STRATEGIC ASSESSMENT OF INDONESIAN E-COMMERCE FASHION BUSINESS

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Abstracts

With the increasing number of Internet users in Indonesia, the number of Fashion E-Commerce Business also grows rapidly along with the fact that this industry has contributed greatly to the economic growth. However, the growing number of the incumbents apparently creates a major problem of competition within them and result in many challenges and obstacles to survive in the industry. In order to overcome these issues, a qualitative case study research was completed using a strategic management approach to aim at contributing a generalization theory in business strategy of SMEs. Both external and internal environmental scanning were made through secondary data, observation, and interviews to four businesses which assumed to represent the Fashion E-Commerce Business in Indonesia. EFAS and IFAS matrices were used, which followed by SFAS matrix that resulted in some strategies to be pursued and a conclusion suggesting a differentiation business strategy. It will result in uniquely owned strategies, complex external and internal linkages which are difficult to imitate by other players. With this, the business will have a sustainable competitive advantage to survive in the long term.

Research paper

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Introduction

The Internet and the development of technology have never stopped in place, yet it is always rapidly evolving, new technologies and social platforms are introduced over time and information system has always been improving. Internet users in Indonesia also follow the same trend, a data from *We Are Social* (Kemp, 2016) stated that it increased by 15% from the year of 2015 to 2016. The number of active social media users and active mobile phone users also increased accordingly.

This dynamic phenomenon has greatly impacted the world today in every area, especially in the business sector. Internet usage in Indonesia for business purposes has reached 43%, indicating some companies have been using the Internet to do business, known as e-Business or e-Commerce (Yuliana, 2000). They have recognized the advantages of using digital marketing as their business strategy. Fashion E-Commerce is known to contribute the most revenue and forecasted to be always increasing in the upcoming years (Statista, 2016). The revenue from the E-commerce Fashion segment has been growing throughout the years and amounts US$2,471 million in 2017, and it is expected to show an annual growth rate of 21.2% (CAGR 2017-2021). From this data, it cannot be neglected that the number of Fashion E-Commerce Business in Indonesia is also increasing. The more incumbents of an industry, the higher the competition among the players be. This happens in Indonesia fashion industry. There are large numbers of similar businesses entering this industry, especially independent business or entrepreneurs. As competition continues to escalate, many other obstacles ap-

peared and players are seeking strategies to survive and compete in the industry.

Moreover, with the development of technology and internet, it is believed that it could benefit to gain a more effective and sustainable business strategy. Whether an entrepreneur wants to embrace or defend this digital phenomenon, the challenges to face in this competitive market will always be there to be faced, thus it would be better to have a clear strategy to be able to survive.

Therefore, this research aims to contribute in giving a generalization theory and knowledge contribution about the best practice business strategy for E-Commerce Fashion Business and to recommend some strategies that can be used by incumbents. To do so, the researcher used qualitative methodology research. Observation, interviews, and secondary literature were used in order to have a better understanding of the environment and analyzed them using strategic management approach, which assessed by Strategic Factor Analyses Summary (SFAS).

In order to have a good research paper, a systematic structure is needed. This paper started from the Introduction, which described the background of this paper. Followed by some Literature Review that underlies the related theories used as the foundation of this research. Methodology explaining the steps in conducting the research. Findings and Arguments which then followed by Conclusions and Recommendations at the end of this paper.

LITERATURE REVIEW
Strategic Management

Strategic management is strongly associated with the survival and growth of the organizations. "Strategic management is a set of managerial decisions and actions which determine the long-run performance of a corporation" (Wheelen & Hunger, 2012). They describe four elements that are used in the strategic management process, those are environmental scanning (both internal and external), strategy formulation, strategy implementation, and evaluation and control. However, this research covered the first two steps of strategic management. However, this doesn't neglect the importance of the next two steps as the implementation of strategic management plays an important role in the success of the organization (Salamzadeh et. al, 2016 a, b). The research framework can be seen below, the main point is to emphasize the assessment of external opportunities and threats in consideration of the strengths and weaknesses of the business.

Figure1. Conceptual Framework
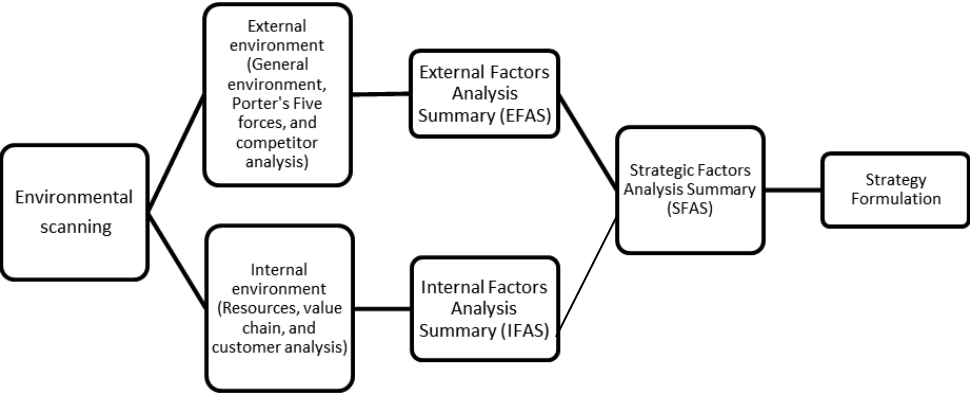
Environmental scanning is controlling, criticizing, and disseminating information from the external and internal environment. Research has found that there is a positive interaction between environmental scanning and earnings (Thomas, Clark, & Gioia, 1993).

External environmental refers to the environment in which the business is operating, it consists of macro environment, Porter's five forces industry analysis, and competitor analysis. Macro environment is the outermost area, which always changes and affects all of the companies without any exception, it is analyzed using a framework called PESTEL analysis. It provides a list of potentially crucial issues influencing strategy (Wheelen & Hunger, 2012). It is used to identify the specific factors which impact on the industry, current market, and company and in the future; analyzed trends and most of all is to determine the opportunities and threats of the environment. This framework categorizes the environmental factors into six basic categories: Political, Economic, Socio-cultural, Technological, Ecological, and Legal.

According to Porter (1985), industry is a group of companies which their products or services are necessarily look-alike, as for example transportation and fashion industries. To identify the attractiveness of an industry or to assess the importance of the company's success within the industry, Porter suggests a framework called as Porter's five forces framework. It consists of the threat of new entrants, rivalry among existing firms, substitute, bargaining power of buyers, and bargaining power of suppliers.

The last external environment is competitor analysis. According to CIMA official terminology guide 2005, it is defined as the 'identification and quantification of the relative strengths and weaknesses, which could be

5

of significance in the development of a successful competitive strategy'. It is to reveal and compare the competitive advantage and disadvantage between the E-Commerce Fashion Business and Offline Fashion Business.

On the other hand, internal environment refers to the business strategic capabilities, value chain activities and also customer analysis. Strategic capabilities of an organization consist of resources and capabilities, according to Johnson, G. et al. in their book of Fundamentals of Strategy (2014). These have to be unique to provide a competitive advantage for the company. Resources are the assets that company has and are the basic foundations of the company. They include physical assets, human assets, organizational assets, and financial asset. Capabilities are what the company do well and how resources are deployed. Dynamic capabilities refer to the company's ability to renew and recreate its strategic capabilities in order to meet the needs of changing environments. Threshold capabilities are needed for a company to meet the necessary requirements, such as the customers' requirements, to compete in a market and obtain parity with competitors in the market. While distinctive capabilities imply to the methods for doing things that are unique and viably utilized to be valuable to customers and challenging to duplicate by competitors to achieve competitive advantage.

Value chain is the classification of activities inside a company which, together create a product or service. Porter (1985, p. 36; Radovic Markovic & Salamzadeh, 2018) said that "Differences among competitor value chains are a key source of competitive advantage". Thus it is necessary for companies to use this framework in order to understand the strategic position, analyses strategic capabilities, and searching for approaches to

enhance value or decrease cost in value activities. The primary activities include inbound logistics, operations, outbound logistics, marketing and sales, and service. While support activities include procurement, technological development, human resource management, and infrastructure.

Last, customer analysis to distinguish the best customers, generating further purchasing from existing customers, enhance customers benefit, expanding market share, effective campaign planning, and increasing overall profitability (Bhasin, 2016)

EFAS, IFAS, and SFAS

External Factors Analysis Summary (EFAS) is a table that organizes the external environment factors into opportunities and threats likewise to evaluate how the businesses respond to these precise factors in consideration of the perceived importance (weight) of these factors (Wheelen & Hunger, 2012). While Internal Factors Analysis Summary (IFAS) is identified similarly with EFAS but to the internal environment. These matrices are then used in the Strategic Factors Analysis Summary (SFAS). It summarizes the highest weighted scores from EFAS and IFAS, to know the strategic factors in which the most significant factors between the external opportunities and threats facing a business can be matched with the internal strength and weakness. There could be four different strategies, which are:

a. SO strategies : Use strength to take advantage of opportunities

b. WO strategies : Take advantage of opportunities by overcoming weaknesses

c. ST strategies : Use the strengths to avoid threats

d. WT strategies : Minimize weaknesses and avoid threats

Business Strategy in the Digital Age

Business strategy focuses on how to compete and retain the competitive position of a company's products in a particular industry or market segment that the company or business unit serves (Wheelen & Hunger, 2012). Michael Porter (1985) proposed a competitive strategy that is called as the generic competitive strategy. This strategy is non-specific as it can be sought after by any sort or size of businesses (Radovic Markovic & Salamzadeh, 2012; Salamzadeh, 2015 a). This is to achieve its competitive advantage, outperforming other competitors in its domain of activity or in the particular industry, stated as lower cost and differentiation:

- Lower cost strategy: the ability to design, produce, and market similar product in a more efficient way

- Differentiation strategy: the ability to provide unique and superior value in terms of quality, special features, or after-sale service through products or services.

Furthermore, Porter proposed that these strategies should be determined by its competitive scope, the broadness of the company's target market. A broader target aims to the middle or mass market; or a narrow market aims to niche market.

Referring to the background of this research, it is stated that the era has now shifted to a digital era with the help of the development and Internet. This digital evolution is believed to change the business world, whether the players embrace or defend this phenomenon, it will impact the business in a certain way (Salamzadeh, 2014; Jafari Moghadam et al., 2014). There will always be challenges and new opportunities to be gained. Thus, players
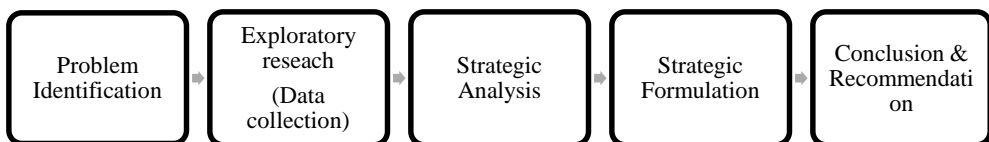
should be able to have a clear business strategy in order to compete and survive in the industry. Strauss & Frost in their book of E-Marketing (2014, p. 51) defined a digital business strategy as "the deployment of enterprise resources to capitalize on technologies for reaching specified objectives that ultimately improve performance and create sustainable competitive advantage". Sorescu et al. (2011) defined that there are two business strategy models in the digital age, which are value creation and value appropriation. Value creation is for its customers, which is about innovating, producing, and delivering products to the market. While value appropriation is for themselves and its partners to extract profits in the marketplace.

METHODOLOGY

This is a case study research which explores and investigate contemporary real-life experience through detailed contextual analysis of a limited number of events, conditions, and relationship. It is a unique way of observing any natural phenomenon in its real-world context, which exists in a set of a small number of subjects of interest that examined in detail (Yin, 2014). This is a qualitative research in which it was utilized to gain comprehensive fundamental reasons and sentiments. It provides the insights into the issue and creates thoughts or hypothesis. Below is the research design:

Figure 2. Research Design

| Problem Identification | Exploratory reseach (Data collection) | Strategic Analysis | Strategic Formulation | Conclusion & Recommendation |

Problem identification was the first step conducted which was identifying some common problems and challenges faced by the E-Commerce Fashion Industry. This was identified by interviewing some representatives of four fashion businesses which based in Bandung and by some observations of the current environment.

In order to collect the data for this research, several methods were done. For the external environmental scanning, observations and secondary literature were used. Secondary data were taken from some reports made by the government, official consultant groups, website documents and journals, which were listed down in Table 1 below. This was due to gather the valid data which accurately happened in Indonesia at the time this research was conducted. This environmental scanning identified the factors which affected directly to the fashion industry in Indonesia.

Table 1. List of references for secondary data

Type	Author(s)	Title	Retrieved from	Used as references for
Report	APJII (*Asosiasi Penyelenggara Jasa Internet Indonesia*)	*Penetrasi dan Perilaku Pengguna Internet Indonesia*		General Environment, Customer analysis
Report	Deloitte	The Evolution of the Indonesian Consumer		General Environment, Competitor Analysis
Report	MarketLine	Apparel & Non-Apparel Manufacturing in Indonesia		General environment, Industry Analysis
Report	Shekhawat, P. MarkPlus Insight	Rising Middle Class Incomes Spur Multi-Industry		General Environment, Industry Analysis,

		Growth in Indonesia		Customer Analysis
Journal	Sunil, D.	Trends and practices of consumers buying online and offline: An Analysis of factors influencing consumers' buying		Customer Analysis
Website documents	Trading Economics	Indonesia GDP Annual Growth Rate	www.tradingeconomics.info	General Environment, Industry Analysis
Website documents	Worldometers	Countries in the World by population	www.worldometers.info	General Environment, Industry Analysis

Reference: author

On the other hand, for analyzing the internal environment, the data used was primary data. This was done by a qualitative research using an in-depth interview to all of the four fashion businesses which were being analyzed in this research. An in-depth interview in a semi-structured way, which allows the interviewee to explore different thoughts but controlled to be still on the main topic, was chosen as the most suitable method to generate a more detailed and thorough data and deeper insights about the problem.

This research uses multiple cases in order to strengthen the findings as it creates replications of each other resulting similar results (a literal replication) or deliberate and contrasting comparisons for anticipatable reasons (a theoretical replication) (Yin, 2014). Thus, these 4 businesses were chosen

because they likely to provide useful data for the research and assumed to be the representatives for online fashion SMEs in Indonesia. Moreover, they were included in some characteristics which were considered at first before choosing the informants, which are:

1. Small Medium Enterprise with annual sales below IDR 50 billion
2. Players in women apparel fashion products
3. The business has already used digital marketing platform to do their promotion

The respondents for the interview were the owner of each business and the interview covered the background of the business, the marketing mix, resources and capabilities owned by the business, value chain activities, and the obstacles faced by each of the owners. The results of these interviews can be considered as valid as they were from experts' opinions which were analyzed in order to have the results. Below are the interview respondents:

Table 2. Interviewee background

Interviewee	Position	Date of Interview	Business explanation	Issues covered
Mrs. Natasya Febrina	Owner of AMTOPM	March 14, 2017	Women pajamas with real Japan cotton fabric	- Background of the business - Target Market - Competitive advantage
Mrs. Vili Su	Owner of VS The Label	March 31, 2017	Ready to wear women clothes	- Marketing mix - Resources and capabilities
Ms. Desy Kusuma	Owner of Kirei.Indonesia	April 4, 2017	Women casual daily outfit	- Value chain activities
Mrs. Yelly	Owner of De_Batique	April 21, 2017	Ready to wear women Batik	- Challenges and obstacles - Business perfor-

	mance

Reference: author

The data collected was analyzed to first identify the factors that affect the E-Commerce Fashion Industry using the SWOT matrix, which assessed by EFAS and IFAS matrix to minimize the criticism of these analyses. The weight and the rating for these matrices were taken from the perspective of the four entrepreneurs who were interviewed in this research. Then, to know which factors that affect significantly to the environment, SFAS matrix was used. The factors which affect greatly were then become the based on formulating the strategies, especially the business strategy in this digital age. Conclusion and recommendation were the last part of this research.

FINDINGS AND ARGUMENT

External Environmental Scanning

General Environment Analysis

Political: There was political instability in Indonesia which could increase the political risk and affect the economy condition indirectly due to investors who are mostly do not want to take the risk. IHSG (*Indeks Harga Saham Gabungan*) decreased sharply, and weaken Rupiah. *Kementerian Koperasi dan Usaha Kecil Menengah* has programs which help many SMEs in Indonesia to help the growth of Indonesia GDP. Thus, it can be inferred that there no complex bureaucracy to open a business as the government provides assistance in helping start-up businesses.

Economy: For the whole year of 2017, Indonesian economy is estimated to grow by 5.2%, increasing from a 5.02% expansion in 2016 (Trading Economics, 2017). Indonesia is incorporated to be the third developing markets with the best middle-class potential. Not only because of its huge populace but also the fact that middle-class buying power in Indonesia is set to rise emphatically. This gives Indonesian middle class to have an extra disposable income for optional spending. The country's middle class is relied upon to achieve 20 million households by 2030, and create a critical shopper base to drive demand and spending in the country (Hodgson, 2017).

Social: Indonesia ranked in the fourth the most populated countries in the world which has 263,510,146 (accessed on May 9, 2017), and has a population growth of 1.12% (Worldometers, 2017). The urban population consists of 53.4% of the whole population. According to the index national culture of Geert Hofstede, Indonesia has a score of 14 which refers to a collectivist culture. This refers to a high preference for a strongly defined social framework in which individuals are expected to conform to the in-group to which they belong.

Technology: The number of active Internet users in Indonesia has been increasing from the previous year, which also leads to the increasing number of social media users and active mobile social users, supported by a survey done by APJII (*Asosiasi Penyelenggara Jasa Internet Indonesia*) about the internet users in Indonesia in 2016. Internet users in Indonesia have reached a number of 132.7 million or around 51.5% of the whole

population in 2016. The most Internet users are in the age of 25-34 which is accounted for 24.4%. While the profession is mostly workers or entrepreneurs that accounted for 62%. It demonstrates a major number of entrepreneurs who utilize the Internet for their business. The rank followed by housewives which is 16.6%, this number refers to a good prospect for fashion businesses who have women as their target market. These Internet users are known to visit online shop the most, as it is 62% from the whole Internet users in Indonesia (Kyaruzi et al., 2018). Moreover, the most visited social media content is Facebook for 54% and followed by Instagram for 15% from all of the Internet users.

On the other hand, there are still Indonesian who do not prefer to buy online. This is mostly due to the perception of lack of security transactions, the incapability to try the product first, delivery time and cost.

Environment: This country has a very interesting geographical location that is mostly comprised of thousands of the islands and it is located between Indian and Pacific Oceans (Salamzadeh et al., 2015, 2018). This leads to a challenge in which delivery across islands will require water transportation and it will take a longer time to deliver products. Indonesia to have many cultures which introduce many different fabrics and textile across Indonesia and become the characteristics of each region. As an example, Indonesia is known for its Batik, and it has different motives in every area. Indonesia has a profound pool of skilled gifted workers who proficient at embroidery, sewing, and hand-craving.

Legal: According to the Government Regulation number 46 of 2013, SMEs acquire a half duty markdown of the standard tax rate which is imposed relatively on taxable income of the part of gross turnover of not more than IDR 4.8 billion. Some enterprises with gross turnover up to IDR 4.8 billion are subject to Final Tax at 1% of turnover.

Porter's Five Forces Industry Analysis

Buyer Power: **high**

Clothing is considered to be people primary needs which make the industry to have a concentrated buyer and increase the buyer power. Buyer power is enhanced by a high level of choices within the industry, but those choices are weakly differentiated. In addition, because of the absence of switching cost, this makes customers easily shift brands, not being loyal to a brand.

Supplier Power: **low**

The key suppliers in this industry are fabric stores and machinery for those who do their own production. Mostly, fashion business has several suppliers as they can switch suppliers easily. Moreover, the high numbers of fabric stores which weakens the supplier power. For machinery suppliers, there are considered to be found easily in Indonesia, thus weaken the supplier power.

Threats of New Entrants: **high**

The high GDP development rates, rising consumer spending and a thriving middle class have added to the engaging quality of this market. Barriers to entry, particularly the capital prerequisites are sufficiently low for individuals to enter. The rising competition which makes sellers compete to win more customers make many entrepreneurs vying lower prices and discounting products, which leads new entrants hard to compete if their products are similar to the others. This emphasized the fact that the industry has weak differentiated clothing lines in which increase the threat of entry and lower customer loyalty toward a brand. Indonesian government, provide many assistances and support for entrepreneurs to have their businesses operating, thus indicating the little regulation for new entrants.

Threats of Substitute: **moderate**

One option is to buy clothing through retails, which now has been facilitated also by the internet as an alternative shopping channel. Offline stores could also be an alternative to the fashion online business. However, an online fashion business can still have the portion of the market if they consistently offer their value through the products in its own unique way.

Degree of Rivalry: **moderate to high**

Small to medium business is known to have lack of resources that makes it hard to expand, it tends to have a balanced size which makes businesses attempt to dominate each other. The similarity of players, lack of diversity, and low switching cost makes the rivalry to be in a high state. However, the low exit barriers and low fixed cost as companies do not have to spread the cost by increasing volume could reduce the rivalry.

Competitor Analysis

In this research, the competitor for E-Commerce Fashion Business is the offline Fashion Business. According to a research which evaluated the patterns and practices of buyers purchasing online and offline, there are several factors which can be compared to assess the strengths and weaknesses of online and offline fashion businesses (Sunil, 2015; Salamzadeh, 2015 b). Some highlights were identified as the advantages and disadvantages of online shop in the table below.

Table 3. Advantages and Disadvantages of E-commerce business

Advantages	Disadvantages
Provide a more convenient way to shop, as it never closes. Customers could see the products anytime and anywhere.	Customers could not examine the product before purchasing, which could lead to customers unsatisfied with the products
They do not need to stock a lot of products at it can be made after orders	There are costs, such as shipping and handling charges and the time needed to deliver the products to the customers
Less budget needed to open the business	Customers' trust issues of unsecured online transaction
A broader range of marketing promotion accessibility	

Reference: (Sunil, 2015)

Internal Environmental Scanning
Strategic Capabilities Analysis: Resources and Capabilities

There are some common patterns of the resources owned by the four businesses which assumed to be representative of the other fashion business.

Tangible resources: They only have the necessary basic equipment to do the production. There are no high technology machines which require

high skill and maintenance services. A business which requires high-quality materials depends on more to their suppliers leading to a high supplier power in this case. However, for business who only uses common quality, do not really depend on one supplier as they could switch easily to the other suppliers who provide the similar materials leading to low supplier power. Furthermore, the places used for production and inventory are still the owner's property not the asset of the company.

Human resources: For those businesses who need employees are mostly hired those people who already have the abilities to perform the necessary tasks. There is no formal training made by the owners but expected the employees can do the job well. The owners do not have any written agreements and policies about hiring and staffing to their employees. However, those businesses who have their employees doing the business activities, the owners are still fully involved in the businesses, as they control and being responsible to all of the functions and decision making which will affect the business performance.

Organizational resources: Most of online businesses are lack of organizational structure, resulting in the unclear job description for the employees, but each of them knows the roles in the business. They are also lack of marketing research, which makes the owners to just make assumptions and observations about their target market's wants and needs. Sensing new opportunities or novel ideas for the business' innovation while maintaining their brand image and character also become the challenges. There are no clear written business policies, such as for exchange and refund pro-

cedures. Even though owners have their own chosen platforms to promote the products, they still depend a lot on personal connections. This makes the owners have to be able to build good relationships to those near them.

Financial resources: Although the budget to make the business differ from the other businesses, each of the owners has their own target and all of the owners still considered their financials to be limited. Most of them priorities their financials for the production function first, then to the marketing as now they can use the social media with no or low costs.

Capabilities

In order to keep up with the changing environment, businesses have to be able to renew and recreate their strategies. Most of the online fashion businesses follow the current clothing style trends by observing the changing fashion trends. Moreover, to meet the customers' necessities and contend in an offered market to accomplish equality, businesses should have what it is called as threshold capabilities. This is done by providing the products which are needed by the customers, deliver the value added, and being there when the customers need. Nowadays, most businesses provide customizable products which the clothes are being made according to the customer's preferences. Having good relations toward the customers to be able to gain their trust. In order to fulfill some other requirements, all of the business functions have to be able to work together in a synergy so that the business could perform all of their activities correctly without any interruptions.

Every business must have their own distinctive capabilities, which identify their own unique and effectively utilized to be valuable to customers and difficult to imitate. These four businesses also have different capabilities. AMTOPM offers the use of 100% cotton fabric from Japan which gives comfort to those who wear the pajamas. VS The Label uses good quality and comfortable fabric which also added by the unique clothes design which brings confidence for those who wear it. The making of the clothes is also done well. It is different from Kirei that, they have the capability in providing good and interesting photo products to attract customers in their social media. The owner has good connections to those people who have the capability to help the business. While de_Batique uses originally Batik fabrics which are made by Batik craftsmen.

Value Chain Activities Analysis

There are some common patterns pursued by the business. First, the place needed to store the raw materials, manufacturing processes, and inventory is mostly in the area of the owner or in the owner's place, so it is an easy access for the owners and could be controlled by the owners easily. The machines or equipment they need are just basic so it is easily available and used by those people who have the basic capability. Those businesses who do the production themselves have the benefits of less production cost, greater control over the products, and greater flexibility. While those who outsource the production function will have the benefit of lower risk of failed production, but they depend other parties to be involved in the activities of the business. All of the fashion business use intermediaries to deliver the products, the further the distance the more fees the customers will be

charged. The intermediaries used are able to deliver the products across Indonesia, it is also open for them to ship it worldwide. For the sales and marketing, there are two types which go through online and offline. As in this research focus on the online shop, the entrepreneurs will already familiar with the digital marketing platform. The most used platforms are Instagram and Facebook; to contact and broadcast messages to customers, they use LINE and WhatsApp. The owners usually maintain these platforms and upload photos in a repeated frequency to increase the brand awareness and as a way to build good relationships with customers. However, they still depend on personal connections to increase their sales. Owners will always try their best to upload good quality and interesting pictures of their product to attract customers, they usually photographed the product themselves due to the limited financial resources. However, for those who have the capabilities, they will use photographers or models to promote the products.

Owners have full control and responsibility for all of the activities, innovation and development, decision making and the management of the business. They are lack of business policy, in which if something happens, owners will always decide on how to respond. Owners will apologize for any wrong orders and exchange the products if it was the company's mistake. Moreover, Owners have to have the ability to sense new opportunities and novel ideas to always innovate the business, but stick to their brand image and characters. Most businesses find this to be the challenges that they have to deal with in order to still achieve parity and being able to compete in the market.

Customer Analysis

This analysis helped to identify the target market of E-Commerce Fashion Business in Indonesia, as shown in Table 4 below.

Table 4. E-Commerce Fashion Business Target Market

Target Market	
Demographic	
Age	17-30 years old
Gender	Female
Income	IDR 1-5 million per month
Occupation	Workers or entrepreneurs, housewives, and students
Psychographic	
Personality type	Expressive
Value and Lifestyle	Experiencers
Behavioral	
Buying on occasions	2 to 3 times per month
Benefits sought	Quality and convenience

Reference: author

Strategic Analysis: SWOT, EFAS, and IFAS matrix

From the collected data, the author identified and summarized some significant factors which affect the E-Commerce Fashion Business in a SWOT table below, and assessed with EFAS and IFAS matrix.

Table 5. SWOT Matrix

Strengths	Weaknesses
Owners' involvement	Low level of innovativeness
Value added awareness	Lack capability to sense new ideas
Good customer relationship management	Lack of marketing research, knowledge
Embrace the digital era	Limited resources
Qualified employees	Lack of written business agreement and policy
	Lack of report and the integration of data

Opportunities	Threats
Increasing of potential Internet users	Increasing competitors
Online and the digital era	Imported clothing
Increasing middle class purchasing power	Avoid online transactions
Collectivist culture	High buyer power
Rich in garment and skilled craftsmen	

Reference: author

In order to assess these external and internal factors, EFAS and IFAS matrix were used. The weight and rating were obtained from the average of the 4 interviewed business' owners opinions. Weight is the importance of the factors, while the rating is how well the business respond to that factor. The weight has a range of 0 to 1, showing the importance level. The total of this weight should be no more than 1. The rating used a range of 1 to 5, showing the lowest to the highest rating.

Table 6. EFAS Matrix of the E-Commerce Fashion Industry

External Factors	Weight	Rating	Weighted score	Comments
OPPORTUNITIES				
Increasing middle-class purchasing power	0.15	2	0.3	People are willing to spend money on fashion products more.
Collectivist culture	0.1	3	0.3	Use this culture as a way to increase promotion through mouth to mouth.
Increasing of potential Internet users	0.12	4	0.48	Use the social media to connect with customers
Rich in cultural garments and skilled craftsmen	0.02	2	0.04	Use unique garments to add value to the products

Online and the digital era	0.2	3	0.6	Use technology to capitalized resources.
		THREATS		
Imported clothing	0.1	-3	-0.3	Increasing players who sold imported clothing.
Increasing competitors	0.15	-3	-0.45	Increasing players who target the same customers, yet still undifferentiated products made.
High buyer power	0.06	-2	-0.12	Customers have control to the business.
Avoid online transaction	0.1	-3	-0.3	Have to gain customers' trust.
TOTAL SCORES	1		0.55	

Reference: author

The total score of EFAS is 0.55, this refers that the opportunity factors have a bigger impact on E-Commerce Fashion Business. Factors which affect the most are the era shift to digital, increasing of potential internet users and the increasing of competitors.

Table 7. IFAS Matrix of the E-Commerce Fashion Industry

Internal Factors	Weight	Rating	Weighted score	Comments
		STRENGTHS		
Owners' involvement	0.09	2.8	0.25	Owners have the full responsibility for the overall business activities.
Value added awareness	0.13	3.5	0.45	Owners aware that value added is needed to create sustainable competitive advantage.
Qualified employees	0.09	3	0.27	Hired those who are qualified.
Embrace the digital era	0.12	3	0.36	The use of social media.

Good customers' relationship	0.12	3.5	0.42	Maintain customers through communication.
WEAKNESSES				
Lack of written business agreement and policy	0.05	-2.1	-0.105	Unclear business agreement and policy.
Lack of marketing research, knowledge and awareness	0.07	-2.4	-0.168	Do not have are marketing research, all based on assumptions.
Lack of report and the integration of data	0.05	-2	-0.1	Difficult to assess the business performance.
Low level of innovativeness	0.12	-3.5	-0.42	Hardly there are product and process development.
Lack of capability to sense new ideas	0.08	-2.2	-0.176	Difficult to sense new opportunities.
Limited resources	0.08	-2	-0.16	Constraint the business activities
TOTAL SCORE	1		0.621	

Reference: author

Overall, the strengths owned by E-Commerce Fashion Business dominate its weaknesses as it can be seen from the positive total score. The most significant factors are value added awareness, good customer relationship management, and low level of innovativeness. Business should be able to utilize and keep developing its strengths to overcome the weaknesses.

Strategy Formulation: SFAS matrix

This matrix identified some strategies which were taken from the result of the IFAS and EFAS analysis, can be seen in Table 7 below. The Total Weighted Score on table EFAS and IFAS show positive numbers (EFAS 0.55 and IFAS 0.625), which means that the Internal Strengths and External Opportunities are stronger than the Internal Weaknesses and External Threats. It can be said that the Indonesian E-Commerce Fashion Business has done a pretty good performance. From this matrix, it is seen that from most of the strategies, the SO strategies (3.022) are the most significant as it has highest scores compared to the WO, ST, and WT strategies as all of the negative numbers are set to be positive numbers. Thus, players are recommended to implement these SO strategies by pursuing the opportunities by using their superiority.

The most significant strategies can be formulated by using Value Added Awareness (S2) to exploit the opportunity of Online and Digital Era (O5). Players aware that in order to survive and compete in the industry they need to have a value added whether in their products or the linkages of the activities they have. In this digital era, businesses could make use of the opportunity in having value added as well as a digital business strategy to enhance performance and have a sustainable competitive advantage. Not only the use of social media as a tool to promote their products which actually could add value to the products by having good quality photos, but a new method of production or other supply chains can also be used to cut costs. Creating added value by manufacturing the same or better product using more effective and efficient methods. New suppliers who can meet or exceed the requirements at a lower cost. This added value could certainly make the whole supply chain more efficient. Other than that with the capa-

bility of the owners to sense new opportunities and ideas to create innovativeness to the products accelerate this process of value creation.

Meanwhile, this digital era could also add value appropriation for their own and partners. For example, players could gather as much as they can by studying and observing their customers' behavior through the social media they use. Obtaining information about their wants and needs to have better products and know the right way on how to approach them. The technology can also support the business by having all of the data regarding the production, inventory, sales, and financials to be integrating that will ease the business on having information about the performance of the business.

The other significant strategies can also be taken from the opportunity of the Online and Digital Era (O5) to take advantage Good Customer Relationship (S5) and cope with the Low Level of Innovation (W4). Digital platforms have a huge role related to relationships with customers. Everything was much easier to be in touch with customers or the other way around. Customers could easily ask the seller if they need something, and seller could easily reply to them. Moreover, some people have trust issues in doing the online transaction due to the unsecured transactions.

This can be overcome the strength of good customer relationship as well. Players could educate them about the online transaction and build trust towards customers. In this way, customers could be more willing to shop more using online transaction. Other than that, the digital platform also provides a lot of new ideas, knowledge, and information which can be used as inspiration to formulate new ideas, innovations, or development towards the products or the activities.

Business Strategy Formulation

By seeing some strategies formulated above, there are more strategies which refer to the **differentiation business strategies**. This means that in order to compete and survive within the industry of E-Commerce Fashion Business in Indonesia, incumbents should be able to apply this type of business strategy. This involves uniqueness along some dimensions in the products offered that is adequately esteemed by customers to allow a price premium resulting higher benefits as well. It requires to identify the strategic customers whose needs to differentiation is based on and create boundaries for comparison with the competitors. This value added differentiation should also be difficult to imitate or substitute. This can be achieved by having complexity linkages and causal ambiguity of some of the business capabilities.

				OPPORTUNITIES					THREATS				
				Increasing middle class purchasing power	Collectivist culture	Increasing of potential Internet users	Rich in cultural garments and skilled craftsmen	Online and the digital era	Imported clothing	Increasing competitors	High buyer power	Avoid online transaction	TOTAL WEIGHTED SCORE
				0.150	0.100	0.120	0.020	0.200	0.100	0.150	0.060	0.100	
	SFAS		EXTERNAL	2.000	3.000	4.000	2.000	3.000	-3.000	-3.000	-2.000	-3.000	
	INTERNAL		Weighted Score	0.300	0.300	0.480	0.040	0.600	-0.300	-0.450	-0.120	-0.300	**0.550**
STRENGTHS	Owners' involvement	0.090	2.800	0.252	0.076	0.076	0.121	0.010	0.151	-0.076	-0.113	-0.030	-0.076	
	Value added awareness	0.130	3.500	0.455	0.137	0.137	0.218	0.018	**0.273**	-0.137	-0.205	-0.055	-0.137	
	Qualified employees	0.090	3.000	0.270	0.081	0.081	0.130	0.011	0.162	-0.081	-0.122	-0.032	-0.081	
	Embrace the digital era	0.120	3.000	0.360	0.108	0.108	0.173	0.014	0.216	-0.108	-0.162	-0.043	-0.108	
	Good customers' relationship	0.120	3.500	0.420	0.126	0.126	0.202	0.017	0.252	-0.126	-0.189	-0.050	-0.126	
WEAKNESSES	Lack of written business agreement	0.050	-2.100	-0.105	-0.032	-0.032	-0.050	-0.004	-0.063	0.032	0.047	0.013	0.032	
	Lack of marketing research, knowledge and awareness	0.070	-2.400	-0.168	-0.050	-0.050	-0.081	-0.007	-0.101	0.050	0.076	0.020	0.050	
	Lack of report and the integration of data	0.050	-2.000	-0.100	-0.030	-0.030	-0.048	-0.004	-0.060	0.030	0.045	0.012	0.030	
	Low level of innovativeness	0.120	-3.500	-0.420	-0.126	-0.126	-0.202	-0.017	-0.252	0.126	0.189	0.050	0.126	
	Lack of capability to sense new ideas	0.080	-2.200	-0.176	-0.053	-0.053	-0.084	-0.007	-0.106	0.053	0.079	0.021	0.053	
	Limited resources	0.080	-2.000	-0.160	-0.048	-0.048	-0.077	-0.006	-0.096	0.048	0.072	0.019	0.048	
	TOTAL WEIGHTED SCORE		**0.628**										

SO STRATEGY	WO STRATEGY
3.022	-2.056
ST STRATEGY	WT STRATEGY
-1.942	1.321

Table 8. SFAS Matrix

CONCLUSION

Formulating strategy through environmental scanning is essential and necessary to be the base of strategic implementation for the growth of every business to be successful or at least being able to compete and achieve parity in the industry. As competition continues to escalate for E-Commerce Fashion Business in Indonesia, incumbents should aware which business strategy to use, therefore this research was done in this regards. The result suggested that a **differentiation business strategy** is the most suitable for them to be able to survive and compete in the industry whether the broad or narrow target market. It is the ability to offer unique and superior value in some features to allow price premium to customers. Differentiation could also lead to a sustainable competitive advantage for the business which is hard to be imitated by others. By focusing on creating differentiation, it will lead to a higher performance level, but it has to be together with the effective management of assets to generate profit. However, due to the lack of research for Indonesian Fashion SMEs, Moreover, in this digital era, they should also be able to embrace the opportunities offered in order to increase performance and create sustainable competitive advantage using value creation and value appropriation for the business.

This finding is also supported by some previous studies. However, there is limited research in this area, especially in Indonesia. One case study research which based in Indonesia stated that product differentiation has a significant effect on the performance of SMEs (Sukesti, Nurhayati, & Karim, 2014). Moreover, other studies outside Indonesia support this finding in which saying that differentiation strategies are adequately used by SMEs to gain a competitive advantage by standing out uniquely to their customers

(Njuguna, Ochieng, & Odida, 2015). Fairhust (2003), also suggested for business to focus on differentiation in the marketplace, as higher performance level is gained through higher capabilities associated with marketing differentiation. However, one study outside Indonesia revealed that a combination of generic business strategy achieves higher profitability than companies that follow a differentiation strategy (Leitner & Güldenberg, 2010). One stated reason is that modern technology and management practices allow businesses to simultaneously reduce costs and differentiation products, thus a combination strategy could reduce market risk and maximize long-term performance. However, this study was conducted in Austria and in different industry sectors, thus a future research which covers the area of E-Commerce Fashion Business in Indonesia is needed to assess this gap.

The major limitation of this research is that the finding was developed based on the analysis of four firms who are based in Bandung do not represent some other cities. The validity of this research should be assessed through further research efforts that compare cases in some other cities aside Bandung. It can also be a better research if includes the assessment of the performance of each case to have a better view of the real cases. Moreover, a future research could also include the formulation of digital marketing strategy which can help the E-Commerce Fashion Business to create sustainable competitive advantage, competing in the industry and to develop.

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