

CHAPTER I

INTRODUCTION

1.1 Background of the Study

In this current era of globalization, many things have changed rapidly. Not only technology that is moving forward among the year, but the fast-fashion industry is also growing each year. Fast Fashion is an industry that produces the cheapest and fastest fashion trend in the market. The fast-fashion industry has introduced its brands to the community and produced affordable and good-quality products. It is also possible that the company can make the new products several times in weeks or even months. This type of industry is also considered one of the most recognizable industries globally since big businesses like H&M, Zara, Pull & Bear, Mango, and Uniqlo dominate the fashion markets today. The popularity of each of the brands are also growing worldwide each year, and since it is a fast-fashion firm, clothes must be manufactured quicker than usual, so customers demand can be fulfilled and to keep the stock available in the stores as well as keep it up with the fashion trends that change rapidly.

In this era, big fashion companies are not only producing good quality clothes, but some companies are also looking at the fashion designs that are on-trend right now. These designs can influence customers to purchase the products, but some customers also look at both the quality and designs.

Besides those factors, fashion companies must be able to show the good and strong brand image of the company to influence customers' decision to purchase. Not to mention that companies must also be able to let customers know about the information of the products so customers can memorize it and purchase the products without hesitation. All this needs to be done so companies can reach the target market, and a good brand image and product knowledge will influence customers' purchase decisions in the future.

The growth of fast fashion in Indonesia has interested foreign businesses to expand their products in Indonesia. That's why Spanish company like Inditex-Zara has become one of the leading brands in Indonesia with the quality and image of the products. As one of the biggest international fast-fashion industries in Indonesia, Zara must compete with another brand such as H&M that is also field in the fast fashion industry. Zara must maintain its position in the market to compete with another brand, pushing Zara to create new clothing styles every week while still on-trend.

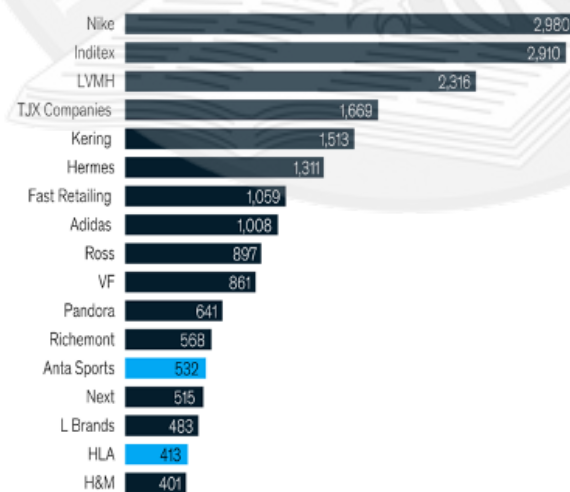


Figure 1. 1 Company Profit in \$million

Source: <https://www.mckinsey.com/industries/retail/our-insights/state-of-fashion>

The purchase decision is a behaviour that customers carry to decide on purchasing the item, goods, or even services. It is an action that customers will take to differentiate between the brand and choose which is the most preferred. Before deciding, customers must also consider the brand image and product knowledge of the products or services that customers will purchase.

Since customer purchase decision is important for every company, a fast-fashion company must focus on having a good brand image and delivering product knowledge to the customers to influence the customer's purchase decision. Brand image is one of the essential things that will affect the purchase decision since most customers who remember and trust the brand will purchase the products without hesitation. Companies that have a good and strong brand image can differentiate its image from competitors so customers can visualize it and understand more about the company. Brand image will influence the purchase decision, but product knowledge also plays an important role in the fast-fashion company. Product knowledge must be delivered to customers in detail so customers can understand more about the product and finally decide to purchase the product or not.

Both the brand image and product knowledge play essential roles in determining the customer's purchase decision. The research object of this research is Zara that is in Sun Plaza Medan Jl. KH. Zainul Arifin Medan. Zara sells various clothes collection that starts from categories of women, men, and children. Products such as blazers, t-shirt, dresses, skirts, blouses, jackets, knitwear, bags, shoes, and various other collection are available here. Also, to attract buyers, Zara implements a business strategy that limits the number of productions of its newest collection.

Customers will be interested in buying the limited quantities of the collection, and the collection itself always follows trends which makes Zara becomes one of the largest fashion brands.

But it turns out that Zara has been reported that the company suffered sales decreased due to the Covid-19 and the brand was also closing 1,200 of its stores. Writer has also done some research by asking some questions to customers of Zara in Sun Plaza Medan about what they think about Zara that is a fast fashion industry.

As the brand image and product knowledge will influence the customer's purchase decision, some of the problems mentioned below have influenced Zara's customer purchase decision. That is why in this research, Zara must deliver the brand image and product knowledge to customers to see whether customers are aware of the problem that occurs and will it influence the customer's purchase decision.

Consumers tend to have a positive perception of pioneer brands, the first brand in a product category, even though other brands appear (Suryoningsih et al., 2016). Brand Image plays an essential role in the customer's purchase decision. With a good brand image, the company can gain a positive advantage that will impact the company since it can increase customers' decision to purchase as well as customers satisfaction towards the brand. Putra & Ekawati (2017) argue that a strong brand image will provide a significant advantage for the company, such as creating a competitive advantage.

Zara is one of the most popular fast fashion companies in the world. It shows that the fast fashion industry is one of the most significant contributors to the

world's waste since the fashion life cycle changes every week and companies like Zara constantly respond and keep up with the changing fashion trends, which cause the company to produce new designs in the store every week. Zara only needs several weeks to create and launch the new items while it is still on-trend. Meanwhile, other clothing company needs several months. And due to the fast production of clothing, the environment is getting impacted since fashion production causes 10% of global carbon emissions, dry water sources, as well as more than 80% of textiles are getting thrown away each year. The fabric that are used for clothing will end up in the landfill or will get burned. Fast fashion companies like Zara knows that this is an issue that will influence customers' purchase decision. And it turns out that customers who are aware of this problem decided not to support Zara anymore by not purchasing its products since the fast-fashion company has been seen as the problematic sector industry. And for customers who care about the environment also thinks that what Zara did to make the production of the clothes faster than other companies is wrong since the environment is getting impact behind the fast-manufacturing production and as well as producing waste are piling up each year.

Another issue in Zara is that Zara has been trying to create more sustainable items in the clothing line called the Join Life movement. This clothing line claimed that the company's fabrics used are eco-friendly fabrics, produced using the best processes and sustainable raw materials. This shows that the company cares about the environment and is trying to boost its sustainability image.

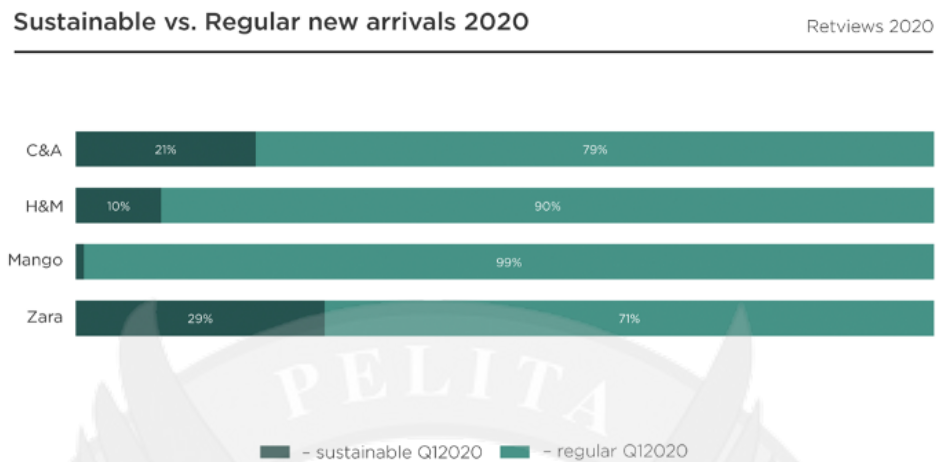


Figure 1. 2 Sustainable vs Regular New Arrivals 2020

Source: <https://retviews.com/blog/industry/sustainable-fashion-uniqlo-hm-zara/>

But from the data above, it shows that the company is using greenwashing tactics to make it seem like the company is environmentally conscious. Meanwhile, there is still no evidence of minimizing textile waste while manufacturing its product. In 2020, Zara only produced 29% of sustainable items; meanwhile the other 71% are regular products. As Zara is a fast-fashion company that releases new designs every week while it takes months for most fashion retailers, it will be hard for Zara to be existentially sustainable. In contrast, the company still depends on the considerable mass trend consumption. And from the research that the writer has done, customers who realized that Zara only uses the sustainability image to make the company look good in public decided not to support Zara anymore by switching to other brands, which means that it impacts the customer purchase decision.

There are several mature companies that operate in the same business sector/industries, which causes Zara is facing a tight competition in the market.

Table 1. 1 List of Competitors in Medan

No.	Competitor's Name	Year Established
1.	Mango	2010
2.	H&M	2014
3.	Uniqlo	2018
4.	Pull&Bear	2020

Source: Prepared by writer (2021)

In the table above, it shows that the company has various of competitors in Medan who are also experienced and operate in the same business sector. This will make Zara become more competitive since the competitors' company will have the same goals as Zara.

Meanwhile, compared to Zara's competitors, Uniqlo, it turns out that Uniqlo is far more stands out from Zara because Uniqlo is focusing on the quality of the products rather than focusing on the quantity of the products.

**Figure 1. 3 Number of products available in Uniqlo and Zara**

Source: <https://retviews.com/blog/focus/uniqlo-competitors/>

The picture above shows that Uniqlo only produces 1.960 items. Meanwhile, Zara produces almost four times more than Uniqlo. Even though Uniqlo produces far fewer design than Zara, the model that Uniqlo produces is far

more sustainable. Uniqlo understands that sustainability is more critical to customers nowadays, influencing customers to purchase more in Uniqlo rather than Zara. This has improved the brand image of Uniqlo since the company understands the problem that occurs and listens to what customers want. Customers who are concerned about the environment think that it is a great decision to purchase more products in Uniqlo rather than Zara. This issue has made Zara's customers switch to its competitors since Zara didn't try to solve the problems.

Product knowledge can be summed up as information or knowledge of the sales which is transferred to the customers about a product must be related to product involvement which can be inferred its definition as all of the elements contained in the product, such as in particular products with high prices can be involved into customer's life so that the consumer can maintain the confidence of the product because every aspect in the product is involved very well in the life of the consumer (Tamboto & Pangemanan, 2019).

Product knowledge also plays an essential role in influencing customers' purchase decisions. Customers need to know the characteristics and information of the products before purchasing them. If there is no information or misunderstanding information about the products, customers might make a wrong decision while purchasing them. For customers to understand the product knowledge of the product accurately, the company must convey the information that is related to the products, such as materials, product advantage, etc by promoting or advertising it on social media or other platforms (KANDEMİR et al., 2019).

For the product knowledge, some customers complained that Zara didn't give enough information about the products, which causes customers to feel confused about the products. Zara didn't provide enough information about each of the clothes, such as sizing measurements and where customers can wear the clothes. Zara doesn't provide exact measuring sizes like the centimetres of the waist for these clothes. Some customers also complained that they don't know on what occasion where they can wear the clothes. This problem makes customers feel confused and makes it hard for customers to decide whether to purchase the clothes or not.

Another issue is that fast fashion companies like Zara can produce and sell clothes that look the same as luxury brands because there is no copyright protection for fashion design. Zara copies other designs and sells them at a cheaper price which allows customers to have the same design clothes as the luxury designs without paying it for extra money. This will make Zara look like the company that always copies other designs and doesn't have its own original design. Customers who purchase Zara clothes will not get original designs from Zara, but instead, it is a copy of designs from other luxury designs. The customer that also realizes that Zara only copies different luxury design rather than creating its own design also impact the purchase decision since some customers feel like Zara's product doesn't have an identical design.

Compared to H&M, Zara is well known that the quality of the clothes is better than H&M. But behind that, Zara clothes are made from fabrics that can ruin the planet. Most of the fast-fashion fabrics consist of polyester, nylon, spandex, and

acrylics. And these synthetic materials are worse since it uses almost 342 barrels of oil a year. According to Quantis International (2018), the three main drivers of the industry's global pollution impacts are dyeing and finishing (36%), yarn preparation (28%), and fibre production (15%). It also dries up water sources as well as pollutes streams and rivers. All this manufacturing process must use a lot of toxic chemicals and which in the end, the clothes will get dumped. Behind the operation of the fast-manufacturing products, fast-fashion companies also exploit overseas workers to maximize profits. Customers that are aware that Zara only uses less than 20% natural fabrics for its clothes feel disappointed since most of the materials that are used are polyester, and the impact of polyester on the planet is dangerous. For customers who are concerned about the environment decided not to purchase Zara clothes anymore. These issues have become a big problem since customers didn't want to purchase Zara's products.

Based on the background of the research explanation above, not only does brand image matter in the customer's purchase decision, but product knowledge also plays a massive part in the purchase decision. The company must pay attention to all these issues so customers will not hesitate to purchase the products. The company should also analyse several factors that will influence the customer's purchase decision. Therefore, this research will be entitled **“The Effect of Brand Image and Product Knowledge towards Customer Purchase Decision at Zara Sun Plaza Medan.”**

1.2 Problem Limitation

Based on the background research above, there will be some problem limitations that will be discussed in this research which are:

1. This research will focus on two independent variables, which are Brand Image (X_1) and Product Knowledge (X_2), along with one dependent variable, which is Customer's Decision Purchase (Y).
2. This research study will be focusing on the customers of Zara in Sun Plaza Medan.
3. This research will be conducted using a questionnaire that will be sent to Zara's customers in Medan that have purchased any products in Zara Sun Plaza Medan.

1.3 Problem Formulation

Based on the background of the study and the explanation that has been described above, below are the problem formulation of the problem for this research study are as follows:

1. Do brand image and product knowledge effect the decision purchase of Zara's Sun Plaza Medan customers?
2. Does brand image effect the purchase decision of Zara's Sun Plaza Medan customers?
3. Does product knowledge effect the purchase decision of Zara's Sun Plaza Medan customers?

1.4 Objective of the Research

Based on the problems above, the main objective of this research will be described below:

1. To examine if both brand image and product knowledge will influence the customer's purchase decision at Zara Sun Plaza Medan.
2. To examine if the brand image influences the customer's purchase decision at Zara Sun Plaza Medan.
3. To examine if the product knowledge influences the customer's purchase decision at Zara Sun Plaza Medan.

1.5 Practical Benefit

1.5.1 Theoretical Benefit

This research will observe and examine the effect of brand image and product knowledge that will affect Zara's customer purchase decision and will gain a better understanding of the fast fashion industry and the relationship of the independent variable towards its dependent variable.

1.5.2 Practical Benefit

Below are the practical benefits of this research:

1. For Company

This research is expected to give more information to Zara and give solutions to the company to improve its brand image and product knowledge that can affect the customer's decision purchase.

2. For Writer

This research can gain a better understanding and insight into the effect of brand image and product knowledge on customers' purchase decisions at Zara Sun Plaza Medan.

3. For Other Writer

This study research is expected to help other writers and can be used as a reference for a future writer. It can also help to gain insight into the theory of this research variable and learn the purchase decision of customers.

