

CHAPTER I

INTRODUCTION

1.1. General Review of Research Objects

a. Logo of Company



Figure 1. 1 Logo of Adidas

Source: www.adidas.com

b. Company Profile

Adidas is a company that works for design and manufacture of shoes, clothing, accessories on sport wear or sport style. Adidas was found by Adolf Dassler on 1949 in Herzogenaurach, Germany. Adidas planned to always keep in touch with their consumers by three strategic choices, which are fast in satisfying consumers' needs, grow share of mind, share of market, and share of trend in some cities, and becoming first company to create partnership around the world.

For now, Adidas is developing their group to fulfill their mission which is becoming a global leader in sporting goods industry with brands built on a passion for sport and sporting life.

c. History of Company

Adidas was founded by Adofl Dassler who made sport shoes in his mother's laundry room in Herzogenaurach, Germany after his return from World War I. In

July 1942, his brother Rudolf Dassler joined the business which became Dassler Brothers Shoe Factory.

In 1947, the brothers split up after relation between them had broken down. Rudolf Dassler forming a new firm that he called Ruda after his name, and rebranded as Puma. Adolf Dassler aslo naming the brand Adidas from the acronim of his name on 18 August 1949 and set to work with 47 employees in Herzogenaurach.

Following the 1952 Summer Olympics, Adidas acquired its signature 3-stripes logo from the Finnish athletic footwear brand Karhu Sports, for two bottles of whiskey and the equivalent of 1600 euros.

Year after year, Adidas grown up and expanded their business company to get a trust from the consumers by creating new innovations every years. In 2017, Adidas winning awarding in Indonesia as Brand of The Year 2017.

1.2. Research Background

Marketing is about identification and understanding the need of consumers (Kotler, 2016). In compete with other competitors, the companies should give their best products or services and undertand what consumers' need because consumers' needs are always changing.

In Indonesia, there are four types of businesses that attract the consumers nowadays, which are, culinary business, electronic business, health products business, and fashion business (www.cermati.com). Based on Reebonz Asia Luxury Index 2016, Indonesia was on second place of transactions and sales growth in high-end fashion products with reach 59% of total transactions and 84% of sales.

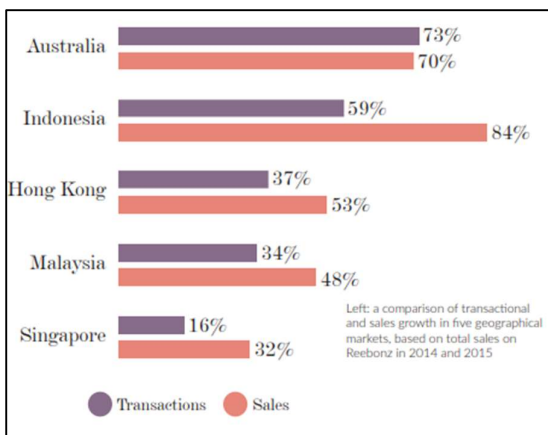


Figure 1. 2 Comparison of Transactional and Sales Growth in Five Geographical Markets in 2014 and 2015

Source: (Reebonz Asia Luxury Indeks, 2016)

Figure 1.2 showed the comparison of the transactions and sales growth of high-end fashion products. On BBC 2017, most of people in Indonesia were tend to look casual glamor, and sporty (<http://www.bbc.com/indonesia>). It proves that people in Indonesia has big interest in fashion. According to Reebonz Asia Luxury Index 2016, these fashion products in comparison were including shoes, bags, timepieces, jewelry, and accesories.

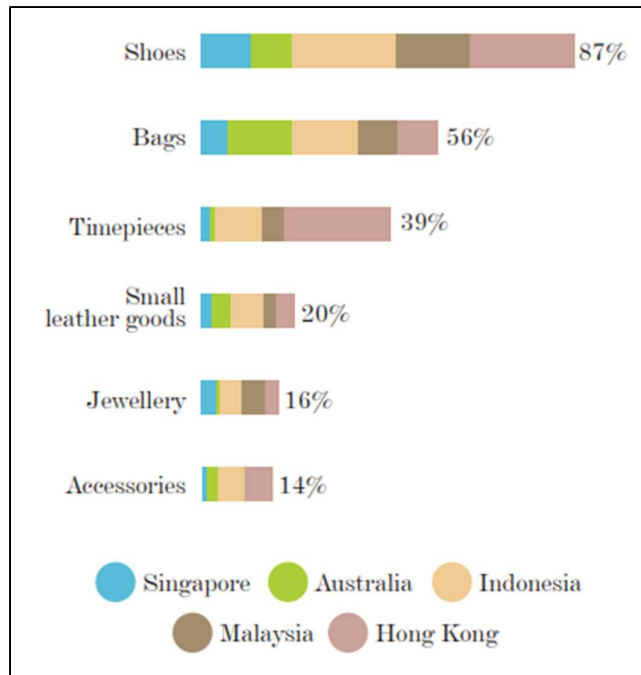


Figure 1. 3 Breakdown of Product Sector in Five Geographical Markets in 2014 and 2015

Source: (Reebonz Asia Luxury Indeks, 2016)

Indonesia has website to survey what brands that been using by people the most in many categories called Top Brand Awards. The website did survey around the cities in Indonesia to find which brands that people mostly used such as foods, household appliances, clothing. In doing the survey, Top Brand Awards was guided with three value which are Market Share, Mind Share, and Commitment Share. Market Share shows a brand's strength in a certain market in terms of consumers' actual buying behavior, Mind Share indicates a brand's strength inside the mind of the consumers respective product category, and Commitment Share indicates a brand's strength in encouraging consumers to buy that brand in the next purchase.

Since shoes was first product with high transactions and sales in Indonesia, below is the order of brands of shoes product that been voted by most of people in Indonesia from 2016 to 2018 according to Market Share, Mind Share, and Commitment Share.

Table 1.1 Top Brand Awards of Shoes in 2016 to 2018

Brand	2016	2017	2018
Adidas	37.4%	38.2%	37.6%
Nike	23.1%	29.6%	25.6%
Puma	4.6%	-	-
Converse	-	3.6%	-
Reebok	3.7%	3.3%	6.2%
Bata	3.6%	-	-
Eagle	3.0%	3.3%	-

On Table 1.1, it shown the data of what people voted for sport shoes from 2016 to 2018. Adidas and Nike were always on top two places among other competitors. Below is the pricing of Adidas and Nike shoes according to their recommendation from their own online shops.

Table 1.2 Comparison of Pricing in Adidas and Nike on Shoes

Adidas		Nike	
Product's Name	Price	Product's Name	Price
POD-S3.1 Shoes	Rp1.700.00,00	Jordan Flyknit Elevation 23	Rp2.018.000
Campus Shoes	Rp1.400.000,00	LeBron Witness III	Rp1.429.000
Micropacer x R1 Shoes	Rp3.000.000,00	Nike ACG Ruckel Ridge	Rp2.649.000

Sobakov Shoes	Rp2.000.000,00	Jordan Jumpman Hustle	Rp1.649.000
Deerupt Runner Shoes	Rp1.600.000,00	Nike Air Max Trainer 1	Rp1.138.000
N-5923 Shoes	Rp1.500.000,00	Air Jordan 11 Retro Men's Shoe	Rp3.109.000

Based on Table 1.2, it shown that both Adidas and Nike are brands with high price or price premium. Price premium is the practice of keeping high process for the products compared to its competitor's one in order to maintain exclusivity of the products. Other than the explanation of price premium, Adidas deserves higher price. According to Tribun News, the price of Adidas can be influenced by the materials, manufacturing technique, and the engagement with celebrities. Adidas created shoes without stiching but sonic welding. Adidas concered about the bacteries that caused by shoes, and now they gave the consumers shoes with antimicrobial insoles to kill the bacteries. Adidas also used Kanye West as the brand ambassador for one of their shoes.

According to Anselmsson (2014), there are six brand image that influence the demand of consumers' willingness to buy price premium, there are awareness, quality, uniqueness, corporate social responsibility, social image, and country of origin. And according to Lee (2016), corporate ability has more postive impact on improving consumers' willingness to pay price premium than corporate social responsibility.

Based on its quality, Adidas is really taking care of their products. To ensure product quality and consumer-safe products, all materials and product samples have to pass a rigid compliance process and are tested in accordance with standardised material and product testing specifications and procedures. (<https://www.adidas-group.com>). Values of quality from a brand affect the amount of money that

consumers are willing to sacrifice. Consumers assign money as a measurement of the value received from a product (Metharom, 2015).

The uniqueness meaning “to what degree customers feel that the brand differs from competing brands” (Netemeyer et al in Anselmsson 2014). Consumers are willing to pay a brand with certain features (Mai, 2014). Adidas has one of technology of their shoes that makes more unique. They produce Boost Technology. Boost Technology is most innovative cushioning technology using a material called thermoplastic polyurethane (TPU) that compresses under pressure for better shock absorption and instantly bounces back to its original shape. BOOST foam is believed to offer the highest energy return of any running shoe on the market – thus delivering a more consistent run (<https://hypebeast.com>). Adidas also informed that they launched more than one million of shoes pairs from ocean plastic (<https://www.theepochtimes.com/>).

Several studies have investigated the effect of corporate ability with consumer responses to products and brands. Corporate ability is focusing on company’s services on consumers. It shown by how company keep producing high quality of the products or services, having reliable products or services, providing variety of product or services and good customer services. Based on <http://www.adidas-group.com>, Adidas claimed that the product were in high quality materials and consumers-safe product. On <https://shop.adidas.co.id/> also shown that Adidas always has new collection for any categories of products.

Country of Origin means the place where the majority of manufacturing takes place in process, such as the last sewing of the product and the final packaging (Rashid, Barnes, and Warnaby, 2016). Adidas’ was originally found in Germany and has been expanded their factories around the world. Most of the factories are located in Asia, including Indonesia, China, Taiwan, India, Thailand, Vietnam, Pakistan, Philippines, and Malaysia. China, India, Vietnam, Indonesia, and Thailand are five countries that become top largest shoe manufactured for Adidas (www.careertrend.com). Many consumers use country-of-origin stereotypes to

evaluate products. Brands from countries that have a favorable image generally find that their brands are readily accepted.

On awareness, Adidas has proven that in every three years Adidas became the first place on Market Share, Mind Share, Commitment Share above 20%. With six brand image elements according to Anselmsson, the author wants to analyze the strongest factor for consumer to pay price premium of Adidas to keep Adidas still in the first place. So this minor thesis would be submitted with title “THE ANALYSIS OF CONSUMERS’ WILLINGNESS TO PAY PRICE PREMIUM (CASE STUDY ADIDAS INDONESIA)”.

1.3. Problem Statement

Adidas is a manufacture company that products shoes and sport wear. Top Brand Award made a comparison of Mind Share, Market Share, and Commitment Share in 2016 to 2018. According to Table 1.1, Adidas always on first place even had decreasing on 2018. It means Adidas is the most brand who has higher awareness and willingness to pay premium price. And it is interesting to discuss why Adidas always on first place compare to other brands.

Many factors that determine the influence of consumer’s willingness to pay price premium brand such as awareness, quality, uniqueness, corporate ability, country of origin and brand image. (Metharom, 2015; Miller, 2014; Mai, 2014; Skudiene and Auruskeviciene, 2012; Rashid, Barnes, and Warnaby, 2016; Lee, 2016)

Because of this statement, the author wants to analyze the factors of willingness to pay price premium of Adidas based on its awareness, quality, uniqueness, corporate ability, social image, and country of origin.

1.4. Research Questions

The research questions in this study are:

1. How big is the customer’s assessment of Determinant of Price Premium (Awareness, Quality, Uniqueness, Corporate Ability, Social Image, Country of Origin towards Willingness to Pay a Price Premium on Adidas.

2. Does perceived awareness influence on customers' willingness to pay a price premium on Adidas?
3. Does perceived quality influence on customers' willingness to pay a price premium on Adidas?
4. Does perceived corporate ability influence on customers' willingness to pay a price premium on Adidas?
5. Does perceived country of origin influence on customers' willingness to pay a price premium on Adidas?
6. Does perceived social image influence customers' willingness to pay a price premium on Adidas?
7. Does perceived uniqueness influence customers' willingness to pay a price premium on Adidas?
8. Does awareness, quality, uniqueness, corporate ability, social image and country of origin have simultaneous influence customers' willingness to pay a price premium on Adidas?

1.5. Research Objectives

The research objectives in this study are:

1. To determine consumer's assessment of Determinant of Price Premium (Awareness, Quality, Uniqueness, Corporate Ability, Social Image, Country of Origin towards Willingness to Pay a Price Premium on Adidas.
2. To find out the influence of awareness on customers' willingness to pay a price premium on Adidas.
3. To find out the influence of quality on customers' willingness to pay a price premium on Adidas.
4. To find out the influence of corporate ability on customers' willingness to pay a price premium on Adidas.
5. To find out the influence of country of origin on customers' willingness to pay a price premium on Adidas.
6. To find out the influence of social image on customers' willingness to pay a price premium on Adidas.

7. To find out the influence of uniqueness on customers' willingness to pay a price premium on Adidas.
8. To find out the simultan influence of awareness, quality, uniqueness, corporate ability, social image and country of origin to customers' willingness to pay a price premium on Adidas.

1.6. Benefits of Research

This study is expected to give following benefits:

1. Theoretical Aspect
 - a. The result of this study is expected to be a guide and recommendation for coming up researches.
 - b. This study is also expected to be a materials of discussion in marketing study
2. Partition Aspect
 - a. The Company

This study is expected to have good benefits for Adidas to maximize all factors in making shoes to increase the awareness in couple years.
 - b. The Author

To learn about the significant factors that influence the marketing strategy with premium price.

1.7. Scope of Research

1.7.1. Location and Objects of Research

The location of the research will take place in Indonesia according to Top Brand that take place in big cities in Indonesia and the object of this study is Adidas Indonesia as a manufacture sportwear that has higher awareness in Indonesia.

1.7.2. Time and Period of Research

The time that needed for this study is starting on September 2018 until June 2019 with one period.

1.8. Systematic Writing

To understand the study, this minor thesis is divided into chapters, follows as:

CHAPTER I: INTRODUCTION

This chapter included object of research, research background, problem statement, research questions, research objectives, benefits of research, and systematic writing.

CHAPTER II: LITERATURE REVIEW

This chapter included a theoretical study, previous research, conceptual framework and hypothesis research.

CHAPTER III: RESEARCH METHODOLOGY

This chapter included research variables and operational definition, population and sample determination, type and data source, and method of collecting data.

CHAPTER IV: RESULT AND DISCUSSION

This chapter included the result of the study systematically then analyzed with method that have been set for further discussion from the analysis.

CHAPTER V: CLOSING

This chapter included the conculation from the result of the study and suggestion from the author according to the result of the study.

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