CHAPTER I

INTRODUCTION

The introduction chapter consists of the research background, problem statement, research questions, research objectives, research scope, research contribution that include theoretical and practical contribution and also a research outline.

1.1 Research Background

Globalization is a phenomenon that has impacted the lives of humans worldwide in a variety of disciplines (economic, political, social, cultural, psychological and environmental). According to Shahbaz et al., (2018), globalization has effects for environmental quality around the world, economic development, financial development, and trade openness. Market globalization has been one of the most significant movements during the last half-century. The consumer market in this global economy has a greater understanding of the impact of globalization on political, social, and economic affairs (YouGov, 2016 ;J. B. Steenkamp, 2019). Samiee (2019) stated that, On the supply side, this trend is unlikely to result in a significant restructuring of multinational sourcing strategies, manufacturing operations, and business structures are being rationalized for economic reasons. In contrast to the demand side, where globalization restrictions may have an impact on the attractiveness of brands with a global and regional

presence (Gu rhan - Canli et al., 2018 ; J. B. Steenkamp, 2019; J. B. E. M. Steenkamp, 2019)

Indonesia is a developing country with an emerging market, this country relies on its industry which contributes to the country's GDP. According to Bekraf (2017), the country's GDP contributed 7,4% of Indonesia's creative sector. In 2017, the creative sector contributed $71.8 million and increased significantly to $78.9 million in 2018. In 2019, the figure is predicted to climb 9.6 percent to $86.9 million, up from $86.9 million in 2018. One of the creative industries in Indonesia that is growing rapidly is fashion. Figure 1.1 shows that fashion contributes 17,68% of the creative economy. Fashion is growing rapidly because it is influenced by technological advances. The development of the fashion business in Indonesia is due to an increase in the income and lifestyle of people in big cities.

Figure 1.1 Indonesia's Creative Economy
Source: Bekraf, 2017

Nowadays, more and more individuals are interested in getting into the fashion industry and competing to develop their products and services. Fashion Industries creates substantial revenues across global marketplaces, despite the fact that the voyages taken by apparel are largely invisible (Ditty, S., 2017). This is

supported by data figure 1.2 which shows the fashion industry is increasing except in 2015, when the digital strategy emerged, this strategy was used to embrace shopping habits for the homeland and millennials. This digitalization generates new connections and strengthens existing ones between people, organizations, and objects (Siggelkow and Terwiesch , 2019) . The existence of a digital strategy has made retailers begin to take a "mobile first" approach, because since the appearance of mobile applications and websites for fashion and luxury brands, people have been very interested in digital. In 2020 GDP of textiles and apparel has decreased from the previous year due to the declining economic conditions in Indonesia as well as the Covid-19 pandemic.
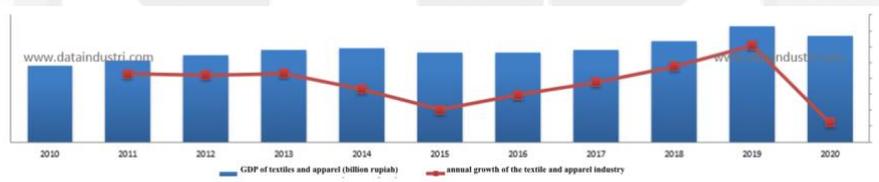

Figure 1.2 Textile and Apparel Industry growth data
Source: Dataindustri.com, 2021

According to Millward Brown (2018), the global top 100 most valuable brands surged in value from $1.4 trillion (2006) to a new high of $4.4 trillion (2018). These enticing potentials have prompted numerous established global companies to explore new areas (He & Wang, 2017). Brand credibility will be affected by perceived globalization of the brand, this can happen by ensuring that claims about marketing mix are consistent across worldwide marketplaces (Sichtmann et al., 2019). Global brands typically have a stronger brand image and a competitive edge over developing-country local brands (D. Li et al., 2014), they

often face opposition from customers who have strong identities as well as traditional and ethnocentric beliefs, as well as challenges from local businesses (He and Wang, 2015). According to research, 90% of global customers have a tendency to switch brands if the brand has the same quality and price. Then 91% expected that business is done more than just making profit, but also to act ethically on environmental and social issues (Cone Communications/Ebiquity, 2015).

This research focuses on brand credibility that drives consumer evaluation, also discusses perceived local iconness, brand authenticity, and also perceived brand globalness. The value of a brand is self-evident. Additionally, fashion brands face competition due to low entry barriers. For many people, brand can be the most important criterion for buying selections. Brand can be defined as a semiotic marketing system that can generate value for individuals, society, to a larger scope (Conejo & Wooliscroft, 2015). Fashion brands are increasingly strengthening their branding and communication efforts because of the increase of technology and the growing importance of social media. Furthermore, Halkias et al., (2016) noted that the impression of the international and domestic fashion industry consumers towards the company is greatly influenced by the credibility of the brand. It must be acknowledged that globality and locality can actually complement each other. Aspects of globality and locality can assist brands in expanding beyond their brand image and global reach by linking domestic culture as one of its qualities.

Following that, this research also discusses brand authenticity towards brand credibility. (Schallehn et al., 2014) claim that brand authenticity contributes to the development of brand trust because it is believed to be beneficial to brand

authenticity. Brand authenticity is a highly complex concept, with significant variance in its conceptualization and definition (Pace, 2015). For customers, Authentic brands have a greater ability to offer personal value than low authentic brands Napoli et al., (2016). Following that, brand authenticity can improve brand credibility by building consumer's identification with the brand which refers to how consumers perceive the brand's behaviour through time (Morhart et al., 2015).

This research takes one brand that is included in global fashion brands, Zara. Zara belongs to Inditex Group. Amancio Ortega Gaona owns Inditex Group, the top fashion retailer in the world. It was founded in Spain in 1963, The Inditex Group has eight retail ideas represented by its eight brands namely Zara, Uterqüe, Pull & Bear, Oysho, Bershka, Zara Home, and Massimo Dutti and there are more than 6,600 stores in the world (Inditex Group, 2015a, 2015b). This brand wants their collections, which include limited-edition items, to be recognized as unique. According to data in figure 1.3, Brandirectory (2021) shows that Zara occupied the 6th position. The distribution ratings for the Zara brand is in a very good position for global fashion brands (AA+) in 2020 and 2021. Valued at $14,582 in 2020 and decreased in 2021 to $13,156 million.

2021	2020	Logo	Name	Country	2021	2020	2021	2020
1 =	1	Nike	Nike	🇺🇸	$30,443M	$34,792M	AAA	AAA
2 =	2	GUCCI	GUCCI	🇮🇹	$15,599M	$17,630M	AAA	AAA+
3 ^	4	LOUIS VUITTON	Louis Vuitton	🇫🇷	$14,858M	$16,479M	AAA-	AAA
4 v	3	adidas	Adidas	🇩🇪	$14,342M	$16,481M	AAA-	AAA
5 ^	8	CHANEL	Chanel	🇫🇷	$13,240M	$13,705M	AA+	AA+
6 =	6	ZARA	ZARA	🇪🇸	$13,156M	$14,582M	AA+	AA+

Figure 1.3 50 global fashion brand 2020 Charts

Hampson et al., (2018) and Winit et al., (2014) stated it has been established that domestic brands are favoured in emerging markets over global names. the elements that influence consumer views of global and local brands. More Indonesian people are becoming interested in local fashion brands, which results in the growth of local fashion brands in Indonesia. According to figure 1.4, the interest in searching for local fashion brands is increasing every year.
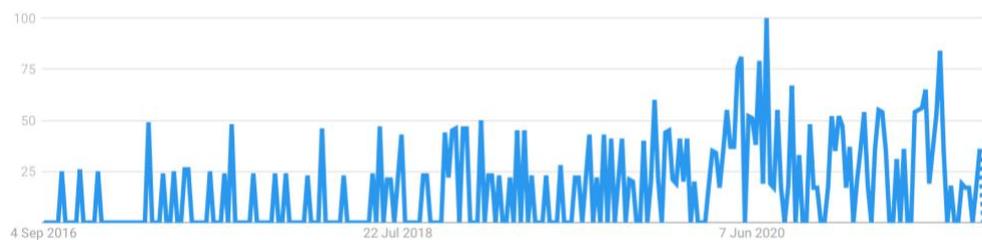

Figure 1.4 Local fashion brand searching trends in Indonesia
Source: Google Trends, 2021

In Indonesia, there are around 1.2 million fashion local brands (Number of Creative Economy Companies Bekraf, 2016). This research uses domestic fashion brand from Indonesia namely Love and Flair. Love and Flair is the next-generation lifestyle business and fashion retailer that curates local fashion companies (Loveandflair, 2021). In 2017, co-founders Emily and Dewi noticed a gap in the market between fast fashion and luxury brands and identified a need for locally sourced styles. Foreign brands are the majority of mass retailers, this is because there are still many undiscovered and underestimated Indonesian brands that lack an indigenous platform to market and sell their products. One of the reasons why domestic fashion brands are more likely to be picked than global fashion brands is

that the domestic brand is built exclusively for and adapted to the distinct demands and aspirations of local marketplaces. They each offer advantages, such as a sense of originality, distinctiveness, and pride in representing their home market. Indonesian local fashion brands are believed to be cheaper, as evidenced by the 77.4 percent of respondents who agree with this statement and choose local brands over global brands (Jakpat, 2015).

In this research, Zara and LoveandFlair were compared because two types of brands have similarity which is they are retailers for fashion and lifestyle. In addition, the models of the two brands are also similar where their clothes are more modern styles that are in demand by many people in Indonesia. The researcher chose the LoveandFlair brand over other domestic brands, because Love and Flair is a next-generation fashion retailer and lifestyle group that curates local fashion brands. With more than 30 third-party brands and 4 in-house manufacturing labels, they collect more than 500 styles every month, from beauty to clothing (Loveandflair, 2021). When Love and Flair was born, a localized, curated and trending fashion and beauty platform built through aspirational content and an omni-channel presence. Their goal is to be a source of discovery and inspiration for women to discover their personal style. Not only that but also this brand is an idea of the social value of the business so that the business is able to help others. With the business they run, they can still help others and make the business useful for around.

Through the data that has been obtained and described above, the researchers found interest in global fashion brands and domestic fashion brands

seen from how brand credibility drives consumer evaluation of Indonesian people. To narrow the scope of the research, the researcher specifies research on global and domestic fashion brands in emerging country contexts where this research model is replicated from a major journal that is interested in exploring how brand credibility affects customer evaluation. Furthermore, the environment of selection is significant in affecting consumer impressions of global and local fashion brands. As a result, this study focuses on brands that are evaluated by consumers, such as brand authenticity, perceived local iconness, and perceived brand globalness. Researchers conducted this study in Indonesia, with the criteria of respondents living in major cities such as Jakarta and other major cities. This research aims determine how the impact of brand credibility on evaluation by consumers in the context of emerging country, Indonesia.

1.2 Research Problem

In previous research, perceived brand globalness is the main focus due to globalization, this is because consumers in developing markets tend to select brands that are well-known on an international scale over local (Halkias et al., 2016). In this case, companies operating globally face pressure because the firm has come to represent the globe's cultural obsession with consumerism. (J. B. E. M. Steenkamp, 2019), while global companies face pressure from regionally considered prospects that predict consumer culture may improve (J. B. Steenkamp, 2019).

Global brands have dominated the Indonesian market in the past, especially global fashion brands. Indonesia is a distinct market with a diverse range of brands that should make it tough for global companies to penetrate. However, the Indonesian market has a willingness to accept foreign items. Furthermore, global brands that are marketed in Indonesia are well-accepted by Indonesian consumers, making global brands powerful.

The change affecting emerging economies is having a significant impact on marketing, presenting practitioners with both opportunities and challenges. The impact of entrepreneurship is increasingly relevant in developing countries as a result of their worldwide prominence and increased innovativeness (Atilla Öner & Kunday, 2016). According to Jakpat (2015) reports, global businesses are facing stiff competition from local brands, in this context developing markets provide exciting new opportunities for local brand expansion. Local brands believed they could compete with global brands because they perceived themselves to be in a better position than the global brand. Indonesians believe that their domestic brands understand their customers better, and hence they have a positive feeling about choosing domestic brands and products over multinational ones.

In this gap fashion problem, this research wants determine how the impact of brand credibility on evaluation by consumers of global and regional fashion brands in a developing market environment. To be more specific, The goal of this research is to critically assess global and domestic fashion brands based on brand platforms aimed at the Indonesian market. The study is based on a brand focus

method on global fashion brands and local fashion brands, which are utilized as a key to determine how much influence brand credibility has.

Furthermore, previous research is the first research to look at the perception of brand locality and globality as a brand credibility factor. The following study indicated that the work should include the moderating impact of many categories, therefore this study will employ fashion categories, which may further strengthen the current study's conclusions. Previous study was undertaken in the setting of India's emerging market; subsequent research should be conducted in other emerging markets. The context for this research is Indonesia's rising market.

1.3 Research Objective

As stated in research background, this study will include several research questions that will aid researchers in achieving their research objectives, including the following:

1. To identify whether the Brand Credibility positively affected to Purchase Intentions on global and domestic fashion brands in Indonesia.

2. To identify whether the Perceived Brand Globalness positively affected to Brand Credibility on global and domestic fashion brands in Indonesia.

3. To identify whether the Perceived Local Iconness positively affected to Brand Credibility on global and domestic fashion brands in Indonesia.

4. To identify whether the Brand Authenticity positively affected to Brand Credibility on global and domestic fashion brands in Indonesia.

5. To identify whether the Brand Credibility positively mediates relationship between Perceived Brand Globalness and Purchase Intention for global and domestic fashion brands in Indonesia.

6. To identify whether the Brand Credibility positively mediates relationship between Perceived Local Iconness and Purchase Intention for global and domestic fashion brands in Indonesia.

7. To identify whether the Brand Credibility positively mediates relationship between Perceived Brand Authenticity and Purchase Intention for global and domestic fashion brands in Indonesia.

1.4 Research Question

Following the description of the research objectives above, the following research question can be formed and explained :

1. Does Brand Credibility positively affect to Purchase Intention of global and domestic fashion brands in Indonesia?

2. Does Perceived Brand Globalness positively affected to Brand Credibility of global and domestic fashion brands in Indonesia?

3. Does Perceived Local Iconness positively affected to Brand Credibility of global and domestic fashion brands in Indonesia?

4. Does Brand Authenticity positively affected to Brand Credibility of global and domestic fashion brands in Indonesia?

5. Does Brand Credibility positively mediates relationship between Perceived Brand Globalness and Purchase Intention for global and domestic fashion brands in Indonesia?

6. Does Brand Credibility positively mediates relationship between Perceived Local Iconness and Purchase Intention for global and domestic fashion brands in Indonesia?

7. Does Brand Credibility positively mediates relationship between Perceived Brand Authenticity and Purchase Intention for global and domestic fashion brands in Indonesia?

1.5 Research Scope

The scope of this research is constrained by various conditions, including the following :

- This research includes the following discussions such as brand credibility, brand authenticity, perceived local iconness, perceived brand globalness, also purchase intention.

- This research is implemented in Indonesian people, who live in big cities like Jakarta, etc.

- This research's target are young consumers that are aged 15-35 years old, especially the consumers who use or own global or domestic fashion brand products.

● The global brand products discussed in this study such as Zara and for the domestic brand products that will be discussed in this study is LoveandFlair. These two brands will be tested.

1.6 Research Contribution

The researchers hope that this research will add to general or theoretical perspectives and practical implications that may be articulated, such as :

a. Theoretical Contribution

This research aimed to provide a theoretical contribution to international marketing theory by explaining and describing relation of the independent variable, brand credibility to the dependent variable namely customer evaluation, through a research design. Additionally, the aim of this research is to clarify the link between elements creating a strong relationship with global or domestic fashion brands. Therefore, this research is expected to be a reference for further research in the context of emerging markets.

b. Practical Contribution

It is expected that this research would contribute practically by making this research as a reference for marketers and worldwide brand managers as they implement marketing strategies. Additionally, the researchers expect that this research will contribute to and provide ideas or insights for marketers and brand

managers in order to produce a diverse range of high-quality products that allow consumers to freely choose a product and obtain what they want from a brand.

1.7 Research Outline

This research paper contains a systematic framework grouped into five chapters. The following will explain the contents of each chapter in this study :

a. CHAPTER I - INTRODUCTION

Chapter 1 (The introduction chapter) consists of seven sub-sections consisting of background of the research, research problem, research questions, research objectives, research scope, research contribution that include theoretical and practical contribution and also an research outline.

b. CHAPTER II - THEORETICAL BACKGROUND

Chapter II will describe all existing theoretical background and literature reviews about each variable that was used in this research, which will be obtained from textbooks, journals, and other sources. Followed by the research model and hypotheses and various factors related to the research questions posed.

c. CHAPTER III - RESEARCH METHODOLOGY

Chapter III consists of a research methodology that describes the type or method to test the connection between the variables. This chapter describes the

research design, measurement, unit analysis, sample design and sample size, data collection methods, and also applies pretest.

d. CHAPTER IV - DATA ANALYSIS AND DISCUSSION

Chapter IV (data analysis and discussion) presents the results of the research that has been carried out. This chapter discusses the analysis of the test results that have been obtained from the research that has been carried out. The test results were obtained from respondents using quantitative research methods and then the data were statistically examined. After that, the results are discussed and concluded.

e. CHAPTER V - CONCLUSIONS AND RECOMMENDATIONS

Chapter V (final chapter) examines conclusions and recommendations. This chapter will provide conclusions and recommendations that can be applied by the research object that has been studied and can close this research by providing insights, theoretical implications, managerial implications, research limitations, and recommendations for future research.