

CHAPTER I INTRODUCTIONS

1.1. Background

Companies in the fashion industry are currently experiencing growth. While economies around the world are experiencing a crisis due to the COVID-19 pandemic, the fashion industry is gaining a lot of demand from the market (Amed & Berg, 2022). In 2021, revenue from global fashion market demand grew by 21% and then continued year on year, and this increase continued until early 2022 with revenue growth of 13% (Amed & Berg, 2022). However, brands have to work hard to remain attractive to consumers due to the unstable world economic situation (Amed & Berg, 2022). The fashion industry has always faced unique challenges (Hickins, 2023). Companies need to adapt to changing consumer tastes, identify geographic and demographic segments, and understand evolving pop culture trends that impact consumer demand (Hickins, 2023).

The fashion industry is currently experiencing significant growth. According to the Central Bureau of Statistics, the textile and clothing industry, a sub-sector of the manufacturing industry, contributed 5.81% to the Gross Domestic Product (GDP) in 2022 (Sadya, 2023). The textile industry experienced tremendous growth in the second quarter of 2022, reaching 35.17 trillion, marking the second highest growth in the past decade (Rizaty, 2022). However, growth in the apparel industry slowed to 1.4% in 2024 (Statista, 2023). These developments underscore the importance of conducting this research.

Fashion is one of the leading creative economy sub-sectors. Fashion creative industry players dominated by creative and innovative young people continue to develop fashion trends (Kemenparekraf, 2023). The local fashion industry has grown significantly and expanded its presence to the international market (Kemenparekraf, 2023). Local brands have undertaken expansion strategies, such as participating in New York Fashion Week 2022 (Siska & Lilik, 2023), resulting in increased demand from overseas markets (Purwanti, 2022). Export demand has included countries such as Malaysia, Singapore, the United States, the Philippines, and Thailand (Purwanti, 2022). This achievement emphasizes the importance of companies building brand equity to increase recognition among consumers (Yec, 2021).

Research related to local clothing brands is an interesting issue to research. Local clothing brands are brands developed in a certain area, made and produced locally, including in Indonesia (I. N. Putri, 2021). Erigo is one of the local fashion brands in Indonesia that emphasizes style and comfort (Fathurahman & Sihite, 2022). In Indonesia, which has many competitors, Erigo has demonstrated strategic marketing acumen, as evidenced by its revenue of IDR 20 billion (USD 1.3 million) in 2015 (Rustanti et al., 2023). One important marketing strategy used by Erigo was its participation in New York Fashion Week and its presence in New York Times Square (Siska & Lilik, 2023). For business owners, offering or improving product quality through sales promotions is essential to stimulate consumer interest (Yeop Abdullah et al., 2020). For the above reasons, Erigo is a suitable fashion brand to choose in this study.

Current technological advances are quite influential on consumer sales and purchasing behavior patterns. E-commerce and social media are proof of technological advances which are digital-based sales media (Supriyanto et al., 2023). TikTok is one of the social media that has a feature for buying and selling called TikTok Shop (Sa'adah et al., 2022). Indonesia is ranked 2nd as the country with the largest TikTok users with 113 million users (Arfin, 2023). TikTok Shop allows sellers to offer their products to TikTok users directly (Arfin, 2023). According to Momentum Works, by 2022 TikTok Shop will control 4.4% of the e-commerce market share in Southeast Asia, this is because TikTok Shop has video and live broadcast features and facilities like a general marketplace (Annur, 2023).

Brand equity in the company is very important to develop. Brand equity refers to a set of assets associated with brands, symbols, and names that can add or subtract value to a company (Brunello, 2018). Companies need to increase their brand equity as this is closely related to the overall value of the company (Yec, 2021), and increased brand equity makes it possible to increase market share (Aitchison, 2023). Consumers think positively after interacting with a brand that the brand has built a positive relationship with consumers (Singh, 2023). Brands with high brand equity will be remembered and easily recognized by consumers (Commer et al., 2020). Another benefit of having strong brand equity is that it can generate favorable feedback for the company (Yec, 2021).

Companies have the ability to stimulate purchase intent among consumers. This intention can be achieved by ensuring that consumers easily recognize the products they need (Yec, 2021). Brand building can involve creating

a logo, product name, tagline, or visually appealing design elements (Singh, 2023). The fashion industry has its own challenges in innovating, such as what to wear and how to wear it (ThePro3DStudio, 2021). Companies can capitalize on this opportunity by enhancing positive consumer experiences and fostering favorable perceptions of their products (Singh, 2023).

Companies have the opportunity to utilize and adapt marketing strategies to influence consumer purchasing behavior. Consumer purchasing behavior refers to the actions taken by consumers before deciding to buy a product (Tao et al., 2022). Consumer intention can be said to be a strong internal drive or stimulus as a motivation to take an action to purchase a product (Amri & Prihandono, 2019). Guiding consumer purchasing behavior involves identifying prospects and ensuring that the products offered meet consumer needs to build relationships between consumers and companies (Tao et al., 2022). Companies must pay attention to product quality to increase consumer happiness (Cleave, 2023).

Making consumers bond with a brand is something that companies need to do. Companies must build emotional bonds with consumers, because brands are not just an identity but can also foster emotional relationships between consumers and companies (Yunita & Nirawati, 2022). Emotional bonds contribute to consumer happiness (Greater Good, 2023). Consumer happiness arises when companies can engage through products and services that satisfy consumers (Maya, 2023). This strategy can be achieved by providing feedback to consumers and acting on their input, thus helping to increase their happiness (Maya, 2023).

This study aims to investigate the impact of brand equity on purchase intention and, subsequently, on consumer purchase behavior and short-term and long-term happiness. In addition, this study investigates the mediating role of purchase intention in this relationship. This research is important both theoretically and practically. Theoretically, research in the context of happiness in purchasing is limited. Burhanudin (2023) stated that purchase intention has a positive impact on consumer happiness because by buying a product they can feel their life is more meaningful. However, purchasing behavior along with short-term and long-term happiness has not been the focus of previous research on happiness (Schnebelen & Bruhn, 2018). Practically, this research can be a reference for managers to create marketing strategies that can make consumers feel happy when buying a product so as to improve the consumer experience (Purohit et al., 2023).

1.2. Problem Statement

Based on the background of the problem above, the problem formulations in this study are:

1. Does brand equity have a significant effect on purchase intention?
2. Does purchase intention have a significant effect on short-term happiness?
3. Does purchase intention have a significant effect on purchase behavior?
4. Does purchase intention have a significant effect on long-term happiness?
5. Does purchase intention mediate brand equity on short-term happiness?
6. Does purchase intention mediate brand equity on purchase behavior?
7. Does purchase intention mediate brand equity on long-term happiness?

1.3. Research Objectives

Based on the formulation of the problem in this study, the research has the following objectives:

1. To find out whether brand equity has a significant effect on purchase intention
2. To determine whether purchase intention has a significant effect on short-term happiness
3. To determine whether purchase intention has a significant effect on purchase behavior
4. To determine whether purchase intention has a significant effect on long-term happiness
5. To determine whether purchase intention mediates brand equity on short-term happiness
6. To determine whether purchase intention mediates brand equity on purchase behavior
7. To determine whether purchase intention mediates brand equity on long-term happiness

1.4. Research Benefits

By achieving the research objectives, the expected research results will be able to provide the following benefits:

1. For Researchers

The results of this study can be an insight for researchers regarding the role of managers in increasing understanding in attracting consumer interest in Erigo.

2. For the Community

The results of this study are expected to provide benefits from the effect of a good brand image to increase consumer knowledge of the Erigo brand.

3. For Managers

The results of this study are expected to contribute ideas to Erigo marketing from a marketing improvement point of view.

4. For Hayam Wuruk Perbanas University Surabaya

It is hoped that this research can be published in scientific articles and additional references about fashion brands at Erigo, so as to enrich the field of management, especially marketing management.

1.5. Thesis Structure

To facilitate the outline of the influence of brand equity, short-term happiness, long-term happiness, and purchase behavior through the mediation of purchase intention which is the content of this writing, the structure and series of each chapter are described as follows:

Chapter I : INTRODUCTION

This chapter contains the background, problem statement, research objectives, research benefits, and thesis structure.

Chapter II : THEORITICAL FOUNDATIONS

This chapter contains previous research, theoretical background, hypotheses, research frameworks, and research hypotheses.

Chapter III : RESEARCH METHODS

This chapter contains research design, research scopes, variable identification, operational definitions and variable measurements, research instruments, population, samples and sampling techniques, data and data collection methods, validity and reliability tests of research instruments, and data analysis techniques

Chapter IV : DESCRIPTION OF RESEARCH SUBJECTS AND DATA

This chapter describes the description of the research subject and data analysis consisting of descriptive analysis, outer model evaluation, inner model evaluation, SmartPLS analysis results, hypothesis tests, and discussion of research results.

Chapter V : CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

This chapter discusses conclusions, limitations, and suggestions based on the results of the research that has been conducted.