

Chapter 1

Introduction

1.1. Background of the Study

If talking about the fashion trends, certainly will never be endless. Fashion development is very fast, various fashion trends appear and in demand. Not to be left behind, Indonesia also feels the development in this fashion world. History of fashion in Indonesia is started in 1960, with Non Kawilarang and Peter Sie as a figure, in this year the international class fashion of Indonesia has shown tremendous potential and strength. The 1970s were the beginning of the emergence of Iwan Tirta, Harry Dharsono, Prajudi, Poppy Dharsono and Ramli who have signaled the Indonesian Fashion World to the international world through their creation and fashion parades at Indonesia and abroad. In the 1990s when the development of globalization and media technologies such as the internet made it easier for designers to access news about the development of fashion and trends. This helps them to create a variety of fashion especially in adopting a glamorous western style.

Currently, fashion can be used as a tool to increase self-confidence by following style that changes over time. This more modern lifestyle supports Indonesian people in shopping. Today, consumptive behavior exists no longer to meet the necessities of life, but to fulfill the desire. Such a lifestyle has an important part in encouraging the mushrooming of fashion stores both within and outside the country. With the development of the fashion world in Indonesia, many foreign brands are interested to sell their product in this country. The influx of overseas brands had a considerable effect on the economic sector in Indonesia.

One of the most effects for Indonesia is leads to increased competitiveness, especially for fashion brands in the country. Coupled with newcomers who helped enliven the development of the fashion world in Indonesia, such as LC WAIKIKI. This brand originated in

Turkey, Established in 1988 and provides services under the auspices of the Waikiki Magazacilik since 1997 and officially opened the doors of its first shop in Indonesia on March 18, 2014. Even for newcomers, LC WAIKIKI can be a straight competitor.

LC WAIKIKI can prove their quality with many achievement like, "Newcomer of the Year" this award is within the scope of NEE Real Estate and held globally covering North-eastern European countries, in this award LC Waikiki was ranked first in ready-to-wear Clothing and Retailing Categories in The Turkey's Most Popular Companies Survey Conducted by Capital, Golden Compass Turkish Public Relations Awards held by Turkish Public Relations Association (TÜHİD).

According to the research results of Perapost Magazine based on the 2014 sales, LC Waikiki was ranked as 1st in the readymade garment category and 3rd on the general list among the first 100 retail companies. There are many more awards they get, this proves that LC WAIKIKI is a fashion brand with good quality and ready to compete with others famous brands. LC Waikiki has maintained its business growth for 30 years, both in Turkey and the world. Now LC Waikiki is the forefront of garment industries in 38 countries with more than 840 outlets and around 42,000 employees. LC WAIKIKI itself adheres to casual and semi-formal fashion models, with the tagline 'Everyone deserves to dress well'.

The brand that already has more than 700 stores in 34 countries is targeting collections for newborn children to adults, men and women, as well as those who are looking for trendy collections and closed collections. There are various kinds of collections aimed at fashion lovers, as well as basic collections, such as shirts, hoodie jackets, sports pants, underwear, swimwear, belted trenchcoat, and others. According to chairman of the board LC WAIKIKI vahap küçük iletişim, Indonesia is indeed the opening gate for countries in Asia.

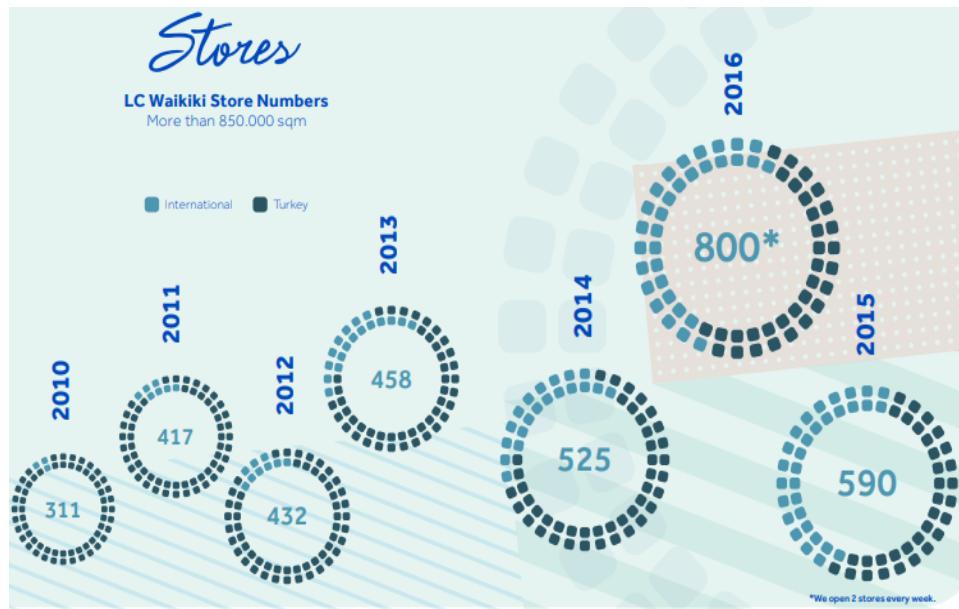


Figure 1: LC WAIKIKI Store Numbers
Source: LC WAIKIKI

He also revealed that this decision was inseparable from the cultural similarities of the two countries, the style is modern conservative. LC WAIKIKI always targets the country with the same culture and the same fashion style because the items sold at the LC WAIKIKI outlet are directly imported from Turkey. LC WAIKIKI store is spread in 34 countries including, Albania, Algeria, Armenia, Azerbaijan, Bahrain, Belarus, Bulgaria, Egypt, Georgia, Greece, Iraq, Jordan, Kazakhstan, Kenya, Kosovo, Kuwait, Kyrgyzstan, Lebanon, Libya, Macedonia, Malaysia, Moldova, Morocco, Oman, Poland, Qatar, Romania, Russia, Saudi Arabia, Serbia, South Africa, Tajikistan, TRNC, Tunisia, Ukraine, United Arab Emirates.

LC WAIKIKI is eyeing more simple and closed fashion styles. This can help them to reduce the cost of production, because they make clothes or other fashion items with the same model but can be accepted in all their stores. In Indonesia, LC Waikiki's first store was in Gandaria City, UG floor. LC WAIKIKI provide a different collection every season. For example, for Spring Summer season, the majority of the collection is made of light and colorful. When entering this store, they offer quite affordable prices with an average of Rp129,000 to Rp.250,000, according to the type of material

used. LC WAIKIKI has a store atmosphere with white shop color shades and neatly arranged, thus giving a comfortable and modern impression.

LC WAIKIKI has an image that their product can compete with others famous and expensive brand. It is attempted by LC WAIKIKI by means of store atmosphere that was carried out at the beginning and give a good perceived value for consumers. This is one of the factors driving the purchase intention by consumers, from price, store image, perceived value, it can be said if the variable above is very relevant to the purchase intention by consumers at LC WAIKIKI. Surabaya is the second largest shopping center in Indonesia, here are the 10 best shopping malls that can be visited in the city of Surabaya.

Firstly was Supermall Pakuwon Indah under the auspices of PT Pakuwon Jati Tbk, Grand City Surabaya, Surabaya Town Square, Tunjungan Plaza, Plaza Surabaya, Golden City Mall, Galaxy Mall, City of Tomorrow, Ciputra World, and the last one was Lenmarc (10 of the best malls in Surabaya, 2016). Based on data from Indonesian Retail Company Association, the competition in retail or retail marketing continues to increase every year. In 2007-2012, the number of modern retail outlets in Indonesia experienced an average growth of 17.57% per year. In 2007, the number of retail businesses in Indonesia was 10,365 outlets, then in 2011 reached 18,152 outlets spread in almost all cities in Indonesia.

According to the Indonesian Retail Company Association (Aprindo 2015), the growth of the retail business in Indonesia is between 10% -15% per year. Retail sales in 2006 were still Rp.49 trillion, and soared to Rp.120 trillion in 2011. In 2012, retail growth was estimated to be the same, which was 10% -15%, or reaching Rp.138 trillion. In 2015, retail growth was 8% and in 2016 the retail growth was 10%. The data provided by APRINDO proves that retail businesses in Indonesia are always growing every year. According to Chairman of Aprindo Roy N Mandey, the growth of the retail industry is 2 to 2.5 times that of our economic growth.

Shifts in spending patterns are caused by consumers who increasingly want the convenience of shopping, price certainty, satisfying services, availability of quality products, then strategic locations and promotions that can attract purchase intention. That's why, the modern retail industry grow very fast. The increasing number of consumers who begin to realize the importance of the products they buy in the store will make retailers more competitive to be able to produce new products and can satisfy consumers, but for retailers this is not enough to maximize the purchase intention in their stores.

According to previous researches, factors that can influence purchase intentions include price, store image, and perceived value. Price is a very important part in determining the store's image, because the results for each product price perception may have a negative or positive effect on the store (Diallo et al, 2015). Through determining the value, prices also affect the psychological impact of prices on the perceived value by consumers. The price set for a new product must be able to provide a good influence on market growth.

According to Martineau (1958) in Wu et al (2011), Store image is the thinking of buyers who can describe the store, some see the function of quality and some see the atmosphere of the store as a psychological attribute of potential customers. Perceived value is the value of the product or service in the customer's mind. To achieve perceived value, price had an important role, Puspaningrum (2014) explain that perceived value can be reached by maintaining product quality and competitive prices. According to Diallo (2012), the relationship between price and purchase intention variables is price is an important element in a store that can attract customers to come and shop at a store.

Prices also affect sales, if products are too expensive, consumers will think to buy these items. If consumers buy products with prices that not in accordance with their perceptions, it will affect consumers' purchase intentions. Ryu et al (2007) explain that store image can affect the perceived

value. It's mean if store can give a positive perceived value to the consumers, they can have an advantage in target market. This is proved by the discovery of Lai et al (2009) which stores images affect perceived values. Furthermore to a product is also influenced by perceived value, Hume & Gillian (2008). Competition that occurs in the retail business makes consumers more selective towards retail stores that already have high perceived value.

Perceived value that is owned by a store is believed to be one of the things behind the formation of consumers' buying interest in a product, and the effect of perceived value has a positive added value and is able to encourage consumer purchase intention to buy a product. The higher perceived value, the higher consumer purchase intention on the product. Therefore perceived value is needed for LC WAIKIKI to increase purchases. LC WAIKIKI must continue to create value from the store to attract consumers and create purchase intentions on LC WAIKIKI.

The subject in this study is LC WAIKIKI Pakuwon Mall Surabaya, because LC WAIKIKI in Pakuwon Mall Surabaya is the first store that opened in Surabaya. LC WAIKIKI Pakuwon Mall, has affordable prices to compete with other similar stores. Even relatively cheap when compared to similar stores with the same quality, this can attract customers from Pakuwon Mall Surabaya to shop at the LC WAIKIKI. Attractive prices can attract consumers to shop at the store.

This pricing strategy can be the right decision considering many young consumers who like to buy fashionable items but affordable for them. LC WAIKIKI has an extensive shop and attractive shop settings, this can be seen from how they group their fashion items such as child's clothes until teenage, man and woman, relaxed or traveling, until sleepwear. LC WAIKIKI has so many collections, but they can handle it, so it doesn't look messy. They also have employees scattered throughout the shop and there are also employees in front of the fitting room to ensure that consumers find what they want. This

is an important role to increasing store image of LC WAIKIKI Pakuwon Mall Surabaya and makes it easier for customers to find the items needed.

Realizing the importance of the perceived value by consumers, and increasing the purchase intention of an item, the role of price and store image is very important. To fulfill the role of price and store image , LC WAIKIKI opened their store in two biggest malls in Surabaya, Tunjungan Plaza and Pakuwon Mall. This research is a replication of previous research conducted by Porral and Mangin (2017).

1.2 Statements of Problems

Based on the background above, then formulate the problem that will be discussed in this paper as follows:

1. Does Price affect Perceived Value at LC WAIKIKI Pakuwon Mall Surabaya?
2. Does the Store Image affect Perceived values at LC WAIKIKI Pakuwon Mall Surabaya?
3. Does Perceived Value affect Purchase Intention at LC WAIKIKI Pakuwon Mall Surabaya?
4. Does Price affect Purchase Intention at LC WAIKIKI Pakuwon Mall Surabaya?
5. Does the Store Image affect Purchase Intention at LC WAIKIKI Pakuwon Mall Surabaya?

1.3 Objective of the Study

The purpose of this thesis is to determine the factors that can increase the occurrence of the Consumer Buying Intention process, as follows:

1. Analyze the influence of Price on Perceived Value perceptions at LC WAIKIKI Pakuwon Mall Surabaya.
2. Analyze the influence of Store Image on Perceived Value perceptions in LC WAIKIKI Pakuwon Mall Surabaya.
3. Examine the effect of Perceived Value on Purchase Intention perception at LC WAIKIKI Pakuwon Mall Surabaya.
4. Analyze the influence of Price on Purchase Intention perceptions at LC WAIKIKI Pakuwon Mall Surabaya.
5. Analyze the influence of Store Image on Purchase Intention perceptions at LC WAIKIKI Pakuwon Mall Surabaya.

1.4 Significance of the Study

The benefits of this study are as follows:

1. Theoretical Benefits

An acceptable benefit for writers and readers is as a reference for developing or solving existing problems as well as references for future research on consumer purchase intentions.

2. Practical benefits

Benefits that can be received especially by the writer and reader are helping LC WAIKIKI Pakuwon Mall Surabaya to Improve the company to encourage purchase intentions at the LC WAIKIKI Pakuwon Mall Surabaya.

1.5. Outline of the Report

Systematics of this writing is divided into five chapters that will be arranged systematically as follows:

Chapter 1: Introduction

Explain about, statements of problems, objective of the study, outline of the report, and significance of the Study.

Chapter 2: Literature Reviewes

Contains previous research relevant to current research, theoretical basis, discusses relationships among variables, more specifically, theoretical framework of research and hypotheses.

Chapter 3: Methodology

Describes research design, identification of variables, operational definitions of variables, types and sources of data, scale of measurement of variables, tools and methods of data collection, population, sample and sampling techniques, and data analysis techniques.

Chapter 4: Analysis and Discussion

Contains the characteristics of respondents, descriptive statistics of research variables, the results of data analysis containing the tests using PLS, and hypothesis testing.

sChapter 5: Conclusions

Contains conclusions from the results of hypothesis testing and discussion conducted, as well as suggestions that may be useful for the company and further research.