

CHAPTER I

INTRODUCTION

1.1 Background

Clothing has become an essential in society. since the early civilization, Clothing has been primarily introduced and exist to give protection and give us some coverage to our human body, the protection that is given from clothing is to keep us warm and dry. However primitive clothing gave minimal protection to its user, primitive clothing usually consisted of only using leaves and leather from animal skins as their primary material for protection, these type of material barely protection from cold weather or even the heat wave from the sun (Aishwariya, 2020).

One of the earliest hypotheses is the so-called humility/shame theory, also known as the fig leaf theory. This theory is based on the biblical story of creation. In Genesis, Adam and Eve, the first humans, found themselves naked after eating apples from the Tree of Knowledge. Ashamed of their nakedness, they made clothes from fig leaves. Until the 19th century, most Europeans and Americans believed that people wore clothes primarily for reasons of modesty (OLADIPO, 2016).

As time progresses, the function of clothing is not the same as it originally intended, there are more factors and functionality of clothing that can be given to its wearers. One of the functions of clothing is a tool for communications, clothing can define a human age, gender, social class, and school affiliation (Boomsma et

al., 2020). Our identity is constructed in our interaction with the clothes we wear and in our perceptions and experiences of the world around us. How people perceive us and how they interact with us further influences our self-esteem based on that perception.

Identification is another tool that functions in differentiating boundaries between certain people in their own society, clothing creates and reveals value society and its culture (Akdemir, 2018). These identities value is presented through fashion and clothing since ancient civilization, this phenomenon will certainly continue in the present times and in the future (Akdemir, 2018).

Society is created by merging large amounts of social classes which including: race, ethnicity, gender, age, region, language, caste, wealth etc, each classes have their own respectable power and position among them (Hogg et al., 2004). Clothing can act as a border on certain social classes, the social classes phenomenon could be seen in Ancient Rome, since B.C 509-476 a certain type clothing is invented that representation of the Ancient Rome, this clothing was called “Toga” (Akdemir, 2018). We can see that the clothes have always been used to distinguish between the powerful and the weak in the history of costume. If we look at the Ancient Egypt, we can notice that the clothing style from pharaoh to commoners had changed. the relative simplicity of Egyptian costume, “costume served to delineate social class”. “Oftentimes, the adornment of jewellery and clothing of superior material marked one’s superior status; the lack thereof marked the relative inferiority of one’s position” (Akdemir, 2018).

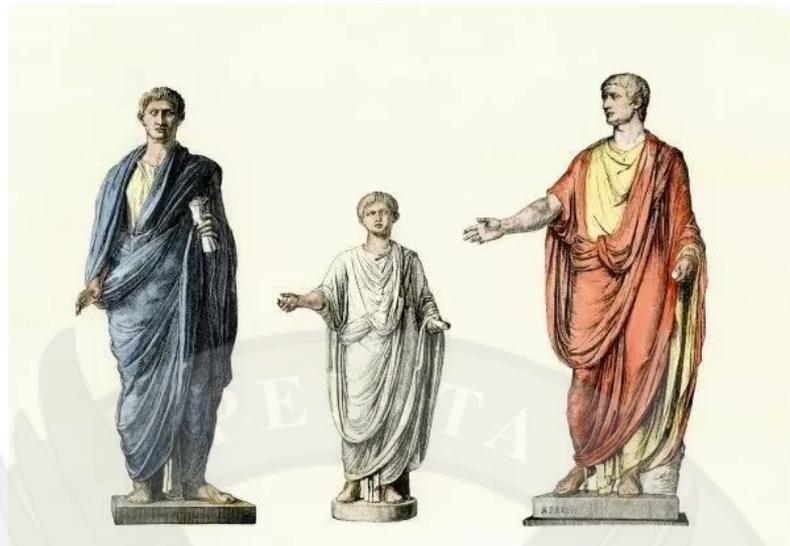


Figure 1. 1 old civilization wearing toga

Source: www.northwindprints.com

The evidence continues in Europe, Silk was a very expensive and precious fabric that need long enduring process to make a single clothing, because of this silk was only made for important people such as royal family members (Akdemir, 2018).

The development of fashion keeps on progressing and the whole world included in this development, every human being is included, especially the woman. Clothing gives comfort to its wearer, meanwhile still giving adjustments based on the wearer habits and laws surrounding their community (Barnard, 2002).

These developments have spread across the world including in Indonesia, the growth of fashion development accompanied by economy globalization and capitalism transformations. The results of economic growth created shopping centre that included all kinds of industry including fashion industry. The fashion industry

growth in Indonesia through colonialism in 1900's, the growth comes from media marketing from magazine that is publish outside the country, that got spread in Indonesia. The magazines model doesn't fit the lifestyle that is in Indonesia, the model that is presented in the magazines only fit for middle to upper classes. Likewise as the development of fashion industry exclusively for the youth through magazines, this marketing affected the youths from the youth culture, youths culture created from the youths desired to seek their own identity, getting recognise from others, and building self-image. This phenomenon is making a breakthrough in developed countries such as Japan, Spain, and Sweden. Through the rapid evolvement of fashion industry, the competition in the fashion industry are very competitive, in order to be profitable in the industry must take on the "speed to market" approach system (Christopher et al., 2004).

Fast fashion is a business strategy created to gain competitive advantage, this business strategy thrive to get brand new fashion styles and apparel within the shortest possible time to get in the store, Fashion industry retailers such as Zara, H&M currently using this business strategy. The main goal of using *Fast fashion* as business strategy is to produce the most updated style of fashion and delivered them to the customer as soon as possible (Bhardwaj & Fairhurst, 2010). In summary *fast fashion* is a business model that are mass produced, delivered to the customer as fast as possible, and the shorter lifecycle of the clothings. *Fast fashion* also growing in developing countries such as Indonesia, certain *fast fashion* retail brands like Zara (Spain), H&M (Sweden), and Uniqlo (Japan) has been successful penetrating Indonesian market (Kadek Yuni Diantari, 2021).

Amancio Ortega Gaona, born in Galicia, he created housecoat manufacturing in the year of 1963. The first retail ZARA store is created in the year of 1975, in La Coruña. In the year 1985, Inditex has making it official as the parent brand of ZARA. In the year 2005, ZARA has officially opened its first retail store in Indonesia through PT. Mitra Adi Perkasa (Tbk.). Since the official opening of ZARA in 2005, ZARA has skyrocketed. The evidence could be seen by their revenues since 2017 until 2021.

Financial Data						
	2021	2020	2019	2018	2017	2016
Revenues						
Net Sales	277	204	282	281	253	233
Profits & Cash Flow						
EBITDA	72	4.6	7.6	5.4	5.3	5.1
EBIT	4.3	1.5	4.8	4.3	4.3	4.0
Net Income	3.2	1.1	3.5	3.4	3.4	3.2
Net Income After Minorities	3.2	1.1	3.5	3.4	3.4	3.2
Cash Flow	6.5	3.9	6.7	4.4	4.4	3.4
Financial Structure						
Group Equity	16.7	14.5	14.9	14.7	13.5	12.7
Net Financial Debt (Cash)	-9.5	-7.6	-8.1	-6.7	-6.4	-6.1

Figure 1. 2 Financial data for ZARA
Source: www.inditex.com

From the data we can conclude that ZARA is success revenues, net sales keep on getting higher each year, although there's a reduction on the year 2020 because of the Covid-19 pandemic ZARA quickly bounce back on the year after. (ZARA, 2022). Based by the brand, ZARA has showed the advantage by their brand image, this claim is supported by the study conducted by (Fikrrizaldy Fasha & Madiawati, n.d.) that brand image has positively effect on customer satisfaction.

Uniqlo is an international fashion clothing company, that was originally founded in Yamaguchi, Japan in the year 1949. Uniqlo was a textile manufacturer, since then in the year 1984 Uniqlo finally took off, with the brand intention is to sell unisex casual wear store called “Unique Clothing Warehouse”. However, the name shortly changes due to miscommunication that occurred during the administration work during the year of 1988 in Hongkong. As times progresses Uniqlo has open their branches worldwide with more than 1000 retail store available. In the year 2013, Uniqlo has branched their first retail store in Indonesia, until now Uniqlo has open 50 retail stores spread across 21 cities in Indonesia.

Periode Akhir:	31/08/2021	31/08/2020	31/08/2019	31/08/2018
Total Pendapatan	2132992	2008846	2290548	2130060
Laba Kotor	1073956	975846	1119561	1049937
Pendapatan Operasi	249011	149347	257636	236212
Laba Bersih	169848	90358	162580	154812

Figure 1. 3 Financial graph for Uniqlo
Source: id.investing.com

From the figure 1.3 that is shown above, that on the year 2018 until 2019 Uniqlo has experience an increase in their total revenue, and same results as ZARA, that on the year 2020 because of the pandemic Uniqlo experience a reduction in their total revenue, bounce back the year after (Uniqlo, 2022).

H&M is Multinational apparel clothing company that is founded in Sweden in the year of 1947, the original name of H&M is “Hennes”. The expanding journey of H&M started in Norway in the year 1964. The name Hennes changed to the name we know now because of Erling Persson bought hunting and fishing store Mauritz

Widforss in Stockholm, since then Hennes officially changed their name into Hennes & Mauritz. In the year of 2013, H&M has opened more than 3000 retail stores including the opening of H&M retail store in Indonesia .

Periode Akhir:	30/11/2021	30/11/2020	30/11/2019	30/11/2018
Total Pendapatan	198967	187031	232755	210400
Laba Kotor	105006	93544	122453	110887
Pendapatan Operasi	15255	3099	17346	15493
Laba Bersih	11010	1243	13443	12652

Figure 1. 4 Financial graph for H&M
Source: id.investing.com

Same as other retail as mentioned before, H&M having an amazing total revenue numbers in the year of 2018 until 2019. However, in the year of 2020, the data conclude there is a major decrease in the number of total revenue because of the Covid-19 Pandemic, and H&M slowly bounce back in the year of 2021 (H&M, 2022).

1.2 Research Problem

As mentioned previously, ZARA, H&M, and Uniqlo has spread their brand across internationally and has successfully enter the Indonesian market. As seen on figure 1.2 to 1.4 that these foreign fashion brand has increased in sales from the past 4 years since 2018 and 2021. Even though, there is a downfall in 2020 because of the covid-19 pandemic, but there is a slight rising between 2020 and 2021. Since, these foreign fashion brand enter the Indonesian market they have become popular because it's an international brand, but in the figure 1.7 shown below that ZARA can't compete with local brands such as Executive, even H&M and Uniqlo is not

on the list of the top brand index. In this study, the researcher will try to analyse the problem occurs within the foreign fashion by assessing the variables of country of origin, brand image, and brand evaluation that might effected the purchase intention as the variables researcher used to solve the problem.

BRAND	TBI 2022	
The Executive	23.4%	TOP
Zara	14.3%	TOP
Mint	11.4%	TOP
Mango	10.0%	
Saint Laurent	5.6%	

* Kategori online dan offline

Figure 1. 5 Data statistic on ZARA
Source: Top Brand Awards.

1.3 Research Question

Based on the background that has been previously detailed above, the research questions are as follows:

1. Does the influence of brand image has positively affected the country of origin image?
2. Does the influence of brand evaluation has positively affected by the image of the country of origin?
3. Does the influence of customers' purchase intentions has positively affected by the image of the country of origin?

4. Does the influence of a customer's purchase intention has positively affected by the brand image?
5. Does the influence of a customer's purchase intention has positively affected by brand evaluation?
6. Does the influence of the mediator between the process of country of origin image influences along the customer's purchase intention is brand image?
7. Does the influence of the mediator between the process of country of origin image influences along the customer's purchase intention is brand evaluation?

1.4 Research Objective

Based on the research questions that have been previously detailed above, the purpose of study aims to answer problems from the previous study. Thus, the research objectives are as follows:

1. To verify and analyze the effects of brand image that has positively affected the country of origin image.
2. To verify and analyze the effects of brand evaluation that is positively affected by the image of the country of origin.
3. To verify and analyze the effects of customers' purchase intentions being positively affected by the image of the country of origin.
4. To verify and analyze the effects of a customer's purchase intention being positively affected by the brand image.

5. To verify and analyze the effects of a customer's purchase intention being positively affected by brand evaluation.
6. To verify and analyze the effects of the mediator between the process of country of origin image influences along the customer's purchase intention is brand image.
7. To verify and analyze the effects of the mediator between the process of country of origin image influences along the customer's purchase intention is brand evaluation.

1.5 Research Contribution

As mentioned, the purpose of this study is to provide beneficial information and data to benefits future research around the scope of this topic and beneficial to global brands to reach on their target market outside of their country.

1. Future Research

Through this research, expected to be beneficial for global brands to recognise The effect of country of origin on purchase intention by mediating role of brand image and brand evaluation on Fashion Industry.

2. Practitioners of International Business

Through this research, expected to be beneficial about giving information for the importance country of origin in the scope of international business.

1.6 Scope of Study

Due to limited amounts of time, resources, and pandemics, the scope of the study will be limited to this following:

1. The study will be focused around consumer who wants to buy a certain product from these international fashion industry brands (ZARA, H&M, and Uniqlo), with the age range around 17 to 40 plus years old up to this year.
2. The limited time given to create this study, which is 3 months, researcher expect to gather enough resources and information need to be gathered for this study.
3. The data that is collected for this study, is gathered using an online questionnaire. Certain information will be gathered through articles, journals, website, and other online mediums.
4. The research model are based on previous research (Hien et al., 2020)

1.7 Research Outline

CHAPTER I: INTRODUCTION

The first chapter consists of the research background, research questions, research objectives, research contributions, and research limitations.

CHAPTER II: LITERATURE REVIEW

The second chapter consists of all the theories discussed and mentioned, previous studies that are relevant to the current study, the concepts that are related to the topic of interest, and the hypotheses of the research.

CHAPTER III: RESEARCH DESIGN

The third chapter consists of the data collection method, research design, and pretest results.

CHAPTER IV: RESULTS, ANALYSIS, AND DISCUSSION

The fourth chapter consists of the results from the actual tests, all research findings and the discussion regarding the hypotheses of this research.

CHAPTER V: CONCLUSIONS, RECOMMENDATIONS, LIMITATIONS

The fifth chapter consists of the conclusion pertaining to managerial implications based on the findings, as well as recommendations to improve upon for future research,

