CHAPTER I

INTRODUCTION

1.1.   Background of the Study

The fashion industry has undergone transformative shifts in recent years, with technology and social media catalyzing a fundamental change in consumer-brand interactions (Dhaoui & Khadraoui, 2021). Unlike previous generations, today's consumers—particularly Generation Z—are not mere recipients of fashion trends; they actively engage with and shape these trends via digital platforms. This shift has propelled fast fashion's growth, a segment marked by rapid trend adaptation and affordability, with brands like Uniqlo exemplifying this model (Kim et al., 2023). Known for high-quality basics and innovative "LifeWear" technology, Uniqlo has built substantial global recognition. However, in Indonesia, it faces fierce competition from both global giants like Zara and H&M and emerging local brands that resonate more with Gen Z consumers' values (as depicted below) and aesthetic preferences (Mikhael, 2022).

Table 1.1. Compiled Major Global Apparel Manufacturer and Retailer from Annual Reports

Company Name (Flagship Brand)	Country and Region	End of Fiscal Year	Sales (Trillion of yen)	Sales (Billions of dollar)	Change (%) (local base)
Inditex, S.A. (ZARA)	Spain	Jan. 2023	4.70	34.5	+17.5
H & M Hennes & Mauritz AB	Sweden	Nov. 2022	2.93	21.4	+12.4
FAST RETAILING CO., LTD. (UNIQLO)	**Japan**	**Aug. 2022**	**2.30**	**16.8**	**+7.9**
Gap Inc.	USA	Jan. 2023	2.12	15.6	-6.3
PVH Corp. (Calvin Klein,Tommy Hilfiger)	USA	Jan. 2023	1.23	9.0	-1.4
lululemon athletica inc.	USA	Jan. 2023	1.10	8.1	+29.6
Victoria's Secret & Co.	USA	Jan. 2023	0.86	6.3	-6.5
Ralph Lauren Corporation	USA	Apr. 2022	0.84	6.2	+41.3
Next plc	UK	Jan. 2023	0.82	6.0	+8.8
American Eagle Outfitters Inc	USA	Jan. 2023	0.68	4.9	-0.4

Source: Fast Retailing (2023)
*Figures calculated in yen using the end of February 2023 FX rates. ($1=¥136.3)

Uniqlo's competitive standing has recently faced setbacks, evidenced by its trailing sales figures compared to Zara and H&M (Fast Retailing, 2023). A deeper examination of Gen Z's consumption behavior reveals a divergence from previous generations, with this cohort prioritizing value-driven attributes, such as sustainability, inclusivity, and brand authenticity, in their purchasing decisions (Iqbal & Ahmad, 2021). Therefore, understanding the interplay of Electronic Word-of-Mouth (eWOM), brand image, and product knowledge on Gen Z's purchase intentions toward Uniqlo is crucial for the brand's sustainability in the Indonesian market, especially in Medan.

Figure 1. 1 Gen Z Dominates Tiktok as Entertainment Platform
Source: IDN Media (2022), IDN Research Institute (2022)

Gen Z engages extensively with social media platforms like TikTok and Instagram, where eWOM significantly influences their perceptions and purchase behaviors (Hennig-Thurau et al., 2022). Influencers often drive this generation's fashion choices by showcasing clothing and providing endorsements that resonate with their followers.
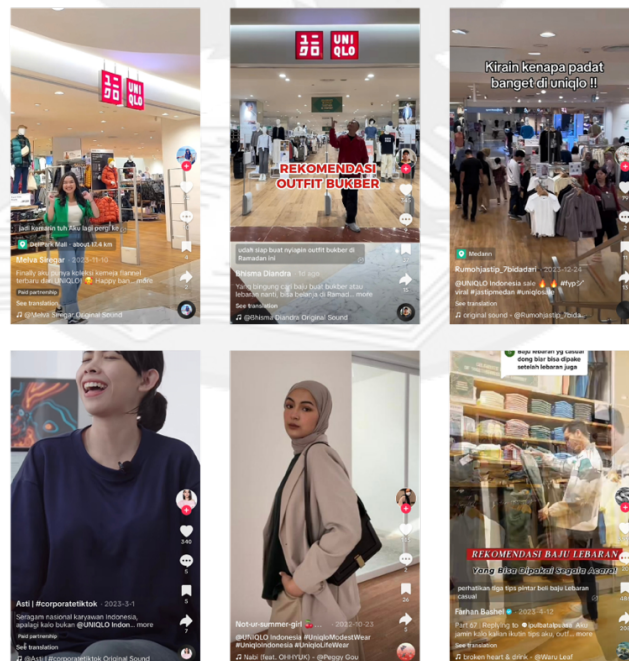
Figure 1. 2 Distribution of Electronic Word-of-Mouth (eWOM) Sentiment for Uniqlo Products on TikTok from 2023-2024
Source: Gathered by the writer from Tiktok (2024)

For Uniqlo, positive eWOM—such as an influencer's favorable review—can strengthen trust and ignite purchase intentions (Wijaya et al., 2023). However, negative eWOM, such as critiques about Uniqlo's fit, style, or labor practices, can tarnish its reputation and reduce appeal among Gen Z consumers (Rahman et al., 2024), in which as depicted below the proofs gathered.
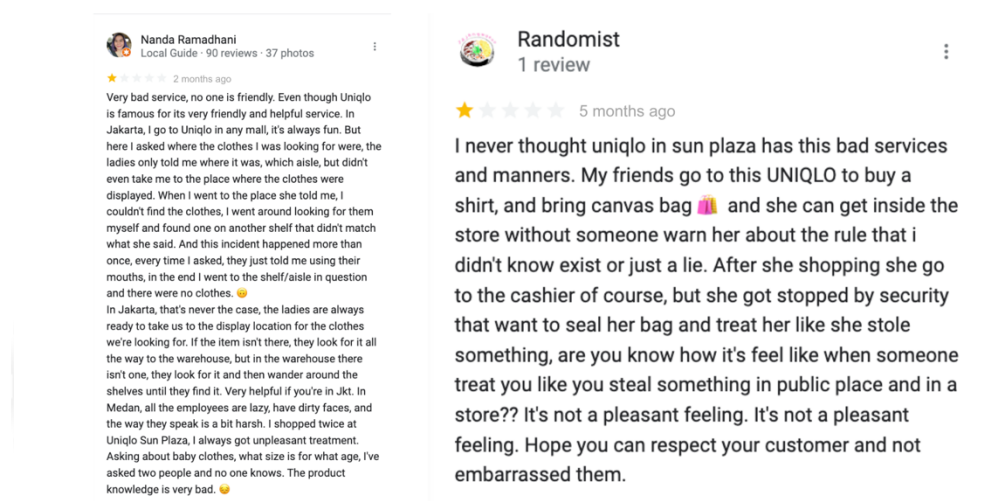
Figure 1. 3 User Reviews Left on Google Maps for Uniqlo Sun Plaza Medan
Source: Google Maps Review (2024)

However, eWOM is just one piece of the puzzle. Brand image, encompassing the impressions and perceptions consumers hold towards a brand, plays a critical role in influencing purchase decisions. Uniqlo's association with quality, innovation, and sustainability can positively influence Gen Z's brand image.
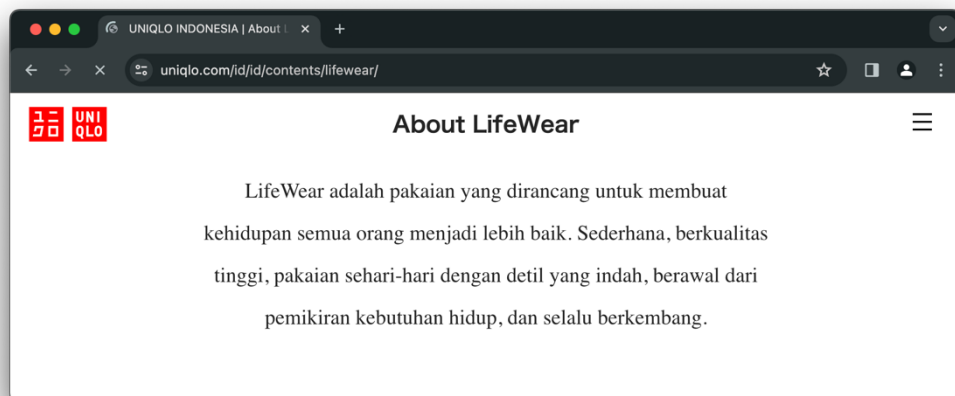
Figure 1. 4 Uniqlo's "Life Wear" Campaign
Source: Uniqlo.com (2024)

Conversely, controversies surrounding labor practices (staffs) or environmental issues can tarnish the brand image and lead to negative consumer perceptions.

Figure 1. 5 Uniqlo Launching Green "Sustainability Mode" with The Power of Clothing for Environmental Awareness Issues
Source: fastretailing.com (2024)

The burgeoning consumer demand for sustainable practices within the fashion industry has prompted global apparel leader Uniqlo to introduce its "Green

Sustainability Mode" initiative (as can be seen from Figure 1.5). The comprehension of brand image stands as a important component in crafting any effective marketing strategy. As elucidated by the American Marketing Association (AMA), brand image denotes "the perception of a brand in the minds of its customers, encapsulating how the public perceives a company's identity and personality." A favorable brand image serves as the bedrock for nurturing customer loyalty, engendering trust, and ultimately driving sales nor intention to further the purchase (Keller, 2013).

Gen Z, constituting the demographic cohort born between 1997 and 2012 (Pew Research Center, 2023), wields significant influence in shaping brand image through their pervasive social media presence and value-driven consumption patterns. In Indonesia, Gen Z, a digitally fluent and socially conscious cohort, comprises 27.9% of the population, presenting a lucrative but discerning market for brands (Statista, 2023). This demographic places heightened importance on brand values aligning with their own, such as inclusivity and environmental responsibility. Research by IBM (2020) reveals that nearly 70% of Gen Z consumers are willing to pay more for sustainable products, an insight that Uniqlo's sustainability initiatives can leverage.

In Medan, the bustling capital of North Sumatra, Gen Z forms a significant proportion of the consumer base. With its unique media consumption habits and values, this demographic requires tailored marketing strategies to engage effectively. A better understanding of how Gen Z in Medan perceives Uniqlo's brand image, especially regarding sustainability and corporate responsibility, can

help shape marketing messages that resonate with local preferences (Badan Pusat Statistik, 2024).

Table 1. 1 Population by Age Group and Gender (2022-2024)

Golongan Umur	Jumlah Penduduk menurut Kelompok Umur dan Jenis Kelamin (Jiwa)								
	Laki-laki			Perempuan			Jumlah		
	2022	2023	2024	2022	2023	2024	2022	2023	2024
0 - 4	703 870	724 516	729 412	672 023	693 077	698 670	1 375 893	1 417 593	1 428 082
5 - 9	694 372	698 187	699 780	665 954	668 413	669 215	1 360 326	1 366 600	1 368 995
10 - 14	686 923	688 985	690 403	650 358	654 812	658 646	1 337 281	1 343 797	1 349 049
15 - 19	674 345	677 795	680 062	633 571	636 902	639 141	1 307 916	1 314 697	1 319 203
20 - 24	665 753	670 234	668 591	627 564	633 969	631 340	1 293 317	1 304 203	1 299 931
25 - 29	648 078	659 704	663 750	617 402	629 672	632 329	1 265 480	1 289 376	1 296 079
30 - 34	608 365	620 457	627 962	588 698	598 771	604 794	1 197 063	1 219 228	1 232 756
35 - 39	563 165	574 125	582 599	553 527	560 441	567 409	1 116 692	1 134 566	1 150 008
40 - 44	518 505	526 153	534 125	517 271	522 728	528 550	1 035 776	1 048 881	1 062 675
45 - 49	463 296	472 762	482 766	470 977	479 873	488 532	934 273	952 635	971 298
50 - 54	397 005	407 514	418 197	415 072	424 353	433 606	812 077	831 867	851 803
55 - 59	328 623	337 906	348 208	352 898	363 354	373 746	681 521	701 260	721 954
60 - 64	256 957	265 770	275 390	284 489	294 723	305 369	541 446	560 493	580 759
65+	375 736	397 206	422 154	480 409	504 238	533 779	856 145	901 444	955 933
Jumlah	7 584 993	7 721 314	7 823 399	7 530 213	7 665 326	7 765 126	15 115 206	15 386 640	15 588 525

Source: BPS North Sumatra Province (2024)

As depicted from the table above, Medan, serving as the bustling capital of North Sumatra, Indonesia, embodies a burgeoning urban landscape characterized by a burgeoning youthful populace (Badan Pusat Statistik, 2023). Accordingly, a nuanced understanding of the distinctive preferences and media consumption habits of Gen Z in Medan assumes paramount importance in crafting tailored marketing messages that resonate with the target audience.

Beyond eWOM and brand image, product knowledge is another vital factor that shapes Gen Z's purchase intentions. For Uniqlo, product knowledge could include awareness of LifeWear's technical advantages, proper garment care, or sourcing transparency. Studies suggest that Gen Z values detailed product information, which helps them make informed and value-driven decisions (Zhong et al., 2023). Limited access to or inadequate communication of this information can lead to dissatisfaction, potentially lowering repurchase intent. Uniqlo faces this

challenge as it continues to educate Indonesian consumers about its LifeWear offerings (Chen & Wu, 2023).

Despite the growing importance of these factors, research examining the combined influence of eWOM, brand image, and product knowledge on Gen Z's purchase intentions within the Indonesian fast-fashion context remains limited. Existing studies have primarily focused on Western markets or analyzed these factors in isolation. This research gap underscores the need for a comprehensive study that investigates how these variables interact to influence Gen Z's purchase decisions towards Uniqlo at Sun Plaza Medan.

Aside from that, numerous disparities in research findings increasingly reinforce the necessity of undertaking this research, stemming from variations in research timelines, sectors under scrutiny, and diverse target demographics. Prior research, as indicated by Li et al. (2022), delved into the impact of Electronic Word-of-Mouth (EWOM) on purchase intention within specific product categories, such as beauty products, asserting that EWOM exerts negligible influence on Purchase Intention. Conversely, Chaudhuri et al. (2021) conducted an analysis examining the broader relationship between EWOM and purchase intention across various product categories. The study posits a discernible and positive impact of EWOM on purchase intention, underscoring the pervasive efficacy of online recommendations and reviews.

Furthermore, a disparity in terms of the independent variable Brand Image was discerned. Park et al. (2021) investigated the influence of brand image on purchase intention for functional products, like laundry detergent, suggesting a

relatively diminished role of brand image in influencing purchase decisions for such commonplace items. In contrast, Luo et al. (2023) examined the luxury fashion market, revealing a robust and affirmative correlation between brand image and purchase intention.

Not to mention, as stated previously, in the most recent years, Uniqlo has also implemented various strategies to strengthen electronic word-of-mouth (eWOM), enhance brand image, and improve product knowledge dissemination, all aimed at influencing Generation Z's purchase intentions. Through social media channels such as Instagram, TikTok, and YouTube, Uniqlo leverages eWOM by partnering with influencers, particularly micro-influencers who resonate well with Gen Z's preferences for authenticity and relatable content (Wong & Nguyen, 2021). Uniqlo's #LifeWear campaign, featuring influencers across multiple regions, highlights its focus on comfort and functionality, further bolstered by collaborations with local influencers in Indonesia to maintain cultural relevance (Rahman & Wijaya, 2022).

However, challenges have surfaced, particularly regarding labor practices and occasional product quality criticisms, which negatively affect eWOM and overall consumer perception (Sharma et al., 2023). These concerns have resulted in social media backlash, especially among ethically-minded Gen Z consumers who prioritize transparency and responsibility from brands (Chen & Lin, 2023). Additionally, some Indonesian consumers express dissatisfaction with Uniqlo's pricing, perceiving it as high compared to local brands, impacting eWOM on review platforms (Rahman & Wijaya, 2022).

Uniqlo has also undertaken substantial efforts to enhance its brand image, primarily through sustainability initiatives like the "Green Sustainability Mode," which aligns with Gen Z's preference for environmentally conscious brands (Fast Retailing, 2024). Campaigns focusing on LifeWear's durability and timeless style aim to differentiate Uniqlo from fast-fashion competitors and appeal to Gen Z's value-driven consumption habits. Despite these initiatives, Uniqlo's brand image has been challenged by labor rights allegations, especially in Asian supply chains, which erode trust among consumers who prioritize ethical practices (Wong et al., 2021). Locally, Uniqlo competes with Indonesian brands perceived as more culturally relevant and affordable, affecting its appeal within the Gen Z demographic (Rahman & Wijaya, 2022).

Additionally, Lin et al. (2022) explored the impact of product knowledge on purchase intention for impulse purchases, such as trendy clothing, positing that emotional factors and aesthetics often outweigh in-depth product knowledge for such purchases. Conversely, Chen et al. (2024) compared the influence of product knowledge on purchase intention for complex products (smartphones) versus simpler ones (clothing). The research suggests that for complex products, product knowledge assumes a more pronounced role and may even serve as a mediator, influencing purchase intention through perceived product quality.

In terms of product knowledge, Uniqlo emphasizes the technical and environmental benefits of its LifeWear line through comprehensive in-store and online product descriptions, aiming to fulfill Gen Z's demand for transparency and detailed information (Chen & Wu, 2023). Nonetheless, the brand struggles to

consistently communicate the innovative aspects of LifeWear, as many Gen Z consumers still view Uniqlo as a basic rather than a tech-driven brand. This issue is especially pertinent in Indonesia, where consumer preferences lean toward aesthetics and trendiness, often overshadowing technical features (Rahman & Wijaya, 2022). Additionally, incomplete communication regarding sustainability practices can create misunderstandings among environmentally conscious consumers (Chen & Lin, 2023).

Building upon these divergent perspectives, the writer also aims to complement the achievements of Uniqlo, a significant player in the Indonesian fast fashion market since 2013. Despite its substantial presence, Uniqlo remains in the third position in terms of sales within this category (fastretailing.com). In an era where marketing extends its reach through social media platforms, user-generated content touting product advantages, quality, and brand image holds the potential to sway consumer purchasing decisions significantly.

In light of the preceding research explanations and identified gaps, the current research seeks to investigate the variables encapsulated within the title, **"The Influence of Electronic Word of Mouth (e-WOM), Brand Image, and Product Knowledge on Generation Z's Purchase Intentions towards the Uniqlo Brand at Sun Plaza Medan."**

1.2. Problem Limitation

Given the extensive population, this research will be constrained by several specific limitations as outlined below:

1.   This study focuses on four variables, comprising three independent variables: Electronic Word of Mouth (EWOM), Brand Image (BI), and Product Knowledge (PK), along with one dependent variable, which is Purchase Intention (PI). These variables were chosen based on their significance in understanding consumer behavior and their potential impact on Uniqlo's market performance.

2.   The indicators, including measurement items, utilized in this research are drawn from previous studies by Imbayani and Gama (2018) and Kurnia (2021). These indicators will be applied to the four research variables examined in this study: Electronic Word of Mouth (EWOM), Brand Image (BI), Product Knowledge (PK), and Purchase Intention (PI).

3.   The research will specifically investigate Uniqlo Medan, with a particular focus on its Sun Plaza outlet. Uniqlo Medan serves as an appropriate case study due to its prominence and relevance within the local market as it was the first store in Medan.

4.   The research will employ a questionnaire survey as its primary data collection method. The questionnaire will be distributed to residents of Medan, both male and female, within the age range of 18 to 26 years, representing the Gen Z demographic. This age group is considered suitable for providing objective responses, as they have neither purchased Uniqlo products before nor have they been exposed to Uniqlo advertisements or social media coverage regarding its products.

5. The questionnaire will be administered to a limited sample of 100 respondents (20 measurement items x 5), specifically targeting potential customers of Uniqlo Medan. The choice of this sample size is based on statistical considerations to ensure an adequate representation of the population (Ferdinand, 2002).

6. The research will be conducted online over the course of January to May 2024. The online platform offers convenience and accessibility, allowing respondents to participate at their own convenience while maintaining the necessary data integrity.

    By acknowledging these limitations, it is important to recognize that the findings and conclusions drawn from this research are specific to the selected variables, target population, and geographical context. The object of this research is limited to Uniqlo Medan (Sun Plaza Medan outlet).

1.3.   Problem Formulation

Based on the aforementioned background, the research problem in this study can be formulated as follows:

1. Does Electronic Word of Mouth (e-WOM) have a significant influence on Generation Z's Purchase Intention (PI) at Uniqlo Sun Plaza Medan?

2. Does Brand Image (BI) have a significant influence on Generation Z's Purchase Intention (PI) at Uniqlo Sun Plaza Medan?

3. Does Product Knowledge (PK) have a significant influence on Generation Z's Purchase Intention (PI) at Uniqlo Sun Plaza Medan?

1.4.   Objective of the Research

Based on the formulation of the problem that has been described, the objectives of the research as follows:

1. To identify whether Electronic Word of Mouth (e-WOM) have significant influence on Generation Z's Purchase Intention (PI) at Uniqlo Sun Plaza Medan.

2. To identify whether Brand Image (BI) have a significant influence on Generation Z's Purchase Intention (PI) at Uniqlo Sun Plaza Medan.

3. To identify whether Product Knowledge (PK) have a significant influence on Generation Z's Purchase Intention (PI) at Uniqlo Sun Plaza Medan.

1.5.   Benefit of the Research

1.5.1. Theoretical Benefit

The theoretical benefit in this research are as follows:

1. The research contributes to the existing body of knowledge by examining the relationship between Electronic Word of Mouth (e-WOM), Brand Image (BI), Product Knowledge (PK), and Purchase Intention (PI) within the context of Uniqlo. It enhances the theoretical understanding of these variables and their impact on consumer behavior.

2. The research provides a comprehensive theoretical framework that integrates e-WOM, Brand Image, Product Knowledge, and Purchase Intention, offering a conceptual model for future studies in the field of consumer behavior.

1.5.2. Practical Benefit

This research aims to provide benefits for several parties such as:

1. **For Marketers**

   The research findings offer valuable insights to Uniqlo marketers regarding the influence of e-WOM, BI, and PK on customers' purchase intention. This knowledge can guide marketing strategies and help optimize their communication efforts to enhance brand perception and consumer loyalty.

   Understanding the factors that drive purchase intention enables Uniqlo marketers to differentiate their brand from competitors. By leveraging e-WOM, managing brand image, and enhancing product knowledge, they can develop effective marketing campaigns to attract and retain customers.

2. **For Writer**

   The research contributes to the academic community by presenting empirical evidence on the relationship between e-WOM, BI, PK, and PI. It serves as a reference for future researchers and enriches the literature in the field of consumer behavior.

   Conducting this research enhances the writers' research skills, such as data collection, analysis, and interpretation. It provides valuable experience in designing and executing research projects in real-world settings.

3. **For Other Writer**

   The research serves as a foundation for future studies investigating the influence of e-WOM, BI, PK, and PI in different cultural contexts or industries.

Researchers can build upon this study's framework and methodology to explore related topics and expand knowledge in the field of consumer behavior.

The research findings offer practical guidelines for future researchers aiming to examine consumer behavior and purchase intention. They can utilize the conceptual model and research insights to design their studies and draw meaningful conclusions.