

## CHAPTER I: INTRODUCTION

### 1.1 BACKGROUND

The phenomenon of increasing consumer preference in developing countries for imported products is an important topic to analyze. In the context of globalization, access to foreign products has become easier, and this affects consumer choice. This study aims to identify the factors that influence the tendency of consumers in developing countries to choose imported products over local products. One of the main factors driving consumers to choose imported products is the perception that they are of better quality. Research shows that consumers often perceive goods from abroad, especially from developed countries, to have higher quality standards than local products (Noor & Haryanto, 2014). This creates a belief that imported products are more reliable and meet consumer expectations. Consumption of imported products is also often considered a symbol of social status. In many developing countries, owning goods from international brands can enhance an individual's self-image and social status. Research by Setiawan (2014) shows that many consumers prefer imported products because they believe that these goods can improve their social reputation. This suggests that preference for imported products is not only based on quality, but also on social influence.

The development of information technology and e-commerce has facilitated consumers' access to imported products. Consumers can now easily compare the price and quality of various products without having to go to a physical store (Amelia Fateha, 2023). E-commerce not only expands choice but also provides price transparency, so consumers are more likely to choose imported goods. The ease of online shopping also contributes to the growing demand for foreign products. Government policies that support international trade also contribute to the increasing volume of imports. Some countries implement low tariff policies for certain products, making it more attractive for consumers to buy foreign rather than local products (UNCTAD, 2023). These policies often create unfairness for local producers who have to compete with the lower prices of imported goods. While the

preference for imported products provides a variety of choices for consumers, it also poses challenges for local industries.

Consumers in developing countries tend to prefer imported products for several reasons, including the perception of better quality, strong brand image, social status symbolism, globalization influence, value perception, and distrust of local products. They perceive imported products, produced by developed countries such as the US, Japan and Germany, to be of higher quality thanks to better production standards and strict quality control (Batra et al., 2000; Sharma, 2011). In addition, international brands often have a stronger image and are considered more reliable due to their reputation that has been built through global marketing campaigns (Sharma, 2011). Imported products are also used as symbols of status and prestige, where owning goods from premium brands is interpreted as an indicator of affluence (Zhou & Hui, 2003). Globalization reinforces this preference through international media promoting foreign products as part of a modern lifestyle (Sharma, 2011), and easier access through e-commerce platforms increases consumers' expectations of product quality. Although imported products are often more expensive, many consumers see higher prices as an indication of better quality, especially for certain product categories (Batra et al., 2000; Sharma, 2011). Finally, distrust of local products-which are often perceived to lack innovation and quality-also drives preference for imported products (Zhou & Hui, 2003).

In Indonesia, the phenomenon of Indonesian consumers preferring imported products over local products is a complex issue involving various economic, social and cultural factors. Some of the main reasons often raised include perceived quality, prestige or social status, product availability, and the influence of globalization and media.

Consumers in Indonesia tend to prefer imported products due to several factors, including perceived quality, social status, product availability, the influence of globalization, and competitive pricing. In recent years, Indonesian consumers' preference for imported products has increased significantly. This phenomenon can

be seen from the growing penetration of imported goods in various sectors, such as electronics, fashion, and food. This is triggered by several factors, including high product quality, competitive prices, and easy access through e-commerce platforms. According to data from the Directorate General of Customs and Excise, Indonesia's import value continues to increase, especially from countries such as China and Japan, which are known for having quality products at affordable prices (Fitri, 2024)& (Galih, 2024).

One of the factors contributing to increased consumer interest in imported products is technological advances and the development of e-commerce. E-commerce has changed the way consumers shop, giving them easier access to products from overseas without having to go to a physical store. This allows consumers to compare prices and product quality more efficiently, thus increasing the appeal of imported products (Amelia 2023). In addition, promotion through social media also plays an important role in introducing foreign products to the Indonesian public.

However, despite the many advantages of imported products, challenges for the domestic industry are also increasing. Many local businesses find it difficult to compete with the low prices offered by imported products. KPPU (Business Competition Supervisory Commission) notes that the invasion of imported goods can threaten the sustainability of domestic businesses and negatively impact domestic production and people's welfare (Galih 2024). Therefore, the government needs to take measures to protect local industries while still providing consumers with a wide range of choices.

In this context, the theoretical frameworks that can be used to understand this phenomenon are consumer behavior theory and market competition theory. Consumer behavior theory explains how preferences and purchasing decisions are influenced by external factors such as advertising, product quality, and price.

Meanwhile, market competition theory explains the dynamics between domestic and foreign businesses in competing for market share.

Consumer response in emerging markets to Uniqlo shows interesting dynamics, especially in the context of economic growth and changing consumer behavior. Uniqlo, as a global brand originating from Japan, has successfully entered emerging markets with strategies that are adaptive and responsive to local needs. In this period, Uniqlo not only offers high-quality products at affordable prices, but also seeks to build a positive brand image through various social and sustainability initiatives.

Perception of Quality and Price, being One of the key factors influencing consumer response in emerging economies is the perception of the quality of Uniqlo products. Consumers in countries such as Indonesia, Thailand and India tend to value the quality of materials and functional design of Uniqlo products. With competitive prices, Uniqlo has managed to attract the attention of young consumers who are looking for stylish yet affordable clothing. According to research, consumers in developing countries often associate brands with quality and price values, so Uniqlo's success in offering high-quality products at competitive prices is one of the main reasons for its popularity in this market (Allen et al, 2022).

In addition, in Marketing and Communication Strategy, Uniqlo also implements effective marketing strategies to reach consumers in developing countries. Through digital marketing campaigns and collaboration with local influencers, Uniqlo is able to create strong brand awareness. In addition, the company is active in organizing community events and promotions in physical stores to increase interaction with customers. With this approach, Uniqlo not only sells products but also builds an emotional connection with consumers, which is important in creating brand loyalty (Fast Retailing, 2024) & (Fast Retailing, 2023)

In terms of Social and Sustainability Initiatives, Uniqlo is also known for its commitment to corporate social responsibility (CSR). Through a partnership with UNHCR, Uniqlo contributes to relief programs for refugees and underprivileged people in various countries. This initiative has received positive feedback from consumers, especially among the younger generation who are increasingly concerned about social and environmental issues. Consumers feel proud to buy products from brands that not only focus on profitability but also contribute to the welfare of society (UNHCR, 2024) & (UNHCR, 2023).

Then in Challenges and Opportunities, although Uniqlo has managed to gain popularity in developing countries, challenges remain. Competition with other local and international brands is becoming increasingly fierce. In addition, issues related to sustainability in the supply chain are also a concern for increasingly critical consumers. However, by continuously innovating products and marketing strategies and strengthening its commitment to social responsibility, Uniqlo has a great opportunity to strengthen its position in emerging markets (Allen et al, 2022) & (Fast Retailing, 2023).

Uniqlo's strong global brand image also contributes to this preference, where consumers are more trusting of brands with a good international reputation, thus reducing risk and uncertainty in purchases (Kim et al., 2020). In addition, the influence of social media and global cultural trends adopted by Uniqlo, including collaborations with celebrities and influencers, further drives young consumers' preference for this brand, which is seen as part of a desirable modern lifestyle (Cheung et al, 2020).



*Figure 1. 1 (Uniqlo Company Logo)*

Uniqlo's development in Indonesia from 2019 to 2024 shows significant progress in expansion strategies and adaptation to the local market. Since 2019, Uniqlo has launched various initiatives, including a collaboration program with Small and Medium Enterprises (SMEs) through the UNIQLO Neighborhood program. This program aims to increase cooperation with local partners and support the Indonesian economy by producing up to 80% of products domestically (Suara.com, 2023). To date, Uniqlo has established partnerships with 14 textile factories in West Java, Central Java, and East Java, which not only produce for the domestic market but also for export (Suara.com, 2023).

In 2021, Uniqlo launched an e-commerce service that allows customers to shop online. This launch was a response to consumer demand for easier access to Uniqlo products. With this platform, Uniqlo can reach more customers across Indonesia without being limited to physical store locations (Properti Indonesia, 2021). This also reflects Uniqlo's adaptation to changes in consumer behavior that increasingly rely on online shopping.

Along with the growth in the number of stores, Uniqlo also recorded a significant increase in revenue. In 2023, Fast Retailing Co., Ltd, Uniqlo's parent company, reported consolidated revenue of 2.7 trillion yen, an increase of 20.2% from the previous year (Rahayu & Setiawan, 2024). As of November 2024, Uniqlo has opened 76 stores in 27 cities in Indonesia, demonstrating the success of its expansion strategy (Wikipedia, 2024).

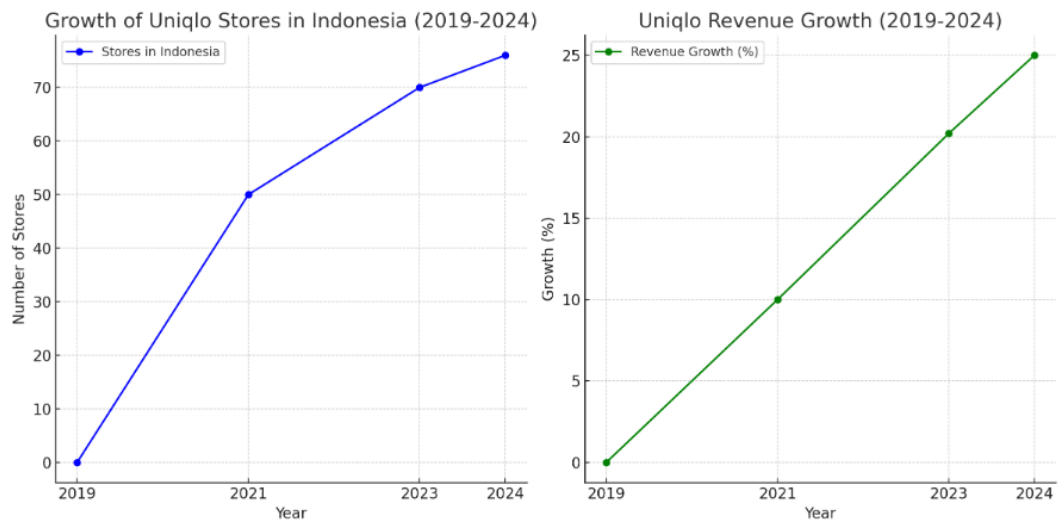


Figure 1. 2 (Growth of UniQlo)

In terms of marketing strategy and brand awareness, UniQlo is also active in utilizing social media. Their presence on platforms such as Instagram and TikTok helps to increase interaction with young customers and strengthen their brand image in the Indonesian market (Wikipedia, 2024). With more than two million followers on Instagram and nearly one million on TikTok, UniQlo has managed to capture the attention of the younger generation who are their main target.

UniQlo has several products that are always the talk of the town. HeatTech is one of their flagship products, where in 2020, UniQlo celebrated 20 years of HeatTech by launching a new, lighter variant. This product uses a very fine fibrous material, making it 20% lighter than before (Antara News, 2020). HeatTech is designed to provide optimal heat insulation, making it ideal for use in cold weather.

Not only that, but there is also AIRism which is a series of products developed with Toray to provide maximum comfort. It features quick-drying, cool touch, and odor control, making it extremely comfortable to wear even in warm weather (UniQlo, 2023). Variants include-AIRism-T-Shirt-Round-Collar-Short-Sleeved-which-is-soft-and-flexible, and-AIRism-Tank-Top-(Silk-Blend)-blend-silk-striped-shiny.

In addition, there is Outwear, where Uniqlo also launches more fashionable and functional Outerwear variations. For example, the AirSense Jacket (Ultra-Light Jacket) is made of 2-Way Stretch material, making it light and flexible and equipped with quick-drying features (Uniqlo, 2023). In addition, UV protection jackets are also available to protect the body from solar radiation.

There are also Collaboration Collections, where Uniqlo often collaborates with renowned designers to create special collections. For example, the +J collection is a collaboration with Jil Sander. This collection highlights simplicity and comfort in global modern design (Uniqlo, 2020). The hybrid down jacket, utilitarian, blouson and coat designs with a blend of cashmere materials display a papery effect.

And finally there is Ut (UNIQLO T-shirts), which is also one of the popular products. Collaborations such as UNIQLO U and UT Manga Archive bring back two popular manga series ONE PIECE and NARUTO with heartfelt nostalgic scene designs (Uniqlo, 2023).

## **1.2 RESEARCH QUESTIONS**

The purpose of this study was to examine the impact of Product Feature, Brand Image, and Product Quality on Indonesian Foreign Brand Choice. The formulation of the problem is organized as follows based on these problems:

1. Does Product Feature have an impact on Indonesian Foreign Brand Choice on imported clothing apparel?
2. Does Brand Quality have an impact on Indonesian Foreign Brand Choice on imported clothing apparel?
3. Does Product Quality have an impact on Indonesian Foreign Brand Choice on imported clothing apparel?



### **1.3 RESEARCH OBJECTIVES**

Based on the Research Question above mentioned, the aims of this study are as follows:

1. To examine the relationship between Product Feature and Indonesian Foreign Brand Choice on imported clothing apparel.
2. To examine the relationship between Brand Image and Indonesian Foreign Brand Choice on imported clothing apparel.
3. To examine the relationship between Product Quality and Indonesian Foreign Brand Choice on imported clothing apparel.

### **1.4 RESEARCH CONTRIBUTIONS**

This study seeks to contribute to the theoretical and practical contributions listed below:

1. **Theoretical Contribution**

This study is likely to give fresh information that has not previously been discovered by previous research. The purpose of this study was to gain a better understanding of the impact of Product Feature, Brand Image and Product Quality, on Indonesian Foreign Brand Choice on imported clothing apparel. It is hoped that the findings of this study would be used as reference material for the advancement and development of management science, particularly in the field of International Business.

2. **Practical Contribution**

This study is designed to provide useful information as input for Indonesian local businesses looking to enhance their sales in the future. This research also assists sellers in understanding consumer behavior while deciding on products.

## 1.5 RESEARCH GAP

Research on Indonesian citizens' preference for imported products over local products has high academic and practical significance. In the context of globalization and the digital economy, the flow of imported products is increasingly accessible to Indonesians through e-commerce platforms and social media. This phenomenon raises the question of why imported products are often preferred, even though local products are also of competitive quality. An in-depth understanding of the reasons behind this preference is needed to address the challenges faced by local producers in competing in the domestic market.

In addition, this research is relevant for explaining factors that influence consumer behavior, such as perceived quality, brand image and symbolic value attached to imported products. In the Indonesian context, these preferences may also be influenced by aspects of culture, lifestyle and social status, where consumers may associate imported products with prestige or modernity. This research can provide strategic insights for local producers to better understand consumer needs and wants, so that they can design effective marketing strategies to improve competitiveness.

On the other hand, this research is important in supporting government policies that encourage the love of local products and the strengthening of domestic industries. By identifying the factors that make imported products more attractive, this research can help formulate policies that support innovation, quality improvement, and marketing of local products. The results of this study can also make an academic contribution to the consumer behavior literature, especially in developing countries, which has been less explored in the context of competition between local and imported products.

This research is not only theoretically relevant but also has practical implications for strengthening Indonesia's economic ecosystem, bridging the competition gap between local and imported products, and promoting more inclusive economic growth.

## **1.6 RESEARCH SYSTEMATIC OUTLINE**

The author has organized this writing into five sections with each section explaining in more depth and detail. As for these five sections, the explanations that will be detailed are as follows:

### **a. CHAPTER I: INTRODUCTION**

Chapter 1 will explain the background of the problem, research questions, research objectives, research contributions, and research systematic outline.

### **b. CHAPTER II: LITERATURE REVIEW**

Chapter 2 will explain the literature review, where this chapter will explain each data that will be used in this study and the methods that will be used to process these data.

### **c. CHAPTER III: RESEARCH METHOD**

Chapter 3 will explain the measurement, unit of analysis, type of research, data collection method, questionnaire development, data analysis, population and sample, and the steps that will be taken to process the data. By using AMOS tools, the author will show the steps to get the results of the processed data.

### **d. CHAPTER IV: RESEARCH RESULTS AND DISCUSSION**

Chapter 4 will explain the results of the research and discussion from the researcher. This writing will use the porter diamond model, to process data by collecting the results of the questionnaire.

### **e. CHAPTER V: CONCLUSION AND RECOMMENDATION**

Chapter 5 will explain the conclusions obtained from the processed data, theoretical and managerial implications, limitations in research, and recommendations that can be given by the author regarding this paper.