

CHAPTER I

INTRODUCTION

1.1 Background Of The Study

For centuries people have used many plants products with minimal or no industrial processing to cure and prevent any diseases. Even though, the traditional herbal medicines are getting significant attention in global health debates (Tilburt & Kaptchuk, 2007), in recent years, there has been growing interest in uses of natural products (especially those derived from plants) of alternative therapies and the therapeutic. There are several reasons why people are interested in drugs of plant origin, such as fewer side effects, a large percentage of the world's population does not have access to pharmacological treatment, and also the folk medicine and ecological awareness suggest that natural products are harmless (Raghavendra, 2009).

In the past, people dependency on traditional medicine is still high especially in rural areas modern (Gulshan, et. al., 2012), but nowadays, most of the populations in the developing countries also use the traditional medicine to cure any diseases (Kayne, n.d.). Several examples are Korea with their *Panax ginseng* (Suh, et. al., 2011), India with their *Ayurveda* that is the most widely practiced of the Indian traditional medicine systems (Umashanker & Shruti, 2011), China with the *TCM* (Traditional Chinese Medicine) that were used from the ancient times and consist of hundred herbals (Hong, 2004), *Kampo* in Japan which initially followed the ancient Chinese Medicine (Nishimura, et. al., 2009) and Indonesia with *Jamu* as a herbal medicine.

“*Jamu*” is a word that came from Javanese tribe language which means the traditional medicine that derived from plants. Nowadays, the term of *Jamu* has been adopted into Indonesian language and become a common term of traditional herbal medicine in Indonesia. In the Javanese culture, they believe that all diseases are able to be cured and God has prepared the medicines for curing all diseases in nature (Riswan & Sangat-Roemantyo, 2002).

As herbal medicine, *Jamu* was arise from experiences of the past and embedded in the culture of society. Along with allopathic medicine it shares issues in appropriate and rational use that including some qualification and licensing of the provider, proper use of good quality products, good communication between traditional medicine providers and patients and provision of scientific information and guidance to the public. There are several uses of *Jamu* as a herbal medicine, such as anticancer, antiviral, anti malaria, analgesic, hepatoprotective, anti diabetic, antifungal, cardio protective, antihypertensive, anti-asthma, anti allergic, and many more (Elfami, et. al., n.d.).

As a second biggest biodiversity with more than 25,000 plant species or 10% of flora in the world (Kustantinah, 2010), Indonesia have a competitive advantage to expand its traditional medicine industry. Natural resources are important for the use of medical plants and Indonesia is a country where it is rich in natural resources (Elfami, et. al., n.d.). With the technological improvement, the term *Jamu* has increasingly become associated with the rapidly expanding assortment of powders, creams, pills, capsules, and cosmetics packaged and manufactured either in small cottage industries or by large factories with increasingly sophisticated equipment (Afdhal & Welsch, 1988).

Since there were some changing into the modern processing, packaging and marketing, the term of *Jamu* can be separated into two forms, which are the traditional and the modern ones. The traditional *Jamu* usually can be found when young or old women clad in batik sarongs peddling a variety of murky colored drinks from bottles they carry in baskets strapped around their backs. They eke out a modest living by selling door to door, by the side of the road, or from stalls in the market. While the modern ones is more likely as ready-to-drink *jamu* and been using the advanced technology to manufacture and readily available throughout Indonesia (Afdhal & Welsch, 1988). *Jamu* especially the modern made one, have to be empirically proven to be safe and proven its efficacy, means that *jamu* must be 'free' from hazard. Free from hazard can be defined whenever

people try to consuming *jamu*, it will not give any dangerous side (Rahmawati, 2008; Win, 2008).

In January 29, 1992 Indonesia joined with AFTA (ASEAN Free Trade Agreement) and in January 1, 2010 Indonesia officially joined with ACFTA (ASEAN-China Free Trade Agreement). These agreements can be a threat for Indonesia, since the enactment of AFTA and ACFTA people can easily find any foreign medicine. Globalization makes it as if there are no boundaries between countries, especially in economy and trade. The Minister of MENKOKESRA (*Kementerian Koordinator Bidang Kesejahteraan Rakyat*) said that free trade is one of the challenges in Indonesia, particularly for *Jamu* (Tania, et. al., 2010).

Globalization is refers to the process of continuing integration of the countries in the world, and nowadays it is strongly underway in all parts of the globe. Correspondingly with globalization, nowadays international expansion is a very common strategy for offsetting a maturing domestic retail environment. As a result, the potential customer will offered more variation products from local and import products (Fakharmanesh & Miyandehi, 2012).

The impact of globalization may leads to political and cultural globalization, and finally involves a psychological process, a spiritual process, a process of deepening consciousness and increasing sensitivity to other people and cultures (Suh & Kwon, 2002). In a short word, the impact globalization may lead someone into openness to some international brand (Andersen & Babula, 2008), such as cultures, technology, and products.

According to Jong, et. al. (2006), openness can be defined as “*the unrestricted integration of national markets in the global economy*”. Global openness and globalization is viewed as a danger mainly in the developing countries, which will face economic threat from any developed industrialized countries (Nistor, 2007).

Globalization will significantly impact the economic growth, employment and income distribution. The recent research also supports a conclusion that the employment impact on increasing trade is not necessarily positive for developing countries. Developed economies, as the main actors of globalization, will do global expansion for their products. While, developing countries which are not well equipped to produce goods and services that can withstand competition with others, are not likely to be interested in global expansion. Thus, developing countries will be less competes with any developed countries products (Ibrahim, n.d.) and cause some loss in GDP (*Gross Domestic Product*) (Shangquan, 2000). One of the ways to reduce negative impact on globalization is using ethnocentrism method.

Consumer ethnocentrism is one of the forms of non-tariff barrier among citizens in international trade (Fakharmanesh & Miyandehi, 2012). Consumer ethnocentrism is focuses on the responsibility and morality not to purchasing foreign-made products and the loyalty of consumers to products manufactures in their home country (Watson & Wright, 1999). The ethnocentric consumers have their own perspective, they believe purchasing imported product is wrong because it will hurts the domestic economy, causes some loss of jobs, and shown some unpatriotic (Shimp & Sharma,1987). Based on this concept, people with high ethnocentrism should be able to choose domestic product rather than foreign product, in this case choose *Jamu* rather than other foreign traditional medicine.

There are many real action had been taken by Indonesia government to enhance Indonesia people ethnocentrism on *Jamu*. On May 27, 2007 *Jamu* has been declared as ***Indonesian brand*** by Susilo Bambang Yudhoyono, President of the Republic Indonesia. Furthermore, GP-*Jamu* (*Gabungan Pengusaha Jamu dan Obat Tradisional Indonesia*) is one of the organizations that aimed to introduce and improve *Jamu* by collaborating with government agencies, universites and companies to introducing *Jamu* as an excellent product from Indonesia and have a high quality comparing to other herbal medicine (GP-*Jamu*, retrieved on June 26, 2013).

Although the government has been doing several activities to introduce and to build pride of consumer in consuming *Jamu* with their benefits and moreover according to femina.com, in Indonesia there is a tradition for the parents to always introducing *Jamu* since they were kids, but still there are some people who decided not to consume more of *Jamu*. In this era, that tradition still is a ‘tradition’ but they are preferred to introducing their kids to modern *Jamu* rather than traditional *Jamu*.

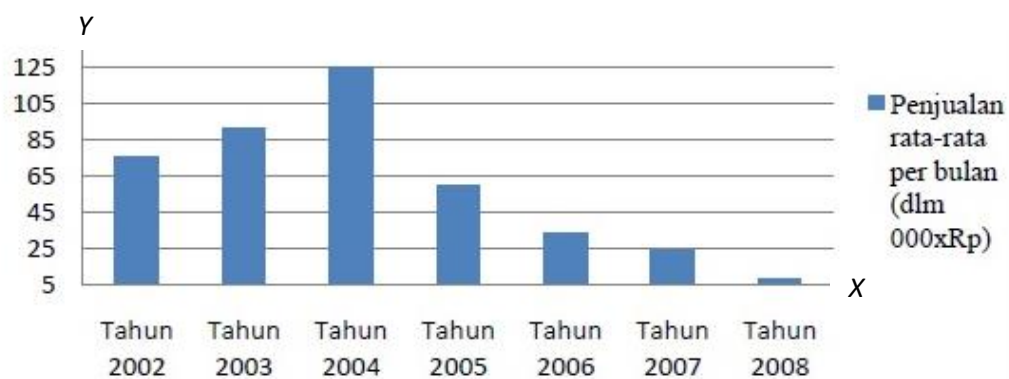


Figure 1
***Jamu* sales in PT. X (as one of the *Jamu* company in Indonesia)**
 Note. Artiprasetyo (2009)

A result of research shows that the level sales in one of *Jamu* company in PT. X declines every year (Artiprasetyo, 2009). According to the X and Y axes in the figure 1, in 2004 the sales reach Rp 125.000.000 millions every months, but lately in 2008 the sales are below Rp 10.000.000 millions every months. Generally, in Indonesia, the level of *Jamu* sales has declined for 50 percent (Indosiar, retrieved on June 26, 2013). Moreover, there are many foreign medicines begin to enter Indonesia as the impact of free trade (Tempo Bisnis, retrieved on June 26, 2013). This issue literally can make *Jamu* as Indonesian herbal medicines are in the bleak position.

According to Tempo (2012), nowadays the growth sales of *Jamu* in Indonesia are decreasing. Many people tend to choose many foreign herbal medicine rather than *Jamu*, as a result from free trade. Although according to Jakarta Globe (2013), the sales of modern *Jamu* were increasing by the average of 35% between 2008 and 2012 but still the Agriculture Minister of Indonesia is

worrying about the effect on free trade especially foreign medicine (Tempo Bisnis, retrieved on July 2, 2013). For example *ginseng* from Korea is more popular rather than *temulawak* (one of herbals in Indonesia), where in fact based on the research *temulawak* is better than *ginseng* (Tempo Bisnis, retrieved on July 2, 2013)

Based on the phenomenon, it clearly seen that *Jamu* is dealing with several issue because of globalization, so it is very important to define factors that could enhance people willingness to buy more of modern *Jamu*. According Fakhmanesh & Miyandehi (2012), consumer ethnocentrism is one of the forms of non-tariff barrier among citizens in international trade. People with highly ethnocentric will negatively evaluated foreign made products. They will evaluate domestic products favorably, useful compared to imported products. This found indicate a positive relationship between consumer ethnocentrism and general judgment toward domestic made products, and negative relationship between consumer ethnocentrism and general judgment toward imported made products (Shah & Ibrahim, 2012). Based on the background, researcher proposed a research entitled **“The Relationship of Global Openness, Consumer Ethnocentrism, and Product Judgment toward Indonesian Youth’s Willingness to Buy More of Modern Jamu”**.

1.2 Research Problems

Based on the background that has been elaborated, the research problems are:

1. Does global openness negatively affect respondent-consumers’ ethnocentrism of modern *Jamu* product?
2. Does ethnocentrism positively affect respondent-consumers’ general judgment of modern *Jamu* product?
3. Does consumer ethnocentrism positively affect respondent-consumers’ willingness to buy more of modern *Jamu* product?

4. Does product judgment positively affect respondent-consumers' willingness to buy more of modern *Jamu* product?
5. Do consumer ethnocentrism and general judgment positively affect respondent consumers' willingness to buy more of modern *Jamu*?

1.3 Research Objectives

Generally, this research aims to know if factors that could enhance Indonesian's people willingness to buy more of modern *Jamu* as Indonesia's herbal medicine. Specifically, this research wants to:

1. To identify the effect of global openness on respondent consumers' ethnocentrism of modern *Jamu* product
2. To identify the effect of ethnocentrism on respondent consumers' general judgment of modern *Jamu* product
3. To identify the effect of consumer ethnocentrism on respondent consumers' willingness to buy more of modern *Jamu*
4. To identify the effect of product judgment on respondent consumers' willingness to buy more of modern *Jamu*
5. To identify the effect of consumer ethnocentrism and product judgment on respondent consumers' willingness to buy more of modern *Jamu* product.

1.4 Research Contributions

Based on the background that has been elaborated, this research is expected to make contribution towards:

1. Future Researchers :

The findings from this research hopefully can give some insight of the factors that influencing Indonesian youth's willingness to buy more of modern *Jamu*. Thus, this research also hopefully can give some contribute to the management study, and for the future reference for other researcher who might interested to conduct the research about modern *Jamu*, and also giving contribution in consumer behavior and international trade.

2. Modern *Jamu* Producers:

The findings from this research hopefully give some insight from Surabaya citizens as consumer and also might give some ideas of business opportunity regarding herbal medicine. This research also identified the factors influencing the willingness of buy more of modern *Jamu* which will be beneficial for *Jamu*'s company regarding the evaluation of their business strategy.

3. Government:

This research also hopefully can give some contributions to Indonesia government, as a helper to know what the factors affecting Indonesian youth's willingness to buy more of modern *Jamu*. Furthermore, the government can get some ideas to introducing *Jamu* to other countries.

1.5 Research Limitations

This research focusing on willingness to buy more of *jamu* as Indonesian herbal medicine especially the modern ones. To conduct this research, the limitation set for Indonesian youth is between 15-24 years old and focusing on Surabaya area. There are three variables that used to predict consumer willingness to buy, those are: global openness, consumer ethnocentrism, and product judgment. The research took place in Surabaya during September – November 2013.

1.6 Research Outline

Chapter I: This chapter sets up the research problem for the reader. It also provides the background information defining the issue and important terms. It specifies the research objectives explored in greater detail to contribute to understanding the research problem.

Chapter II: This chapter summarizes the major studies and findings that have been published on the research topic and how this study contributes or adds to what has already been studied. This chapter also states a clear description of the theory that applies to the research problem,

an explanation of why it is relevant, and how the modeling efforts address the hypothesis to be tested.

Chapter III: This chapter explains the detailed technical and scientific activities which include the research design, sampling plan, instrumentation, statistical tools, and treatment of data.

Chapter IV: This chapter organizes a logical presentation of the findings that address the research questions, and focus on how these key findings relate back to the theory and prior researches presented at the beginning of the study.

Chapter V: This chapter outlines the implications, conclusions, and recommendations supposed to advance the study of the research topic by its theoretical, methodological, or substantive contributions.