

## CHAPTER 1

### INTRODUCTION

#### 1.1 Research Background

“Luxury is a necessity that begins where necessity ends.” Coco Chanel

Traditionally, before the era of luxurious brands like Chanel, Gucci and others clothing and textiles are the symbol of wealthy and powerful individuals. For example, thousand years ago people back then used silk for a symbol of wealthy. Nueno and Quelch (1998) said that the word “luxury” was applied to products that were rare and scarce which were only presented to minor individuals. However, in today market luxury goods has grown considerably, and it can be afforded for middle class customers. It can be said from the definition above that luxury goods are expressed as product that purchased by consumers because of luxury goods has symbolic meaning.

Generally, buying luxury goods can be defined as a prestige and brand image and products that attract customers to buy (Sevtap et al., 2018). The customer purchase intention can be varying it is depending on the customers itself.

From the Asia-Pacific Luxury Goods Market: Trends and Opportunities (2013-2018) by it is said that in Asia, already accounts for over two-third of global luxury goods market the region is

expected to account for nearly half of total global luxury goods sales in coming years. From the research above, it can be said that people in Indonesia also having and buying the luxury goods and the demand keep increasing every year. In 2018 the demand in China itself already passing 20% growth (Bain, 2018). People tend to think that luxury goods is valuable and it caused the rapid increase on luxury goods. Luxury goods in Indonesia posted stronger current value growth in 2018 than in the previous year, with sales of major international brands such as Louis Vuitton, Gucci and Dior remaining strong. These products are long-standing brands with wide consumer bases in Indonesia. (from <https://www.euromonitor.com/luxury-goods-in-indonesia/report> accessed on 9/15/2019)

Examining factors influencing consumers' intention to purchase luxury branded products has important managerial and theoretical contribution (Lee et al., 2008; Hung et al., 2011; Workman and Lee, 2013; Giovannini et al., 2015; Cheah et al., 2015; Chiu and Leng, 2016). Based on the Vigneron & Johnson, 2004 said that a luxury brands makes the consumers satisfied based on utility and socio-physiological needs. Basically, the luxury brands only provide goods for the high-class customer, but for the middle-class customer they usually buy luxury brands goods only for the prestige to increase their status by using the goods itself. This means that the paradigm of the people in Indonesia has shifted. The paradigm itself also affect the

generation Y, especially they who looking for identity to prove what they social class is. Based on the research by MarkPlus (Taufik, 2012) the increase of Gross Domestic Product (GDP) in Indonesia caused the Luxury brands to spread their marketing potential to middle-class consumer. The Euromonitor International also said that in 2013 the growth of luxury goods has value increase in Indonesia. This growth was caused by the income per capita for the Indonesian itself especially for the middle-class consumers. The demographic change also impacts the market.

Silverstein & Fiske, 2003 said that luxury brands is classified into three categories: accessible super premium, old luxury brand extension, and massive brand or massive prestige. Accessible super premium can be categorized as the affordable one that can easily be afforded by the middle-class consumers. Old luxury brand extension, actually targeting the high-class consumers for example this following brands: Louis Vuitton, Christian Louboutin, Hermes; that old luxury brands actually trying to offer the low end version.

Generation Z, many people said that this generation have different level of expectation and response to purchase. Wang et al., (2015) found that young consumers today have become so common with online shopping with an increasing trend in spending more than ever before. According to Simangunsong (2018), Generation Z have higher preference on clothing/fashion. Thus, this study will be done under

the title **“Determining the factors that influence the consumer behavior to purchase luxury fashion brands among Generation Z in Indonesia”**



## 1.2 Research Problem

Based on the explanation and previous study mention in the research background part, these research problems are formulated as follows:

- 1) Does conspicuousness consumption influence the purchasing behavior among Indonesian Generation Z towards luxury fashion brands?
- 2) Does need for uniqueness influence the purchasing behavior among Indonesian Generation Z towards luxury fashion brands?
- 3) Does extended-self influence the purchasing behavior among Indonesian Generation Z towards luxury fashion brands?
- 4) Does vanity influence the purchasing behavior among Indonesian Generation Z towards luxury fashion brands?
- 5) Does hedonism influence the purchasing behavior among Indonesian Generation Z towards luxury fashion brands?
- 6) Does explorative purchase influence the purchasing behavior among Indonesian Generation Z consumers towards luxury fashion brands?

### 1.3 Research Objectives

According to the research problems stated above, these research objectives are:

1. To find out the effect of conspicuous consumption toward purchasing behavior among Indonesian Generation Z consumers towards luxury fashion brands.
2. To find out the effect of need for uniqueness toward purchasing behavior among Indonesian Generation Z consumers towards luxury fashion brands.
3. To find out the effect of extended-self toward purchasing behavior among Indonesian Generation Z consumers towards luxury fashion brands.
4. To find out the effect of vanity toward purchasing behavior among Indonesian Generation Z consumers towards luxury fashion brands.
5. To find out the effect of hedonism toward purchasing behavior among Indonesian Generation Z consumers towards luxury fashion brands.
6. To find out the effect of explorative purchase toward purchasing behavior among Indonesian Generation Z consumers towards luxury fashion brands.

#### **1.4 Research Scope**

- a. The object of this research is Indonesian Generation Z consumers (age 18-25)
- b. The research subject of this research is Indonesian Generation Z consumers that have bought luxury fashion brands (Nike, Adidas, Zara, Hermes, Gucci, Armani, etc.)
- c. The variables of this research are conspicuous consumption, need for uniqueness, extended-self, vanity, hedonism, explorative purchase, consumer behavior which adapted and edited from Iin et al (2017)

#### **1.5 Research Contributions**

This research conducted with expectation to contribute in some aspects based on the problem and objectives, there are:

1. For academic, as boarder knowledge and understandings about the impacts of conspicuous consumption, need for uniqueness, extended-self, vanity, hedonism, explorative purchase on purchasing behavior of generation Z towards luxury fashion brands.
2. For companies, offers various suggestions about Indonesian Generation Z consumers' perceptions about the brand itself.

## **1.6 Writing Systematic**

The research is going to be written with the systematic order as follows:

### **Chapter 1 Introduction**

Consist of background of the research, the research problem, the research objectives, the research contributions, and the research structure.

### **Chapter 2 Literature Review**

Consist of the basic theory, the related previous research and study, definition and explanation of terms, the research framework, and the hypothesis development.

### **Chapter 3 Research Methodology**

Consist of the method explanation, the research sampling, the data sources, the variable, the data collection, and the analysis method.

### **Chapter 4 Data Analysis & Discussion**

Consist of the explanation of data analysis and the discussion of the research result.

### **Chapter 5 Conclusion and Suggestion**

Consist of the conclusion, the limitation, and the suggestion.