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ABSTRACT

The local fashion industry in Indonesia faces tough competition with imported brands, driven by shifting consumer preferences, particularly during the pandemic. The research examined the impact of country of origin on purchase intention in the casual fashion industry, with brand image and perceived quality as intervening factors. It involved 412 Indonesian Gen Z in Jakarta as respondents with prior experience in the local casual fashion market. Data were collected through online questionnaires, and the SEM-PLS analysis method with SmartPLS v3.2.9 software was used for analysis. Results show that country of origin significantly influences brand image and perceived quality, affecting purchase intention. The research aligns with prior consumer perceptions studies. The implications offer guidance for casual fashion industry marketers and retailers. Emphasizing a positive country of origin image and focusing on brand image and perceived quality can impact purchase decisions, particularly among Indonesian Gen Z consumers in Jakarta. Future research can also expand the scope to include a broader sample and employ qualitative methods for deeper consumer insights. In conclusion, the research enhances understanding of consumer behavior in the casual fashion industry by revealing the role of country of origin, brand image, and perceived quality in shaping purchase intentions. Businesses can utilize these insights to refine their marketing strategies and better cater to their target consumers’ preferences.

Keywords: Generation Z, local fashion industry, brand image, perceived quality, country of origin

INTRODUCTION

In the current era of globalization, advances in communication, information, and transportation can create close links between countries. It reveals that the process of globalization can have an impact on aspects of life by influencing each other between regions and even between countries. One industry that is developing in today’s globalization is the fashion industry. The domestic textile and apparel industry has continued to experience growth since 2015 despite experiencing a decline in 2020 due to the impact of the COVID-19 pandemic. However, data from Statistics Indonesia (Badan Pusat Statistik (BPS)) noted that clothing imports from January to October 2021 reached 58.1 thousand tons or a value of IDR 7.34 trillion, with the majority coming from China. Didi Sumedi, Director General of National Export Development at the Indonesian Ministry of Trade, also conveyed Indonesia’s dependence on China as...
the world’s main clothing producer, including halal clothing. Indonesian local fashion products should be able to overtake China’s position in exporting and importing Muslim clothing because Indonesia is the country with the largest Muslim population in the world, with approximately 236,000,000 people (Wiguna, 2024).

Not only from China, clothing products from various countries have also enlivened the import market in the fashion industry in Indonesia. It happens because Indonesia has a relatively lax apparel import protection policy, according to the Global Alliance for Incinerator Alternatives (GAIA) (Islamiati, 2023). President Joko Widodo has highlighted the proliferation of cheap imported clothing sales on e-commerce platforms (Santika, 2023).

In addition, the Indonesian people’s interest in shopping for imported clothing products is still very high. It can be seen from the increased activity of foreign clothing imports. According to Statistics Indonesia, the largest imports of clothing in the country come from China. It is noted that the total textiles and textiles products imported from that country amount to 990.20 thousand tons (Annur, 2022). Hence, consumer preference is still higher for foreign brands compared to local brands, even though the demand for fashion products remains high in Indonesia.

The situation is also reinforced by a survey conducted by the Katadata Insight Center (KIC), which shows that 34.2% of Indonesians like clothes and shoes from abroad, even though the production of these two goods in Indonesia is quite large (Setyowati, 2020). The survey results show that Indonesian people like fashion products from abroad. The large selection of fashion products from abroad makes local brands unable to compete with foreign brands. This issue is supported by previous research revealing that 60% of Indonesian consumers prefer to buy foreign products compared to domestic ones (Yulistara, 2018).

The research discusses how the local casual fashion industry experiences tough competition to dominate a wider market in Indonesia, even though clothing imports from China still dominate the Indonesian market. The research aims to explore the multifaceted influence of the country of origin and brand image on customer perceptions of products. Understanding how the country of origin impacts customer perceptions of product quality and reputation across various industries will shed light on the underlying factors that shape these perceptions among diverse demographic groups. Additionally, investigating the relationship between brand image and customer perceptions will provide insights into effective brand management strategies that can enhance overall product perception and influence purchasing decisions.

Country of origin is defined as a combination of mental associations and beliefs attributed to the specific country from which a product originates (Garcia-De los Salmones et al., 2022). This association influences the product’s image, which is, in turn, influenced by the country where the product is manufactured (Elarbah & Shebli, 2020). On the other hand, because brand associations have a positive impact on consumer choice, consumers will accept brand extensions into other product categories. According to customers consciously perceive the country of origin and consider it important when making purchasing decisions. Perceptions of a product’s country of origin serve as indicators of its quality and reputation for customers (Merabet, 2020). To this end, it is necessary to create a bond of familiarity between consumers and the product or brand (Creux-Martelli et al., 2023).

Since each stage of processing has different effects on consumers’ perception. For example, a manufacturing country influences serviceability, workmanship, and economy. Then, the country in which assembles impact product functionality (e.g., performance and reliability). A country which designs it shapes product image, aesthetics, and more. A strong country of origin positively influences individuals’ product evaluations, while a high individual purchase intention develops a positive decision to purchase products, leading to an increase in sales (Kim et al., 2023).

In addition, this concept is also closely related to brand image variables. Brand image is a collection of brand associations that are formed and attached to the minds of consumers (Hien et al., 2020). According to Saraswati and Giansari (2022), brand image has an important role in understanding, perception, and consumer trust in a brand. Brand image has the potential to shape consumers’ perceptions and attitudes towards a brand as a whole (Prasasti et al., 2020; Savitri et al., 2022).

The significance of the country of origin on customer perceptions of products cannot be underestimated. It serves as a vital indicator of product quality and reputation in the eyes of consumers. Customers tend to use the country of origin as a reference point when gauging the likely quality of a product. If they hold a positive sentiment towards the country of origin, this positive perception is likely to extend to the product itself. Conversely, consumers may associate the product with inferior quality if there is a negative sentiment towards the country of origin. Alongside the country of origin, brand image plays a crucial role in shaping customer perceptions (Admin BFI, 2024). The brand image represents the collective identity and values of a brand ingrained in the consumers’ minds. It significantly impacts how consumers view the brand as a whole. A positive brand image can lead to more favorable perceptions of the products associated with that brand.

Another variable associated with the country of origin is perceived quality. It refers to the overall evaluation of a product or service based on consumers’ experiences with a particular brand (Prabowo et al., 2019). According to Prabowo et al. (2019), perceived quality is considered an essential element before making a purchase decision because consumers will compare product quality and price before buying it. Perceived quality can also reflect the image and reputation of the
product and the company’s responsibility for making a product because the perception of product quality is based on the customer’s senses and vision (Merabet, 2020).

Perceived quality is defined as how far a product meets the customers’ desires. Consumers carefully assess the quality and price of products before making a purchase. The perception of quality is heavily influenced by the overall image and reputation of the product and the company behind it. A well-established and reputable brand is more likely to be associated with higher perceived quality, leading to increased customer trust and confidence in the product (Lie & Bernarto, 2019).

Some of the variables that have been studied will refer to a purchase intention as a series of processes prior to purchase (Alwan & Alshurideh, 2022; Garcia-De los Salmones et al., 2022; Nora & Minarti, 2016). According to Athapaththu and Kalathunga (2018), several factors can influence purchase intention, including perceived quality and satisfaction. Brand image can also influence purchase intention, whereas a high brand image can influence a person’s intention to buy the product. In fashion purchasing attitudes, many consumers feel confident with a good brand image, which causes them to have a high desire to buy the product (Kim et al., 2023). Purchase intention can also be formed by perceived quality and country of origin effects (Merabet, 2020).

Examining the extent to which perceived product quality affects customer loyalty and repeat purchase behavior while considering its variation across different market segments will provide valuable information for companies seeking to optimize their marketing and branding efforts. Furthermore, delving into the role of advertising and marketing in shaping customer perceptions will highlight effective strategies for positively influencing product quality perceptions and building a strong brand image. Then, comparing customer perceptions between domestically manufactured products and those imported from foreign countries will offer valuable insights into the impact of country of origin on consumer preferences. Additionally, understanding the potential consequences of negative country of origin perceptions on a product or brand will inform companies about the importance of managing and mitigating such negative effects.

Addressing these research questions contributes to a comprehensive understanding of the interplay between the country of origin, brand image, perceived product quality, and their collective influence on customer perceptions of products. The findings will equip businesses with valuable insights to make informed decisions in product development, branding, and marketing strategies to enhance customer perception and ultimately drive business success.

Therefore, the hypotheses formed are based on several theoretical studies based on the variables that are discussed, such as country of origin, perceived quality, brand image, and purchase intention. Previous studies from Pramitha (2021) have established a relationship between the country of origin and brand image, indicating that the country of origin can significantly and positively influence brand image. Furthermore, the country of origin has a broader impact on the overall brand image. These findings are supported by a previous study finding that the country of origin has a positive influence on brand image (Hien et al., 2020). Based on these findings, the researchers propose the following hypothesis.

H1: There is a significant influence and a positive relationship between country of origin and brand image.

The following hypothesis is built based on research conducted by Darmawan et al. (2021) that the country of origin has a direct relationship with the perceived quality. The previous results align with the perspectives expressed by various researchers in the field. For example, respondents in general can positively assess the country of origin of a laptop or notebook brand they use. It also shows a positive assessment of the quality they feel (Listiana, 2012). In addition, there is a positive relationship between country of origin and perceived quality in their research on online games (Prasasti et al., 2020). Based on these findings, the second hypothesis is as follows.

H2: There is a significant influence and a positive relationship between country of origin and perceived quality.

According to Juhaeri (2018), brand image has a significant influence on people’s buying interest. Product quality and customer satisfaction are essential in building customer loyalty. Customer satisfaction is a necessary factor in creating consumer loyalty because if people are satisfied with the company’s products and services, they tend to make repeat purchases. In addition, product quality is also an important factor related to customer satisfaction. With good product quality, customer satisfaction is created, and ultimately, customer loyalty is formed.

According to Agustina et al. (2018), brand image influences people’s buying interest by increasing awareness of the goods and services owned by companies. This awareness is important so that people know about the company and its products and services. Awareness is the first step to knowing that a company sells certain goods and services. Hence, the third hypothesis is as follows.

H3: There is a significant influence and a positive relationship between country of origin and purchase intention.

Based on the findings of Gan and Wang (2017), there is a positive relationship between the perceived quality and purchase intention. If a product or service is of high quality and is different from similar products or services, it will have a significant influence on people’s
purchasing intentions for that product or service. The existence of product or service quality that meets people’s needs has an important role in influencing their intention to make purchases. Therefore, the researchers propose the following hypothesis.

H4: There is a significant influence and a positive relationship between perceived quality and purchase intention.

Based on the research conducted by Putra and Suprapti (2019), there is a positive and significant correlation between country of origin and purchase intention, which is mediated by brand image. Previous research has involved 110 respondents, and the results indicate that the country of origin has a positive and significant impact on purchase intention through the mediating role of brand image. These findings are consistent with a study conducted by Kim et al. (2017), finding a positive and significant influence of country of origin on purchase intentions through brand image in the context of fashion collections in Seoul, New York, and Paris. Furthermore, a previous study also demonstrates that country of origin has a significant and positive influence on purchase intention through the mediation of perceived quality, aligning with prior research (Wibowo et al., 2021).

Thus, the researchers propose the hypothesis that the country of origin influences purchase intention through perceived quality. It can indicate a positive and significant relationship between country of origin and purchase intention through perceived quality. A good reputation from the country of origin of the product will have an impact on positive quality perceptions in the minds of consumers, which will ultimately affect consumer buying interest.

Based on these previous studies, a positive relationship exists between country of origin and brand image, perceived quality, and purchase intentions. Country of origin can affect brand image, which in turn influences purchase intention. In addition, country of origin influences purchase intention through perceived quality as an intermediate variable. Therefore, the role of country of origin in consumer purchasing decisions is very important. Based on these findings, the research proposes two additional hypotheses as follows.

H5: There is a significant influence and a positive relationship between country of origin and purchase intention through brand image.

H6: There is a significant influence and a positive relationship between country of origin and purchase intention through perceived quality.

The impact of globalization and several facts about Indonesian consumer preferences have resulted in low interest in shopping for local fashion. Based on the previous explanation, the research discusses the influence of country of origin on purchase intention, which is supported by brand image and perceived quality of local casual fashion products among Gen Z in Jakarta, Indonesia. The research has important significance in improving sales quality and performance in the local casual fashion industry. Based on theoretical studies and the formation of hypotheses, the research model in Figure 1 is formed and tested.

**METHODS**

The research applies a quantitative approach and statistical analysis as the analytical tool (Santoso & Madiistriyatno, 2021). The research also utilizes the Structural Equation Modeling (SEM) method, specifically Partial Least Squares (SEM-PLS). The SEM-PLS method involves two stages of analysis: constructing a measurement model and a structural model.
In Indonesia, Generation Z significantly influences various societal aspects, including politics, the economy, and social matters. Representing about 22% of the country’s total population, this demographic segment is a substantial part of Indonesian society, with the capacity to influence the nation’s future. They have a high proficiency in digital technology, commitment to progressive values, and strong desire for social change. Jakarta, as Indonesia’s capital, serves as a central hub where the influence of Generation Z can be particularly impactful, highlighting the intertwined relationship between this vibrant city and a generation poised to shape Indonesia’s future (Kumparan, 2023).

The research sample includes 412 participants from Generation Z. The questionnaire is distributed online through a non-probability convenience sampling method. It is also determined using Slovin’s formula with a 5% margin of error.

The Average Variance Extracted (AVE) value is measured to ensure the validity of the measurement. The value used must be equal to or greater than 0.5 to test its validity. On the other hand, reliability is tested using Cronbach’s alpha value, with an expected value equal to or greater than 0.6, so it can be said to be reliable. Path analysis is used in the research to examine causal relationships between variables, including mediating variables (Ghozali & Latan, 2015; Hamid & Anwar, 2019).

RESULTS AND DISCUSSIONS

The research focuses on the purchasing behavior of local casual fashion products in Indonesia. The demographics of Generation Z consist of a total of 392 respondents who have experience buying these products. From the total, a significant majority are women, with 312 respondents or 75.91%. Meanwhile, male respondents are 99, making up 24.08% of the overall sample. This demographic data highlights a significant dominance of female participation in the research sample, offering valuable insights into preferences and purchasing behaviors for local casual fashion products among Generation Z in Indonesia. Emphasizing this gender distribution is crucial for further analysis to understand market dynamics and consumer preferences within the socio-cultural context of Indonesia.

After processing the data, the research evaluates the measurement and structural models using SmartPLS 3.2.9 software. The validity and reliability results are shown in Table 1. It shows that all variables have an AVE value that exceeds 0.50, indicating that all questions in the questionnaire are valid. In addition, it also shows that each construct (country of origin, brand image, perceived quality, and purchase intention) demonstrates a high level of reliability, as indicated by Cronbach’s alpha values exceeding 0.70.

Next, the research tests the structural model (inner model) to see the relationship between latent variables and another variable. In testing this inner model, the bootstrapping method is used. Structural model measurement aims to evaluate the value of R-square ($R^2$). It indicates the extent to which exogenous latent variables affect endogenous variables. The higher the $R^2$ value is, the greater the effect of exogenous latent variables on endogenous variables is (Hair et al., 2017). Table 2 shows the results of testing the structural model (inner model).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Average Variance Extracted (AVE)</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country of Origin</td>
<td>0.600</td>
<td>0.943</td>
</tr>
<tr>
<td>Brand Image</td>
<td>0.673</td>
<td>0.861</td>
</tr>
<tr>
<td>Perceived Quality</td>
<td>0.687</td>
<td>0.867</td>
</tr>
<tr>
<td>Purchase Intention</td>
<td>0.622</td>
<td>0.908</td>
</tr>
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<tr>
<th>Variable</th>
<th>R-Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand Image</td>
<td>0.430</td>
</tr>
<tr>
<td>Perceived Quality</td>
<td>0.443</td>
</tr>
<tr>
<td>Purchase Intention</td>
<td>0.526</td>
</tr>
</tbody>
</table>
Based on the findings presented in Table 2, the country of origin demonstrates a significant influence on three distinct variables. The results indicate that the country of origin explains approximately 43% of the variation in brand image, as evidenced by an R² value of 0.430. The remaining 57% of the variation in brand image can be attributed to factors not examined in the research.

Furthermore, the country of origin also significantly influences purchase intention, as indicated by an R² value of 0.526. It implies that the country of origin accounts for approximately 52.6% of the variation in purchase intention. However, the remaining 47.4% of the variation in purchase intention can be attributed to other factors not considered in the research.

Additionally, country of origin influences perceived quality, as supported by an R² value of 0.443. The results indicate that the country of origin explains approximately 44.3% of the variation in perceived quality. Approximately 55.7% of the variation in perceived quality can be attributed to other factors not examined in the research.

The subsequent analysis phase involves testing the research hypotheses through the bootstrapping method within SmartPLS 3.2.9, focusing on evaluating the structural model (inner model). According to the data presented in Table 3, it is observed that both direct and indirect relationships among the variables outlined in Hypotheses 1 through 6 are accepted. This confirmation adheres to the methodological guidelines and analytical framework suggested by Hair et al. (2017). It indicates a rigorous validation of the proposed relationships. This approach not only reinforces the validity of the hypotheses but also underscores the effectiveness of employing SmartPLS 3.2.9 and bootstrapping as robust tools in understanding complex relationships within structural equation modeling. It can provide a comprehensive insight into the dynamics at play between the country of origin, brand image, perceived quality, and purchase intention.

Observations reveal a noteworthy correlation between the brand image and its country of origin, underscored by statistical measures. It has a p-value falling below the threshold of 0.05, a t-statistic surpassing the critical value of 1.96, and a positive coefficient standing at 0.657. This compelling evidence leads to the acceptance of H1, affirming the hypothesis prediction. The discovered positive correlation highlights that perceptions of a brand image improve with favorable views of its originating country. The research result aligns with findings previously documented by Prabowo et al. (2019) and Hien et al. (2020), further solidifying the impact of a country’s reputation on its brands’ global perceptions.

In addition to previous observations, a noteworthy correlation is discovered linking the country of origin to perceived quality, evidenced by statistical significance with a p-value less than 0.05, a t-statistic exceeding 1.96, and a coefficient of 0.666. The acceptance of H2 underscores the substantial effect that the origin of a product has on consumers’ perceptions of its quality. This result is in alignment with the findings from earlier studies by Listiana (2012), Prasasti et al. (2020), and Darmawan et al. (2021), further reinforcing the notion that the country of origin plays a crucial role in shaping quality perceptions. The consistency of this finding across different studies highlights the robust and enduring influence of country of origin on consumers’ evaluations and emphasizes the importance for brands to strategically manage and communicate the origin of their products to influence perceptions of quality positively.

Additionally, the research uncovers a significant impact of brand image on purchase intention. It is confirmed by a p-value below 0.05, a t-statistic greater than 1.96, and a positive coefficient of 0.379. This acceptance of H3 illustrates the powerful role of brand image in influencing a consumer’s intention to buy. The presence of a strong and positive brand image significantly enhances the likelihood of purchase, underscoring the critical importance of cultivating a positive image in the market. This finding is corroborated by the work of Savitri et al. (2022), also identifying the brand image as a key determinant of purchase intention. The consistency of these findings across different studies highlights the universal impact of brand image on consumer behavior, suggesting that investments in brand building and image enhancement can lead directly to increased consumer engagement and sales.

| Hypotheses | Relationship                                      | T-Statistics (|(O/STDEV)|) | P-Values |
|------------|--------------------------------------------------|-----------------------------|----------|
| H1         | Country of Origin → Brand Image                  | 23.005                      | 0.000    |
| H2         | Country of Origin → Perceived Quality            | 21.847                      | 0.000    |
| H3         | Brand Image → Purchase Intention                 | 7.399                       | 0.000    |
| H4         | Perceived Quality → Purchase Intention          | 8.575                       | 0.000    |
| H5         | Country of Origin → Brand Image → Purchase Intention | 30.404                  | 0.000    |
| H6         | Country of Origin → Perceived Quality → Brand Image | 30.422                  | 0.000    |
The analysis also demonstrates a significant influence of perceived quality on purchase intention, as indicated by a p-value below 0.05, a t-statistic greater than 1.96, and a positive coefficient of 0.416. This finding validates H4, confirming the theory that higher perceived quality directly contributes to an increased intention among consumers to purchase. This outcome is in harmony with the findings presented by Gan and Wang (2017). It further reinforces the understanding that the quality perceived by consumers is a pivotal factor in their purchasing decision-making process.

Additionally, the research reveals that the country of origin exerts an influence on purchase intention through the intermediary role of brand image, demonstrating a significant impact. This result leads to the acceptance of H5. The analysis confirms that brand image serves as a critical mediator in the relationship between the country of origin and the consumers’ intention to make a purchase. This finding aligns with the research conducted by Kim et al. (2017), Putra and Suprapti (2019), and Hien et al. (2020), further corroborating the notion that the perception of a brand, influenced by its country of origin, plays a pivotal role in shaping consumer purchase intentions. This result underscores the importance of a positive brand image in enhancing the appeal of products associated with specific countries in the eyes of potential buyers.

Furthermore, the investigation reveals that the relationship between country of origin and purchase intention is positively mediated by perceived quality, indicating a significant connection. The acceptance of H6 underscores the pivotal role of perceived quality as a mediator, enhancing the positive influence of a product’s country of origin on consumers’ purchase intention. This insight is in line with the research conducted by Wibowo et al. (2021). It provides additional evidence that perceived quality can bridge the gap between the origin of a product and the consumer’s willingness to buy. It also further emphasizes the importance of quality perception in the consumers’ decision-making.

CONCLUSIONS

In examining the impact of country of origin on purchase intentions through brand image and perceived quality in the local casual fashion product context, significant influences of country of origin on brand image and perceived quality are found. For instance, a local casual fashion brand originating from an innovative and technologically advanced country is likely to establish a strong brand image and perception of high quality. Similarly, local casual fashion brands from countries known for their skilled workforce create a perception of quality and durability.

Furthermore, the findings show significant relationships between brand image and purchase intentions, as well as perceived quality and purchase intention. Positive perceptions of brand image or high perceived product quality tend to generate a desire to purchase. Additionally, it finds that the country of origin significantly influences purchase intentions, both through brand image and perceived quality. For instance, if a local casual fashion brand hails from a country with a favorable reputation, innovation, and high brand image and perceived quality, consumers are more inclined to purchase products from that brand.

In conclusion, the research enhances understanding of consumer behavior in the casual fashion industry. It reveals the role of country of origin, brand image, and perceived quality in shaping purchase intentions for Gen Z in DKI Jakarta. Businesses can utilize these insights to refine their marketing strategies to better cater to their target consumers’ preferences.

Based on these findings, it is recommended that the local casual fashion industry focuses on enhancing brand image and perceived quality offered to consumers. It can be achieved by utilizing cutting-edge technology in product manufacturing and leveraging social media platforms for brand promotion and consumer interaction. Additionally, emphasizing consumer attentiveness by understanding their needs and providing appropriate solutions is crucial for boosting purchase intention and fostering positive brand-consumer relationships.

Future research can expand the scope to include a broader sample and employ qualitative methods for deeper consumer insights. As the research only focuses on Gen Z consumers in Jakarta, future research can extend its scope to cover a broader demographic range. Investigating how different age groups, regions, or socio-economic backgrounds influence consumer behavior and preferences will provide a more comprehensive view. Therefore, future researchers can further explore the research by adding papers and using unique methods, designs, and theories.

REFERENCES


