

CHAPTER 1

INTRODUCTION

1.1 Research Background

Globalization acts as an inescapable force as we live in a world of modern era. As globalization has transformed every country to interact in a global scale at the factors of cultures and economies. Globalization is a social process that resulted in geographical boundaries in the terms of socio-cultural condition has becoming less important which is reflected in human consciousness (Malcolm Walters, *information of Social Context by Rhoni Rodin, 2020*). It is also stated by Cochrane & Pain that the definition of globalization the emergence of a global economic as well as cultural systems that makes humans throughout the entire world into a single global society. According to Srijanti in Sajidiman (2014: 278) globalization is an entry or it is al called an expansion from one region/country towards another region/country includes the process of a country in entering a world relation. This opinion emphasize that globalization is a process that is inevitable in a modern era which influence abroad country by entering another country bringing their cultures and all of the other things into a country and influencing it.

As globalization grows among the countries of the world, an evolution begins in the world of economy as well as world markets. Barriers among the competitors are opened in order to compete in an international scale. Globalization pushes lots of store starting from fashion industry and many more to compete with others from another nation, as technology and businesses are advancing around the globe, expansion become an inevitable activity in order to survive and gain more capital as well as capacity. Expansion is a type of business activity that focuses in the growth of the business itself by increasing the amount of capital and production capacity by adding units for diverse production needs as well as the use of

acquisition or merger process with several other business (Nadya et al., 2023). According to Alex Nitisemito in (Nadya, 2023) stated that expansion is a strategy that is used by a corporation or a company in order to increase their production capacity and their market reach. Alex also claims that goods and services abilities are the things that influence this condition. Globalization will always rise and thrive among the corporation from all of the countries. As trade barriers are achievable in an easier way, expansion will become one of the strategies in order to compete globally among all of the competitors. The head of the corporation will think expansion as a strategy, not only globalization and economies evolved, a corporation also needs to evolve to survive. There are a lot of methods in order to run an expansion strategy such as opening a store or a manufacturing facility far from the home country as well as opening a new main site in a country main distribution centre.

To this day fashion has become one of the trendiest things among us. Trend fashions are beginning to thrive in order to fulfil as well as following the fashion industry by demanding what a customer wants. Fashion is a fundamental element in the daily life of a human being as fashion influence what we wear, eats and how we live as well as how we look through ourselves because fashion work as mirror of as reflected in our everyday wear. Fashion has the definition of a style that is accepted and used by the majority of member of a group in a period of time (Mary et al., *Fashion Merchandising*, 1981).

Therefore, in this modern era, there are various design as well as choices beyond the fashion industry. Started from trends and comfortableness. But the thing that make the fashion industry to thrive among all the other industry based on their customers. Customers play a major role in the fashion industry, as they will determine how well a store develop in the modern era. The better the choices variety of clothes given to the customers their purchase intention might also high. So, repurchase intention is what drive the customers to buy

something they want again, they have the intention and determination whether they want to purchase it or not.

Repurchase Intention has the definition of a situation where a customer is willing and intending to engage in future transaction regarding the same brand that they purchased earlier. According to Megantara (2016). There are things that drive a customer purchase intention, there are 4 main factors, these are Country of Origin, Brand Image and Price perception and Perceived Quality.

All offers and information received make consumers have a variety of considerations before finally deciding to buy a product. One thing that a consumer can consider in choosing are, what country does a product come from? Country of origin is an image, a reputation, a view and a reference for entrepreneurs and consumers of a products coming from another country (Nagasima (1970) in Javed, 2013). The location or country where a goods originates lead to the influence a person's perceptions that the quality of the goods offered. Manufacturer who sees this as an opportunity will be taking advantage of consumer perceptions in the global market towards country of origin.

Keegan and Green (2013) stated that Country of Origin is part of the brand image and influences the brand value. Consumer use Country of Origin as an attribute in making purchase decision because the image of a product can be reflected in the country of origin of the product the. Image Brand or it is also as Brand Image is stated by Rangkuti (2014) as a collection brand association that are formed and stick in the minds of consumers. Setiadi (2003) also stated that Brand Image is a representation of the overall perception of the brand which is formed from information and a consumer's past experience with a brand.

According to Schiffman (2018) stated the definition of price perception is based on how a customer perceived a price (it could be high, low or a fair amount of price), this has a strong

connection towards purchase intentions. While perceived quality has a definition of Customer perception of the overall quality or superiority of a product or service compared to alternatives and predetermined goals (Keller et al., 2013)

Inside the fashion industry, there is one fashion industry and retail store that comes from Japan, the one and only store as well as corporation that has achieved top sales in the top 50 of top fashion industry in the world. Unique Clothing Warehouse or now the society refers to Uniqlo Co., LTD which is now concluded as one of the biggest stores and one of the most successful stores in the fashion industry.

The word *Uniqlo* comes from the first store called Unique Clothing Warehouse that is established by Tadashi Yanai in Hiroshima Prefecture in 1984. With a unique concept applied in the store as “A giant warehouse with constant choices”. This idea comes from Yanai when he visited a university in the United States where the concept of casual fashion applied in a store that is opened in a university attracts a lot of students and people to the store. Now, Uniqlo has become one of the best and leading fashion stores around the globe with the concept of comfortable. Uniqlo first expansion happened in the year of 1999 in Shanghai continue to London in 2001 and other countries with the total of 2,358 stores around the globe.

However, strong competitors will always be around the corner, as competitors around the globe will also compete with each other. For example, the main competitors of Uniqlo are H&M as well as Zara. What differs from Uniqlo from both H&M and Zara are the concept of comfortability, as H&M and Zara competes in the terms of trend fashion. Some people might choose comfortability over trend; however, a lot of people still chooses trends as their first option for choosing perfect clothes for them. Even though Uniqlo has gained a huge amount of profit from their sales around the globe.

The amount of profit is still smaller from the profit gained from both H&M and Zara. Uniqlo is an example of a fast fashion business that is currently growing competing to present the latest fashion models to meet demand the consumer. The data that is shown below is the rankings of apparels around the globe.

Table 1 Top 10 Apparels Ranking Around the Globe in 2021

Brand	Sales Revenue	
	Sales	Ranking
Nike (Apparels)	\$30,443	1
Adidas (Apparels)	\$14,342	4
Zara	\$13,156	6
Uniqlo	\$13,071	7
H&M	\$12,368	8

Source: Brand Finance

From the data that is shown above in 2021, Uniqlo has the total sales of \$13,071M while H&M has the total sales of \$12,368M and Zara with the lead of \$13,156M. This is different from the news where stated that Uniqlo has outperform Zara in sales. But the fact that Uniqlo still has smaller number of sales regarding to Zara.

The data a year after is shown as below

Table 2. Top 10 Apparels Ranking Around the Globe in 2022

Brand	Sales Revenue	
	Sales	Ranking
Nike (Apparels)	\$33,176	1
Adidas (Apparels)	\$14,636	5

Zara	\$12,997	7
H&M	\$12,704	8
Uniqlo	\$12,419	10

Source: Brand Finance

As it is shown from the data above in 2022, a decrease in sales revenue happened to Uniqlo from the year 2021. In 2021, Uniqlo achieve the number of sales of \$13,071M however as it is stated from the data above, in 2022 Uniqlo has only achieved sales of \$9,640M. This indicated that there has been a decrease in sales of Uniqlo of approximately 26.25% from year 2021 to 2022. This means that there is a decrease also in purchase intention regarding to Uniqlo, because there is a connection and relation from purchase intention and sales revenue.

1.2 Problem Statement

However, according to the data of sales revenue from Uniqlo in Indonesia, customers from Indonesia only contributed a little revenue towards global selling of Fast Retailing Co. The data is shown below from financial reports of Uniqlo from 2018 – 2023. (In Rupiahs)

Table 3. Sales Revenue of Fast Retailing Co. from 2018-2022

Sales Revenue		
No	Year	Sales
1	2018	1,5 Billion
2	2019	1,7 Billion
3	2020	1,8 Billion
4	2021	2,2 Billion
5	2022	2,6 Billion

Source: Uniqlo Financial Statements 2018-2023

It is stated from the table above that it is indeed Uniqlo sales performance in Indonesia shows progressions towards every year. However, the number is still far from another Asian country that has reach above 50 billion above every year. So, based on this data, the researcher is interested for conducting a study for repurchase intention of Uniqlo based on the perspective of Indonesia's customer. 164 respondents will be conducted to carried out the research.

As the problems have been stated above, the dependent variable is based on purchase intentions. If the purchase intention increases then the sales revenue of Uniqlo will also increases. There are 3 factors that are related towards purchase intention of Uniqlo, these factors are Country of Origin, Brand Image and Price Perception.

Based on the stated of facts above, researcher is interested to do research about the influence of *Country of Origin (Japan), Brand Image and Price Perception* towards *Purchase Intention* with the subject based on the sales revenue of Uniqlo around the world.

1.3 Research Questions

As explained above, Uniqlo is the only fashion brand from Asia that can compete globally with other brands (Top 10 Apparels of the world). However, its development in revenue in Indonesia is not as good as in other countries. Even though there is an increase in their sales revenue every year, the gap within year to year are only 13,3%, while in another Asian country their sales revenue from year to year can reach to above 40% until 50%. Therefore, the research question that are needed to answer the problems are as follow:

1. Does country of origin have a positive effect towards repurchase intention?
2. Does brand image have a positive effect towards repurchase intention?
3. Does price perception have a positive effect towards repurchase intention?

4. Does perceived quality have a positive effect towards repurchase intention?

1.4 Research Objectives

The objective of this research is to obtain and determine the answers from formulation problem. Therefore, a relevant and consistent the research objective is crucial for determining the formulation problem answer. The aims of the research are as follow:

1. To analyse the influence of country of origin towards repurchase intention.
2. To analyse the influence of brand image towards repurchase intention.
3. To analyse the influence of price perception towards repurchase intention.
4. To analyse the influence of perceived quality towards repurchase intention

1.5 Research Contributions

From the point of view as well as aspect from business management with concentration of international business. It is to be expected that this research could help from both aspects, academically and practically.

- **Academic Benefits**

From the results of this research, it is hoped that this research can give contribution and provide information, insight and preference for developing in further research regarding to purchase intention, country of origin, brand image and price perception.

- **Practical Benefits**

From the results of this research, it is hoped that this research could provide benefits for the company in an international scale especially company that is running in a fashion industry.

1.6 Research Outline

The research contains five chapters of systematic framework, the contents of this research in each chapter are as follows:

- **Chapter I: Introduction**

This chapter includes and explains the research background, problem statement, research questions, research objectives, research contributions and research outlines.

- **Chapter II: Literature Review**

This chapter includes and explains overall theories that are available among the variables, the relationship between the hypothesis and variables and previous studies regarding to the variables with the hypothesis that comes from other journals, research as well as books.

- **Chapter III: Research Methodology**

This chapter explains the methodology that is used in the research regarding to answer the research question, and giving deep knowledge and better understanding of this research. The overall of this chapter includes research object, measurement, research paradigm, unit of analysis, sample design and size, collection methods data and data analysis method.

- **Chapter IV: Data Analysis and Discussion**

This chapter includes the and discuss the research's interaction between the variables, the outcomes from the data that is obtained, statistical tests, further discussion in order to formulate the research overall conclusions.

- **Chapter V: Conclusion and Recommendations**

This is the summary chapter regarding to the findings of this research that was conducted after all of the hypothesis is tested. It also includes implications as well as research recommendations.