

# **CHAPTER 1**

## **INTRODUCTION**

### **1.1 Background**

The development of the fashion industry in Indonesia is increasing. Based on a survey of the Badan Ekonomi Kreatif (Bekraf) and Badan Pusat Statistik (BPS) in 2016, the fashion sector contributed as much as 18.15% or second after culinary which means Indonesian are aware of fashion. Now there are many local fashion brands gain popularity across age, groups, and, social classes and selling competitively at various prices and products. Many events and awards often held to support local fashion brands. An average woman feels incomplete in dressing without carrying a handbag. Based on market research about women and handbags conduct by Mintel, 51% of women in the last 12 months have bought at least one handbag.

According to Grewal *et al.*, (1998), there are three main constituents that supported to be key to store patronage decisions are price, product quality, and brand image. Many retailers who have not known those components have a role to keep their business have had to fall on bankruptcy or closed their stores. Furthermore, Razak *et al.*, (2016) explained the influence of customer value on customer satisfaction indicate that will give a positive perception of product value towards satisfaction.

Price is what is paid up or sacrificed to obtain a product or service (Zeithaml, 1988). Razak et al., (2016) explained how customers perceive a certain price, in which the high-low price of a product can be a substantial consequence on a customer's intention to buy the merchandise. The buyer will give any attention to the price paid by other customers since no one is willing to pay more cash compared to other customers. The fairness of price will give impact to the buyer's assumption and will influence their willingness to buy the product.

It is significant to mention the quality of the product is not reviewed by the company standpoint, it is seen from the assumption of the buyer. There are two important factors that influence the quality of the product, namely the product quality and the perceived product quality. The perceived product quality is analogous with the expectation, the impact is the customer will perceive the product quality as a good quality and they will also feel satisfied (Razak *et al.*, 2016). Based on Wardhana (2013), brands must be well managed as to provide a positive brand image. A strong brand is a valuable asset to support the company's long-term development.

The following table is the survey results from Top Brand Award. Top Brand Award is an accolade given to brands that won the TOP title and is presented based on the assessment obtained from the terminations of a nationwide survey under the implementation of Frontier Consulting Group. The TOP Brand Award is a prestigious event based on the results of research on Indonesian consumers. The

selection of the best brands is based on consumer choice through the survey from Frontier Consulting Group in eleven major cities in Indonesia. Here are the results of Elizabeth's bag survey from 2014-2016:

**Table 1.1  
Top Brand Index 2014 - 2016**

No.	Women Bag Category					
	2014		2015		2016	
	Brand	TBI	Brand	TBI	Brand	TBI
1	Sophie Martin	19.6%	Sophie Paris	27.1%	Sophie Paris	27.5%
2	Elizabeth	15.9%	Elizabeth	11.4%	Elizabeth	15.1%
3	Guess	7.5%	Guess	10.8%	Zara	4.7%
4	Cole	5.3%	Cole	3.6%	Guess	2.5%
5	Fladeo	3.3%	Fladeo	3.4%	Charles & Keith	2.2%

Source: <http://www.topbrand-award.com>

Based on Table 1.1, it can be seen that Elizabeth's main competitor is Sophie Martin, today is known as Sophie Paris, which is also a local brand with the acquisition (27.5%) in 2016. Elizabeth always enters the second position (15.1%) below Sophie Paris. Then on 2014 to 2015 Percentage of Elizabeth Bags decreased from (15.9%) to (11.4%) but in 2016 Elizabeth's bag increased to (15.1%).

Elizabeth is an Indonesian fashion retail which has been in the fashion industry since 1963. Elizabeth's was founded by

Handoko Subali and Elizabeth Halim. At first, Handoko Subali and wife started to build their business with a humble beginning by investing their limited money and tried to produce their first bag collection which is travel bag. With a lot of hard work, they were receiving a high demand for their product.

In 1968, Handoko Subalim and Elizabeth Halim patent their brand, Elizabeth. They chose “Elizabeth” as their brand because they thought it would be easy to remember in society. Under PT Indo Elizabeth Permai, Elizabeth embraced the fast fashion system that always follows the latest model trends according to the needs of modern society. The brand of Elizabeth has grown into one of the famous local brand bags in Indonesia. Elizabeth is currently adding a variety of women’s accessories such as women’s and men’s shoes, wallet, sunglasses, belts, and other fashionable jewelry and they also provide bags for kids. Elizabeth imported the materials from Hongkong and Taiwan so other companies will find the difficulty to imitate their products. Elizabeth’s bag has 84 stores spread across several cities in Indonesia and often gets awards such as 21 Kartini Indonesia, Upakarti, and Top Brand.

With the potential of online marketing, Elizabeth also provides online store in purposed can be reached easily by everyone. On the website, Elizabeth gives information their company profile, sells their products, also has a blog feature which contains a lot of information about Elizabeth for instance, their new store, certain social media they joined, discounts, fashion trends, contests, and

many more. It makes their website more interesting to browse. Elizabeth is also in cooperation with Shopee and Go-Jek to market their products.

Based on the background explained above a research entitled **“The Influence of Price, Product Quality, Brand Image towards Customer Value and Customer Satisfaction of Elizabeth Women Bag in Surabaya”** will be conducted.

## **1.2. Research Question**

From the background stated above, the research questions for this study can be formulated as :

1. Does price have an influence on customer value of Elizabeth in Surabaya?
2. Does product quality have an influence on customer value in buying bags of Elizabeth in Surabaya?
3. Does brand image have an influence on customer value in buying bags of Elizabeth in Surabaya?
4. Does customer value have an influence on customer satisfaction of Elizabeth in Surabaya?

## **1.3 Objective of the Study**

From the research question above, this study is aimed to :

1. Determine the influence of price on customer value in buying bags of Elizabeth in Surabaya.

2. Determine the influence of product quality towards customer value of Elizabeth in Surabaya.
3. Determine the influence of brand image towards customer value of Elizabeth in Surabaya.
4. Determine the influence of customer value on customer satisfaction of Elizabeth in Surabaya.

#### **1.4 Significance of the Study**

This significance of this study should provide both theoretical benefit and practical benefit.

##### **1. Theoretical Purpose**

This research aims to provide knowledge about the influence of price, product quality, brand image towards customer value and customer satisfaction.

##### **2. Practical Purpose**

The purpose of this research is to measure people's buying interest in Elizabeth and as a survey to improve and support Elizabeth's sales.

#### **1.5 Writing Systematic**

The systems of this research are arranged at the following:

##### **Chapter 1. Introduction**

Background, research questions, research objectives, the significance of the study and systematic of study are discussed in this chapter.

## Chapter 2. Theoretical Background

This chapter presented the previous study, relevant journal, theoretical background, and hypothesis. The theoretical background will explain about the effect of price, product quality, and brand image towards customer value and customer satisfaction also the relationship between variables.

## Chapter 3. Research Methods

This chapter describes the process of analyzing the data, including research design, identification of variable, operational definition, type of source data, variable measurement, data collection method, population, sample and sampling technique, a data analysis technique, validity and reliability, fitness model task, and hypothesis testing.

## Chapter 4. Data Analysis and Discussion

This chapter consists of research data description, data analysis, and discussion, also discussing respondent description, research variable statistic descriptions, hypothesis testing.

## Chapter 5. Conclusion

This chapter is the closing of this study that consists of conclusion and suggestion of the research object and for the consumer or researcher to do a further research.