

# CHAPTER I

## INTRODUCTION

### 1.1 Uniqlo Company Profile



**Figure 1.1 Uniqlo Logo**

*Source : <https://en.wikipedia.org/wiki/Uniqlo>*

Uniqlo is one of the world's leading clothing retailers, offering a wide range of high-quality, affordable fashion. Founded in 1949 by Tadashi Yanai under the name Ogori Shoji, the company originally sold men's clothing in Yamaguchi, Japan. It wasn't until 1984 that the brand opened its first casual wear store in Hiroshima, under the name "Unique Clothing Warehouse," which was later shortened to "Uniqlo" (Fast Retailing, n.d.). The global headquarters of Uniqlo is located in Tokyo, Japan, and the brand has expanded its presence worldwide, with regional offices in countries such as the United States, China, and the United Kingdom.

Uniqlo's initial business model focused on providing basic, well-designed clothing at reasonable prices. Over the years, the brand evolved to emphasize "LifeWear" — simple yet innovative clothing for everyday wear. This evolution coincided with the company's global expansion, which began in 2001 when it opened its first overseas store in London. Uniqlo now operates over 2,000 stores across more than 25 countries (Uniqlo Global, n.d.).

Uniqlo entered the Indonesian market in 2013, marking its growing popularity in Southeast Asia. The brand quickly gained a loyal customer base, with its emphasis on quality and comfort appealing to Indonesian consumers. Uniqlo offers a variety of collections, including AIRism, HEATTECH, and Ultra Light Down, all designed to

enhance everyday comfort and practicality. These innovations, combined with the brand's dedication to sustainability, have made Uniqlo a favored fashion destination in Indonesia (Uniqlo Indonesia, n.d.).

Uniqlo Indonesia offers various product categories that cater to men, women, and children, ranging from casual clothing to more functional pieces designed for specific weather conditions. The company has grown steadily since its debut in the country, expanding its store network in major cities across Indonesia. Customers can also shop online through the Uniqlo Indonesia website, providing an easy and convenient shopping experience (Herlambang, 2023).

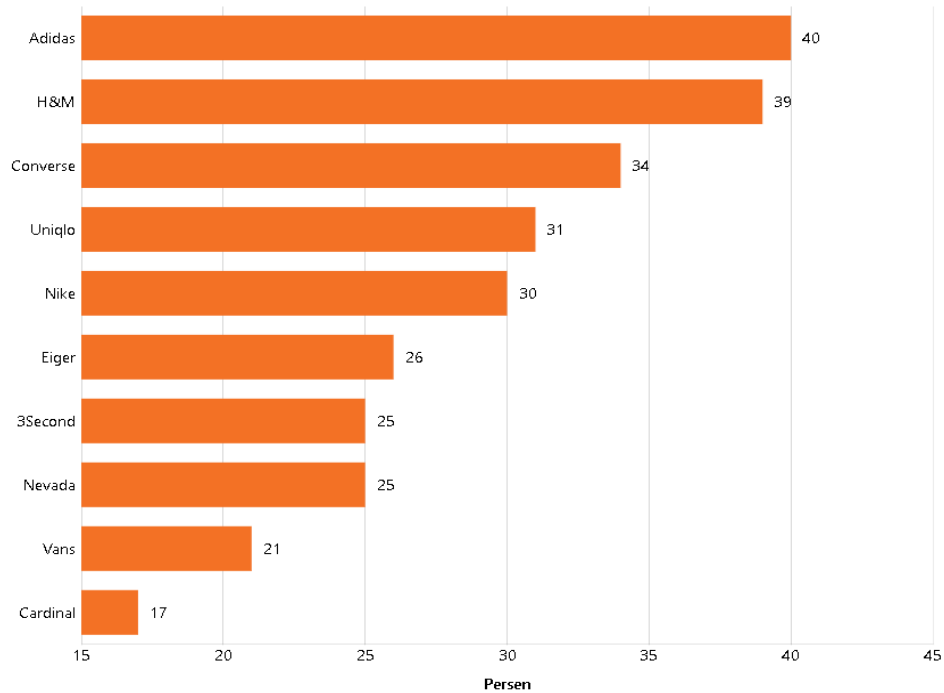
Uniqlo offers a variety of membership options for loyal customers, including seasonal promotions and personalized recommendations. As part of its global mission, the company also focuses on sustainability, aiming to reduce waste and carbon emissions through initiatives such as recycling programs and eco-friendly production processes (Fast Retailing, n.d.).

## **1.2 Research Background**

According to an article (Gazzola et al., 2020), this industry thrives in a highly competitive market dominated by global brands. Lately, despite the economic crisis that has had quite an impact, the fashion industry has achieved rapid growth and undergone major transformations. In conditions dominated by various age groups, thanks to advances in the medical sector and other causes, this fashion industry has the opportunity to serve both young and old generations at the same time. Changes in fashion trends continue to move faster over time. Customers who follow changes in fashion trends tend to want to show their identity in front of others. By following the booming clothing trends, it is likely that these customers will be considered quite up-to-date with developments in the fashion world.

In today's highly competitive global market, businesses are constantly challenged to offer products that not only meet the functional needs of consumers but also cater to their price sensitivity. The fashion retail industry, in particular, is one where purchasing decisions are influenced by various factors, including product quality and price. Uniqlo, a leading global fashion retailer, has successfully established itself as a brand known for offering high-quality products at reasonable prices.

However, with increasing competition in the fashion industry, it is essential to understand how these two key factors—product quality and price sensitivity—impact purchasing decisions, especially among younger consumers who are more discerning and price-conscious.



**Figure 1.2 10 favorite fashion brands that are often used by people in Indonesia**

*Source: <https://databoks.katadata.co.id/datapublish/2022/03/15/10-merek-fesyen-favorit-masyarakat-indonesia-siapa-juaranya>*

According to a survey from Databoks as seen in Figure 1, there is a list of 10 favorite fashion brands that are often used by people in Indonesia. Based on the survey results, the fashion brand that is in first place is Adidas with 40% of respondents. In second place, there is the H&M brand with 39% of respondents. The third, fourth and fifth positions are occupied by Converse, Uniqlo and Nike (Dihni, 2022). Therefore, one of the brands that is the focus of this study is Uniqlo. Uniqlo stands for Unique Clothing Warehouse which is an example of a retail company that applies sales promotion tools for consumers. Uniqlo is a retail & clothing store company from Ube, Japan which was founded in 1984 by Tadashi Yanai. After growing rapidly in a few years, Yanai changed the name of his company to Fast Retailing Co., Ltd in 1991 and listed on the Hiroshima Stock Exchange in 1994. Over time, Uniqlo has grown very quickly and currently has 2,400 stores worldwide and has 56 stores spread throughout

Indonesia. In addition, Uniqlo is one of the retail companies with the 4th largest sales in Indonesia.

Uniqlo has built its reputation on the foundation of quality and innovation, with its product lines such as HEATTECH and AIRism offering functional benefits that address the everyday needs of its customers (Fast Retailing, n.d.). These unique value propositions have positioned Uniqlo as a brand that transcends basic clothing, providing life-enhancing comfort through technology-driven apparel. Despite this, consumer behavior in purchasing fashion products is not solely driven by the perceived quality of the product. Price plays a crucial role in shaping the decisions of customers, especially in markets where price sensitivity is prevalent.

For students in Indonesia, who are part of Generation Z, purchasing decision is influenced by both their demand for product quality and their sensitivity to price. Generation Z consumers are characterized by their high level of digital literacy and awareness of global brands. They seek not only fashion but also value in the products they buy (Romadhona, 2023). With Uniqlo products being easily accessible and perceived as offering high-quality clothing at an affordable price, it is imperative to explore the balance between product quality and price sensitivity in their purchasing decisions.

Research suggests that product quality is a significant factor that impacts consumer satisfaction and loyalty, which, in turn, influences purchasing decisions. A product that meets or exceeds consumer expectations in terms of material, durability, and functionality often leads to repeated purchases and positive word-of-mouth recommendations (Kotler & Keller, 2016). On the other hand, price sensitivity refers to the extent to which changes in price affect consumer purchasing behavior. Price-sensitive customers are more likely to compare prices, seek promotions, and consider alternatives before making a purchase (Solomon et al., 2018). For Uniqlo, which operates in the mid-tier price range, understanding the price sensitivity of its target market is crucial in determining pricing strategies that do not compromise the perceived value of its products.

In the context of students in Indonesia, it is particularly interesting to study how product quality and price sensitivity interact to influence their purchasing decisions. These students, being part of the millennial and Gen Z cohorts, are more likely to

prioritize both the functional aspects of a product and its affordability. They are also highly exposed to global retail trends and more conscious of the value they get for the price they pay. Therefore, investigating the relative importance of product quality and price sensitivity in shaping their preferences toward Uniqlo products can provide valuable insights for the brand's marketing strategies.

The relationship between product quality and price sensitivity is complex and dynamic, especially in the fast-paced fashion industry where consumer preferences shift rapidly. It is essential to understand how these two factors converge to impact consumer decisions. Previous studies have highlighted that while consumers may value high-quality products, their willingness to purchase is often constrained by their perception of price fairness (Zeithaml, 1988). For students who may have limited disposable income, the trade-off between quality and price becomes even more pronounced, making it crucial for brands like Uniqlo to strike the right balance in their offerings.

Given these dynamics, this research aims to analyze the impact of product quality and price sensitivity on purchasing decisions among students in Indonesia. By doing so, the study seeks to contribute to a deeper understanding of consumer behavior in the fashion industry, particularly in a university setting where budget-conscious students form a significant part of the market. Additionally, the findings of this study can offer practical insights for Uniqlo in refining its pricing strategies and maintaining its competitive edge in the Indonesian market.

In summary, this study is timely and relevant as it addresses the growing need for businesses to understand how factors like product quality and price sensitivity influence consumer purchasing behavior. By focusing on Uniqlo, a brand known for its balance of quality and affordability, the research will provide a nuanced perspective on how these factors play out among young, educated consumers in Indonesia. The insights gained from this research can help Uniqlo and similar brands tailor their marketing strategies to better align with consumer expectations and preferences.

### **1.3 Formulation of The Problem**

Based on the research background, formulation of the problem in this research are:

1. How does product quality affect the customer to buy the Uniqlo product?

2. How does price sensitivity affect the customer to buy the Uniqlo product?
3. How does product quality and price sensitivity affect the customer to buy the Uniqlo product?

#### **1.4 Point of The Research**

Based on the problem formulation that has been explained previously, this research has the following objectives:

1. This question aims to explore how consumers perceive the quality of UNIQLO's products.
2. This question investigates how responsive customers are to the pricing of UNIQLO products.
3. This question examines the interaction between product quality and price sensitivity.

#### **1.5 Uses of The Research**

##### **1.5.1 Theoretical Uses**

The results of this study are expected to enhance understanding and contribute to the development of scientific knowledge on how to analyze the influence of product quality and price sensitivity on consumer purchasing decisions. Specifically, this research will provide insights into how Indonesian students make decisions when purchasing UNIQLO products. By focusing on the factors of product quality and price sensitivity, the study aims to offer a more nuanced explanation of consumer behavior, especially within the context of fast-fashion retail. The findings are anticipated to enrich academic discussions surrounding consumer decision-making processes and the balance between quality and price, which can further inform future studies in marketing, consumer psychology, and retail management.

##### **1.5.2 Practical Uses**

1. For the Author.

The results of this study are expected to serve as a valuable learning tool for the author, helping to apply theoretical knowledge gained during college in a real-world context. This research will enhance the author's understanding of consumer behavior analysis,

particularly in relation to product quality and price sensitivity, and contribute to their academic and professional development.

## 2. For UNIQLO Users or Potential Customers.

The findings of this study are expected to provide useful insights for UNIQLO users or prospective customers. By understanding how product quality and price sensitivity influence purchasing decisions, consumers can make more informed choices regarding their apparel purchases. This information may also help potential customers to evaluate the value they receive when buying UNIQLO products.

## 3. For Readers and Other Researchers

The results of this study are expected to contribute to the academic community by providing references and insights for future research. The study's findings on consumer behavior, product quality, and price sensitivity in the fast-fashion industry will be valuable for other researchers exploring similar topics. It will also support further studies on marketing strategies, consumer decision-making, and retail management.

## **1.6 Final Project Writing Systematics**

### **a. CHAPTER I: INTRODUCTION**

This chapter will provide a comprehensive introduction to the study. It includes the background of the research, highlighting the importance of understanding how product quality and price sensitivity affect consumer purchasing decisions. The problem formulation, research objectives, significance of the study, and scope and limitations will also be discussed to give context to the research focus.

### **b. CHAPTER II: LITERATURE REVIEW**

This chapter will delve into the theoretical foundation and previous studies relevant to the research topic. Key concepts such as product quality, price sensitivity, and consumer purchasing decisions will be reviewed in detail. Relevant theories, including consumer behavior models and pricing strategies, will be discussed to support the analysis. This section will also include a review of related studies that explore similar dynamics in the fashion industry.

### **c. CHAPTER III: RESEARCH METHODOLOGY**

This chapter will describe the research design and methodology used to conduct the study. It will cover the research approach, population and sample (students in Indonesia), data collection techniques (such as surveys or questionnaires), and the data analysis methods. It will also explain the tools and techniques used to assess the influence of product quality and price sensitivity on purchasing decisions.

#### **d. CHAPTER IV: RESULTS AND DISCUSSION**

In this chapter, the results of the study will be presented and analyzed. The findings related to the influence of product quality and price sensitivity on UNIQLO purchasing decisions will be discussed. Data analysis techniques, such as statistical methods, will be used to interpret the results. This chapter will also explore how the results align with or differ from existing literature, providing a discussion of the implications of the findings.

#### **e. CHAPTER V: CONCLUSION AND RECOMMENDATIONS**

This chapter will summarize the key findings of the research, drawing conclusions on how product quality and price sensitivity affect the purchasing decisions on students in Indonesia. Practical recommendations for UNIQLO and other fashion retailers, based on the results of the study, will be provided. Additionally, suggestions for future research will be included, particularly areas that could further explore consumer behavior in the fashion industry.