

CHAPTER I

INTRODUCTION

This chapter shows the overall framework and basis of the research conducted explained in form of research background, research problem, research objectives, research scope, research contribution and outline.

1.1 Research Background

The world today is in a highly globalized phased where everyone is connected together. Therefore, the term globalization defines the relationship in between people is not limited by the borders of nation. From this state, given the flexibility and connectivity, international business is formed where any business activities such as sales, marketing, investments, transactions, and supply chain can occur in more than one country (Daniels, Radebaugh, & Sullivan, 2015, p. 47). For example, production can take place in several countries due to cost factor or it could be due to the effect of product specialization of a country. This resembles a global supply chain that involves more than one country for a product's production. The drivers behind this in general is due to several reasons such infrastructure development in a country, technical skills of labor and also communication development. Consequently, a business should decide what type of strategy they will adopt in its international business sector so that it can compete in the highly globalized world today (Rosnerova & Hraskova, 2019).

There are four business strategy that multinational business can adopt to their international operations. International strategy is when a business reproduces

their exact core competencies into the foreign market. On the other hand, multidomestic strategy is when a business adapts its value and activities according to local condition in the foreign market. In a situation when a business decides to create a uniform standard across its operation in the foreign market, global strategy is adapted to its international operation. Lastly, transnational strategy is a win-win solution where a business emphasizes global integration but also able to capture the local values in the foreign market into their core competencies. (Daniels, Radebaugh, & Sullivan, 2015, pp. 508-514).

Developing a global brand creates a global perspective for people as a way of building a marketing strategy in a globalized world, thus this business operation falls under global business strategy. In this situation, a company will sell their products or services in a standardize manners all over the world without any local market adaptation. An effective and successful global branding will create cognitive perception of the brand in the international market. As a result, it contributes positively to international marketing performance of the business. This phase of international business has given companies bigger opportunities to expand their operations into other countries by the development of a global brand (Wong & Bill, 2007). The global brand created by the international operating company has become one of the most important assets and tools for a company's brand name in today's business, in terms of expansion beyond country of origin. The role of it causes an increase in communicating the brand internationally in terms of promoting its common goals, and values or identity) to their global customers (Roberts & Cayla, 2016).

Apple and Coca-Cola are two examples of a global brand that is able to stand out in the top position in the global market. The majority prefer to drink Coca-Cola over its competitor and on the other hand, customers prefer to use electronics from Apple comparing to its global competitor especially in smartphone segment. Both of the company mentioned are known as world's most valuable global brand. This phenomenon is a concrete base to study further how companies are able to communicate its brand commitment globally in the international market. The data above shown is claimed based on the ability of the corporate brands to create brand value intangibly beyond its tangible products. The two companies are able to show customers their new desirables such as becoming the most innovative and sustainable brand among its competitors (Gehani, 2016). The data below shows the increase of overall market value as a global brand for both Apple and Coca-Cola.

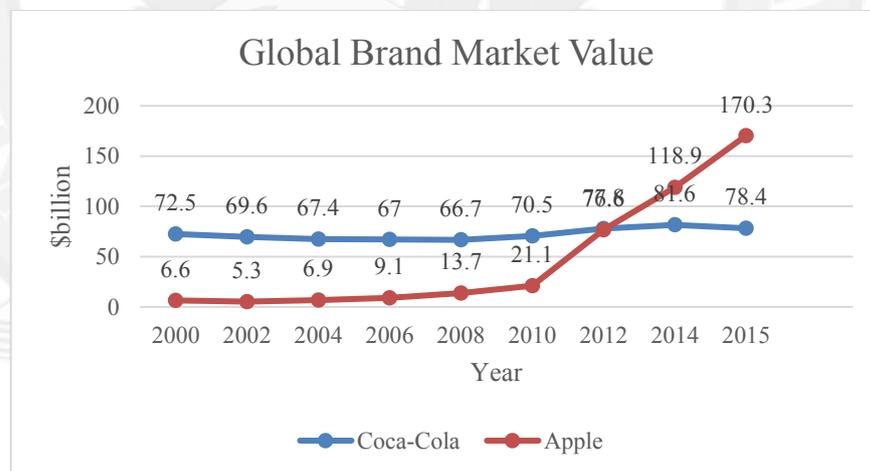


Figure 1.1: Growing Market Value for Global Brand
Source: Gehani (2016)

In recent years, global brand operating in Indonesia has dominated about 50% of Indonesian market. Especially in the market segment for consumer goods, fashion, oil, and banking. Geographically, Indonesia's is an archipelago country, a condition where the population is spread across the islands where different living

standards, needs and wants varies among the places people live. Overall, the Indonesian market is dynamic, however the acceptance of global brand is high, and lots of people tend to buy products from global brand instead of local products (Ratriyana, 2018).

The data below based on research according to Indonesian Franchise Associate (IFA), the number of global brand franchise found in Indonesia is more than local brand franchise. Also, the growth of local franchise is only eight to ten percent comparing to global brand franchise dominates that the Indonesia market claimed by IFA (Yunianto, 2019).

Table 1.1: Number of Indonesian Franchises Versus Global Brand Franchise

Franchise Brand Registered to Indonesian Franchise Associate	
Total franchise brand in Indonesia	500
Local brand	120
Global brand	380

Source: Yunianto (2019)

Consequently, in this research the metropolitan area in Indonesia known as Jabodetabek will be used to conduct regional studies. The metropolitan area includes cities surrounding capital city Jakarta such as Bogor, Kabupaten Bogor, Depok, Tangerang, Kabupaten Tangerang, Tangerang Selatan, Kabupaten Bekasi and Bekasi. This area has the most rapid economic development, and it attracts people to migrate into this urban area from other cities in Indonesia (Suryahadi & Marlina, 2019). The metropolitan area is known to be home for 33.430.285 million of Indonesian based on data from *Data Pusat Pengembangan Kawasan Perkotaan* as of 2016 (Pusat Pengembangan Kawasan Perkotaan - Badan Pengembangan

Infrastruktur Wilayah, 2020). The map below obtained from *Badan Pusat Statistik* updated as of 2017, shows that the metropolitan area of Indonesia located in Java Island has become the densest population of Indonesia (Badan Pusat Statistik Indonesia, 2018).

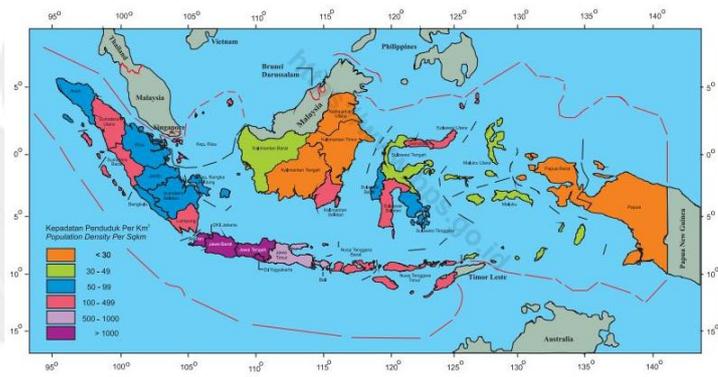


Figure 1.2: Population Density of Indonesia
Source: Badan Pusat Statistik Indonesia (2018)

Therefore, this research will confirm does brand innovativeness, brand customer orientation, brand self-relevance and brand social responsibility affects global brand commitment and especially for this research, the studies will be done in the regional level of Jabodetabek.

1.2 Research Problem

The purpose of this research is to assess the factors affecting global brand in international market. Since Indonesia is a huge potential market for global brand claimed by the fact that half of the Indonesian market is dominated by global brand as stated above. It is relevant to assess how the factors affecting global brand commitment such as brand innovativeness, brand customer orientation, brand self-relevance and brand social responsibility are significant towards brand commitment in an international market. Therefore, the problems in this study are stated as follow:

- 1) Does brand innovativeness affect brand value commitment positively?
- 2) Does brand customer orientation affect brand value commitment positively?
- 3) Does brand self-relevance affect brand value commitment positively?
- 4) Does brand social responsibility affect brand value commitment positively?

1.3 Research Objective

- 1) To identify the relationship of brand innovativeness as one of the factors affecting global brand commitment.
- 2) To identify the relationship of brand customer orientation as one of the factors affecting global brand commitment.
- 3) To identify the relationship of brand self-relevance as one of the factors affecting global brand commitment.
- 4) To identify the relationship of brand social responsibility as one of the factors affecting global brand commitment.

1.4 Research Scope

This research conducted is limited to the extent stated below:

- 1) The topic of this research focuses on the factors affecting global brand commitment in international market.
- 2) The survey will also be limited to citizens who can define global brand.
- 3) The respondents are taken from Jabodetabek area as representative of a region in Indonesia for this study.

The research conducted is based on modified replicated model and recommendation from previous research by Eisingerich & Rubera (2010) where the research is adapted to different context in terms of country of study.

1.5 Research Contribution

This research is prepared to contribute to the public for theoretical studies and also contributing for practical use for global brand managers.

1.5.1 Theoretical Contribution

Theory wise, this research is expected to enhance the understanding of how a global brand can sustain its commitment in the international market maintaining its standardized core competencies all over the world in different market. So, the study will answer whether the independent variables are significant or not towards brand commitment where the measurement.

1.5.2 Practical Contribution

The result of this research helps managers to learn about the factors affecting global brand in sustaining its commitment. The research gives input when an international marketing manager is planning to market their global brand or in other words their highlight standardized goods or services. From this study, global managers will be able to capture the essential factors that affects global brand commitment, and the results of studies can be used as feedback for their business operation.

1.6 Research Outline

The research outline of this research paper will be arranged and organized systematically into five chapters as follows:

- **CHAPTER 1: INTRODUCTION**

The first chapter of the research paper covers research background, research problem, research objectives, and theoretical and practical contribution.

- **CHAPTER 2: LITERATURE REVIEW**

The second chapter of the research paper explains the supporting theory used for the research and will explain the definitions of the variables used. The relationship between each variable of the researched is created based on studies from previous research in order to formulate the research hypothesis. Lastly, the modified replicated conceptual model used for research will be shown.

- **CHAPTER 3: RESEARCH METHOD**

The third chapter shows the research plan explaining how the research is conducted including data collection method used in collecting and processing the data to answer and confirm the hypothesis.

- **CHAPTER 4: RESULTS AND DISCUSSION**

The fourth chapter will express the results of the research and will confirm the hypothesis made in the beginning. Also, from this chapter, the research question will be answered based on the factual data derived from conducting the research.

- **CHAPTER 5: CONCLUSION AND RECCOMENDATION**

The last chapter of this research will conclude the research and show recommendation and feedback as improvement for further studies to be conducted on this topic.

