develop websites and online platforms currently. This shows that the current pandemic conditions have changed consumer habits in doing shopping at this time.

Customer company identification is the way consumers perceive a product they consume, and the way consumers perceive a company that issues the product. According to Dutton et al. (1994) in Ran and Zhou (2020), proposed that the identification of a person to an organization comes from the similarity between the image of the organization and the self-concept of the individual. The strong sense of common identity makes the individual regard the organization as part of themselves; hence, they would think that doing something beneficial for the organization would be the same as doing something beneficial for themselves.

According to Lubis (2020), decision making is an individual activity that is directly involved in obtaining and using the goods offered. Another definition of a purchasing decision is the buyer's decision about which brand to buy. Consumers can form the intention to buy the most preferred brand. Purchasing decision is a process of decision making about a purchase which includes determining what to buy or not to make a purchase.

In establishing the current customer company identification and extra role behaviors, it is necessary to introduce a good constructed external image from consumers. According to Hawkins and Mothersbaugh (2017), brand image refers to the schematic memory of a brand. It contains the target market's interpretation of the product's attributes, benefits, usage situations, users, and manufacturer/marketer characteristics. It is what people think of and feel when they hear or see a brand name. It is, in essence, the set of associations consumers have learned about the brand.

In perceived salesperson charateristics is the ability of salespeople to provide good service to consumers. According to Parasuraman (1985) in Tiglao et al (2020), service quality is an abstract and elusive construct due to three unique features for services: intangible, heterogeneity, and inseparable from production and consumption.

Perceived company is the company's ability to provide quality products to consumers. With good product quality, it will increase customer decisions. It is critical for a company who runs business in selling products because they need to make sure that the product provided can meet the customer's expectation. According to Rukaiyah (2020), product quality is a reflection that reflects the value of the product itself. Products have essential meaning for the company because without the product the company will not do anything from its business.

Zara has a large market share in Indonesia currently as one of the top brands that are in great demand by fashion retail consumers currently. The following is data on the current increase in fashion retail in Indonesia.

Table 1.1
Retail Top Improvers 2021 in Indonesia: Fashion Retailers

YouGov Retail Top Improvers 2021 in Indonesia. Fashion Retailers				
Rank	Brand Name	2021 Score	2020 Score	Change in Score
1	UNIQLO	23.4	19.1	4.3
2	H&M	21.7	17.7	4
3	Levi's	29.3	26.2	3
4	Converse	25.1	22.8	2.3
5	Crocodile	13.5	11.6	1.9
6	Nike	45.8	44.1	1.7
7	Guess	12.7	11.1	1.6
8	Under Armour	7.6	6	1.5
9	Adidas	47.3	46	1.3
10	ZARA	14.7	13.5	1.3

* Source show data from September 1st and August 31st 2021 compared to September 1st, 2019 and August 31st, 2020 (https://id.yougov.com/id/news/2021/10/19/retail-rankings-2021-indonesia/)

From the data in table 1, it shows that Zara as one of the leading brands is ranked 10th in the most increasing brand rating in 2021 from the fashion retailer's category. This shows that in an increase in 2021, the current Zara brand is still unable to compete with retail brands that currently exist in Indonesia.

The construed external image in the ZARA brand is currently very well known by consumers. As one of the biggest retail brands now, ZARA can present their brand well so that consumers know and know about it.
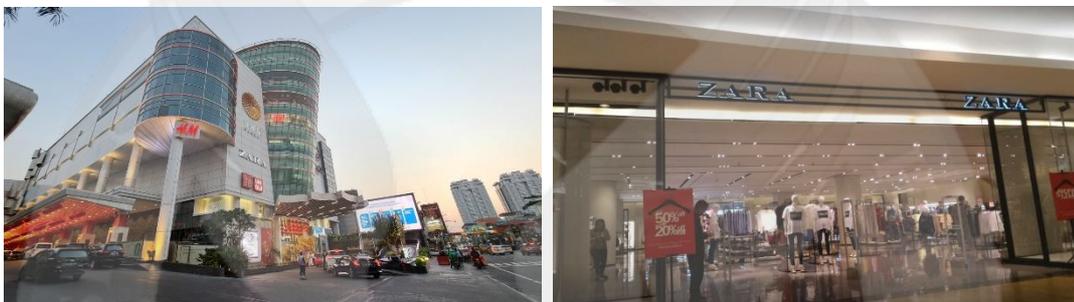
Figure 1.1 Zara brand appearance at Sun Plaza (2022)
Source: Zara brand appearance at Sun Plaza (2022)

From the appearance on Brand Zara at Sun Plaza Medan, showing ZARA as one of the brands that is known by consumers and is in a strategic location and easily accessible by consumers. The ZARA brand is also directly in front of the logo from Sun Plaza Medan which shows that the customer's favorite brand when shopping for fashion is the ZARA brand.

In addition, in salesperson characteristics and perceived company characteristics that currently exist at ZARA Sun Plaza, it is seen that employees are very capable in providing good service to consumers. This can be judged from the positive opinion in consumer reviews after shopping and buying products from ZARA at Sun Plaza Medan. Many consumers are satisfied with the products

they buy, and the services provided by them are quite good. The following can be seen from the review data on Google Reviews.

Table 1.2
Review data on googlereviews on ZARA Sun Plaza

Rating	Name	Review Results
5 stars 3 months ago	Dhoni Muhamad	*Koleksinya banyak, dari Baju, Celana sampai separu juga ada*
5 stars 3 months ago	Evelyne Hartono	I have always loved zara honestly nothing to complain about here!
3 stars 6 months ago	Qing Shan	*Sukak hrg tdk trlalu mhl dan bgs2, hny saja perlu ditingkatkan keramahtamahan krywan/ti nya dlm melayani pembeli..sprti brand2 lainnya*
5 stars 1 year ago	Johan Kho	*Cocok buat ibu-ibu yang mau shopping baju cantik.*
5 stars 1 year ago	Hend Bowo	*Ini zara, pelayanan bagus, baik dalam urusan sekuritas, kasir dan staff nya sangat membantu dan ramah. Tempat nya bersih, nyaman. Mudah di lihat baju, celana dan aksesoris lain nya. Banyak diskon nya juga*

Source: Google reviews, 2022

It can be seen in some of the reviews that are on google reviews at this time, showing that the reviews given have positive reviews and there are also negative reviews from consumers. With a better number of positive reviews, it shows that currently the salesperson characteristics applied by employees in providing services and the perceived company in the ZARA brand is currently good and able to increase consumer interest in buying the ZARA fashion brand.

Based on this discussion, the writer decides to conduct research entitled **"The Effect of Construed External Image, Perceived Salesperson Charateristics, Perceived Company Charateristics on Extra Role Behaviors Through Customer Company Identification on Zara Customers in Sun Plaza Medan"**

1.2   Problem Limitation

In this study, the writer will limit problems for construed external image, perceived salesperson charateristics, perceived company, extra role behaviors and company identification at Zara Customers in Sun Plaza Medan as a fashion retail brand as the main problem of this study. Problem limitations are construed external image (X1), perceived salesperson charateristics (X2) perceived company (X3) and as the independent variable and extra role behaviors (Y1) and customer company identification (Y2) the dependent variable.

Indicators for construed external image are from Kotler and Armstrong in Nazelina (2020) which brand identity, brand personality, brand associations, the attitude and behaviour, benefits, and advantages of the brand.

Indicators for perceived salesperson charateristics are from Tjiptono (2018), which include tangible, reability, responsiveness, assurance, and empathy.

Indicators for perceived company charateristics are from Orville et. Al (2005) in Setio (2019), include the form of the product, the features of the product, the quality of product performance, the impression of product quality, product durability, reliability, ease of repair, product style and product design.

Indicators for extra role behaviors are from Simamora and Realize (2020), which include overall customer satisfaction, confirmation of expectations, repurchase intention, availability for recommendations and customer dissatisfaction.

Indicators for customer company identification are from Tjiptono (2008) in Wicara and Indra (2018), which is about: problem identification. Information

search, alternative evalution, purchase decision and post purchase behaviour.

1.3   Problem Formulation

Based on the background of the study and the explanation that has been described above, below are the problem formulation of the problem for this research study are as follows:

1. Does Construed External Image has significant effect on the Customer Company Identification on Zara in Sun Plaza Medan ?

2. Does Perceived Salesperson Characteristics has significant effect on Customer Company Identification on Zara in Sun Plaza Medan ?

3. Does Perceived Company Characteristics has significant effect on Customer Company Identification on Zara in Sun Plaza Medan ?

4. Does Customer Company Identification has significant effect on Customer Extra Role Behaviors on Zara in Sun Plaza Medan ?

1.4   Objective of The Research

Based on the problems above, the main objective of this research will be described below:

1. To analyze whether Construed External Image have partial effect on Extra Role Behaviors Through Customer Company Identification on Zara in Sun Plaza Medan.

2. To determine whether Perceived Salesperson Charateristics have partial effect on Extra Role Behaviors Through Customer Company Identification on Zara

in Sun Plaza Medan.

3. To identify whether Perceived Company Charateristics have partial effect on Extra Role Behaviors Through Customer Company Identification on Zara in Sun Plaza Medan.

4. To investigate whether Construed External Image, Perceived Salesperson Charateristics, Perceived Company Charateristics on Extra Role Behaviors Through Customer Company Identification on Zara in Sun Plaza Medan.

1.5 Benefit of The Research

Benefits of this research can be listed as follow:

1.5.1 Theoretical Benefit

The theoretical benefit of this research as follow:

The results of this research are expected to contribute to the existing theories relevant with construed external image, perceived salesperson charateristics, perceived company, extra role behaviors, customer company identification.

1.5.2 Practical Benefit

Below are the practical benefits of this research:

1. **For Company**

This research as information about whether the survey that has been made will be useful to improve the extra role behaviors and customer company identification.

2. **For Writer**

The result of this research is expected to contribute to the exciting theories relevant with s construed external image, perceived salesperson charateristics, perceived company have effect on extra role behaviors and customer company identification.

3. **For Other Writer**

    This study research is expected to help other writers and can be used as a reference for a future writer. It can also help to gain insight into the theory of this research variable and learn the purchase decision of customers.