

CHAPTER I

INTRODUCTION

1.1 Background of the Study

The retail industry is one of the most anticipated businesses conducted in Indonesia. According to Trading Economics (2023) in Figure 1.1, there was an increase in Indonesia's retail sales by 1.5% YoY in April 2023. Even though there is an increase, it is slower than the previous month's 4.9% growth. The industries that support the increase include clothing, fuels, and home appliances. To keep on the growth, the government also supports retail entrepreneurs to develop their businesses by loosening the PPKM regulation in 2022. Therefore, the company needs to be able to maintain or improve its strategy to make sure that it can still operate its business and support the country's economy.

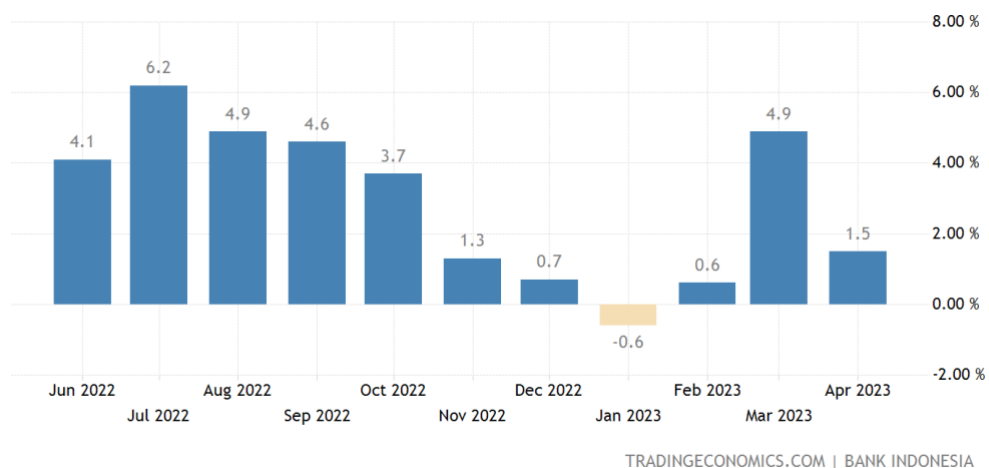


Figure 1.1 Indonesia Retail Sales YoY
Source: Trading Economics (2023)

In this era, business competition has been very tight which requires business people to think creatively, innovatively, and out of the box in generating good

strategy. Purchasing decision involves customers' trust in a brand which leads them to believe that the action of purchasing the product is correct. In forming the purchasing decision, several variables are influenced such as brand image, word-of-mouth, and perceived quality.

For the customer to purchase the product, business people need to create a product that is following the customer's needs by learning either the behavior or trend. However, if the customer is not familiar with the product, most will trust a popular or well-known brand. Therefore, business people need to strengthen their brand position to have a positive image and last a long time in people's minds.

The second variable that influences purchase decisions is word-of-mouth. Word-of-mouth (WOM) is also known as passing information from one person to another through communication. According to Salim (2022), in comparison to the media, people are more like to trust family and friends when making purchases. The advantage of this activity is to reduce the marketing cost as the distribution of information is quick and free of charge.

The third variable is perceived quality. The customer will consider the product's availability, quality, pricing, and marketing activity. After that, assess the perceived value of the product by comparing the cost with the expected benefit (Dwiarta and Ardiansyah, 2021). A good product for customers offers additional value in addition to being of high quality. According to Munandar (2019), consumers are becoming more interested in companies that can provide the wearer with a special value than only the product's function.

Miniso is a global retail brand from China that provides a diverse variety of household appliances, accessories, kitchen equipment to beauty products. At the end of February 2017, Miniso officially made its entrance into Indonesia's market. Their logo contains a simple yet fashionable shopping bag image that is easier to identify and memorable. There is also an expression of smile service which promotes a life attitude of "Happiness is the best" (Miniso Official, 2023).



Figure 1. 2 Miniso's Logo

Source: Miniso Shopee (2023)

Now, Miniso has entered the Indonesian market starting from Sumatra, Kalimantan, Java, Sulawesi to Papua. To reach consumers, Miniso does not only use physical stores but also online stores so that they can reach consumers who do not have Miniso stores in their areas. In Medan, there are several malls which Miniso choose to operate. Based on Figure 1.3, Medanreview's Instagram post, on September 29, 2017, Miniso made its appearance at Sun Plaza Medan. There are other Miniso outlets spread across several malls in Medan area such as Center Point, Deli Park, Manhattan Times, Medan Mall, and Plaza Medan Fair.

medanreview MINISO Hadir di Sun Plaza Medan

MINISO, fast fashion retail pertama di Indonesia kini kembali menyapa masyarakat Medan dengan membuka gerai yang keduanya. Setelah kesuksesan gerai pertama di Centre Point Mall, MINISO memilih Sun Plaza sebagai lokasi gerai yang berikutnya

Bertempat di Sun Plaza Lt.4, MINISO hadir (29/09/2017) dengan beragam pilihan produk mulai dari produk digital, perlengkapan sehari-hari, aksesoris, stationery dan perlengkapan-perengkapan lainnya. Dengan menjunjung komitmen untuk menyediakan produk berkualitas, berdesain unik dengan harga yang terjangkau, MINISO dapat menjadi pilihan yang terbaik dalam memenuhi gaya hidup yang berkualitas bagi masyarakat Indonesia. MINISO sendiri berorientasi pada pelanggan dengan mengoptimalkan produk sesuai kebutuhan pasar, sehingga produk-produk baru pun akan banyak hadir setiap minggunya

Saat ini, merek ritel ternama dari Jepang yang merupakan hasil dari kolaborasi antara chief designer asal Jepang, Miyake Junya dan entrepreneur dari Tiongkok, Ye Guofu, telah memiliki 2000 gerai yang tersebar luas di seluruh dunia. Di Indonesia sendiri, MINISO sudah membuka sejumlah gerai yang tersebar di beberapa kota, mulai dari Jakarta, Bandung, Bogor, Medan, Yogyakarta, Solo, Palembang, Surabaya, dan Bali. Jumlah ini masih akan terus bertambah seiring dengan antusiasme masyarakat terhadap produk MINISO

Hingga akhir tahun 2017 ini, MINISO menargetkan akan membuka 200 gerai di seluruh Indonesia. Hal ini terkait dengan misi MINISO untuk tidak hanya menjadi sebuah merek, tapi juga menjadi gaya hidup masyarakat

#MINISO #sunplazamedan
#Opening #fashion #retail #jepang
#medanreview #lounge #headline #medan #indonesia
#myxlsumatera #jaringanxtra

Figure 1. 3 Miniso Sun Plaza Opening

Source: Medanreview's Instagram Post

The Miniso brand has similar retail business competitors, one of which is Usupso. Usupso is a brand that also carries the image of Japan as one of their strategies in marketing their products. Both Miniso and Usupso, many of the products sold are inspired by a brand called Daiso. Daiso is an original brand originating from Japan that sells various household needs. The reason Miniso and Usupso implemented the Japanese concept is that the retail management feels that consumers will have more trust and confidence in buying their products. After all, Japanese products are known to have good quality and tend to be more durable.

The problem that Miniso Medan faced was customer purchase decisions. The reason for choosing Miniso Sun Plaza Medan is because the writer found a problem occurred. When the writer visited the store, believing that Miniso provides a good quality product at an affordable price, the writer found that some of the products displayed were stained and broken. This leads to an issue with the brand image and perceived quality. Through this incident, the writer starts to share this information with those close to the writer.

From Figure 1.4, in July 2022, there is bad news regarding the decrease of Miniso Group's stock by about 37%. This occurred when Miniso Spain posted a promotional picture of the Disney Princess Blind Box. In the picture, there are 6 Disney princess figurines wearing cheongsams, traditional clothes from China. Unfortunately, the caption of the post mentioned that these figurines are 'Japanese Geishas'. Through this incident, the problem widened for Miniso who seemed to be from Japan. Miniso officially apologized and promised to change its logo by removing the Japanese element from its branding. In the process of apologizing, Miniso also admitted that they had taken the wrong branding and marketing strategy.



Figure 1. 4 Miniso Group Stock
Source: TradingView (2023)

		InvestingPro						
		2021-09-30 Q-7	2021-12-31 Q-6	2022-03-31 Q-5	2022-06-30 Q-4	2022-09-30 Q-3	2022-12-31 Q-2	2023-03-31 Q-1
Pendapatan	mil	436,6	436,3	369,2	345,9	389,7	361,7	430,2
Pertumb. Pendapatan (YoY)	nil	1%	20,7%	5,0%	-6,3%	4,5%	-10,0%	26,2%
Biaya Pendapatan	mil	3,6	-300,5	-257,8	-230,7	-250,7	-217,1	-261,0
Laba Kotor	mil	4,0	135,8	111,4	115,2	138,9	144,6	169,2
Margin Laba Kotor	nil	1%	31,1%	30,2%	33,3%	35,7%	40,0%	39,3%

Figure 1. 5 Miniso Group Financial

Source: Investing.com (2023)

However, to strengthen all of the statement above, the writer has conducted a pre-survey as follow:

Apakah Anda sering dibujuk teman, keluarga atau kerabat untuk membeli produk Miniso?

35 jawaban

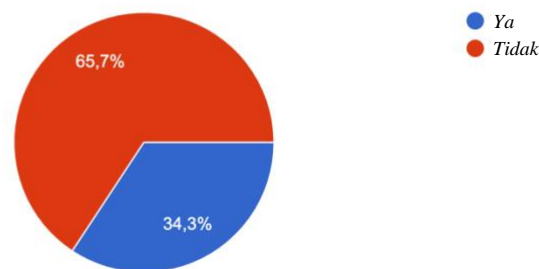


Figure 1. 6 Pre-Survey Question 1

Source: Collected by Writer (2023)

Based on the result of the pre-survey of 35 respondents in Figure 1.6 mentioned that there are 65.7% (23 persons) of the respondents stated that they were not often persuaded to buy Miniso products from their friends, family, or relatives while the other 34.3% (12 persons) of the respondents stated that they are often persuaded by their friends, family or relatives to buy Miniso products.

Apakah kualitas produk Miniso sesuai dengan harga yang ditetapkan?

35 jawaban

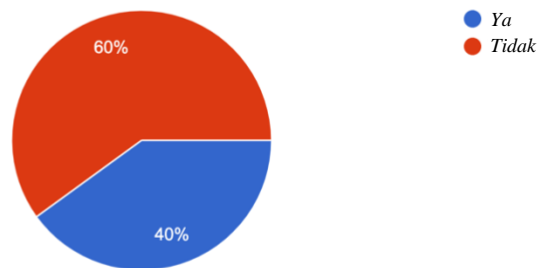


Figure 1. 7 Pre-Survey Question 2

Source: Collected by Writer (2023)

Based on the result of the pre-survey of 35 respondents in Figure 1.7 mentioned that there are 60% (21 persons) of the respondents stated that Miniso's product quality is not worth the price while the other 40% (14 persons) of respondents stated that Miniso's product quality worth the price.

Sebelum membeli, apakah Anda akan mencari informasi tentang produk Miniso terlebih dahulu?

35 jawaban

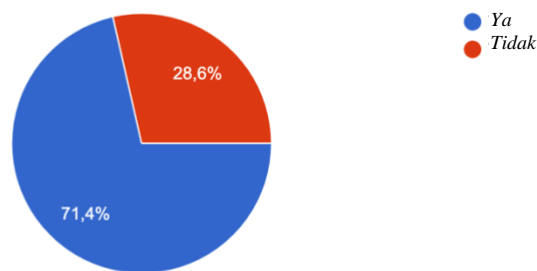


Figure 1. 8 Pre-Survey Question 3

Source: Collected by Writer (2023)

The result of the pre-survey of 35 respondents in Figure 1.8 mentioned that there is 71.4% (25 persons) of the respondents stated that they would do research before purchasing a product while the other 28.6% (10 persons) of the respondents stated that they did not research before purchase Miniso product meaning directly purchase.

Based on the result of the pre-survey of 35 respondents for the fourth question of reason in choosing Miniso brand is that there are several customers who say that the Miniso brand has a Japanese concept which is famous for its good quality. Then, there were also several comments saying that they chose the Miniso brand because of its strategic location, affordable, and product appearance that is cute and simple.

Therefore, it can be concluded that most of them believe and choose Miniso for it being an international brand related to Japan that is known to provide a high-quality product, cute, and simple. In addition, Miniso also provides an affordable product price and has a strategic location that is easy to reach. However, there are some customers who still think that Miniso is a brand from Japan which should be a Chinese brand with a Japanese concept. This is where the problem lies where brands seem to be wrong in brand positioning.

Based on the next question for their complain about Miniso product, most of the respondent mentioned that the product is not as expected from the Japan concept and the product is not durable and low quality. *“Saya pernah membeli produk laundry net Miniso tapi cepat rusak. Lebih baik saya bayar lebih mahal dikit tapi kualitasnya lebih bagus berkali lipat.”*, *“Bilangnya kapas muka,, kan harusnya lembut tp malah kasar bikin iritasi”*, *“Terkadang terdapat sedikit cacat di produknya, terutama seperti produk botol atau plastik. Botol minum mudah bocor walaupun tutup erat tetap ada air yang keluar. Produk travel kit, apalagi pouchnya, zipper (yang plastik) sangat mudah lepas dari pouchnya. Bahan elektronik tidak tahan lama, contohnya powerbank dan earphonenya cepat rusak.*

Produknya seperti kualitas online yang harganya bisa didapatkan dengan lebih murah. Jadi hasilnya harga produk miniso tidak sebanding dengan kualitasnya.”

In addition, some of the respondents also state that its product quality is similar to those sold in the market, and online shops which offer a lower price meaning not worth it as the customer can't feel the exact quality that is supposed to be.

Based on the description above, the writer decided to conduct research entitled **“The Influence of Brand Image, Word-of-Mouth, and Perceived Quality on Customer Purchase Decision at Miniso Sun Plaza, Medan”**

1.2 Problem Limitation

In this research, limited resources led the writer to limit the variable used to brand image (X1), word-of-mouth (X2), and perceived quality (X3) as the independent variable, and customer purchase decision (Y) as the dependent variable.

Indicators for brand image according to Febriana (2022) include reputation, affinity, recognition, and brand loyalty.

Indicators for word-of-mouth mentioned by Fenanda (2018) include talkers, topics, tools, participation, and supervision.

Indicators for perceived quality according to Febriana (2022) include performance, reliability, feature, durability, conformance quality, and style.

Indicators for customer purchase decisions from Hadita, et al. (2021) include product stability, habit buying, provide recommendation, and repurchase action.

1.3 Problem Formulation

Based on the background of the study, there are several issues that the writer intends to discuss more, namely:

1. Does brand image have a positive influence on customer purchase decision at Miniso Sun Plaza Medan?
2. Does word-of-mouth have a positive influence on customer purchase decision at Miniso Sun Plaza Medan?
3. Does perceived quality have a positive influence on customer purchase decision at Miniso Sun Plaza Medan?
4. Do brand image, word-of-mouth, and perceived quality simultaneously have positive influence on customer purchase decision at Miniso Sun Plaza Medan?

1.4 Objective of the Research

In line with the problem formulation, the objectives of this research are as follows:

1. To examine if brand image has a positive influence on customer purchase decision.
2. To examine if word-of-mouth has a positive influence on customer purchase decision.
3. To examine if perceived quality has a positive influence on customer purchase decision.

4. To examine if brand image, word-of-mouth, and perceived quality simultaneously have positive influence on customer purchase decision.

1.5 Benefit of the Research

The result of the research titled “The Influence of Brand Image, Word-of-Mouth, and Perceived Quality on Customer Purchase Decision at Miniso Sun Plaza, Medan” is expected to bring benefit in both theoretical and practical ways which will be described as follows:

1.5.1 Theoretical Benefit

This research aims to enhance the theoretical comprehension of the effect of brand image, word-of-mouth, and perceived quality on customer purchase decision on Miniso Sun Plaza Medan. As a result, it will broaden the writer’s knowledge and references for individuals who are interested in conducting similar or related studies, thereby assisting them in writing their research papers.

1.5.2 Practical Benefit

- a. For the company

This research is expected to provide comprehensive insight for Miniso to improve their performance since this research will provide information regarding the importance of brand image, word-of-mouth, and perceived quality that might influence customer purchase decision.

- b. For the writer

This research will help the writer to broaden the insight and knowledge regarding the components that are related to customer purchase decision,

which are brand image, word-of-mouth, and perceived quality. Besides, the knowledge gained through the research will help the writer's real-life work practices.

c. For readers/future researchers

This research will provide a reference for readers/future researchers to gain and gather information in conducting research that is related to the influence of brand image, word-of-mouth, and perceived quality on customer purchase decision in the same or other companies. In addition, the conducted research will help future researchers to have deeper discussions related to the other factors that could affect the customer purchase decision.

