

CHAPTER I

INTRODUCTION

1.1 Research Background

Globalization, which is currently taking place on a global scale, has an impact on every industry. As an industry grows, it gives consumers a wider range of items, not just those made in their own country but also those made in a wide range of other nations, including products originating from different geographies and cultures. In the present era, customers in developing nations can more easily obtain products from overseas and may even prefer international brands to locally created ones.

The Indonesian economy, where the fashion sector appears to be the second-largest contributor to the GDP of the creative economy, is affected by the fashion industry's rapid expansion, which is driven by a number of causes and the rising demand every year. In 2022, projects that Indonesia's fashion industry is projected to generate US\$9.30 billion in revenue, with a US\$312.20 billion market (Statista, 2022). The Indonesian industry's user penetration for the fashion segment is projected to be 31.6% in 2022 and reach 40.8% by the end of 2025. By 2025, it is anticipated that the market would generate US\$10.53 billion in sales, with a CAGR of up to 4.23%.

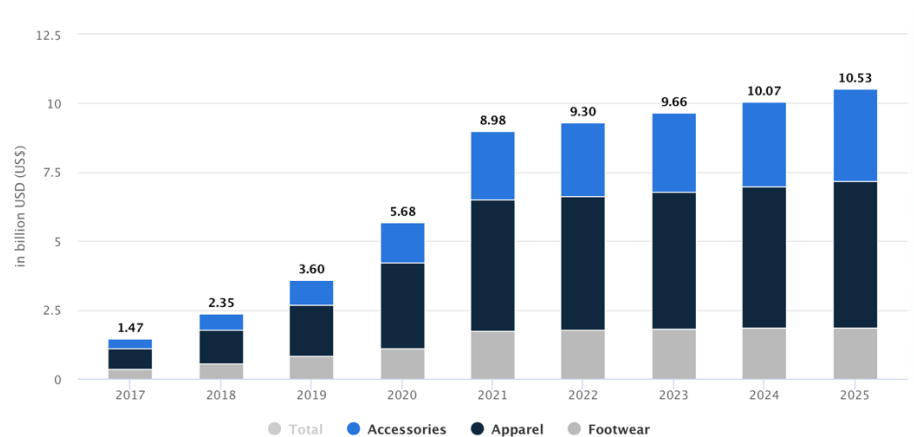


Figure 1.1 Revenue in The Fashion Industry in Indonesia
Source: (Statista, 2022)

China and South Korea are the two countries where Indonesia's fashion sector generates the greatest money, according to (Statista, 2022). The majority of the country's fashion sector is still dominated by imported goods, and because of this, there is not enough room for local fashion to grow rapidly. Due to the significant demand for apparel with western influences on the Indonesian consumer market as well as shifting cultural norms, the global fashion brand also contributes significantly to market share in Indonesia (Wahyu Ardhia & Mayangsari, 2020). There are several global fashion brands that are available in Indonesia, including H&M, Zara, Bershka, Nike, and Adidas. It is undeniable that competition with foreign brands cannot be avoided, both internationally and even locally, despite the fact that it is a local fashion business.

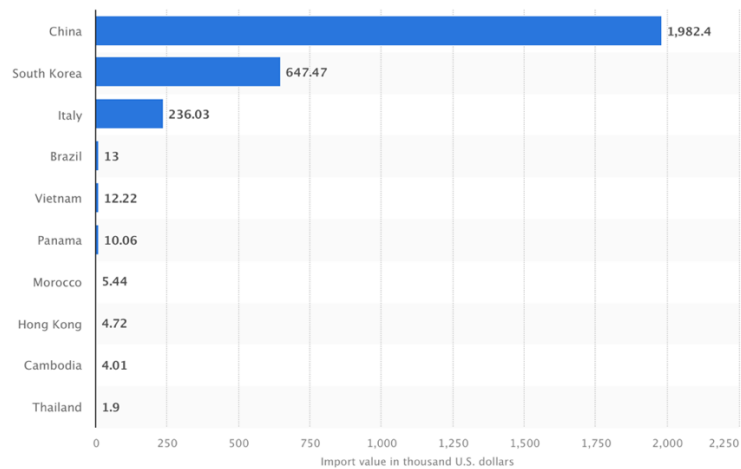


Figure 1.2 Imported Fashion Product Value in Indonesia
Source: (Statista, 2022)

However, Indonesians started to see their own nation's potential, resulting in the number of local businesses that started to appear, especially in the creative industry. The number of local fashion brands in Indonesia keeps on growing and based on the report of the Creative Economy Statistics 2020 (Kemenparekraf, 2020), in 2020, 1,230,988 of the 8,203,826 local brands in the creative economy are from the fashion industry. The fashion industry is the greatest contributor to Creative Economy exports in Indonesia, accounting for 15% of the country's total Creative Economy. Kemenparekraf, (2020) define fashion as: "Lifestyle in appearance that reflects self or group identity", as fashion expresses style or behavior, it is not just about clothing or accessories. Therefore, this study was conducted to look at the perspectives of consumer ethnocentrism, cultural sensitivity, and demographic characteristics that exist in Indonesia and their influence on consumer attitudes toward local fashion brands in Indonesia.

Provinsi	Jumlah
1. Arsitektur	5.740
2. Desain Interior	798
3. DKV	616
4. Desain Produk	3.367
5. Film, Animasi dan Video	2.418
6. Fotografi	40.436
7. Kriya	1.194.509
8. Kuliner	5.550.960
9. Musik	34.242
10. Fashion	1.230.988
11. Aplikasi dan Game	12.441
12. Penerbitan	83.496
13. Periklanan	3.055
14. Televisi dan Radio	3.944
15. Seni Pertunjukan	19.772
16. Seni Rupa	17.044
Total	8.203.826

Figure 1.3 Distribution of Creative Business Units by Subsector
Source: (Kemenparekraf, 2020)

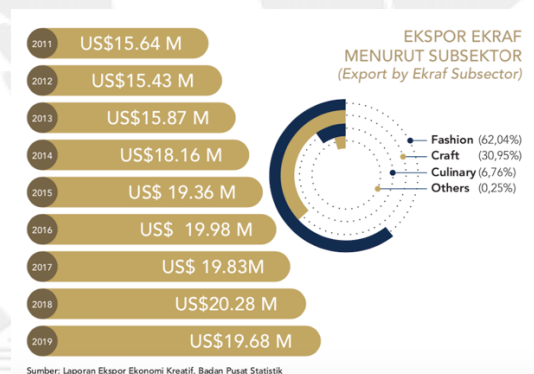


Figure 1.4 Export by Creative Economy Subsector in Indonesia
Source: (Kemenparekraf, 2020)

One of the earliest theories to explain consumers' preferences for local brands is consumer ethnocentrism (Balabanis et al., 2019). A prosocial idea known as consumer ethnocentrism examines the morality and propriety of purchasing goods from other countries. However, each nation has a unique culture and set of traits that might influence how its citizens see a certain brand or how

customers perceive imported versus domestic brands. Although a variety of factors may have an impact, researchers generally concur that CE has a disproportionate influence on customers' behavioral responses to goods. According to research by (Purwanto, 2016), Indonesian consumers have a high level of consumer ethnocentrism when compared to those in the US, UK, Australia, Russia, China, Japan, and many more. According to the findings of this study also, consumer ethnocentrism affects how Indonesians see existing local brands. Therefore, this study was conducted to test the relationship between consumer ethnocentrism in Indonesia and consumer attitudes toward local fashion brands in Indonesia.

The next fascinating topic to learn regarding understanding, knowledge, and acceptance of various cultural beliefs is cultural sensitivity. Cultural sensitivity is a sign of a sincere appreciation for and knowledge of other cultures. Culture sensitivity is still a topic that is largely unexplored, despite the fact that it is now frequently referenced in marketing literature. In fact, it's possible that cultural sensitivity will have a significant impact on how buyers feel about goods made locally. A person's perception of a product's value and physical appearance might be influenced by his or her sensitivity to culture and awareness of the various cultures that exist in this world. The majority of empirical studies have not taken into account how, in developing nations, cultural sensitivity affects consumer attitudes. The research will next be conducted to attempt to ascertain the degree of CS in Indonesia and comprehend the connection between cultural sensitivity and consumer attitudes using the information gathered by researcher.

In order to better understand areas that have not previously been explored, this study looked at how consumer attitudes toward locally manufactured fashion brands varied by CE and CS in Indonesia, one of the emerging countries in Asia. The degree of consumer ethnocentrism can be influenced by demographic features and can have various effects for different consumer groups, according to research by (Muhari & Nuryanto, 2022), who divided groups based on age, gender, and income. And according to research by (Rambocas and Mahabir, 2021), the results demonstrate that consumer opinions toward regional fashion companies are influenced by differences in the CS-CA connection by age, gender, and income. The purpose of this study, which was conducted in the Indonesia area case study, was to examine the moderation of the demographic characteristics especially gender between the independent variable (CE-CS) and the dependent variable (CA).

1.2 Problem Statement

One of Indonesia's most promising industries, the fashion sector is anticipated to increase over the coming years based on the data presented above. However, looking at market share data for the Indonesian fashion sector presents challenges because the country's market is still dominated by imported goods, particularly those from China and Korea, as well as by global fashion brands that are found across many shopping malls. It is undeniable that competition with foreign brands cannot be avoided, both internationally and even locally, despite the fact that it is a local fashion business. Despite the fact that imported goods still account for the majority of the market in Indonesia, local fashion businesses are

growing as a result of rising consumer demand. Consumer ethnocentrism, cultural sensitivity, and demographic characteristics are estimated to have an influence on consumer attitudes toward local fashion brands. Rambocas and Mahabir (2021) has previously conducted the same research using the same variables on research subjects in Trinidad and Tobago whose local fashion brands is also expanding. This study was designed to test whether the same thing would occur if the research subject were in Indonesia.

1.3 Research Questions

1. Is there a positive relationship between Consumer Ethnocentrism (CE) and Consumer Attitudes (CA) toward local fashion brands in Indonesia?
2. Is there a positive relationship between Cultural Sensitivity (CS) and Consumer Attitudes (CA) toward local fashion brands in Indonesia?
3. Is there a moderating effect of Demographic Characteristics (Gender) between Consumer Ethnocentrism (CE) and Consumer Attitudes (CA) toward local fashion brands in Indonesia?
4. Is there a moderating effect of Demographic Characteristics (Gender) between Cultural Sensitivity (CS) and Consumer Attitudes (CA) toward local fashion brands in Indonesia?

1.4 Research Objectives

1. To test whether Consumer Ethnocentrism (CE) positively affects Consumer Attitudes (CA) toward local fashion brands in Indonesia.
2. To test whether Cultural Sensitivity (CS) positively affects Consumer Attitudes (CA) toward local fashion brands in Indonesia.
3. To test whether Demographic Characteristics (Gender) is moderating the relationship between Consumer Ethnocentrism (CE) and Consumer Attitudes (CA) toward local fashion brands in Indonesia
4. To test whether Demographic Characteristics (Gender) is moderating the relationship between Cultural Sensitivity (CS) and Consumer Attitudes (CA) toward local fashion brands in Indonesia.

1.5 Significance of the Study

1.5.1 To the Researchers

Researcher hopes that this study will help in their understanding of the elements that affect Indonesian consumer attitudes toward local brands and the connections between consumer ethnocentrism, cultural sensitivity, demographic characteristics, and attitudes toward local brands.

1.5.2 To Future Researchers

For the next researcher who will do research on a related subject—in this case, the consumer attitudes toward local fashion brands in Indonesia—this study is anticipated to be a trustworthy and helpful source.

1.5.3 To the Marketers

The study's findings are expected to assist local and international marketers when developing suitable marketing strategies or when making necessary adjustments to their strategies to better suit the target audiences. Local marketers may also benefit from the study's findings by promoting their brands domestically.

1.6 Organization of the Study

CHAPTER I: INTRODUCTION

This chapter includes the background, problem statement, research problem, research objectives, significance of the study, and organization of the study (thesis outline).

CHAPTER II: LITERATURE REVIEW

This chapter includes an overview of the theories, variables, and conceptual frameworks that have been used to approach the research problem and its underlying hypothesis.

CHAPTER III: RESEARCH METHOD

This chapter includes the description about the analytical methods used in the research along with the data and data sources.

CHAPTER IV: DISCUSSION AND ANALYSIS

This chapter presents the findings of data analysis, including the conclusions of statistical calculations of the relationships between each variable and the testing of hypotheses.

CHAPTER V: CONCLUSION AND SUGGESTION

This chapter includes the research conclusions, its implication, research limitations, and directions for future research.