

# CHAPTER 1

## INTRODUCTION

### 1.1 Background

In the current era of globalization, the fashion business is one type of business that is quite popular with consumers after the food business. In the past, clothing or fashion was a mere primary need. Along with the development of the clothing, entertainment, technology and information industries, clothing styles become a medium for users to be able to increase their self-confidence, look fashionable and can support their lifestyle. Nowadays, the fashion business is growing. In Indonesia, the emergence of outlets or distros that sell various kinds of clothing is proof that the fashion business is increasingly in demand.

This shows that the Indonesian people are very aware of looking attractive and stylish by following the development of developing fashion trends. Along with the development of the fashion business, company competition for profits and consumer loyalty is also increasing. Basically, consumers are a parameter for companies to keep running, because consumers are now more careful in choosing products. Many factors are considered by consumers in making purchasing decisions, such as product innovation and price (Paramita et al., 2019).

This development has an impact on increasingly fierce market competition with the emergence of fashion product brands circulating in Indonesia, including from America, Europe, Japan and Indonesia such as Zara, Uniqlo, Stradivarius, H&M and PullnBear. These products encourage the creation of Fashion Trend products. Fashion itself is one of the most important parts of people's lifestyle in the present era, so that it can have an effect on increasing people's purchasing power which can shape consumer behavior towards these fashion products (Septianto, 2020).

One of them is a company engaged in the fashion sector is PT. Fast Retailing Indonesia. This company has a brand called Uniqlo, although Uniqlo has been famous for a long time, the brand has only recently entered the Indonesian fashion industry, namely in 2013, (Uniqlo Indonesia, 2020).

**Table 1.1**  
**The Main Competitors Product Comparison**

The Brand	Design	Usefulness	Sales	Quality	Branding	Convenience store presence
UNIQLO	<ul style="list-style-type: none"> <li>• Easy leisure casual, Practical</li> <li>• Basic design cutting</li> <li>• Real Life wear</li> </ul>	<ul style="list-style-type: none"> <li>• Easy Relax home wear</li> <li>• Weekend casual out</li> <li>• Daily wear mix</li> <li>• Smart work cloth</li> </ul>	\$17.2B	Super quality, High standard material	Advertising Quality focus Viral Marketing, Customer Focus, The project Uniqlock	2000 Stores including Indonesia unqlo.ind unqlo.small.com
ZARA	<ul style="list-style-type: none"> <li>• Catwalk style element</li> <li>• Luxury glamorous look</li> <li>• Urban quality smart casual</li> <li>• Designer characterized cutting</li> </ul>	<ul style="list-style-type: none"> <li>• Smart work cloth</li> <li>• Daily life</li> <li>• Night out</li> <li>• Formal event</li> <li>• Party</li> </ul>	\$21.9B	Luxurious quality fabric high standard cutting & tailoring special wash instruction for certain article	VM, Smart location, posh look interior, customer focus, shopping experience	3000 Stores (including Indonesia Online Zara.com, zara.ind Private purchasing agency
H&M	<ul style="list-style-type: none"> <li>• Trend follower</li> <li>• Practical life style full range</li> <li>• Designer collaboration</li> </ul>	<ul style="list-style-type: none"> <li>• Daily life</li> <li>• Night out</li> <li>• Spot casual</li> <li>• Easy relax home wear</li> </ul>	\$24.8B (designer collaboration)	Standard tailoring low cost fabric easy care	Designer collaboration	5000 Stores (including Indonesia) Private purchasing agency
ZALORA	<ul style="list-style-type: none"> <li>• Trend follower</li> <li>• Casual &amp; Formal</li> <li>• Unique style</li> </ul>	<ul style="list-style-type: none"> <li>• Formal event</li> <li>• Smart work cloth</li> <li>• Daily life</li> <li>• Night out</li> </ul>	\$14B	Standard tailoring low cost fabric easy care	Shopping experience, Designer collaboration	zalora.com; zalora.co.id (online store)

Source: Forbes Uniqlo; Zara; H&M; Zalora (2020)

Based on Table 1.1, it can be seen that the fashion brands Uniqlo, Zara, H&M, and Zalora have characteristics that are different from one another. The role of a brand is no longer just a name or differentiator from competing products, but has become one of the important factors in competitive advantage.

Uniqlo is no different from other fashion manufacturers, namely selling clothing needs in terms of model and age, not only fashionable but also rich in technology, which is what distinguishes Uniqlo from other fashion brands, namely the quality of the materials used, for example, such as HeatTech. This material is used in winter clothes, then there is AIRism which is made very light, flexible and very comfortable. The uniqueness of AIRism's ingredients is that they contain odors, therefore Uniqlo product manufacturers are one of the fashion retailers known to care about product functions and customer comfort (Septianto, 2020).

Customers who are loyal to this brand are always waiting for the innovations released by Uniqlo products. Many Indonesians use Uniqlo products only to follow the latest trends to look Fashionable or Hypebeast, but there are also some customers who do not follow the fashion trends issued by Uniqlo but still buy these products. Based on Uniqlo's international sales data, sales from 1984 to 2019 have always increased (Uniqlo Indonesia, 2020).

**Figure 1.1**  
**Diagram of Uniqlo International sales from 84 to 2019**



Source: UNIQLO Indonesia website (2019)

And UNIQLO began to look to the Southeast Asian market to further increase the company's sales value. Eight years after the shop opening was completed in Singapore, UNIQLO Southeast Asia & Oceania has now opened 178 stores (Singapore: 25, Malaysia: 43, Thailand: 35, Philippines: 47, Indonesia: 13, Australia: 14). UNIQLO outlets were first established in Indonesia in 2013 in Jakarta, and to date the number of UNIQLO outlets in Indonesia has grown (Fast Retailing, 2019).

In the fashion sector, there are many brands that are competitors to UNIQLO, especially fashion brands that come from outside Asia. UNIQLO has become an Asian fashion brand that is able to compete globally even though it is still not in the number one position in the world, it can be seen in the data released by Brand Finance regarding the top 50 fashion brands, as follows:

**Table 1.2**  
**Most Valueable Apparel Brands**

2020	2019	Logo	Name	Country	2020	2019	2020	2019
1	1		Nike		\$34,792M	\$32,421M	AAA	AAA
2	5		GUCCI		\$17,630M	\$14,662M	AAA+	AAA
3	3		Adidas		\$16,481M	\$16,669M	AAA	AAA-
4	7		Louis Vuitton		\$16,479M	\$13,576M	AAA	AAA
5	6		Cartier		\$15,015M	\$13,642M	AAA-	AAA-
6	2		ZARA		\$14,582M	\$18,424M	AA+	AAA
7	4		H&M		\$13,860M	\$15,876M	AA+	AAA-
8			Chanel		\$13,705M		AA+	
9	8		UNIQLO		\$12,878M	\$11,991M	AA+	AA
10	9		Hermès		\$11,909M	\$10,920M	AAA	AAA

Source: Brand Finance Brandirectory (2020)

Uniqlo can also balance the ranking of the world's top 10 important brands in 2020, although not as famous as brands like H&M and even Zara, Uniqlo has proven its existence by entering the top 10 ranking of clothing products. Although UNIQLO is the fastest growing brand, UNIQLO is still not fully able to compete with big companies like Nike, Adidas, Zara and even H&M which have a stronger brand image. UNIQLO as a multinational company will always try to maintain its existence among existing competitors by developing its products to be accepted and in accordance with consumer desires. With the continued development of UNIQLO outlets in Indonesia, it proves that UNIQLO wants to compete with competitors in the same field (Paramita et al., 2019).

In previous related studies, there have been many studies on the effect of brand image and customer satisfaction on loyalty. There are results from previous research, namely, for the variable product quality on customer loyalty in Dewi's research (2019), it is concluded that product quality variables have a positive and significant effect on customer loyalty. The variable brand image on brand loyalty has a positive effect on Marliawati and Cahyaningdyah (2020). Meanwhile, the variable brand trust on brand loyalty also has positive effect seen from the research of Cuong (2020). And the last variable brand awareness has a positive effect on brand loyalty as seen from the research of Mulyono (2020).

Marketing Mix has a very important component, namely the existence of 4Ps, product, price, place, promotion. These four components are very important to explain customer loyalty to a brand. Meanwhile, the brand is one of the determining factors in a sales product. A successful brand reflects an exclusive product (industry or consumer), place, person or service, strengthened in such a way that users or buyers feel significant and exclusive added value, which is in line with the brand's needs. If a brand provides consistent service, the brand will get added value and become more trustworthy (Khan, et al., 2018). To survive in the fierce competition, brand loyalty is the most important factor. Currently the fashion industry in Indonesia is filled with many retailers who already have strong brands, both big and small brands, this makes fashion retailers have to rack their

brains to find ways to survive in the Indonesian market and the main key is to clean up.

Consumer loyalty to a brand, because seeing many brands with the same product, is currently looking for consumers not only to buy a product, but must be able to make them loyal to the product brand. Consumer satisfaction has a significant relationship in creating brand loyalty to a product. Consumer loyalty shows consumer loyalty to certain things, such as a brand, product, or company. In general, brands are often used as objects of consumer loyalty. This consumer loyalty actually reflects consumer loyalty to brand loyalty. Of course this can provide great benefits for the company, especially if the loyalty is long-term. The longer the customer loyalty, the greater the profit the company gets.

Product quality is a product that has good durability in the period of damage, is durable, or does not easily cause odor, rust, mold and other damage. So that quality is the most basic thing of customer satisfaction and success in competition. Product quality refers to the extent to which a product meets the design standards of Mulhim et al. (2020).

Brand image is an association of all available information regarding products, services and companies of the relevant brand. This is the buyer's interest in the company or product (Firmansyah et al., 2019). Consumers will see brand image as an important part of a product because it reflects the product itself and is a very important element to attract consumer interest.

Brand trust is the trust they place in a brand. This trust makes how a brand will always be trusted by its loyal consumers. Consumers trust others like themselves and learn from their experiences through trust in brands, so that they can gain more precise insight into possible purchases (Belanche et al., 2019). Brand trust will affect consumer purchasing patterns of a product. If consumers already believe in a product, consumers will definitely not hesitate to buy that product.

Brand awareness is the knowledge and understanding that consumers get about a company's products and will create consumer awareness of a product brand. Brand awareness is defined as "the ability of decision makers in a buying

center to recognize or recall a brands" Hoang et al. (2019). brand awareness is the ability of a brand that comes to the mind of consumers when thinking about a particular product and how easily that product can be presented.

Variety Seeking refers to the tendency of consumers to spontaneously buy new product brands even though they continue to express their satisfaction with the old brand. One explanation for Variety seeking is that consumers try to reduce saturation by buying new brands. (Mowen and Minor, 2002) in excerpts in the journal (Ardyan and Fintikasari, 2018).

As described above, Loyalty will arise from a series of activities that end with a consumer evaluation of a brand when consumers have purchased, used and are satisfied with the brand. Evaluations carried out by consumers are of course related to the attributes of the products purchased. There are several considerations that arise in the minds of consumers when assessing the quality of a product, including comfort when used, and the style of clothing used. Uniqlo satisfies customers by building a good brand image, and also trust in customers with consumers aware and recognizing Uniqlo products and services well. Meanwhile, it is possible that some customers are still looking for a variety of other products. The goal of consumers seeking this diversity of products is to achieve a favorable brand attitude. Another goal of consumer variety seeking behavior could be simply trying something new. However, Uniqlo will continue to strive to keep its products varied and anticipate that customers do not search for more variations on other products.

Based on the above background this study will conduct a research entitled **“The Influences of Product Quality, Brand Equity Towards Brand Loyalty: The Mediating For Variety Seeking Among The Young Customers of Uniqlo In Surabaya”**.

## **1.2 Problem Identification**

This research will analyze about:

1. Does product quality have influence on brand loyalty of Uniqlo among the young customers in Surabaya?
2. Does brand image have influence on brand loyalty of Uniqlo among the young customers in Surabaya?
3. Does brand trust have influence on brand loyalty of Uniqlo among the young customers in Surabaya ?
4. Does brand awareness have influence on brand loyalty of Uniqlo among the young customers in Surabaya?
5. Does relationship among product quality, brand image, brand trust, brand awareness and brand loyalty of Uniqlo among the young customers in Surabaya moderated by variety seeking?

## **1.3 Research Objective**

The objectives of this research are to explore:

1. To analyze the influence of product quality on brand loyalty of Uniqlo among the young customers in Surabaya.
2. To analyze the influence of brand image on brand loyalty of Uniqlo among the young customers in Surabaya.
3. To analyze the influence of brand trust on brand loyalty of Uniqlo among the young customers in Surabaya.
4. To analyze the influence of brand awareness on brand loyalty of Uniqlo among the young customers in Surabaya.
5. To analyze the influence variety seeking on product quality, brand image, brand trust, brand awareness and brand loyalty of Uniqlo among the young customers in Surabaya.

## **1.4 Benefits of The Research**

From the objectives mentioned above, this research is expected to provide significant benefits in theoretical and practical aspects.

### **1.4.1 Theoretical Benefits**

This research study is expected to bring:

More evidence about the relationship between the benefits and efforts of a brand on customer intentions.

### **1.4.2 Practical Benefits**

This research study is expected to:

Provide a basis for the improvement of the UNIQLO brand and a reference to continue to maintain or provide improvements to the service and loyalty of UNIQLO to customers in Indonesia.

## **1.5 Systematic of Writing**

The systematic of this thesis is consists of five interrelated chapters mentioned below:

### **CHAPTER 1: INTRODUCTION**

Contains the Background of the research, Problem Identification, Research Objectives, Significance of the Study, and Systematic of Writing.

### **CHAPTER 2: LITERATURE REVIEW**

Literature review explains previous research; theoretical basis regarding: brand, product quality, brand image, brand trust, and brand awareness, young customers; research model; and hypothesis.

### **CHAPTER 3: RESEARCH METHOD**

Contains research design, variables (identification and operational definition), variable measurement, data's type and sources, tools and data

collection methods, population and sample, techniques of sampling, and analysis of data.

#### CHAPTER 4: DATA ANALYSIS AND DISCUSSION

Chapter 4 describes the results of data processing, data testing, data explanation, hypothesis testing, and results discussion.

#### CHAPTER 5: CONCLUSIONS AND SUGGESTIONS

Chapter 5 explains the conclusions based on the analysis from previous chapters, provides reasons for the limitations of the researcher, and suggests improvements for further research.