

# CHAPTER I

## INTRODUCTION

This chapter outlines the entire framework of this research. It covers research background, research problem, research question, research objective, research scope, and research outline.

### 1.1 Research Background

In financial aspects, business is an association that offers products or administrations to purchasers or different organizations for a benefit. Generally, the word business is from English language, from the root word "busy" with regards to an individual, network, or society. A basic segment of business is having a productive showcasing procedure (Kim Tuyen Nguyen et al., 2019). In this time, all structures and sorts of business have encountered globalization, which has prompted an expansion in the volume of worldwide exchange and a strengthening of capital developments between nations. It likewise adds to more noteworthy collaboration and seriousness and the headway of new advances. Creating exchange and monetary collaboration, supporting the globalization procedure, likewise expands the pay levels of these nations. Networks build up the earth in high-pay nations, guiding huge organizations to direct ecologically well-disposed creation techniques, at last increasing natural expectations in these nations (Kalaycı & Hayaloğlu, 2019).

Branding is a significant issue in any association. This is on the grounds that without an appropriate branding of a company's items, it is hard for the firm to run its activity easily for benefit. The accomplishment of any business or customer item depends to a limited extent on the objective markets capacity to recognize one item from another. Branding is the main instrument utilized by advertisers and organizations to recognize their items from that of contenders. Brands has become an apparatus for customers to personality item and to get acquainted with the item for additional acquisition of good and administrations (Akeem Musari & Folasayo Ayo, 2019). They say we should see branding as a useful method for separating items or administrations, expanding item acknowledgment and notoriety, along these lines making sure about picking up items of the overall industry. Brands of items that have accomplished an elevated level client certainty, close correspondence holes between the maker and client, and furthermore fabricate client steadfastness. Branding gives a chance to associations to appreciate high brand unwaveringness, mindfulness, saw the quality and solid brand relationship with customers. This situation would imply that branding has become the significant determinant of corporate vision acknowledgment, and a biased impact on clients' manners (Okafor & George, 2016).

Brands can be a mix of a few elements (name, term, sign, image, logo, or configuration) to recognize an item or administration gave by a consolidated dealer. According to (Kladou et al., 2017). Fruitful brands include in any event three extra perspectives, in particular: (a) comprehension of shoppers, where an item or administration brand is exceptionally reliant on customer discernments, (b)

promoting correspondence where once an item or administration brand is shaped. So it is critical to be conveyed and set in a specific specialty in the market, and (c) the nonstop cooperation of buyers where authoritative procedures must include brand character while keeping up constant connection with target buyers, so the item or administration has an upper hand with contenders. The significance of a brand is for the most part in light of the fact that a brand can impact customer purchasing conduct, helping makers or dealers get a more significant expense for the items it produces, taking into account that shoppers who figure brands will follow through on a greater expense for an item on the off chance that it originates from a specific brand. Brands likewise ensure that they are more impervious to value stuns, that value changes didn't significantly affect buyers who are faithful to specific brands. The brand will at last drive an expansion in deals volume, which implies an increment in revenue maker (Kladou et al., 2017).

A fruitful brand can be characterized as a recognizable item, administration, individual or spot enlarged so that the purchaser or client sees applicable, exceptional included qualities which coordinate their needs most intently. Its prosperity comes about because of having the option to support these additional qualities against contenders. Along these lines names on numerous items and administrations don't keep them from being wares which are described by the absence of saw separation by clients between contending contributions (Yadav & Sagar, 2018). Worldwide brand is a brand which embrace worldwide norm to accomplish the comparability item standard in all spots on the planet. The centre of the procedure, there are some change of the item yet at the same time worldwide

brand protects their character. Worldwide brand additionally stands apart with the item, dissemination and special technique standard that make them more solid than the neighbourhood contender (Ratriyana, 2018). As extra, some shopper picks worldwide brand to locate their own status and position in the social framework. The worldwide brand wonders acknowledged by purchasers as something positive where they attempted to hoist the economic wellbeing utilizing the intensity of the brand itself. When the brand looks encouraging and shows extravagant way of life, they might be influenced of the brand and has the entrance to the top of the line social gathering.

In making the correct branding, the organization must comprehend the market structure and the expected market segmentation. In view of the qualities of the kinds of products delivered, the market structure has four structures as indicated by (Mulyana, 2019), that are 1. The Perfect Market Competition is the best market structure, since it is considered as a market structure that will ensure the acknowledgment of creation exercises. products or administrations with high proficiency. Where it has occurred in the market and the merchant can just acknowledge the value that has happened in the market and the dealer can just acknowledge the cost or change it, 2. Imposing business model Market is a type of market where there is just one organization, this organization produces merchandise that don't have exceptionally close substitutes, 3. Monopolistic Market Competition, this market is a blend of a restraining infrastructure advertise and a completely serious market. This market has a natural vibe, or we regularly experience it in regular daily existence, in light of the fact that the type of the market

is as yet unadulterated. In a monopolistic rivalry advertise, there are substitute items, with the goal that each choice taken by makers can give advantages to one organization which will be trailed by different organizations, 4. Oligopoly showcase is a market comprising of a few makers and has a wide range of attributes, where the products delivered every one of them are diverse in tone (Mulyana,2019).

Market segmentation has been acquainted with showcasing in 1956 by Wendell Smith and has since been generally received. The point of market segmentation as comprehended by advertisers is to distinguish fragments that have the trademark that individuals from each gathering are fundamentally the same as each other and individuals from various gatherings are as various as could be expected under the circumstances. This permit building up a promoting blend that is especially appealing to chosen sections, which prompts more productive advertising spending for the time being and upper hand in those portions in the long haul (Ernst & Dolnicar, 2018). Item separation and market segmentation have for some time been perceived as significant key decisions by firms. Firms may deliberately separate their items by brand and/or quality credits to extraordinarily situate their items with buyers. Market division is the methodology of picking which items to create from a limited arrangement of existing or potential item (Xu & Coatney, 2015).

In the current universal market setting, brands help buyers taking choices. A solid creative brand encourages translation, preparing and capacity of data, giving postmodern customers a conviction that all is good in the buying procedure. With regards to progressive emergencies, the brand makes shields, intrigue, prosperity,

and re-charm of the embittered buyers. By offering significance to life through utilization, the brand has become a key resource of showcasing, while other promoting apparatuses are all the more habitually exposed to and dictated by brand procedure (Grębosz-Krawczyk & Pointet, 2018).

From all the backgrounds portrayed above, researcher see that the brand is a significant and vital in marketing perspective. With branding, makers show their items are of dependable quality. Branding need a lot of requirement by makers since branding maker is making objective buyers acquainted with the items advertised. Also, it will encourage trust for any individual who is the objective of marking. But as the intensity of meeting increases, someone will boldly approach and maybe even further to get to know each other, this is how branding works (Al-Zyoud, 2018).

## **1.2 Research Problem**

The Indonesian domestic market is a very large market with an estimated population of over 267 million people (Widyastuti - BPS 2019). Such a large domestic market encourages intense competition between local products and foreign products. The size of the domestic market will encourage local entrepreneurs and marketers to promote local brand products. Many efforts have been made by the state and local product entrepreneurs in order to continue to be competitive. One of the things done by the government is that the government through the Program to Increase the Use of Domestic Products (P3DN) provides support which is expected to be able to trigger the use of domestic metal products, especially for projects financed by the State Budget (Rini, 2019). But even after many things done by the government, 60% of Indonesians prefer and buy foreign



products (Yulistara, 2018). The following table below (Table 1.1) is an evidence that Indonesians people prefer foreign products than local brands that causing Indonesian imports are always higher than exports.

**Table 1.1 Indonesian Import and Export Value Data 2019**

(In Million US \$)

<b>Bulan</b>	<b>Impor</b>	<b>Ekspor</b>
Januari	14.991,4	14.028,1
February	12.226,0	12.788,6
Maret	13.451,1	14.447,8
April	15.399,2	13.068,1
Mei	14.606,7	14.751
Juni	11.495,4	11.763,3
July	15.518,5	15.238,4
Agustus	14.169,3	14.262,0
September	14.263,4	14.080,1
Oktober	14.759,1	14.881,5
November	15.340,5	13.944,5
Desember	14.506,8	14.428,8
<b>Total</b>	<b>170.727,4</b>	<b>167.683,0</b>

Source: Badan Pusat Statistik (2019)

From Table 1.1 above, we can see that currently products from abroad are still superior in the brand globalness. Many foreign products whose brands are already known worldwide, even not only famous but their products are sold out all over the world. One of them happened in Indonesia, because Indonesia has a large market, many well-known brands are targeting Indonesia as a great market to expand their brand (Kussudyarsana, 2016). The marketing phenomenon in Indonesia shows that foreign products still dominate the Indonesian market. From this problem, the researcher wants to examine whether there is an effect of perceived brand globalness on customers' purchase intention and whether there is a moderating role of consumer ethnocentrism. To conduct this research, the researcher focused on the Italian brand, Gucci. Researchers chose the Gucci brand because this brand is the number 1 brand share of search internet and social management in the fashion industry in Indonesia even in the world. This table contains of the social media and internet thing because of this pandemic, the top 5 best luxury data based on the share of research on the internet, the website traffic and the social media. This research is focused on the Gucci brand as a representative of goods from global brands.

**Table 1.2 Top 5 Best Luxury Brands in 2020**

<b>Rank</b>	<b>Brand</b>	<b>Share of Search Internet</b>	<b>Website Traffic</b>	<b>Social Media Audience</b>	<b>Social Engagement</b>
1.	Gucci	17.52%	8.4M	65.4M	11.2M



2.	Louis Vuitton	15.16%	10.7M	69.1M	9.0M
3.	Chanel	11.59%	6.2M	76.5M	7.7M
4.	Rolex	8.42%	3.3M	18.6M	1.0M
5.	Dior	7.92%	5.3M	56.1M	5.3M

Source: Beauloye - Luxe Digital (2020)

Luxury shopping behavior, channel dynamics and travel plans are seeing inevitable shifts as a result of the lockdown, all contributing to the pandemic's monumental economic and emotional impact on the luxury market. The Coronavirus pandemic has disrupted every aspect of people's lives on a global scale. From the heart-breaking human toll, to the loss of jobs, to questions of sustainable responsibility, the world has been deeply affected as the year 2020 seemed to be getting off to a stable start. From the table below we can see the decrease of luxury product market scenario in 2020 (Corzine – Luxury Society, 2020).

The Italian house Gucci has been a symbol of modern luxury for the past decades. As revealed by the Boston Consulting Group, during this pandemic, Gucci experienced a drastic decline in sales. Citing from Channel News Asia it is projected that sales will be difficult to increase as before if this pandemic continues. Moreover, their sales growth in previous years took decades of struggle, before finally being destroyed by corona. Boston Consulting calculates a 35% decline in sales or specifically Gucci loss 9.6T this year due to the closure of congregational outlets around the world due to social restrictions and lockdowns. Therefore from

this, the researcher uses Gucci as the brand to be studied to find out whether there is still an effect of perceived brand globalness on purchase intention and whether there is a moderating effect of consumer ethnocentrism that causes a decrease (Hasibuan, 2020).

### **1.3 Research Objective**

Based on the problems above, the aims of this research are:

1. To examine whether perceived brand globalness positive influence on customer's purchase intention.
2. To examine perceived brand globalness positive influence on perceived brand prestige.
3. To examine perceived brand prestige positive influence on customer's purchase intention.
4. To examine perceived brand globalness positive influence on brand social responsibility
5. To examine brand social responsibility positive influence on customer's purchase intention.
6. To examine perceived brand globalness positive influence on perceived brand quality.
7. To examine perceived brand quality positive influence on customer's purchase intention.
8. To examine perceived brand globalness have a positive influence on perceived brand credibility.

9. To examine perceived brand credibility positive influence on perceived brand quality.
10. To examine brand credibility mediation between perceived brand globalness and perceived brand quality.
11. a. To examine perceived brand prestige mediation between perceived brand globalness and customers' purchase intention.  
b. To examine brand social responsibility mediation between perceived brand globalness and customers' purchase intention.  
c. To examine perceived brand quality mediation between perceived brand globalness and customers' purchase intention.
12. a. To examine consumer ethnocentrism moderating effect of perceived brand globalness on perceived brand quality.  
b. To examine consumer ethnocentrism moderating effect of perceived brand globalness on perceived brand prestige.  
c. To examine consumer ethnocentrism moderating effect of perceived brand globalness on customers' purchase intention.

#### **1.4 Research Question**

According to the research background, the research will address the research questions as follows:

1. Does perceived brand globalness have a positive influence on customer's purchase intention?
2. Does perceived brand globalness have a positive influence on perceived brand prestige?

3. Does perceived brand prestige have a positive influence on customer's purchase intention?
4. Does perceived brand globalness have a positive influence on brand social responsibility?
5. Does brand social responsibility have a positive influence on customer's purchase intention?
6. Does perceived brand globalness have a positive influence on perceived brand quality?
7. Does perceived brand quality have a positive influence on customer's purchase intention?
8. Does perceived brand globalness have a positive influence on perceived brand credibility?
9. Does perceived brand credibility have a positive influence on perceived brand quality?
10. Does brand credibility mediate the relationship between perceived brand globalness and perceived brand quality?
11. a. Does perceived brand prestige mediate the relationship between perceived brand globalness and customers' purchase intention?  
b. Does brand social responsibility mediate the relationship between perceived brand globalness and customers' purchase intention?  
c. Does perceived brand quality mediate the relationship between perceived brand globalness and customers' purchase intention?
12. a. Does consumer ethnocentrism moderate the effect of perceived brand

globalness on perceived brand quality?

- b. Does consumer ethnocentrism moderate the effect of perceived brand globalness on perceived brand prestige?
- c. Does consumer ethnocentrism moderate the effect of perceived brand globalness on customers' purchase intention?

### **1.5 Research Scope**

This research has a scope limited to several conditions as follows:

- This study discusses perceived brand globalness, perceived brand credibility, perceived brand prestige, perceived brand responsibility, perceived brand quality, customers' purchase intention, and consumer ethnocentrism.
- The research will be conducted in the main cities in Indonesia which is in Semarang and Jabodetabek, therefore the data will be strictly limited to the area of the research.
- The respondents in this study are active people who know well about the Gucci brand which are considered as the consumers with of age 17 - >30 years old and exposed to global brand products in current dynamic lifestyle trend.
- Conditions described above are a form of modifications of further research where the suggestions from previous research of Vuong & Khanh Giao (2020) conducted in different countries and respondents.

## **1.6 Research Outline**

The systematic outline of this research paper will consist of five chapters. The chapters organised as follows:

- **CHAPTER I – INTRODUCTION**

The first chapter consists of the research background, research problem, research question, research objective, research scope, and its practical and theoretical contribution. Also, it states the systematic outline of the consecutive chapters.

- **CHAPTER II – THEORETICAL BACKGROUND**

The second chapter provides the theoretical background of variables in the study, literature review, and the linkages of variables. The conceptual framework of research hypotheses is also presented in this chapter.

- **CHAPTER III – RESEARCH METHODOLOGY**

The third chapter explains the methods used to examine and measure the relationship between variables including the research design and methods of data collection in the quantitative research approach. The result of pre-test research will be also provided in this chapter.

- **CHAPTER IV – DATA ANALYSIS AND DISCUSSION**

The fourth chapter consists of the result of actual research of the linkages between variables in this study. The result using statistical examination performed with the data collected. The result of the discussion will provide the answers to the research question and led to a conclusion of the research.



- **CHAPTER V – CONCLUSION AND RECOMMENDATION**

The last chapter concludes the whole research and provides the researchers insights, theoretical implications, managerial implications, limitation of the study, and recommendation to contribute to the future research.

