NEW BUSINESS STRATEGY TO SCALE UP THE SALES OF DOYLE LEATHER GOODS

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ABSTRACT

Fashion is a well establish and constantly growing industry. In Indonesia over the last few years, fashion industry proven to be an attractive market considering its size and constant growth. Based on CNBC's data, fashion industry in Indonesia contribute to 18.01% or IDR 116 trillion to Indonesia's creative market. During the pandemic occurred from 2020, the fashion industry seems to stand firm using the digital platform. Statista's predicted that e-commerce market for fashion segment could have a solid 10.1% annual growth rate in 2021. This study aimed to analyse the business strategy and profitability of a business entity from Indonesian fashion industry, Doyle Leather Goods. Interview transcript and financial information disclosed by the management provide a clear understanding on the company's current situation. The result showed that Doyle Leather Goods requires to change its business strategy and went digital. This study has given the management insight on how to scale up the profitability of Doyle Leather Goods going forward.

Key words: business strategy, profitability, e-commerce.

INTRODUCTION

Fashion industry is a vast and labour-intensive market, a $1.3 trillion worth of business globally, with constant growth over the last decade. This mature industry certainly has a very competitive market, yet very attractive as BOF & McKinsey once stated that fashion is a dynamic business. Over the last few years, the fashion industry has been affected by the rise of internet. Internet has been a major factor in the shifting of fashion industry to digital platform. For instant, the rise of e-commerce has empowered fashion business for years, simplifying the transaction as well as scaling up the scope of the business. Through these digital platforms, a fashion business entity could reach out to the market beyond their domicile. The simplicity of doing an online transaction is accommodated by financial services such as internet banking and e-money, while logistic company could reach out beyond the domicile. The other example of how internet has changed the business of fashion is social media as a powerful advertisement media. Based on BOF & McKinsey's The State of Fashion report in 2020, Facebook and YouTube are two most powerful social media to advertise, while Instagram which also owned by Facebook ranked sixth on the chart. Indonesia is a very attractive market for fashion industry, considering it ranks fourth in population, as well as the currently growing economy. Based on Statista's data, by August 2020 the amount of Instagram users in Indonesia were more than 77 million, with more than 60% ranged in age between 18 to 34. During 2019, the fashion industry in Indonesia contributed around IDR 116 trillion to Indonesia's creative economy. These facts related to the potency of Indonesian market also backed by Jessica Kuron and Rokhima Rostiani research in 2019, which stated that younger consumer is affected by intrinsic motivation to purchase fast-fashion. Knowing the potential implication of these previous findings, taking perception of a business entity in Indonesia's fashion industry could be done to construct a business strategy. Doyle Leather Goods is a business entity from Indonesia's fashion industry, looking to take the business to digital. The purpose of this research is to make a business strategy that could be used by Doyle Leather Goods executives to scale up their profitability.

LITERATURE REVIEW

Business model represents the company's core logic as well as strategy choices to create a value, and it could be categorized as strategic choices, the value network, creating value and capturing value (Shafer et al, 2015). In other study, business model defined as a conceptual tool that contains sets of elements, their relationship, related to the logic of the company. It's a description of the value offered by the company to customers and the constructions of company's network, marketing, and delivering value to generate profit and sustainable revenue (Osterwalder, 2005).

RESEARCH METHOD

This research evaluates the external and internal factors of Doyle Leather Goods (PT Hamonangan Sarwa Asih) which struggle to shift its business to digital platform. The research questions this research need to answer are:

1. What are the internal and external factors that influence the sales of Doyle Leather Goods?
2. What are the root problems of why Doyle Leather Goods fail to increase the sales through online platform?
3. What is the business strategy that could be implemented to increase the sales of Doyle Leather Goods?

The conditions being accessed consist of the external and internal factors that affecting the business. A new business strategy to boost the profitability of this company will be the purpose of the study. The conceptual framework being used is:
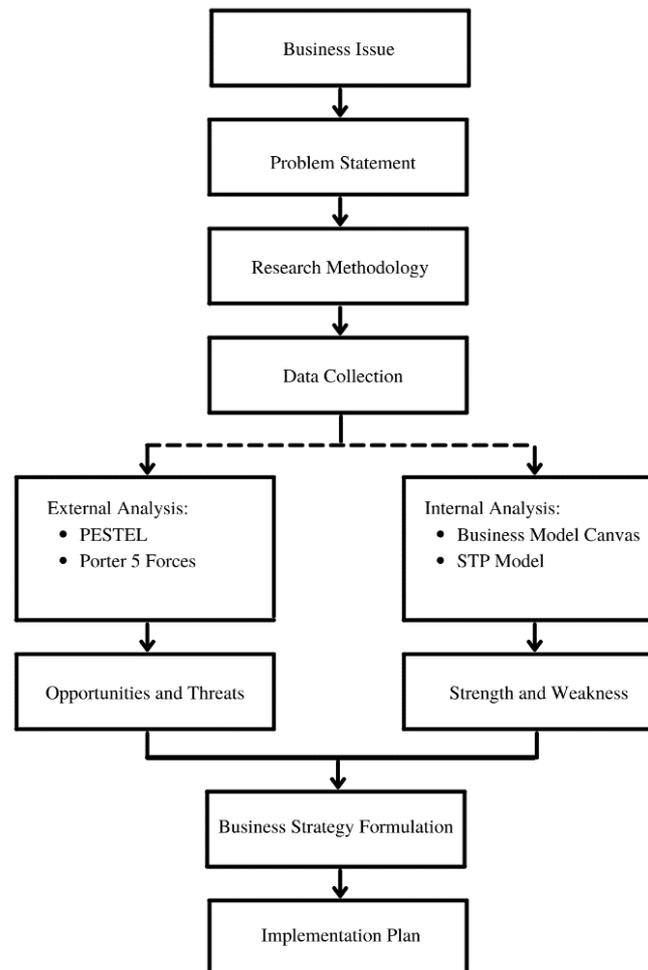
Figure 1: Framework

The data being collected consist of booth qualitative and quantitative method. Primary data will be collected by conducting interview with the business executive and survey to the company. The secondary data will be collected from the public data available online and through literature review. The internal factors will be evaluated using PESTEL, Porter 5 Forces, and Growth Share Matrix, while the internal factors will be evaluated using Business Model Canvas, Marketing Mix, and STP Model. The external analysis will construct the opportunities and threats faced by the business, while the internal analysis will construct the strength and weakness of the company. The findings will be used in business strategy formulation, which be using Funnel Marketing. The implication plan will be made based on the business strategy formulation.

RESULT AND DISCUSSION

The assessment of the external factors of Doyle Leather Goods is analysed using tools:

1. PESTEL Analysis
    a. Political
       Indonesia Government has issued policies which sided with the local SMEs such as KUR (Kredit Usaha Rakyat) and export financing policy. On the other hand, during the pandemic Indonesia Government has issued restriction policy for the physical activities which make it difficult for SMEs to do the business activity such as production. These policies are the trade-off which affecting the political aspect.
    b. Economic
       Based on the doing business index of World Bank, Indonesia got a fine score in starting a business index and getting credit index. These indicate that economically it is easy to do a business in Indonesia. The other factors which may affecting a fashion business in Indonesia is the availability of both government and non-government organisation which empower local SMEs. One fine example of this organisation is BEKRAF, which empower business in the creative industry.
    c. Sociocultural
       Indonesia is one of the largest populated country in the world, with over 260 million population in 2020. This population is mostly filled with people within productivity age and soon to be productive age, which consist of Gen Z, Milenial, Gen X, and later followed by Baby Boomer, Post Gen Z, and Pre-Boomer. The large population of productive age is a significant opportunity for a fashion business like Doyle Leather Goods.

d. Technological

Indonesia got a vast amount of internet users, by 2019 over 190 million people were using internet in Indonesia. Over 184 million people is using social media platform such as Facebook, YouTube, Instagram, Twitter, and TikTok. Indonesia also contributed to over 50% of the e-commerce transaction in ASEAN countries. These findings indicate the existing technology being used is a major opportunity for Doyle Leather Goods.

e. Ecological

There is no significant policy issued by the government which limiting the fashion business in Indonesia.

f. Legal

The government has issued a tax policy which supported the SME in Indonesia, which reduce the tax rate for SME (Small and Medium Enterprise), from 1% to 0,5% from revenue. This tax rate is regulated to be paid by business entity with annual revenue over 4,8 billion rupiah. This policy is an opportunity for SME in Indonesia. This finding means that there are opportunities for SMEs in Indonesia.

2. Porter 5 Forces

a. Potential of new entry

The entry barrier of the fashion industry in Indonesia is low, this was reflected on the starting a business index by World Bank. The other index that shows the low entry barrier is getting credit index which also having a fine score in the index. This indicate that the fashion industry in Indonesia is a competitive industry.

b. Bargaining power of suppliers

The suppliers of Doyle Leather Goods consist of materials such as leather, canvas, and brass accessories. Based on the amount of market size, and the number of business entity within the industry, the bargaining power of the suppliers is low. Doyle Leather Goods could easily switch its suppliers due to the availability of the materials required within the market. The rise of e-commerce also making it easier to get access on option of the source of supply.

c. Bargaining power of customers

The bargaining power of the customers is high due to the amounts of existing options for similar products within the industry. In a mature industry such as fashion, a business entity may face customers with high bargaining power. It means that the competition force Doyle Leather Goods as a business entity in the fashion industry to be more innovative regarding its products and business strategy.

d. Threat of substitute

The fashion industry has been a sustainable industry with constant growth for a very long time, with classification and market share rank of subsectors consist of sport wear, handbag and luggage, apparel, footwear, other accessories, also jewelry and watch. Being part of primary needs is making fashion industry difficult to substitute.

e. Industry rivalry

Based on the four aspects being assessed, the fashion industry is clearly a competitive industry. With a significant amount of supplier, low entry barrier, high bargaining power of customers, these are the threats being faced by Doyle Leather Goods. On the other hand, being difficult to substitute meaning that there always be opportunity within the industry to make profit, as long as the business entity is innovative enough to compete.

The assessment of the internal factors of Doyle Leather Goods is analysed using these tools:

- Business Model Canvas

The business model canvas of Doyle Leather Goods is shown on figure below:
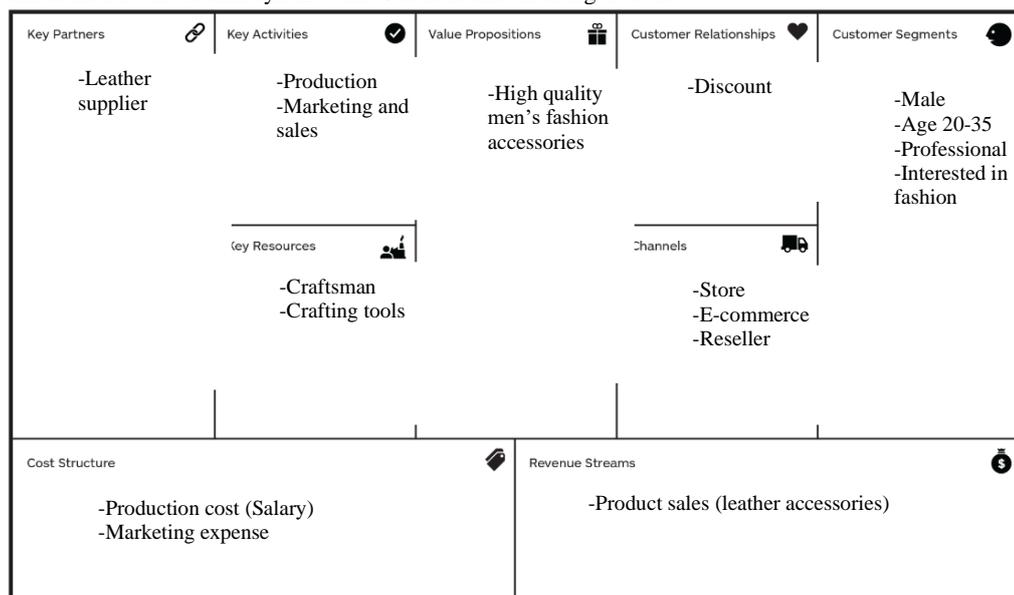

Figure 2: Business Model Canvas of Doyle Leather Goods

- Marketing Mix

  a. Product
  The product being sold by Doyle Leather Goods consist of fashion accessories made from leather, such as bag, pouch, wallet, card case, and other crafted products, with colour variance mostly in black and brown.

Figure 3: Doyle Leather Goods Products

  b. Price
  Doyle Leather Goods positioned its price based on the purchase power of its existing customers and competitors pricing strategy. These are the pricing strategy of the company:

Table 1: Doyle Leather Goods Pricing

Product	Price (IDR)
Briefcase	1.500.000
Pouch	1.000.000
Wallet	500.000
Card case	250.000
Key case	180.000

  c. Place
  Doyle Leather Goods could be reached using online platforms such as Instagram, Tokopedia, and WhatsApp.
  d. Promotion
  The promotion effort which are done by Doyle Leather Goods consist of digital advertising through Instagram ads, endorsement by using influencers, direct promotion through resellers.

- STP Model (Segmentation, Targeting, and Positioning)

  a. Segmentation
  These are the segmentation of Doyle Leather Goods:

Table 2: Doyle Leather Goods Segmentation

Segmentation	Description
Geographic	People that live in big cities in Central Java, Indonesia.
Demographic	Male, with age between 20-35. Workers, middle class.
Psychographic	Loyal customers, competitive and reasonable in spending.

  b. Targeting
  These are the segmentation of Doyle Leather Goods:

Table 3: Doyle Leather Goods Targeting

Targeting	Description
Location	Jakarta
Age	20-30
Gender	Male
Social class	Working, middle class.
Benefit	Fashion accessories

  c. Positioning

The brand positioning of Doyle Leather Goods is high quality with reasonable price leather accessories which designed for people that constantly working in constant formal/semi-formal situations.

Based on these tools, the internal factors affecting Doyle Leather Goods, as a fashion business entity in Indonesia are:

Strengths	Weaknesses
• The products being designed specially for people that working in formal situation. • The products are well constructed and long last, based on customers feedback. • The price is suitable for the customers.	• The company doesn't have proper digital marketing team. • The products are limited only to leather products users. • The production capacity is not ready to scale up the business.
Opportunities	Threats
• Indonesia Government is supporting the SMEs. • The market size of Indonesia for fashion industry is very big.	• Fashion industry got low entry barrier, making it very competitive.

Figure 4: SWOT of Doyle Leather Goods

Based on the TOWS Matrix, these are the strategy should be used by Doyle Leather Goods considering its strengths, weaknesses, opportunities, and threats:

1. With the huge size of market in Indonesia for the fashion industry, Doyle leather goods should stick and capitalized on its penetrating market, which is people that working in constant formal and semi-formal business situation. Then scaling up by developing new products that capture the apparel, footwear, and other products that relate to the existing customers. **(Strengths and Opportunities)**
2. With the support of Indonesia Government, Doyle Leather Goods should aim to export its product to get larger market potential. **(Strengths and Opportunities)**
3. With the lack of digital marketing human resources, Doyle Leather Goods should invest its resource in hiring new talent dedicated to developing the company's digital marketing. The other option available is by offering profit sharing to digital marketing agency. **(Weaknesses and Opportunities)**
4. To capture larger market share, Doyle Leather Goods should launch non leather products to capture bigger market size. **(Weaknesses and Opportunities)**
5. Doyle Leather Goods should invest in research and development to create innovation in its products as the entry barrier of the fashion industry is very low. **(Strengths and Threats)**
6. While capturing larger market with new product classification, Doyle Leather Goods should stick to its target market and build a strong positioning. **(Weaknesses and Threats)**

LIMITATION

This study has analysed a business entity from Indonesian fashion industry, the fashion industry in Indonesia, and recommend a practical business strategy. In the future, it's suggested to create more study related to Indonesian business entity from varied fields. In addition, the study analysed business strategy in general. Therefore, the study could be done by focusing on one main issue of each of its research object.

CONCLUSION AND RECOMMENDATION

This study shows that to create a business strategy that could be use practically, internal analysis as well as external analysis are required. By understanding both internal and external situation of a business entity, a measurable business strategy could be constructed. For example, in this study the business entity hasn't be able to position its brand in the market, failing in their attempt to shift to digital market. By understanding the market itself, the brand positioning could be found, considering the financial aspect of the targeted market. This also relates to what the company's selling to their targeted customer, by understanding the targeted customers, a suitable product at a suitable pricing could be produce and market using a suitable channel.

The recommendation for the company is to open new dimension to its brand in the market, shifting the product-oriented brand into a lifestyle, customer-oriented brand. This strategy could be executed by creating new product line such as apparel, footwear, and other related product which relates to the company targeted customers. While developing new products, the company should also build a digital marketing team which could take the business into digital.
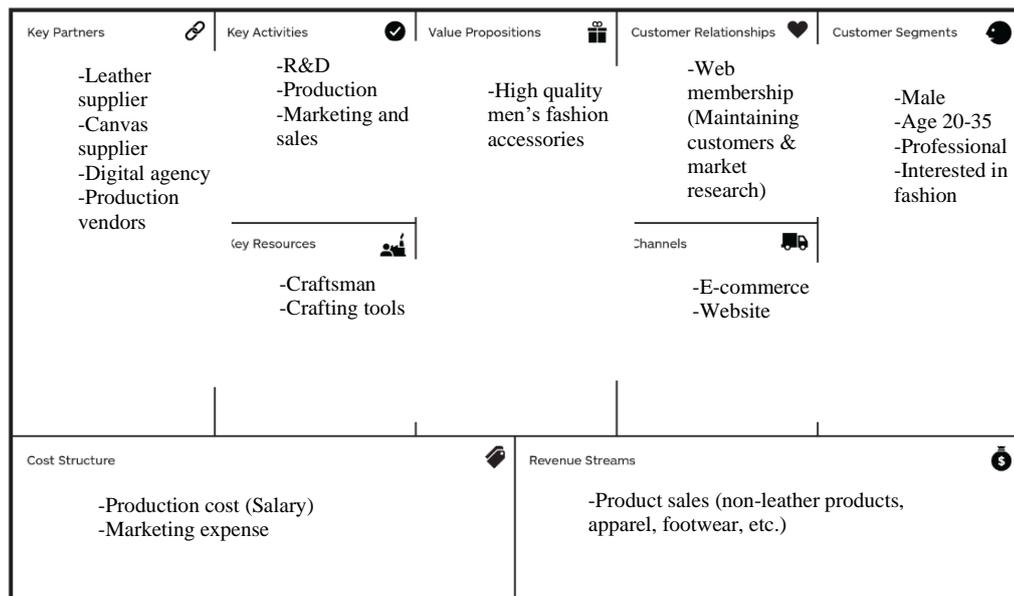
Figure 5: New Business Model Canvas for Doyle Leather Goods

On the figure 5 stated the proposed new business model canvas for Doyle Leather Goods. These are the main change on the business model:

1. Doyle Leather Goods should develop its website platform to maintain the existing customers data, while keeps on acquiring new customers.
2. Doyle Leather Goods should build a research and development team to keeps on innovating its product so the business could compete in the competitive market.
3. Instead of hiring digital marketing team, Doyle Leather Goods could go for profit sharing collaboration with digital agency to market the products in digital platform.
4. Doyle Leather Goods should enter new types of products such as apparel and or footwear which designed for its target audience. The production could be handled by production vendors to minimize the investment cost. By doing this, the company could increase the retention of its existing customers, rather than focusing on acquiring new customer due to the durability of the products.

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