CHAPTER I

INTRODUCTION

1.1. Background of The Study

Entering the 21st centuries, human civilization has progressed to this day. Besides of the human civilization, globalization was also undergoing the unlimited progress. Where, it can be seen on what globalization impact that affecting the world. As being known globalization is the process of the information has become a very powerful force in influencing the mindset of humans that identified with modernity (modernization) or also known as international integration that affecting many aspects, which one of it was fashion (Nahak, 2019).

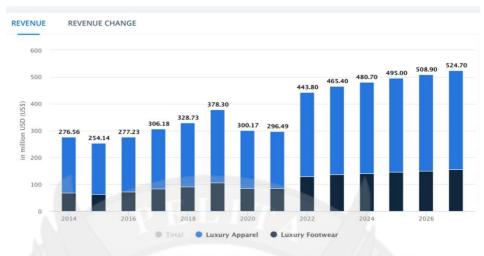
Fashion is a general term for popular style of the totality of ideas, perspectives, behaviors, images, and other phenomena that are chosen by informal consensus within the mainstream of a culture, especially western culture where with the great influence of the mass media, this collection of ideas permeates everyday life or practices especially in clothing, shoes, or accessories. Fashion can also be interpreted as a fashion reference for something that is currently trending in one's appearance and dressing up. With the development of fashion, every human being, has tried not to be left behind, from children to adults, they are very concerned about the development of fashion has experienced a rapid revolution in the world (Ricardo & Jaolis, 2019).

Thus, this globalization effect of the fashion trend also happening in Indonesia. By which can be seen in how fashion industry improving in Indonesia. Based on data from CNBC Indonesia in 2019, the development of the fashion industry was able to contribute approximately more than 15% or IDR 116 trillion. The Creative Economy Agency (BEKRAF) also continues to make efforts to strengthen the ecosystem and encourage growth in this subsector. Fashion is not only a primary need but has become an artistic necessity so that it can encourage the growth of this industry more rapidly. According to data in 2017, the fashion industry in Indonesia has contributed to the national Gross Domestic Product by 3.76%, with an export value of 13.29 billion US dollars. The fashion sub-sector in the creative economy was also the largest contributor in the previous year, 2016, as much as 54.54% (https://binus.ac.id/, retrieved in 2022, 19 July).

Hence, there are also many kinds of brand of fashion that people can buy, it can be the local branded, the foreign branded and also the luxury branded fashion. Between three kinds of brand that had been mentioned, the luxury branded fashion was the brand that will create the great sensation when they had launched their new products. It was because luxury brands were being identic with their high quality, scarcity and luxury brand often launched the very exclusive product. Nowadays, almost all people are of course always updated with the current fashion, and what they consume is adjusted to their ability to pay (https://www.retaildogma.com/, retrieved in 2022, 19 July). Luxury fashion brands are considered to show symbols, the social identity of the wearer's status. The tendency of Indonesian consumer behavior to be preferred over foreign fashion products compared to local products is no longer a secret, with the prove of the result of research conducted by Frontier in 2008 (Ricardo & Jaolis, 2019).

According to sharia, et.al. (2022) a number of innovative markets throughout the world have identified luxury brands as one of the industries that is expanding the fastest. The trade in luxury goods in Malaysia and Indonesia, for instance, is anticipated to increase dramatically within the Asian market. According to IFFCCI, positive trends in the luxury goods market in Indonesia over the years have been mostly attributed to the country's rising middle class. Luxury goods are not necessary but are very coveted and frequently linked to status and worth. More than 35% of Indonesian consumers said they occasionally pamper themselves by buying luxury goods (https://brightindonesia.net, retrieved in 2022, 19 July). Hence, it can be concluded that there's an opportunities of luxury brand in Indonesia.

In addition, according to statistia, the luxury apparel market in Indonesia has been expanding quickly in recent years. It was because the revenue for the luxury fashion market in Indonesia is anticipated to reach more than USD 400 million in 2022. The revenue is anticipated to increase annually between 2022 and 2027, with a CAGR of 3.41% (https://www.statista.com/, retrieved in 2022, 19 July). Which can be seen in the data below:



Notes: Data shown is using current exchange rates and reflects market impacts of the Russia-Ukraine war. Most recent update: Jun 2022

On the other hand, based on data taken from the 2015 Capgemini Asian Pacific Wealth Report, Indonesia is in third place in terms of consumption of luxury goods, beating Singapore and Hong Kong. Among Asian countries, Indonesia is in fact third in terms of consumption of luxury goods. behind India and China in the top three. Even beat Thailand in fourth place, Taiwan, Hong Kong, South Korea, Japan, Singapore, Australia and finally, Malaysia. From the data above, it can be concluded that luxury goods have become an important part of people's daily activities, especially in Indonesia (Ricardo & Jaolis, 2019).

Furthermore, the Economist Intelligence Unit predicts that by 2020, Indonesia would have the second-highest proportion of new wealth builders (NWB) citizens, behind India. This significant market segment therefore drives up luxury goods consumption. The New York Times once noted that Indonesia served as the Asian base for luxury companies. With its undeniable potential for luxury

Figure 1. 1 Revenue of Luxury Fashion of Indonesia 2022 Source: <u>www.statista.com</u>. Retrieved 2022, July 19

consumers, Indonesia is undoubtedly the next big thing for this business at this juncture (<u>https://blog.jakpat.net/</u>, retrieved in 2022, July 19)

The great movement of luxury labels in the Indonesian market proves that foreign investors see Indonesia as a potential market. This was emphasized by market analyst Moody's Analytics Sidney, Frederick Gibson stated that they believe in the potential of the Indonesian market, especially in terms of economic stability, political conditions, and the growth of the middle class. which cannot be overlooked. Meanwhile, Alexis Babeau, Managing Director of PPR's Luxury Division, said that the growth of the Indonesian middle class coupled with increasing consumer appetite for fashion made Indonesia a lucrative market gap for luxury product retailers. In addition, Indonesian consumers are fashion conscious and they are consumers who value quality and craftsmanship (https://lifestyle.okezone.com/, retrieved in 2022, 19 July).

The demand for the luxury fashion brand interestingly was not only popular among adult and middle- or higher-income people. According to Luxury Goods World, by 2025, it is predicted that young customers, particularly millennials born between the early 1980s and 2000, will account for more than 50% of the global market for personal luxury goods. It was because, millennials are keen to present their professional images by dressing in the newest trends, despite their young and generally modest wages. They typically enjoy shopping and are elegant and modern (Sharia, et.al., 2022).

With the explanation of the demand of luxury brand in Indonesia, it was needed to know also what specific brand that being targeted by Indonesia customer. In general, Indonesia people fashion trend has been much influence by western style, which resulted from the globalization effect. And there are also many kinds of luxury brand from the western that being love by Indonesia people. One of those brands was Coach. Coach was one of the luxury fashion goods brands that be fancied by every man and woman start from artist, entrepreneur, etc. Quoting Vogue, Coach was founded under the name Manhattan Leather Bags by the couple Lillian Chan and Miles Chan in 1941 in New York, United States (US). Initially at launch, Coach only produced men's products which were sold in a small, family-run workshop. But then Coach started producing women's handbags in the 60s and continue to grow with many other products starting from perfume, shoes, bag, clothes, etc. that resulted Coach become one of the popular luxury brands in the world. Coach has published its first catalog and opened its first flagship store at 754 Madison Avenue in New York (https://www.cnbcindonesia.com/ , retrieved in 2022, July 20).

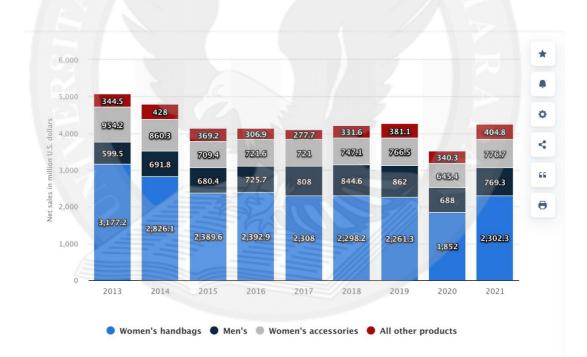


Figure 1. 2 COACH Brand Logo Source: <u>https://www.grand-indonesia.com/</u>, retrieved 2022, July 20

As the leading modern luxury fashion goods brand, the Coach brand offers a design that is renowned for a distinctive fusion of style and function. It reflects a blend of traditional American style with a particular New York flair. Coach had several competitive advantages that made them constantly becoming the best luxury brand in the market and stick to their vision and mission which is "To become the company that defines global modern luxury." As the brand that targeted the international market, Coach provides high-end lifestyle items to a devoted and expanding customer base and offers customers new, intriguing, and inventive things that are incredibly well crafted and affordable. A wide variety of premium leathers, textiles, and materials are used to create Coach's contemporary, stylish (https://seekingalpha.com/, retrieved 2022, July 22).

As providing the affordable price to the high-quality product, Coach market target are the people with middle to higher income. By which, it was being known that the middle-income people are the largest contribution of all industry in the market. Hence, this is becoming one of Coach competitive advantage. Besides, as for the Coach market structure, Coach brand is adopting the monopolistic market structure. Because of the perception that this structure is anticompetitive, the corporation benefits from authoritarian business strategies, which increase its sales. The business uses a variety of marketing techniques that have considerably accelerated its growth. For instance, by making significant investments in e-commerce, it has forayed into emerging markets. E-marketing is becoming a vital component of Coach Inc. This tactic guarantees that the business attracts a sizable clientele on a global scale. Future business endeavors are now conceivable despite the intense rivalry in the luxury sector (https://business-essay.com/, retrieved 2022, July 20).

With the competitive advantage and market structure, it resulted that Coach is entering the list of the top 10 richest brand in the world with the net worth \$4.76 billion. In addition, it anticipates yearly profit per share of Coach to be between \$3.30 and \$3.35, which is better than the \$3.19 per share average estimate made by analysts. The premium company said that it would reinstate its dividend and share buyback program in fiscal year 2022, returning more than 750 million dollars to stockholders (https://www.reuters.com/ , retrieved 2022, July 20). Furthermore, according to statista, total net sales of Coach in 2019 was \$4,270.9, in 2020 was \$3,525.7 and in 2021 was \$4,253.1. Which can be seen in the graph below.





To reach out diversity of customers, Coach is being known to have the board distribution channel. It was being known that in Asia, there were over 400 directly

operated sites as of July 2013, 20 in Europe, and over 500 in North America. Along with running informational websites in more than 20 additional nations, Coach also runs e-commerce websites in the US, Canada, Japan, and China. Beyond its direct retail operations, Coach has established a significant global presence through its Coach boutiques, which are housed in a small number of department stores and specialty retailers in North America, as well as distributor-run stores in Asia, Latin America, the Middle East, Australia, and Europe (<u>https://uk.coach.com/</u>, retrieved 2022, July 20).

In Indonesia, Coach official license owned by PT. Kanmo Retailindo. The company are playing a role as the license holder of Coach in the big malls in Indonesia. PT Kanmo Retailindo signed a contract with Coach International in 2011, and the first Coach store under the management of the company opened in October 2012. The Coach brand connoisseur in Indonesia is lately getting the popularity by seeing many outlets in Indonesia (https://ekonomi.bisnis.com/, retrieved 2022, July 20). Coach brand has had outlet in Indonesia that located in Bali, Jakarta, Surabaya, Medan, and Banten. And there is one outlet that had just open in Medan that located in Deli Park Medan. Since Medan is known as the third largest city in Indonesia that always showing development in any sectors including fashion sector.



Figure 1. 4 Medan coach store brand display Source: <u>https://harpersbazaar.co.id/</u>, retrieved 2022, July 20

Coach product that being offer was not just bag, but also fine leather goods, footwear, outerwear, watches, weekend and travel gear, scarves, sun wear, fragrance, jewelry, and other accessories are among the high-end accessories and gifts has been offer by Coach for both men and women. While in the Coach store in Medan, customers have been offered the Coach Forever collection carries the concept of sustainable fashion using vegetable tanned leather as the base material and through a natural coloring process. Plus, they'll find Spring 2021 collections like Coach's Cody shoulder bag. For men, also find Coach's archival collection designed using pebble leather. For carry-on, men will find backpacks and slings that can support their work style. There is also a League backpack that is no less trendy with a sporty design line that is also redefined from the label's archive collection (https://harpersbazaar.co.id/, retrieved 2022, July 20).



Figure 1. 5 Coach product in Medan Deli Park outlet Source: <u>https://harpersbazaar.co.id/</u>, retrieved 2022, July 20

As there were many luxuries brand that existed, it can be said that Coach also had the tight market competition. From the data that had been stated above that refer to figure 1.3, it can be seen that the net sales, revenue of Coach brand were not stable, it can also be affected by the Covid-19 that the purchasing of luxury brand has decreased. Below will be shown the table of Coach brand competitors.

Brand	Years entering Indonesia	Number of Outlets (2022)
Coach	2012	17
Furla	1998	18
Michael Kors	2007	5
Longchamp	2011	4
Tory Burch	2012	5

Source: uk.coach.com, longchamp.co.id, www.michaelkors.global, www.toryburch.com, www.furla.com, retrieved 2022, July 20

In table 1.1 shows the intense competition for Coach as an international luxury brand whose reputation has been recognized by the global community. Consumers of luxury goods have their own reasons to purchase Coach products. Therefore, it is important for Coach brands to always increase their Repurchase Intention to survive in the market. The reason for the importance of increasing Repurchase Intention put forward by Chandra (2020) is because Repurchase Intention shows a person's plan to often do shopping activities at a fashion store, then that person chooses to go to the store if on that day she or he will go shopping. Repurchase intention can show someone who does major shopping activities at a fashion store, even thinking that the fashion store when shopping and the fashion store is his or her first choice when shopping (Chandra, 2020).

Furthermore, according to Chandra (2020), repurchase intention is an individual's commitment that is formed after he purchases a product or service. These intentions and attitudes arise because the individual is satisfied with his previous purchase. Moreover, according to Johan, et.al (2020), repurchase intention is essential for financial gain and is a topic covered in company analyses. Furthermore, repurchase intention is a simple, unbiased, and perceptible purchase behavior that refers to the level to which consumers are likely to purchase a product or service again. And there's evidence that shows Coach products experience Repurchase Intention, which can be seen from the increase in the number of outlets from year to year. For instance, the opening of new outlets at Pondok Indah Mall 3 and at Deli Park Mall in the year of 2021. Furthermore, there is evidence that the repurchase intention of the Coach brand in Indonesia is quite high which refer to

the table 1.1 above, it can be seen that the number of Coach outlet is the highest among other luxury brand such as Michael Kors, Longchamp, etc. hence, it shows that customers repurchase intention toward Coach is quite high.

In addition, repurchase intention of Coach brand in Medan can be seen in the opening of the first stores in Medan which located in Deli Park Mall Medan. It was because according to Kenya, Coach General Manager, stated that usually, customers from Medan claim to shop directly in Malaysia rather than Jakarta because the distance is closer. So, we are here to be even closer to our customers in Medan. With the stores of Coach brand in Medan, it will ease Medan customers to repurchase the product.

Located on the ground floor of Deli Park Mall, Medan, Coach stores was designed by Coach Creative Director, Stuart Vevers in collaboration with William Sofield, designer, and president of Studio Sofield. Featuring Coach's signature modern luxury concept, the store's environment is warm and inviting, with natural leather and wood finishes that reflect the sophisticated yet playful refinement of New York – the city Coach has always called home. With this environment, it will make customers in Medan feels they were in New York and will get their attention to buy and repurchase the products. In addition, there also some promotion that being done by Coach Stores in Medan, which is the Credit Card installment promotion that will be the great influence for customer to repurchase the products.

There also some variable that affect repurchase intention, which is

Customer Attitudes. Attitudes according to Mubarok (2018) are evaluations, emotional feelings, and favorable or unfavorable and enduring tendencies of a person towards an object or idea. And according to Mubarok (2018) define attitude toward purchasing as the attitude that consumers display in searching for, purchasing, using, evaluating, and disposing of products and services that they expect will satisfy their needs. Below are shown the picture of customer buying Coach product as the evidence of Attitude toward purchasing.



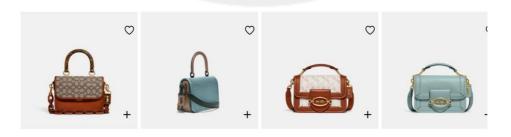
Figure 1. 6 Customer buying Coach product Source: <u>www.sumut.idntimes.com</u>, retrieved 2022, July 21

In addition, in the study of Zhang and Kim (2013), attitude toward purchasing has five dimensions, which is Brand consciousness, Materialism, Social Comparison, Fashion Innovativeness and Fashion Involvement. As the first dimension, according to Ricardo & Jaolis (2019) brand consciousness is defined as a psychological preference for well-known branded goods. Based on the results of the literature review, the concept of brand consciousness according to several previous researchers is similar to the concept of brand awareness. There is evidence that Coach has gained the perspective of having expensive price and customers tends to conscious about goods with well-known brand refer to Coach, which is their Coach Colorbox, which is the most expensive and rare type of Coach.



Figure 1. 7 One of the expensive Coach products Source: <u>id.coach.com</u>, retrieved 2022, October 25

Chandra et.al. (2021) stated that materialism which is the second dimension of attitude toward purchasing is the possession of material goods intended to achieve one's ideal social status in society and life goals. While according to Zhang & Kim (2020), materialism was characterized as "the priority an individual's place on belongings and their acquisition as a required or desirable type of behavior to accomplish desired end states, including pleasure" The evidence of the element of Materialism in Coach brand is because the brand was one of the luxury brands with high product prices. From the figure 1.8 below, it can be seen that the high price of Coach products shows the element of Materialism of the brand.



Rogue Top Handle In Signature Jacquard With Snakeskin Detail Rp 16,790,000

Rogue Top Handle In Colorblock Rp 15,490,000

Hero Shoulder Bag With Horse And Carriage Print Rp 12,490,000 Hero Shoulder Bag Rp 12,490,000

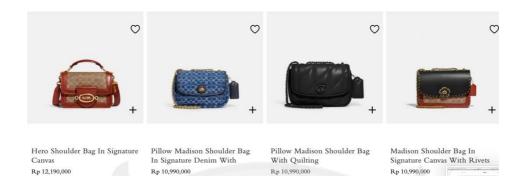


Figure 1. 8 Pricelist of Coach Brand product Source: id.coach.com, retrieved 2022, July 22

Septianningsih & Sakti (2021) explained that social comparison which is the third dimension of attitude toward purchasing is the act of comparing oneself (appearance) with others to evaluate oneself. Social comparison is how a person evaluates the ability or appearance that is in him by making an assessment based on comparing himself with others. There is evidence that Coach products are Social Comparisons that are often used by foreign and domestic celebrities, which cause Indonesia mainly Medan consumers to use Coach products because they have previously made Social Comparisons with these artists. Namely the Coach pillow bag that gain the popularity and sold out instantly including in Indonesia and below is the picture of Prilly Latucisona use the pillow bag that can be seen in figure 1.9.



Figure 1. 9 Prilly Latucisona use the pillow bag Source: www.instyle.com, retrieved 2022, July 2022

Jai and Tung (2015) stated that fashion innovativeness which is the fourth dimension of attitude toward purchasing is an individual who have high fashion innovativeness or are fashion innovators, are a very vital consumer segment. When a new fashion is introduced to the market, the reaction of these fashion innovators will determine the success or failure of the fashion style. There are several characteristics of fashion innovators, namely liking sensations, agents of fashion change, and always demanding variety in fashion. In addition, fashion innovators also read more fashion magazines, use more sources to search for fashion information, and have access to greater media than others. The evidence that Fashion Innovativeness that affect Coach brand can be seen in the figure 1.11 below which shows the review of Coach products in one of the fashion websites in Indonesia that had variable review and article. Hence, with those review, customers can have the involvement in term of Coach fashion and can get a tip of it.

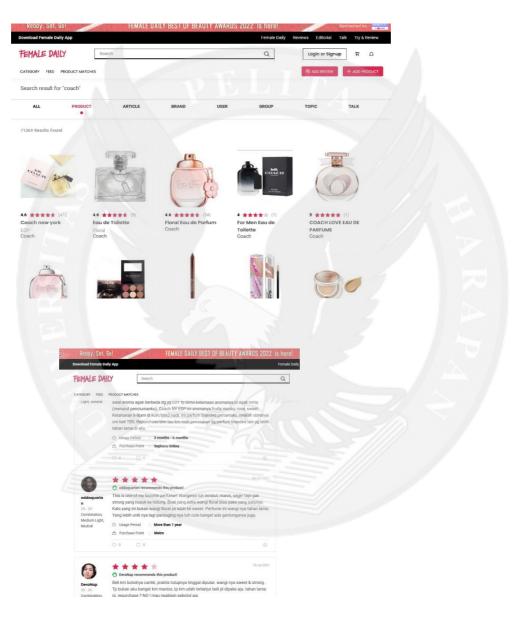


Figure 1. 10 Coach brand in one of Indonesia fashion website Source: <u>www.instyle.com</u>, retrieved 2022, July 23

Chandra et.al (2021) mentioned that fashion involvement which is the fifth dimension of attitude toward purchasing is the state in which customers choose to value and find interest in a good or service. The sense of a fashion trend's applicability to a person's needs, values, and interests is referred to as Fashion Involvement. A person's awareness of his or her appearance in diverse contexts is referred to as Involvement in dressing in terms of Fashion. And the evidence can be seen in the Coach newly launch bag in 2022 that being sold in just 2 minutes in the coach official store, namely the Cashin bags that had fashionable design (https://www.instyle.com/, retrieved 2022, July 23).



Figure 1. 11 Coach Cashin bag Source: <u>https://reviews.femaledaily.com/</u>, retrieved 2022 October 25

In accordance with the notion and explanation above, there is intense competition in the luxury fashion goods right now. As a result, it is critical for Coach to continue improving repurchase intention by identifying variables that influence repurchase intention. This study will seek to demonstrate that the variables of Brand Consciousness, Materialism, Social Comparison, Fashion Innovativeness and Fashion Involvement have a significant impact on attitude toward purchasing luxury fashion goods, ultimately increasing repurchase intention of Coach Brand in Medan.

1.2. Problem Limitation

Since the problem that had exist is very comprehensive, hence in order to get more focused on this research and the limited the sources in order to the author can point out the detailed factors and also the understanding can get the solution. The writer had determined the limitation on this study by the research specifically focus on:

- a. The variable of brand consciousness, materialism, social comparison, fashion innovativeness, fashion involvement, customer attitude and purchase intention on the research object, Coach brand in Medan.
- b. The data that will being used in this research will be done by the methods of collecting questionnaires that are specially designed based on this research.
- c. The sample that will being used to be analyzed are limited to certain criteria, which is both female and male with the age ranging from 18-60 years old that based in Medan and at least has bought Coach brand product twice in the past 2 years and has used Coach brand product until now.

1.3. Problem Formulation

According to the background study and the observation toward Coach brand and the understanding of the variables above, the writer has sorted out the problem formulation as follows:

- a. Does Brand Consciousness have a significant effect on Attitudes Towards
 Purchasing Luxury Fashion Goods on Coach brand in Medan?
- b. Does Materialism have a significant effect on Attitudes Towards Purchasing Luxury Fashion Goods on Coach brand in Medan?
- c. Does Social Comparison have a significant effect on Attitudes Towards Purchasing Luxury Fashion Goods on Coach brand in Medan?
- d. Does Fashion Innovativeness have a significant effect on Attitudes Towards Purchasing Luxury Fashion Goods on Coach brand in Medan?
- e. Does Fashion Involvement have a significant effect on Attitudes Towards Purchasing Luxury Fashion Goods on Coach brand in Medan?
- f. Does Attitudes Towards Purchasing Luxury Fashion Goods have a significant effect on Repurchase Intention on Coach brand in Medan?

1.4. Objectives of The Research

Each research of course has their own objective. Hence, based on the observation and problem formulation that had been mentioned, the purpose of the research shown below:

a. To identify whether Brand Consciousness have a significant influence on Attitudes Towards Purchasing Luxury Fashion Goods of Coach brand in Medan

- b. To identify whether Materialism have a significant influence on Attitudes Towards Purchasing Luxury Fashion Goods of Coach brand in Medan
- c. To identify whether Social Comparison have a significant influence on Attitudes Towards Purchasing Luxury Fashion Goods of Coach brand in Medan
- d. To identify whether Fashion Innovativeness have a significant influence on Attitudes Towards Purchasing Luxury Fashion Goods of Coach brand in Medan
- e. To identify whether Fashion Involvement have a significant influence on Attitudes Towards Purchasing Luxury Fashion Goods of Coach brand in Medan
- f. To identify whether Attitudes Towards Purchasing Luxury Fashion Goods have a significant influence on Repurchase Intention of Coach brand in Medan

1.5. Benefit of the Research

The research of "The Influence of Brand Consciousness, Materialism, Social Comparison, Fashion Innovativeness, Fashion Involvement towards Customer Attitude and Purchase Intention of Coach Brand in Medan" can be classified into two categories, which is the theoretical and practical Benefit.

1.5.1. Theoretical Benefit

The completion of this study is expected to give a better understanding about how Brand Consciousness, Materialism, Social Comparison, Fashion Innovativeness, Fashion Involvement will influence Customer Attitudes and Purchase Intention. Therefore, this study is expected to be an extra knowledge for future researchers to readers who will conduct the similar topic.

1.5.2. Practical Benefit

The practical benefit that can be accomplished from carried the research is:

- a. For the writer, this research study can offer the boarder knowledge and the exact understanding regarding Brand Consciousness, Materialism, Social Comparison, Fashion Innovativeness, Fashion Involvement, Customer Attitudes and Purchase Intention.
- b. For the brand, this research supposed to give information regarding how Brand Consciousness, Materialism, Social Comparison, Fashion Innovativeness, Fashion Involvement can influence Customer Attitudes and Purchase Intention on the brand so that it can become the concern for the leader in making future policies.
- c. For the researcher, this result of this study can use as a guidance or advice for other researcher to accomplish the new study research with similar topic that related Brand Consciousness, Materialism, Social Comparison, Fashion Innovativeness, Fashion Involvement, Customer Attitudes and Repurchase Intention