

# CHAPTER I

## INTRODUCTION

### 1.1 Background of The Study

As the industrial world becomes more competitive, numerous organizations attempt to gain competitive advantages through various methods in order to survive in the current competitive market. Many businesses are developing and expanding their operations internationally in this era of globalization. Companies have been selling their products across the world for a variety of reasons. Many companies have discovered that once the domestic market has matured, foreign markets represent the most essential opportunity for the company's future survival. This reality has prompted them to broaden their horizons and seek new customers all around the world. However, as competition becomes more intense, these businesses face a new issue. Companies will compete to attract clients who will buy their products. Therefore, marketers in this firm should be able to implement marketing tactics that will attract customers. However, to develop an efficient strategy, marketers must first comprehend the purchasing habits of customers in each country.

This research will be conducted in Uniqlo Sun Plaza which is a company that operated in fashion retail which same as Zara and H&M. Tadashi Yanai is the owner of Uniqlo since 1988 which he started from inherited about 22 men's tailor shops from his father. In last 2018, Uniqlo was in the third position globally as a fast-fashion retailer with high sales. Uniqlo sales reached 19.6 billion US dollars.

While the other two competitors, namely Zara and H&M, sales reached 20.1 billion US dollars (Zara, Spain) and 21.7 billion US dollars (H&M, Sweden). All parties involved must be lucrative for the system to be sustainable. Sensible indicates that when unfavorable events occur, we must resolve them in a reasonable and friendly manner with the other parties. In total this company is spread around 21 countries including America, Europe, and Asia with total of more than 2.000 stores headquartered in Japan. Meanwhile, Uniqlo's global production centers are in Jakarta, Ho Chi Minh, Dhaka, Istanbul, and Shanghai.

As Uniqlo keep on expanding in the world, it happens in Indonesia as well. According to Putri (2022), nowadays per 2022 April, Uniqlo has 39 stores in Indonesia can be founded in malls throughout Indonesia such as Medan, Jakarta, Surabaya, Yogyakarta, Samarinda, Bogor, Lombok, and Bali. Usually, Uniqlo retargeting big city because of the habits of the population and match with the price of the clothes itself. As the cheaper price of shirt can be found in Uniqlo is Rp 149.000, that's why it is perfect to build store in big city because it matches on population earning too.

However, when the pandemic hits globally it effected the sales of Uniqlo as a whole. The employee of Uniqlo Sun Plaza has mentioned, based on the short chat with one of the employees while looking for an apparel, that since pandemic the sales of Uniqlo Sun Plaza has decrease which shown that the visitor is lessen. Employee of Uniqlo Sun Plaza assumed that this could happen because the lack of promotion which only on the big day of festive in Indonesia. Since the price of Uniqlo Sun Plaza as basic shirt is expensive, thus the target market is only for

middle high people in Medan. Since the minimum wage of Medanese is low while comparing to the expense if consuming Uniqlo Sun Plaza's basic shirt, thus it's another reasons why the sales decrease over the time if there are no promotion occurs. To have a better insight about how the sales of Uniqlo is decreasing, the author attached a financial table below:

**Table 1.1 Uniqlo's Revenue in 2019 and 2020**

	31 August 2019		31 August 2020	
	Revenue (Millions of yen)	Percent of Total (%)	Revenue (Millions of yen)	Percent of Total (%)
Japan	<b>872,957</b>	<b>38.1</b>	<b>806,887</b>	<b>40.2</b>
Greater China	<b>502,565</b>	<b>21.9</b>	<b>455,986</b>	<b>22.7</b>
Other Parts of Asia & Oceania	<b>306,510</b>	<b>13.4</b>	<b>204,537</b>	<b>10.2</b>
North America & Europe	<b>216,956</b>	<b>9.5</b>	<b>183,412</b>	<b>9.1</b>
Uniqlo (China, Asia & Oceania, North America & Europe)	<b>1,898,990</b>	<b>82.9</b>	<b>1,650,825</b>	<b>82.2</b>
GU (Japan)	<b>238,741</b>	<b>10.4</b>	<b>246,091</b>	<b>12.3</b>
Global Brands (North America, Europe, Japan)	<b>149,939</b>	<b>6.5</b>	<b>109,633</b>	<b>5.5</b>
Others (Real estate leasing operations)	<b>2,877</b>	<b>0.1</b>	<b>2,295</b>	<b>0.1</b>
Total	<b>2,290,548</b>	<b>100.0</b>	<b>2,008,846</b>	<b>100.0</b>

Source: Fast Retailing (2020)

From the table above, writer would like to compare with ZARA as a retail brand that success to decrease their sales within the same time range as above. Besides the total sales, writer would also like to compare how often product innovation and promotion occurs by ZARA in within a year. By showcasing the table below, hopefully will give a clear eyesight about why writer want to do research on Uniqlo Sun Plaza.

**Table 1.2 Comparison between Uniqlo and Zara**

	<b>Uniqlo</b>	<b>ZARA</b>
Revenue per 31 August 2019	2,290,548	2,547,083
Percentage per 31 August 2019	100.0	100.0
Revenue per 31 August 2020	2,008,846	2,899,637
Percentage per 31 August 2020	100.0	100.0
Frequency of product innovation in a year	2 times a year	Every 4-6 weeks
Frequency of promotion held in a year	4 times a year	Every 3 months

Source: Fast Retailing (2020)

Since the pandemic which effecting people financially, thus people will spend their money on apparel if it's very needed and find alternatives in cheaper price. Besides of pandemic, there will also another effect due to the decreasing sales throughout the year. From the author hypothesis, there are two things effecting the decreasing sales which are product innovation and promotion. But to prove are those both effecting the sales, the author will be conducting this research with quantitative method to get an actual data.

Product innovation can be defined as the creation of new products, revisions to existing product designs, or the incorporation of novel techniques and procedures into existing manufacturing methods. To put it differently, product innovation focuses on existing markets for existing products, distinguishing itself through previously unavailable features and functions. Internally, it is determined by the company's knowledge, capabilities, resources, and technologies, whereas externally, it is determined by the demands of customers and the owners' expectations of the company's product. It is very important for a company to choose the right promotion as a promotion can affect the consumer decision-

making process for new products. The promotional activities not only inform consumers about the new product and its features, but they also persuade them to buy it. According to Indeed (2021), Product promotion is the process of marketing a new or featured item or service to consumers. It is a set of strategies used to draw attention to a brand and a specific product when it is first introduced to the market or when a company decides to highlight it after it has been manufactured.

According to Johnston (2017), the customer purchase decision illustrates the steps a consumer takes before purchasing a product from you. Understanding your customers' purchasing process is critical not just for your salespeople, but also for you to align your sales strategy. Based on what Juliana (2020) mentioned on Google Review, that the clothes are just an average shirt, especially since it's cold winter abroad, but it's hot in Indonesia the clothes that are currently sold are all winter clothes. Even so, Uniqlo has innovated several technology clothes like Heattech and AIRism, also collaborating with several designers like Alexander Wang and many more. From writer's observation herself, it takes quite some time for Uniqlo to come up with new product innovation, different from Zara or H&M as competitors that the intensity of product innovation is more frequent which every four or six weeks, meanwhile Uniqlo Sun Plaza only comes out four times in a year based on the weather. With less frequent product innovation, customers that are coming to Uniqlo Sun Plaza couldn't find something new to add his/to her collection. Since Uniqlo is known as selling basic style of shirt and pants, but nevertheless customer will still be looking for something different in terms of design. Besides design, the color options also limited which mostly white, black,

navy blue, and cream. Meanwhile every year in fashion always has “color of the year” like light blue, light pink, and others. Thus, they have broadened target market. Uniqlo Sun Plaza should add more color in every set of shirts to add options and innovation to get more attention in the market. Because the products will remain the same for months, it could cause customers not interested to visit Uniqlo Sun Plaza unless there is something necessary like work shirt or something formal casual shirt that want to buy. Not to mention nowadays there are more local brands, like Alowalo, that sell basic t-shirt like Uniqlo’s. This would make people shift to the local brand because more affordable.

Besides of slowness in product innovation, Uniqlo Sun Plaza also has a minim promotion. According to Javier (2020) and Ivan (2020), mentioned that the clothes are expensive, and prices in the store are different from the price information in the member application. Prices at Uniqlo Sun Plaza are more expensive. Since the lowest prices of Uniqlo apparel are above Rp 100.000, and the minimum wage in Medan is Rp 3.370.675 (Prima, 2022), then it is reasonable why Uniqlo Sun Plaza is categorized as pricey with basic apparel that might get with the same model in another store with cheaper price. Besides of the imbalance between income and expenses, the advertisement in social media (online) or offline (promotion in the store) is very low. The promotion itself only can be seen from Uniqlo’s Instagram page and not brochure or banner. Thus, those who doesn’t have Instagram account or not following its page will never know if there’s a promotion unless come to the store right away. Can be seen that from Uniqlo’s Instagram page that the promotion only has very big festive like

Christmas, Hari Raya, and Chinese New Year. In total, the promotion held in Uniqlo Sun Plaza only about three or four times. In contrast, brand like Zara can held promotion in store more than four times because not only has seasonal promotion but also clearance sale every four months. Since there is lack of promotion that's why the sales of Uniqlo Sun Plaza increase when there's a promotion because, the discount is huge where almost Rp 100.000 in selection piece. Because of this, Uniqlo Sun Plaza should implement promotions more often to attract buyers and broaden the target market to increase sales.

After discussing about product innovation and promotion in Uniqlo Sun Plaza, the author will discuss about customer purchase decision too. After looking at how the product innovative and promotion held in Uniqlo Sun Plaza, the author can evaluate that no wonder the customer purchase decision getting lower. The sales of Uniqlo Sun Plaza have lost to other brands, namely H&M or local brand, due to lack of product innovation before the pandemic. And the sales keep on decreasing since pandemic based on the table above. It is because the product innovation compared to Zara and H&M is low where Uniqlo Sun Plaza launched new product in rage four to six times a year, meanwhile Zara and H&M once in four to six weeks. The other reason is with basic shirt like what Uniqlo Sun Plaza sell can also be found in local brand like Alowalo or others with lower price. With these reasons, customer has bigger chance to shift to other brands especially in pandemic that people prefer online shopping with cheaper price and no shipping fee if possible. Although Uniqlo also provide online shipping, but there is no free shipping, and the price will be more expensive in accumulate. Hence, no wonder

the customer purchasing on pandemic is decreasing like according to the statement of Uniqlo Sun Plaza's employee.

Therefore, through this research, the author will do research on how to solve the problem by understanding what exactly their customer needs and wants. This research is followed by the title "**The Influence of Product Innovation and Promotion towards Customer Purchase Decision in Uniqlo Sun Plaza**".

### **1.2 Problem Limitation**

According to the research, the independent variable will be Product Innovation and Promotion, meanwhile, the dependent variable is the Customer Purchase Decision of the company. The indicators which can be found to prove the hypothesis are relative advantage, compatibility, complexity, trialability, dan observability for product innovation variable. Coupons, Rebates, Price Packs, Cashbacks, and Continuity Program. For promotion variable. Meanwhile Product Selection, Purchase Time, Purchase Amount, and Payment Method are Customer Purchase Decision's variable. In doing this research, the author will be surveyed by distributing questionnaires to random customers at Uniqlo Sun Plaza.

### **1.3 Problem Formulation**

The problem formulation that will be examined in this research are as follow:

1. Are product innovations influence the customer purchase decision at Uniqlo Sun Plaza?
2. Is promotion influenced the customer purchase decision at Uniqlo Sun Plaza?
3. Are product innovations and promotion influence customer purchase decision at Uniqlo Sun Plaza

#### **1.4 Objective of the Research**

The purpose of the research is:

1. To analyze whether product innovation effect customer purchase decision at Uniqlo Sun Plaza
2. To analyze whether promotion effects customer purchase decision at Uniqlo Sun Plaza
3. To analyze whether product innovation and promotion in combine will influence customer purchase decision at Uniqlo Sun Plaza

#### **1.5 Benefit of the Research**

After knowing the objective of this research, now the author will continue with the benefit of the research. Which are:

##### **1.5.1 Theoretical Benefit**

The author believes this research will help on showcasing whether product innovation and promotion could increase the product purchased at Uniqlo Sun Plaza. This could show that if these have positive correlation, then company should take consideration to apply this in order to increase sales.

##### **1.5.2 Practical Benefit**

1. For the company

The research can help the company to collect research on how to increase customer purchase decision from their product innovation or promotion

2. For the Writer

The author as researcher will get a chance for more experience in doing the research. In addition, author will get more knowledge about product innovation, promotion, and customer purchase decision.

3. For another Researcher

The other researcher can have this research as he or her guidelines while doing research, especially when discussing about product innovation, promotion, and customer purchase decision.

