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Strategy for Sustainable Performance on SMES in the Bandung Apparel Industry

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Abstract

The purpose of this study is strategic planning in the apparel industry. Bandung City has a small and medium enterprise business center, namely, the apparel industry. This study uses descriptive analysis with a 7S McKinsey framework analysis to identify the company's internal environment and PEST and Porter's Five Forces analysis to identify the external environment to determine the environment and the intensity of industrial competition. The results show that it will create opportunities and threats simultaneously when the implementation and analysis of the intensity of competition in today's apparel industry is moderate. Alternative strategies are obtained based on the external and internal environment by using SWOT, and QSPM indicates the company can implement a strategy with the following order of priority: 1) Pricing penetration strategy; 2) E-commerce selling strategy; 3) Event promotion strategy; 4) Design product strategy; 5) Differentiation of product strategy; 6) Online store strategy.

Keywords: Five Forces Porter; Industry Foresight; QSPM Analysis; SMEs; Apparel Industry.

Introduction

Small and medium enterprises are important parts of a country's economy. Small and medium industries can survive and quickly recover from crises compared to extensive industries. However, the industrial sector is only underestimated. However, its contribution is shown to create increased revenue for economic growth and development of the number of business units accompanied by an increase in employment (Robson & Griffin, 2006; Griffin, 2003; Kapsos, 2006; Alvarez & Barney, 2007; O, 2013; OECD, 2017; Utami & Lantau, 2014). It is important to note that the development and empowerment of SMEs are on more than just policy, capital assistance, or facilities. On the other hand, SME development should have a strategic and long-term impact on analyzing the business climate and competition in a region or country.

The opinion of (Hult & Ketchen, 2001) is that the combination of company resources collectively contributes to the competition. The researchers suggest that entrepreneurship and the ability of companies to collectively contribute to creating unique resources (Pérez-Luño et al., 2016).

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According to the Republic of Indonesia Ministry of Communication and Informatics (2016), statistics about the number of goods and services purchased in e-commerce in 2016 showed that 78.3% of the highest purchases were in apparel products. Based on the data published in the digital economy era, purchasing products occurs in conventional stores and through digital media.

It is needed to focus on long-term business strategies in the era of free market competition. ASEAN economic community policies (AEC) will be opportunities and threats simultaneously. The inability to increase the amount of production, accompanied by the increasing demand for apparel products and the lack of experienced human resources and skills in producing apparel, are some of the problems that need to be addressed by determining a good strategy.

Various business analysis techniques can be used in this process. In achieving the strategy's objectives prepared by a company or organization to have a competitive advantage, company leaders and managers must be able to work in the system and understand the strategic planning process (Brown and III, 2005; Shamsie et al., 2006). Strategic planning is explicitly related to change management; this has resulted from several experts' research (Ansoff, 1965; Rulmet, 1984; Simons, 1994; Lorange et al., 1976; Lorange, 1996). (Lorange, P., & Vancil, 1976) writes that strategic planning is an activity that covers a series of processes of innovation and changes that will be faced and carried out by the company, so if strategic planning does not support innovation and change from a company, then this is a failure experienced by the company.

Researchers' Competitive Advantages in SMEs (Bagheri et al., 2013; S. Budiarto et al., 2017; Şerbu & Borza, 2014) mention that the current digital economy era requires every person or organization to use information and communication technology effectively in the context of developing the economy and society. In particular (Hoque et al., 2016) stated that the study of the role of information and communication technology in small businesses became a challenge. This discusses that Small and Medium Enterprises have a variety of resources by utilizing information and communication technology that will have the characteristics to create a competitive advantage (Tripathy et al., 2016). The entrepreneurs of small and medium apparel industries in Bandung Regency have thought about the importance of resources from information and communication technology.

From the description above and based on researcher observation, the company has not had a structured and systematic plan associated with its business strategy. The interview results also show that the company needs a vision, mission, and clear objectives regarding the measures and strategies to be undertaken and accomplished in the future. Given the tremendous opportunities and demand that will continue to increase, formulate a strategy to meet the market demand in this apparel industry.

This research aims to formulate and make strategic plans, analyze internal and external factors that influence the apparel business, and implement effective alternative strategies.

Literature Review

Competitive advantage is the unique capacity or position developed by the organization to outperform its competitors. Competitive advantages grow from value-creation strategies. Two domains of the research model of competitive dynamics explain where competitive advantage arises, namely the first model that examines competitive advantage from the industrial level, represented by a model of five forces porters (Porter, 1980; 1985).

According to (Miller & Friesen, 1982), a Competitive Advantage in small businesses is a unique advantage possessed by a small business that differentiates it from other similar small businesses so that it can be used to win a competition. Research Results (Miller, 2011; Waddell & Stewart, 2008; Renko, 2006; Werr et al., 2009; Zack et al., 2009; Diugwu, 2011) suggest that Competitive Advantage in SMEs is needed because it relates to the ability of SMEs to strengthen their knowledge and proactively conduct learning to suit the demands of the environment.

In the research of (Liu & Fang, 2016) the term, Competitive Advantage means companies can create economic value more than their competitors (Michael et al., 1985; Newbert, 2008) extends Porter's concept and emphasizes that competitive advantage is generally conceptualized as the implementation of corporate strategies to achieve cost reduction goals—market opportunity exploitation, and neutralization of the threat of competition.

Business strategy is a comprehensive planning formula about how the company will achieve its objectives, considering the internal and external environment in maximizing competitive advantage and minimizing the limitations of competitiveness (Rumelt et al., 1991). That strategy is the planning and empowerment of all types of resources devoted to the company to survive and thrive with a start to see and analyze the situation internally and externally to the company's business activities. There are many ways in which organizations can determine the direction, conduct an internal and external assessment, identify the needs of stakeholders, and evaluate the results (Wheelen & Hunger, 2010).

Strategic planning is the process by which the organization determines the company's strategy or objectives and decides to place resources appropriately (including capital and human resources). Strategic Planning is a management tool used to manage the company's current condition and project future conditions so that the strategic plan is a reference that the organization can use to work in the next 5 to 10 years (Kerzner, 1987; 2001; 2004).

Not all companies have plans that have been coordinated and policy analysis regarding specific issues. In contrast to large companies, small companies tend to have a planning system that is simpler, less structured, and formal. It was much simpler when the company began to institute a strategic planning system, preferably for the early stages of using models. For example, a company can begin to identify opportunities and threats, and formulating strategies is required according to the strengths and weaknesses that exist in the company (Ansoff, 1965;1968;2005; Rumelt, 1984).

Whether using external, internal analysis, or both, one model that is believed and survived to this day using an internal approach is the 7S framework. The basis of this model is that there are seven internal aspects of the organization that need to be harmonized if they are to achieve success. 7S can be used to improve company performance, check the effect of possible future changes to the company, align each division and process used during company activities, and determine the best way to determine the strategy to be applied (Ravanfar, 2017; Fleisher, Craig S & Bensoussan 2007; Spaho, 1998; Garbrah et al., 2013; Gokdeniz et al., 2018).

PEST categorizes and analyzes a series of essential actions of external forces that might be encountered in a company. This strength is embedded in a global environment and can create opportunities and threats for the company (Grigoriou & Rothaermel, 2017; Wheelen & Hunger, 2010; Griffin, 2011; 2003; Robson & Griffin, 2006).

SWOT analysis has a role and an essential function in planning and strategic decision-making. SWOT Analysis is a framework for analyzing the internal and external environment integration to build a SWOT approach (Yuliantari, 2017; Nur Irawan, 2018; Rangkuti, 2015; 2013).

Quantitative Strategic Planning Matrix (QSPM) analysis uses input from the analysis of phase one and phase two results to decide objectively among alternative strategies. That is, the IFE and EFE matrix that makes up phase one, plus the SWOT matrix of phase two, provide the information needed to make QSPM. According to (F. et al., 2011), QSPM is an analytical tool that allows strategy designers to objectively evaluate alternative strategies based on success factors from the internal and external environment that have been identified previously (M. E David et al., 2017).

Based on the resulting strategy of some of the steps above and having regard to the vision and mission, environmental factors, as well as goals and objectives, then it can be determined strategies, programs, and action plans can be done to support strategic planning in the apparel industry. Based on the description, the research conceptual framework to be carried out is as follows (Figure 1)

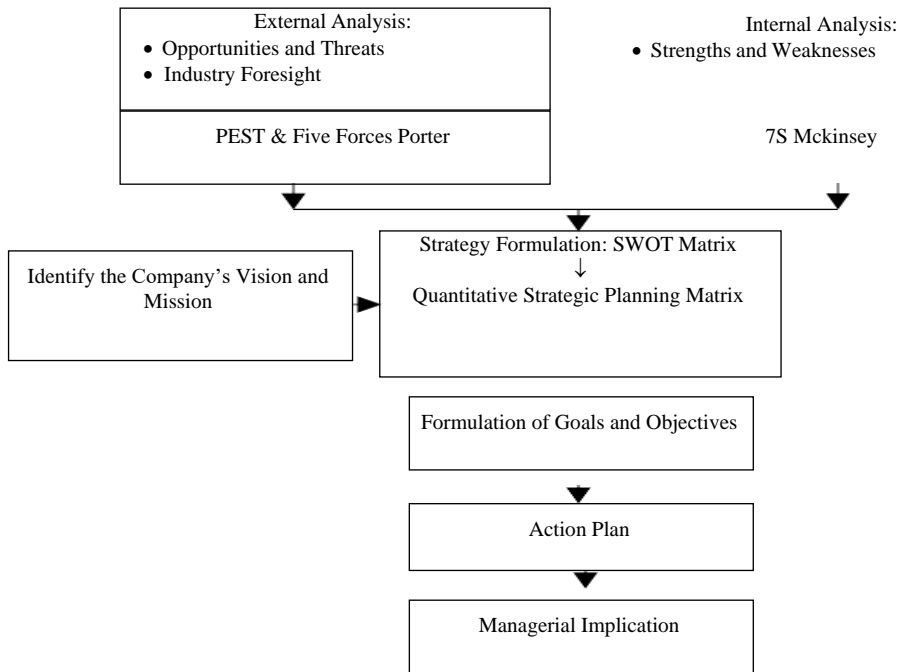


Figure 1. Research Framework.

Method

The research method used is a descriptive qualitative method using a case study approach, which aims to describe various problems related to a company's factual and systematic topics.

Data sources in this study used primary and secondary data related to the purpose of the study. Primary data sources are obtained by conducting structured interviews with informants and then by giving questionnaires directly to relevant parties as respondents. Secondary data is obtained through various literature sources, such as books, journals, reports issued by institutions, and some internet literature related to this research.

The analytical tool used in this study consisted of evaluating internal factors to determine the company's internal conditions using the McKinsey 7s framework. PEST Analysis of the

industry environment and Porter's five forces are used to determine the external conditions and industry foresight to see the industry's future state. After identifying the internal environment analysis and externally obtained, the factors used for situation analysis (SWOT) together with the vision and mission identified earlier would be a referral to formulating goals and objectives. In the formulation of the strategy, long-term goals and objectives that have been formulated are used as a reference in determining strategies for the goals and objectives achieved. In this phase, there are two steps to determining a strategy: determine alternative strategies using the SWOT matrix. Having obtained strategic alternatives, the next step is the selection of priority strategies using a quantitative strategic planning matrix (QSPM).

Result and Discussion

Has a vision, namely: "Being a leading apparel company in producing and providing high-quality products with high competitiveness in Bandung." A mission statement is:

1. Producing quality apparel supported by innovation and technology.
2. Human resources are experts and professionals in the production process.
3. Using maximum available local raw materials.
4. Cooperate with several companies that already have well-known brands.

This study utilizes McKinsey's 7s framework of Strategy, Structure, Systems, Skills, Style, HR, and Value for internal analysis.

Table 1. Internal Environment Conditions.

No	7S McKinsey	Fact	Owner opinion	Strengths / Weaknesses
1	Shared value	Very strategic business location	Making of Bandung a big market	Strengths
2	Structure	Entrepreneurial organizational structure	a simple organizational structure will make it easier for companies to make decisions	Strengths
		Do not have a legal entity.	Companies can be considered illegal, so the company has no legal basis if a conflict occurs.	Weakness
3	Strategy	Cost Leadership	Cost leadership can be used to maintain the company's position from the five forces in Porter's	Strengths
4	System	Limitations of marketing media	Competitors have e-commerce websites that can be sales channels to market their products.	Weakness
		The financial reporting system is still simple	We recommend that you need to prepare the financial statements very well	Weakness
5	Style	Having a work culture with a family system	Togetherness and kinship foster a sense of belonging, so employees will work without feeling forced.	Strengths
6	Staff	Labor that is not optimal	Excess workload must be evaluated, whether due to a growing business or unclear division of tasks.	Weakness
		Have special and quality human resources	HR is unique, and the company's uniqueness will create a competitive advantage	Strengths
7	Skill	Not workers explicitly assigned to the marketing field	companies that are unable to regenerate their knowledge will become a threat	Weakness

The political field is generally related to regulation, domestic political conditions, and economic and political roles. Several rules have been issued related to government support in developing SMEs, one of which is Law Number 7/2014 on Trade, where Articles 3 and 5 (3) contain rules for improving partnerships, developing and strengthening business in the field of trade between large companies, cooperatives, micro, small and medium enterprises, and the government and the private sector.

Unlike large companies, SMEs are growing and increasing in number. This is because small businesses are not too affected by the effects of the economic crisis and can survive, for example, the influence of the price values of raw material exports, interest rates, exchange rates, and others. Then, SMEs produce goods and services with low-level demand so that the income level does not affect product demand. However, a common problem with SMEs is access to capital or financing. Banks sometimes need to be more open to providing loans to entrepreneurs or small businesses.

Indonesia is a country with a community with a reasonably high consumption level. The consumption level can also be seen from the Consumer Confidence Index (CCI). CCI reflects people's views about their financial situation and their feelings about the future.

At present, lifestyle is an inseparable thing in everyday life. In addition, the fulfillment of primary, secondary, and tertiary needs in goods and services will increase. To meet the needs of consumers or the community, companies take advantage of existing opportunities by creating and producing goods and services desired by consumers.

The development of information and communication technology is increasingly rapid, greatly helping business activities, small and medium enterprises, and large companies in marketing activities. One of the developments in information and communication technology is the Internet. The Internet will significantly help marketing a product produced by a company. With the Internet, these products can be promoted not only in Indonesia but also throughout the world. Currently, many online stores appear or are commonly referred to as e-commerce. They use technology applications such as social media. This will reduce the cost of promotion, especially for small and medium entrepreneurs in the stage of introducing the products produced.

Industry competition analysis shows that competition in the industry craft bag is included in the category, with the intensity of competition being a total score of 3.10, where the factors that have the most influential and high against the competition in the industry is the threat apparel influx of new-comers with a total score of 3.25. These factors significantly impact the survival of businesses that have pioneered the tone before. The factor that most influences is the low bargaining power of buyers, with a total score of 2.92. This factor could be more influential because some SMEs usually already have or repeat customers. A summary of the analysis of the industrial competition of five forces porters is shown in Table 2 below.

Table 2. Industrial Competition of Five Forces Porters.

No.	Dimension	Score	Intensity of Competition	Rank
1	The threat of new entrants	3.25	Moderate	1
2	The threat of substitute products	3.15	Moderate	3
3	Bargaining power of suppliers	3.21	Moderate	2
4	Bargaining power of buyers	2.92	Moderate	5
5	Competition among existing companies	2.97	Moderate	4
	Competition Intensity	3.10	Moderate	

In general, respondents expressed their view on the development of the apparel industry in Bandung as follows: In identifying the strengths and weaknesses of the company, which are internal factors, this research is based on 4P (prices, promotions, products, and places) which must be considered in looking at the business environment for opportunities and threats.

Then, to identify the external position of the company, things that must be done in the face of opportunities and potential threats that affect the marketing performance of the apparel industry are to pay attention to competitors, consumers, government policies, and extensive social and cultural conditions. The critical role of company strengths that must be run as the company's strategy apparel industry (in the order of position) are 1) product quality; 2) affordable prices; 3) Quality of raw materials is maintained; 4) Stock of raw materials is maintained. Then, in the position of weakness in carrying out company strategies that need to be considered (in order of position) are 1) No workers are specifically assigned to the marketing sector; 2) Lack of intensity of product promotion; 3) Limited product design; 4) Inadequate production facilities and infrastructure.

For company forecasting, in addition to internal factors of strengths and weaknesses, formulations are carried out on external factors, namely the opportunities and threats in the company environment. In formulating the company's strategy formulation that the apparel industry can implement, these environmental factors are combined in the SWOT matrix by taking into account the circumstances of opportunities and threats, which will then be faced with the position of the company's strengths and weaknesses (found in Figure 2). The current condition of the company apparel industry is that it is in the initial position of growth, so it can not face larger competitors such as companies with well-known brands directly.

	Strengths	Weaknesses
Internal Factors	1. Product Quality	1. Not workers explicitly assigned to the marketing field
External Factors	2. Affordable price	2. Lack of intensity of product promotion
	3. The quality of raw materials is maintained	3. Limited product design
	4. Raw material stock is maintained	4. Inadequate production facilities and infrastructure
Opportunities		
1. A lifestyle of Indonesia people's		WO Strategy
2. Government support for market and product development	SO Strategy	- Design product strategy (W3,
3. Consumers can accept lifestyle changes	- Product differentiation (S1, S3, S4, O1, O1, O3) O3, O4, O5)	- Online Store strategy - (W1, W2, O2)
4. Consumers prefer quality local products		
5. Wide segmentation		
Threats		
1. Many competitors		WT Strategy
2. Stronger competitors in promotion	ST Strategy	- E-commerce Selling strategy (W1, W4, O1, O2)
3. Marketing limitations	- Penetration pricing strategy (S2, T1, T3, T4, T5)	- Event Promotion (W2, O3, O4)
4. Consumers tend to pay attention to low prices compared to good quality products		
5. Unstable raw material prices		

Figure 2. SWOT Matrix.

Formulating alternative strategies for the apparel industry is based on marketing mix aspects, namely prices, products, promotions, and places. (Kotler & Keller, 2015) Stated at a flexible price, where prices are volatile, such as being stable at certain times, but prices can change to rise or fall in a short time. Pricing can be based on market value, cost, and competition. The product becomes an essential element of the company in the marketing mix because it can influence the marketing strategy and also determine the promotional activities that the company will do.

Promotion is a medium of communication carried out by companies, aiming to convey information to consumers about the existence of a product. Companies can use various promotional media such as social media, e-commerce, newspapers, magazines, television, and radio advertisements. Companies can make direct sales and build consumer interactions by utilizing promotional media.

Production sites and distribution activities are company activities so that products can be created or made to distribute products to be available to consumers. The company's strategy in distributing products can be done by placing products in many agents/resellers intensively, or it can also be done by prioritizing product distribution to only one or two distributors as product sales partners.

Data was obtained to determine the company's priority strategy by filling out a questionnaire conducted by the management of the apparel industry. Then, the results from filling out the questionnaire were processed using QSPM analysis. Based on the six existing alternative strategies, the priority of the strategy will be determined by the level of interest of the respondents (from determining the weight of the score) in seeing the state of the company's internal and external environmental factors. Each level of score answers will be multiplied by the strategic weight of each factor to get the total value of determining the answer. Answers to alternative strategies with the highest total value are priority strategies that the company can implement. In Table 3, the following shows the results of weighting the value of alternative strategies using QSPM analysis.

Table 3. Priority Strategies Using QSPM Analysis.

Alternative Strategy	Weight Score	Priority Strategy
Differentiation of product strategy	7.66	5
Pricing penetration strategy	10.53	1
Design product strategy	7.92	4
Online store strategy	5.80	6
E-commerce Selling Strategy	9.48	2
Event promotion strategy	8.32	3

In the apparel industry SME sector, price competition is very tight. Every apparel manufacturer competes to offer consumers the best and most attractive prices. Various companies have fragile differences in offer prices. Prices and products can have a more significant influence on consumer purchasing decisions. With penetration pricing strategies, the apparel industry can overcome competition with the right selling price strategy. The company can provide a product price that is cheaper than other products at a specific time; lowering the price can be a way for consumers to buy at the price offered. Because with lower prices, consumers will be interested in trying out apparel industry products and feeling the quality and comfort of the product. This method will grow consumer confidence in buying and using products from the apparel industry. The research conducted (Corrocher & Guerzoni, 2009; Chang & Horng, 2010) shows

that giving low prices can be done as a way to penetrate existing market trends. For example, a company with a variety of product designs with a large variety of models does not make these conditions a concern for consumers but rather relates them to more realistic conditions, namely by the existence of cheap pricing.

The second priority strategy for the apparel industry is an E-commerce sales strategy. One of the company's weaknesses is the need for more promotional activities. Companies can overcome these weaknesses by making sales using e-commerce. Do promotions and sales with E-commerce media, consumers will find it easier to get information about products and become a company consideration in building brand and product image. It will also strengthen the direct relationship that occurs between products and consumers. Consumers will be more flexible in finding out information about the quality and price of the products offered.

The third priority strategy for the apparel industry is carrying out promotional activities. This strategy emphasizes product promotion to emphasize the value of existing products in consumers' minds. As a new company in the apparel industry, the products owned by the apparel industry have yet to be widely known and are still unfamiliar to consumers. Implementing promotional activities routinely can deliver product information from the apparel industry. In addition, companies can also take advantage of opportunities by collaborating on promotional activities commonly carried out by the government to promote products by participating in every activity held by the government. In these promotional activities, companies can convey information and the value of a product to consumers to affect consumers' perceptions in choosing products and increase brand value.

The fourth priority strategy of the apparel industry is a product design strategy. Carrying out design development and updating the design regularly will result in more attractiveness for consumers with the choice of many models or product designs. The uniqueness of the product design that is carried out will give rise to the characteristics that consumers easily recognize. Characteristics in the product create differentiation so that consumers will more easily recognize the product and try to buy it.

The fifth priority strategy of the apparel industry is a product differentiation strategy. The company can implement this strategy by making various product model innovations, such as several designs with unique characters that are different in the eyes of consumers. An example of product differentiation that companies can do is by elevating existing arts and culture, such as Batik in Indonesia; companies can adopt batik motifs to be used as product designs and can also indicate that these products are authentic Indonesian products. To make it happen, companies can collaborate with several batik artists or expert designers who are suitable for product content.

The last priority strategy of the apparel industry is the online store strategy. The development of the world of information, communication, and technology can facilitate access to sales and promote products from the apparel industry. Companies can use applications or platforms by creating online stores to expand the market network. This will make it easier for companies to promote and market products.

This study aims to find alternative corporate strategies that the apparel industry will use in the face of business competition; research is based on SWOT and QSPM analyses. Research conducted by (Fahmi, 2018) in his research formulated marketing strategies using SWOT analysis, SAP, and ETOP analysis. The study discusses marketing strategies that can be applied to small companies. The analysis results show that small companies, prices, and promotions

are the best strategies to grow and develop. SWOT analysis can formulate the company's strategy according to the research conducted.

Conclusion

The apparel industry in the SME sector is like the apparel industry. It has a broad target and market segmentation because the company is in an environment or region where the community has an up-to-date lifestyle and needs the most appropriate product. As a newcomer, the apparel industry positioned itself as an apparel manufacturer by promoting the quality and design of unique clothing.

The 7S McKinsey framework and analysis of Five Force porters conducted in this study indicate that the business activities carried out by the apparel industry experienced delays in responding to changes in the business environment. The industry competition analysis conducted shows that the apparel industry has a moderate intensity of competition with a score of 3.10. Companies must immediately take appropriate actions to adapt to their business environment.

With the company's current environmental situation, several strategies can be implemented based on QSPM analysis and the SWOT matrix. The strategy includes penetration pricing strategies, E-commerce sales, event promotion, product design, product differentiation, and online store strategies. As a new company with limited resources, the best strategy that the apparel industry can apply is a penetration pricing strategy. The company can provide promotional and selling prices based on cost-based pricing in a certain period. Implemented cost leadership strategies can help influence consumer decisions to buy apparel industry products.

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