

# CHAPTER 1

## INTRODUCTION

### 1.1 Research Background

Today's global competition makes companies compete to find global market strategies (Katsikeas et al., 2020). However, with the advent of globalization, companies are extending their reach across various nations. Consumers are becoming more attuned to the increasing array of international products integrated into their daily lives (Hamzaoui Essoussi & Merunka, 2007). Research indicates that consumer purchase interest can be influenced not only by the product's intrinsic value but also by its Country of Origin (Hien et al., 2020). Concurrently, consciousness regarding the country of origin (COO) is the prize, prompting numerous inquiries in both academic and business research contexts (Johansson et al., 1985); (Hamzaoui Essoussi & Merunka, 2007; Jalkala & Keränen, 2014). (Xu & Zhang, 2021) shows that consumers tend to be willing to pay a higher price for products that carry brand labels associated with their preferred Country of Origin. This highlights the significance of brand association with the product's origin in consumer decision-making regarding pricing and preferences. At the same time, from an emotional perspective, it establishes sentimental ties and symbolic advantages such as status and pride, as observed by (Adina et al., 2015); (Jain & Bariar, 2019). In the past twenty years, fast fashion has emerged as a significant innovation in the fashion industry. Many companies have endeavored to adopt strategies focused on minimizing production timelines, enabling swift responses to

market trends, and gaining a competitive edge following the inception of this approach (Birtwistle, 2007);(Y. M. Li, 2014).

Previous research has revealed that products labeled "Made in the USA" are highly favored due to the Country of Origin effect. A particular study characterized the Country of Origin effect as consumers' reliance on the product's origin when shaping their perceptions regarding its quality (Ha-Brookshire & Yoon, 2012). One illustration of this phenomenon is comparing "Made in America" and "Made in China" labels. Upon encountering the "Made in America" label, consumers might perceive the product as having superior quality and value, especially when the price remains undisclosed (Ha-Brookshire & Yoon, 2012). The research by (Karoui & Khemakhem, 2019) highlighted that numerous studies have indicated a tendency among consumers from developing and least-developed countries to prefer purchasing imported goods rather than supporting their local products. The Country of Origin effect can lead to biases favorable to certain countries—for instance, higher quality attributed to countries like Japan (Bautista et al., 2020). Moreover, Japan is recognized for its creativity in clothing design; one well-known fashion hub in Japan is the Harajuku district, which has garnered global attention as a fashion center with many renowned clothing brands. Among the many Japanese fashion products in circulation, only several brands can compete in the global market, such as Uniqlo, which is listed on the annual report as the most valuable and most substantial apparel brand in 2023 (brandirectory.com, 2023). Uniqlo is one of the modern fashion retailers from Asia, specifically from Japan, that has successfully competed in the global market, challenging renowned European and

American brands like ZARA, GAP, and H&M. The name "Uniqlo" can be interpreted as "Unique Clothing," embodying the concept of "Life Wear" representing high-quality, fashionable, comfortable, and affordable everyday clothing for various consumer segments. Its primary goal is to become the number one fashion retailer globally. Fast Retailing, as the manufacturer of Uniqlo, has grown to become the third-largest manufacturer in the world for the apparel industry, with a worth of 18.5 billion American. Uniqlo began its international venture by opening its first store in London in 2001. Furthermore, the company has expanded its outlets to 20 countries across several continents. Uniqlo continues to open large-scale stores in several key cities and locations worldwide as part of its ongoing efforts to solidify its status as a global brand. Presently, the company operates over 2,400 stores worldwide. Uniqlo opened its first store in Indonesia in June 2013 in Kuningan, Jakarta. Uniqlo officially launched 64 branches across Indonesia, including one in Yogyakarta (uniqlo.com, 2023).

Price perception is another significant consideration for most consumers when purchasing a product (Widyastuti & Said, 2017). (Diallo, 2012) Explains that price perception is the overall representation of the relative price level of a store brand for a specific retailer. Price perception refers to the buyer's assessment of the monetary value required to acquire a product, formed through observations and comparisons with other products (Hawkins & Mothersbaugh, 2010). In summary, Price perception encompasses the buyer's subjective evaluation of the monetary worth associated with acquiring a product, shaped through keen observations and comparative analyses against similar or alternative offerings in the market. It

reflects how consumers assess the relationship between the price demanded and the perceived value derived from the product, considering its quality, features, benefits, and potential alternatives available. Through this evaluative lens, consumers scrutinize and contextualize the price concerning their expectations, experiences, and external influences, judging whether the cost aligns with the perceived benefits and justifies the purchase decision. The perception of price is not only related to the price listed on a product. However, it is also influenced by several other factors, such as product quality, brand, features, and benefits provided by the product. (Zeithaml, 1988) proposed that, to consumers, the perceived price holds greater significance than the product's actual price. Perceived price significantly influences consumer purchasing decisions. Consumers often prioritize the value they perceive from a product over its actual price. This illustrates that strong price perception management can be crucial in marketing strategies. Understanding how consumers perceive prices can assist companies in determining the right pricing strategies, enhancing the product's value in consumers' perceptions, and fostering customer loyalty. Perceived price, as highlighted by (Ali & Bhasin, 2019), significantly shapes consumers' buying behavior or intentions, emphasizing the importance of how consumers perceive the price of a product in their decision-making process.

The purchasing influence arises from recommendations through word of mouth (Nuseir, 2019). Word-of-mouth (WOM) is the broadest and most crucial avenue through which customers gather information and share their knowledge (Özdemir et al., 2016). Word of Mouth is a form of communication where suggestions are given to individuals or groups regarding specific products or

services, aiming to provide personal information (Shi et al., 2016). When customers aim to express positivity through word-of-mouth, they might share and recommend products or services they have previously used or experienced (Zhang et al., 2017). As per (Haudi et al., 2022) word of mouth refers to sharing positive, neutral, or negative experiences by potential, current, or past customers regarding products, services, brands, or companies. Additionally, according to (Harrigan et al., 2021); (Haudi et al., 2022) our daily interactions with friends and acquaintances play a substantial and influential role in shaping opinions and providing information about products, brand names, and even voting preferences. Word of mouth exerted a positive and substantial influence on the intention to make repeat purchases (Ruswanti et al., 2019)

The company's management needs to increase its customers' inclination to make repeat purchases to stay competitive. Repurchase Intention is also the subjective probability that an individual will continue to purchase products or services from the same supplier or store in the future (Arif, 2019). Repurchase Intention is to purchase other products or services from the same company by considering previous situations with the current situation (Hellier et al., 2003). Repurchase intention is consumer commitment that emerges after buying a product or service; this commitment stems from the consumer's positive impression of a brand and satisfying consumption from the purchase (Hicks et al., 2005), (Arif, 2019). The decision to repurchase a product often stems from a positive experience during its consumption, (Olaru et al., 2008) and (Retnowati & Mardikaningsih, 2021). For instance, the reference group's impact on the intention to repurchase

Marlboro cigarettes is substantial. An individual's reference group holds sway in their choice of using a product, not just aligning with their desires and needs but also seeking evaluation from their reference group, as discussed by (Tehci, 2022).

Based on the description above, this research will examine the interaction between Country of Origin, Perceived Price, and Word of Mouth and how these variables influence consumers' intentions to Repurchase Uniqlo products. This study fully replicates (Moslehpour et al., 2017), research with additional mediation variables. The research targets Yogyakarta students who have purchased products and have engaged in word-of-mouth about Uniqlo. Understanding these complex dynamics, marketers can take appropriate actions to design more effective marketing strategies and build consumer trust to enhance repurchase intention towards global brand products.

## **1.2 Research Problem**

According to the explanation in the research background, this research forwards the research problem to the following:

1. Does the country of origin influence the perceived price of Uniqlo?
2. Does the country of origin influence the word of mouth of Uniqlo?
3. Does perceived price influence word of mouth of Uniqlo?
4. Does the country of origin influence the repurchase intention of Uniqlo?
5. Does perceived price influence the repurchase intention of Uniqlo?
6. Does word of mouth influence the repurchase intention of Uniqlo?

7. Does word of mouth mediate the relationship between the country of origin and the repurchase intention of Uniqlo?
8. Does word of mouth mediate the relationship between the perceived price and the repurchase intention of Uniqlo?

### **1.3 Research Objectives**

The objective research has guidelines based on the research background and problem set out above. This study aims to:

1. Analyze the influence of country of origin on the perceived price of Uniqlo.
2. Analyze the influence of the country of origin on word of mouth of Uniqlo.
3. Analyze the influence of perceived price on word of mouth of Uniqlo.
4. Analyze the influence of the country of origin on the repurchase intention of Uniqlo.
5. Analyze the influence of perceived price on the repurchase intention of Uniqlo.
6. Analyze the influence of word of mouth on the repurchase intention of Uniqlo.
7. Analyze the mediation effect of word of mouth on the relationship between the country of origin and the repurchase intention of Uniqlo.
8. Analyze the mediation effect of perceived price on the relationship between perceived price and repurchase intention of Uniqlo.

#### **1.4 Research Benefit**

This study is expected to provide several benefits and sustainability both theoretically and practically as follows:

1. Business field

This research may provide more knowledge of the country of origin, perceived price, word of mouth, and repurchase intention in Indonesia, especially for fashion products. This research might significantly impact companies by providing in-depth insights into the market and consumers. Through data obtained from research, companies can identify opportunities and develop products and services that better meet market needs. Additionally, research findings enable companies to measure the effectiveness of marketing strategies, strengthen their competitive position, and make more informed business decisions.

1. For Academic

The findings of this research might used as references for other researchers whose topic is similar to this research. This research could provide information and referrals regarding the influence of Country of Origin, Perceived Price, Word of Mouth, and Repurchase Intention related to the fashion market. Can create innovations, expand the boundaries of knowledge, and make meaningful contributions to the advancement of science.