

CHAPTER I

INTRODUCTION

This chapter cover about the research background that gave an argument why this research is important. It explains about several branded shoes and why people choose to purchase these brands. It also explains about data of consumer's preferred branded shoes that is shown in a form of table.

1.1. Background

In the modern era, fashion, specifically shoes are very important and needed for every individual. Different range of ages have also begun to follow the trend of fashion shoe. Likewise, in choosing shoes, people are very selective, especially for types of shoes with certain brands. People bought their shoes base on their need, for example shoes for work, for occasion, for vacation and more. Beside presents with many colors and model, the development of branded shoes has intrigued the consumer to use it to increase prestige. A lot of branded shoes, such as Adidas, Nike, Converse, New Balance, and Vans. These brands are famous because of their main product, which is shoes, which actually fits with the style of young generations. Their shoes model is the model that young generation like college students liked. With various kinds of shoes model, they can adjust with their budget. People can buy these branded shoes for several reasons. One of the reasons is the quality that can be served by these branded sport shoes. The quality of these branded sport shoes no doubt. Purchasing shoes with higher price is better than taking lower priced shoes but with lower quality as well. Another reason is the style. People, especially young generation usually fashion conscious, they often to choose expensive branded sport shoes to match with their styles.

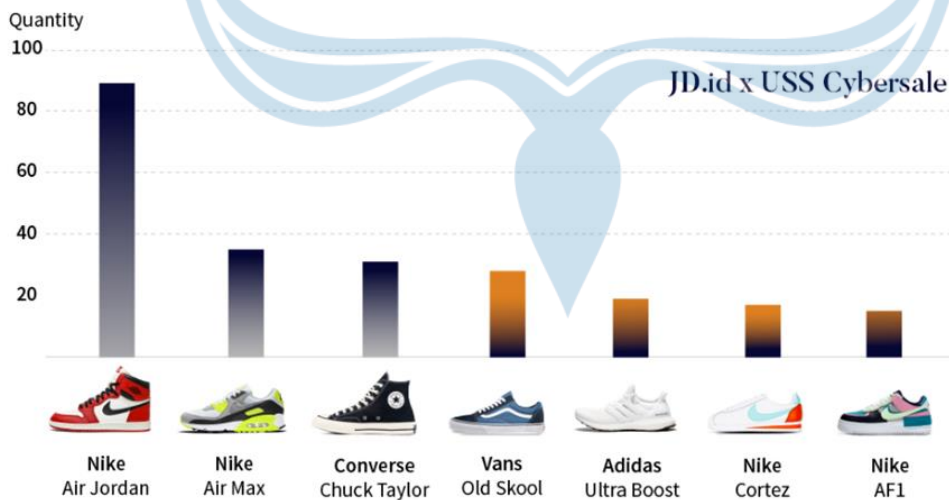
Table 1.1

Data of Consumers preferred branded sport shoes in Indonesia 2022

BRAND	TOP BRAND INDEX 2022
Adidas	34.8%
Nike	21.6%
Ardiles	8.7 %
Diadora	6.8 %
Reebok	4.4 %

Source: top brand award index 2022

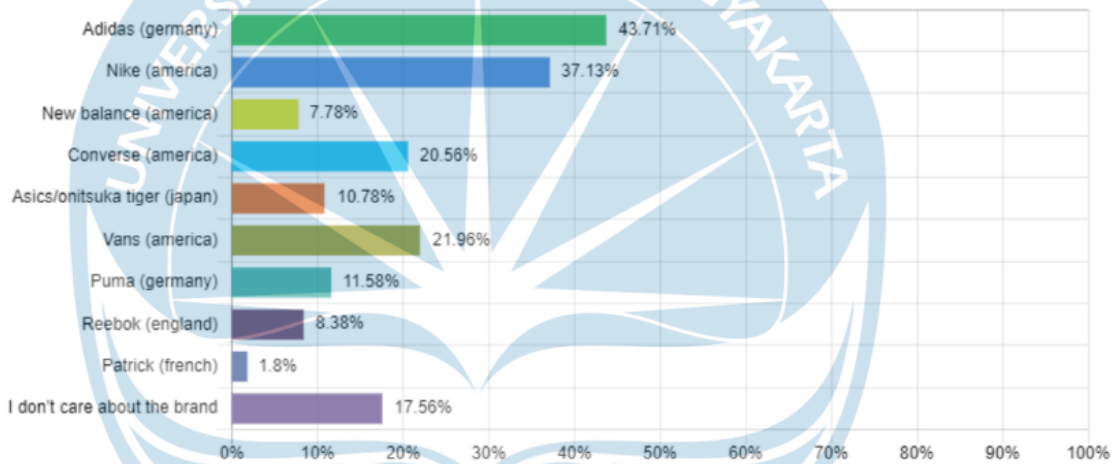
According to the table 1.1, it is concluded that Adidas and Nike rule the branded shoes market in Indonesia with both being in the first and second place. Consumers of Indonesia tend to choose Nike and adidas as their preferred branded sport shoes. Adidas are most preferred brand in Indonesia because of the quality and the price. The price of shoes with this brand is more affordable with better quality. Adidas has a collection of sneakers that are funky and creative. This is because the consumers targeted by Adidas are millennials who have an age range of 18-25 years. Nike prioritize and think about the interests of the consumer. Nike thinks about who will be wearing the sneakers, and what components the sneakers should have. Even though Nike has higher price than adidas, Nike has an advanced technology that support in creating modern shoes.



Source: JD. Id and USS Cybersale

Figure 1.1 Data of shoes sales in 5 day online event in Indonesia, 2020

According to the data which is taken from jd.id in 2020 in Indonesia, an e-commerce company and Urban Sneaker Society, a shoes event. The event last for 5 days through online. According to the data received, a third of the total sales are recorded by Nike. Adidas came in second, followed by Vans and Puma. Based on the number of items sold, the Nike Air Jordan, Air Max, and Air Force 1 were the most popular Nike shoe models during the event. Nearly 100 pairs of Air Jordans were sold. A source from the Urban Sneaker Society stated that 74% of shoppers during the event were men. Five provinces on the island of Java recorded the most sales. North Sumatra is in sixth position with a 1.5% contribution to total revenue. Buyers in Jakarta spend an average of IDR 800,000 for a single transaction.



Source: Licore(2018)

Figure 1.2

Data of survey in 2018 in Indonesia of Indonesian branded sport shoes choices

According to figure 1.2, which is taken from Licore from a survey that was held in 2018 in Indonesia with 501 respondent that consist of man and women between 10-59 years old, Adidas is the most favorite branded sport shoes of Indonesian community. This survey finds out about which branded sport shoes that Indonesian community think is a good brand. Following with Nike on the second place, New balance on the third place, Converse on the fourth place, and vans on the sixth place. This is arguably quite reasonable because Adidas and Nike shoes are much easier to find in malls or shops in Indonesia. If seen from its history, Nike had already operated in

Indonesia since 1988. Within 32 years, now Nike products have dominated one-third of shoe sales in Indonesia. Nike also has several factories in Indonesia. Most of the factories are in Tangerang and Serang. By the number of stores available in Indonesia, it is not hard to find these sport shoes, which drive the intention of Indonesian community to purchase them.

Purchase intentions were usually led by how the process of choosing that decision itself. Purchase intention is part of the behavioral component in consuming attitudes (Broutsou & Fitsilis, 2012). According to Kim and Jones (2009), purchase intention is part of the component of consumer behavior in consuming attitudes, the tendency of respondents to act before the buying decision is actually implemented. Interest is described as an individual's situation before taking an action that can be used as a basis for predicting behavior or action. Purchase intention is something related to consumers' plans to buy certain products and how many units of products are needed in a certain period, it can be said that buying interest is a mental statement from consumers that reflects the plan to purchase a number of products with certain brands.

In society, there are assumptions and beliefs that apply. This value is a way of life for community members and is considered good and right and must be obeyed. Like buying sports shoes. By buying sports shoes, they are not only used as footwear, but can also be used as luxury fashion and can stand out. Ceyhan (2019) explains that consumer attachment can lead to an impulse to buy interest to interact and communicate. This interaction is called social value. Social value is the utility derived from a product's ability to enhance social self-concept (Sweeney & Soutar, 2001, p. 211). Therefore, social value perceptions are in general outer directed consumption preferences and they are related to the instrumental aspect of impression management (Shukla, 2012).

With the existence of social values in community groups, another value appears called conspicuous value. Conspicuous value is "derived from the consumption process which is solely focused on the display of wealth" (Shukla, 2012, p. 578). Consumer preferences for many products that are purchased or consumed in the public are shaped by conspicuous consumption (Wiedmann, Hennigs, & Siebels, 2009). The consumption of prestige brands is viewed as a signal of status and wealth, and whose price, expensive by normal standards, enhances the value of such a signal and therefore, is a result of perceived conspicuous value. Consumers in the society are influenced with these values. They are seeking for luxury items, such as branded sport shoes.

There are factors that driving a customer to purchase a product. Factors like the price of the product, which fits with the customer's budget. There are customers who are willing to pay more for a product. They know their budgets, but they choose to pay more for a product because they concern that the product that they are purchasing are worth. Willingness to pay more is the highest price a customer will buy your product. The effect of willingness to pay more for brands turned out to play a significant role. The consumption of brands is viewed as a signal of status and wealth that enhances the purchasing intention and willingness to pay more. This is especially true for customers wishing to belong in high status groups (Batra, et.al, 2000)

Another factor is the place where the product was sold, the product itself, which actually fits with the style of the customer and also promotion, which gives attractiveness and willingness of the customer to purchase the product. The attractiveness of a product is based on consumers positive evaluation of the brand's product. Brand attractiveness will encourage consumers to seek information about the brand. Identification is more likely to occur when consumers find a company or brand to be attractive, and an attractive brand identity can increase consumer self-evaluation (So et al, 2017).

On these modern days, jobs like tv presenter, celebrity, actors, are demanded to show not only their inside, which is their performance, but also their outside, which is what they are wearing. These creates their subconscious to always choose the best outfits that they will use, especially branded sport shoes. This is what gives rise to a psychological effect called the bandwagon effect. The bandwagon effect is simply a psychological effect in which the affected person tends to follow the behavior of others. The bandwagon metaphor is derived from a horse-drawn bandwagon called the bandwagon itself. The bandwagon will attract people to follow and listen to the music playing.

The demand for fashion has a non-additivity curve since "where one person buys because another is buying the same thing." (Carare, 2012, p.719). Bandwagon effect is one of the main motives creating the external effects on utility. Bandwagon effect, represents the desire of people to purchase a commodity in order to get into "the swim of things"; in order to conform with the people, they wish to be associated with in order to be fashionable or stylish; or, in order to appear to be "one of the boys" and therefore the demand for a commodity is increased due to the fact that others are also consuming the same commodity. The demand for a product increase because others are consuming that product. In other words, "consumers jump on the bandwagon so they won't be

left behind” (Ko & Megehee, 2012, p. 1395). Compared to the Veblen and Snob effect, bandwagon effect is not much studied in the literature (Schalkwyk, 2014). In the case of demand, optimal sales are small for a snobbish good, while it is close or equal to the whole market for a bandwagon good. And in the long-run price is higher for snobbish case, because restricting the market enhances its reputational value.

For bandwagon consumers, price is less important as an indicator of prestige, but the effect they make on others has a greater significance for them (Husic & Cicic, 2009). Social approval is sought for bandwagon consumption (Kastanakis & Balabanis, 2012). Consumers communicate their desires of belonging to a class by purchasing a brand over another. Hence, consumers may be grouped under two: snobs or “aristocracy” and bandwagon consumers or “new money”. Either way, they want to enhance their self-image whether by differentiation or assimilation. However, bandwagon consumers do it by paying money for the products full of logos, while the snobs do it by paying higher amount for a hidden brand label. In other words, snobs desire to gain prestige by purchasing higher priced brands of public or private display, while bandwagon consumers refer to the visual public display or overt usage of product (Tynan, McKechnie, & Chhuon, 2010).

Today, money seems to be a reflection of power and happiness, and in the present situation of the luxury market, money is shown by visible luxury goods. On one side, there are consumers display their power and success by differing from others through consumption, while on the other side there are the “new money” group, who imitate the first group in everything, even their aspiration to differentiation (Husic & Cicic, 2009). Bandwagon luxury consumers do not just follow passively, but they actively use luxury products as physical evidence of the superior rank they want to be within (Kastanakis & Balabanis, 2012). Nevertheless, one can always say, “Nouveau riche is better than no rich at all” (Husic & Cicic, 2009, p.243). One of the major antecedents of bandwagon luxury consumption is the status consumption. Because status consumption is about to satisfy the both: need for self-recognition and the need for others’ recognition, the bandwagon luxury consumption fulfills both of those needs (Kastanakis & Balabanis, 2012). Besides to status seeking, it is found that the self-concept orientation regulates bandwagon consumption. The degree of a consumer’s susceptibility to normative influences or need for uniqueness mediates the influence of self-concept (Kastanakis & Balabanis, 2014).

1.2. Research Questions

Based on the background, the research questions are:

1. Does bandwagon consumption have a significant effect toward purchase intention of branded sport shoes?
2. Does bandwagon consumption have a significant effect toward willingness to pay more of branded sport shoes?
3. Does bandwagon consumption have a significant effect toward brand attractiveness of branded sport shoes?
4. Does conspicuous value have a significant effect toward purchase intention of branded sport shoes?
5. Does conspicuous value have a significant effect toward willingness to pay more of branded sport shoes?
6. Does conspicuous value have a significant effect toward brand attractiveness of branded sport shoes?
7. Does social value have a significant effect toward purchase intention of branded sport shoes?
8. Does social value have a significant effect toward willingness to pay more of branded sport shoes?
9. Does social value have a significant effect toward brand attractiveness of branded sport shoes?

1.3 Research Objective

From the formulation of the problem, the purpose of this research is:

1. To examine the effect of bandwagon consumption toward purchase intention of branded sport shoes.
2. To examine the effect of bandwagon consumption toward willingness to pay more of branded sport shoes.
3. To examine the effect of bandwagon consumption toward brand attractiveness of branded sport shoes.
4. To examine the effect of conspicuous value toward purchase intention of branded sport shoes.
5. To examine the effect of conspicuous value toward willingness to pay more of branded sport shoes.
6. To examine the effect of conspicuous value toward brand attractiveness of branded sport shoes.
7. To examine the effect of social value toward purchase intention of branded sport shoes.
8. To examine the effect of social value toward willingness to pay more of branded sport shoes.
9. To examine the effect of social value toward brand attractiveness of branded sport shoes.

1.4. Research Benefits

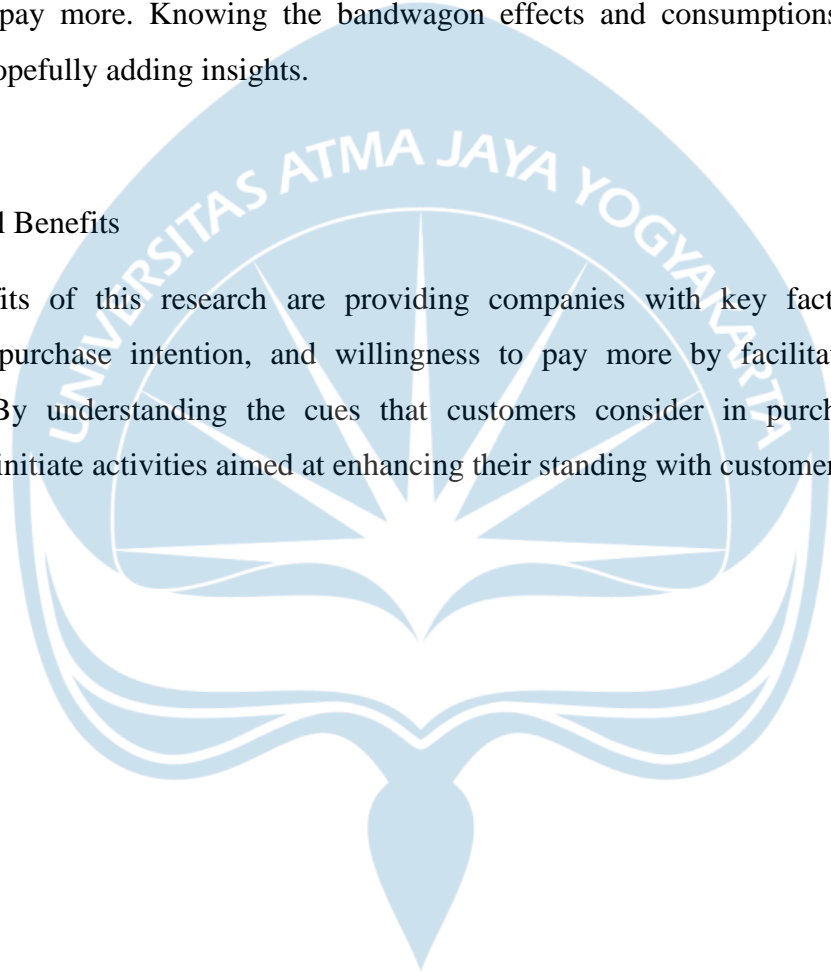
The benefits of this research are:

A. Theoretical Benefits

Theoretical benefits of this research are aiming to explore the effects of bandwagon consumption and value perceptions on consumers' attitudes, purchase intention, brand attractiveness, and willingness to pay more. Knowing the bandwagon effects and consumptions and customers behavior will hopefully adding insights.

B. Practical Benefits

Practical benefits of this research are providing companies with key factors for gaining attractiveness, purchase intention, and willingness to pay more by facilitating bandwagon consumption. By understanding the cues that customers consider in purchasing behavior, companies can initiate activities aimed at enhancing their standing with customers.



1.5. Writing Systematics

Chapter 1 Introduction

This chapter cover about the research background that gave an argument why this research is important. It explains about several branded shoes and why people choose to purchase these brands. It also explains about data of consumer's preferred branded shoes that is shown in a form of table.

Chapter 2 Literature Review

This chapter covered about all the dependent and independent variable that will be discussed in this research. Each variable will be reviewed based on its definitions and theories related to it. Furthermore, the previous research that support the development of hypothesis also being describes to gain support of argument. The last part of this chapter will show the research model that used in this research.

Chapter 3 Research Methodology

This chapter cover about the process of method used in this research. The system of method includes the time and location of this research, subject of this research, method used in this research, research instrument, data collection technique, and data analysis technique.

Chapter 4 Analysis and Data Processing

This chapter cover about the analysis of the data that have been obtained and the results of the research. The results will be explained and will be shown in a form of table and graphic.

Chapter 5 Conclusion and Managerial implication

This chapter cover about the conclusion of the result of this research. The conclusion will be outlined and also suggestion is given in the last part of this chapter.