



## Proposed Innovation Strategy for Streetwear MSMEs using TOWS: Asbhoel

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**ABSTRACT:** MSMEs in Indonesia, especially in the fashion sector, have experienced significant growth. One of the fashion lines that continues to grow and is popular among Indonesians is streetwear. As a fashion center, Bandung has one of the leading streetwear founded in 2013, namely Asbhoel. A company ideally has stable sales because it shows that the company has the right strategy to maintain sales levels. At Asbhoel, there is a problem of decreasing turnover from 2019 to 2022 due to changes in consumer behavior after the Covid-19 Pandemic. This research was conducted to provide proposed strategy innovation on the problem limitations of the suitable business strategy in dealing with changes in consumer behavior after the Covid-19 Pandemic, which decreased Asbhoel's turnover. The research method used is qualitative. Data were obtained by exploring literature studies on the development of the fashion industry, streetwear trends in Indonesia, increase in the number and revenue of fashion MSMEs, the contribution of the fashion industry sector to Indonesia's GDP, business development, and business strategies to increase sales. The data was also obtained from interviews with owners to get sales data for 2019 to 2022 and other analysis-supporting data. The data brought were then analyzed using PESTEL, Porter's Five Forces, dan Competitor Analysis as an external analysis method to determine environmental conditions outside the company as well as Resource-Based View and Value Chain Analysis as an internal analysis method to determine environmental conditions within the company, which is then processed using TOWS to formulate strategic innovations for UMKM Asbhoel.

**KEYWORDS:** Business Strategy, Innovation, MSMEs, Streetwear, TOWS

### INTRODUCTION

Fashion is a sector that is experiencing growth in the world. In 2021, there was an increase in revenue from fashion products by 21%. The growth in sales of fashion products in Indonesia has also increased every year. These sales accounted for more than 17% and became one of the three main sectors contributing to the GDP of the Indonesian economy. In this case, it can be seen that the demand for fashion products has increased. The number of MSMEs, especially fashion, has also experienced a significant increase [1]. Streetwear is popular in Indonesian society [2]. Bandung, as a fashion center, has a superior MSME established in 2013 named Asbhoel, with at least 20 thousand people of users who call themselves Asbhoel Gang [3] [4]. There was a problem in sales that continued to decline from 2019 to 2022. The impact of the Covid-19 Pandemic changed consumer behavior from offline to online shopping, which became an obstacle for business people [5] [6]. These conditions make it difficult for Asbhoel to compete in their industry. According to Sarmada and Latief [7], in order to compete and increase revenue, companies must have a suitable business strategy. In addition, it is almost impossible for a company to compete with competitors and develop if it does not develop the right business strategy [8]. There have been studies that discuss business strategies to increase sales, as done by Widiarni & Mirzanti [9], Oktaviannur et. al. [10], and Yi et al. [11], business development in MSMEs [12], business development strategy [13]. However, there is a lack of research discussing strategy innovation for increasing sales, especially in Streetwear MSMEs. Therefore, this research was conducted to provide a proposed innovation strategy for streetwear MSMEs in Indonesia, namely Asbhoel.

### RESEARCH METHODOLOGY

The research method used is qualitative, derived from primary and secondary data. Primary data comes from interviews conducted with Asbhoel owners to learn more about the company's condition, the problems it faces, and the business development efforts being undertaken. At the same time, secondary data comes from literature data regarding the development of the fashion industry, streetwear trends in Indonesia, the increase in the number and revenue of fashion MSMEs, the contribution of the fashion industry sector to Indonesia's GDP, business development, and business strategies to increase sales.



After obtaining primary and secondary data, the next step is to analyze the data using PESTEL and Porter's Five Forces tools as an external analysis and Resource-Based View and Value Chain as an internal analysis. The internal and external analysis process produces Strengths, Weaknesses, Opportunities, and Threats points which are then processed using the TOWS matrix/analysis to formulate a new business strategy suitable for Asbhoel.

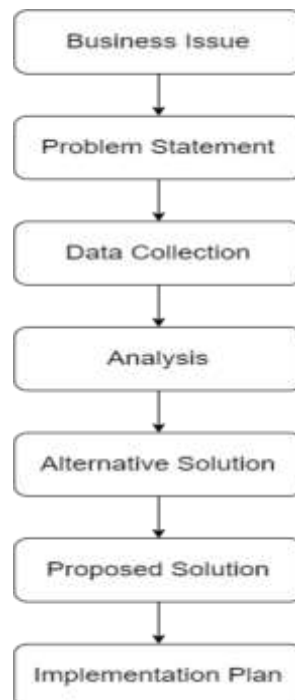


Figure 1. Research Design

### BUSINESS ISSUE

Based on the results of interviews with the owner, Asbhoel's turnover has decreased significantly from 2019 to 2022. This condition was influenced by changes in consumer behavior after the Covid-19 Pandemic. Various strategies have been tried to respond to the problems faced by Asbhoel, such as switching to marketplaces, advertising online, recruiting new workers, and creating websites, but they have yet to get the expected results. This strategy is inappropriate for overcoming existing problems, resulting in a turnover decrease until 2022. So that the root of the problem experienced by Asbhoel is its limited business strategy in dealing with changes in consumer behavior during and after the Covid-19 pandemic, making it difficult for Asbhoel to increase sales and profits.

### RESULTS AND DISCUSSIONS

#### 1. External Analysis

Analysis of the company's external environment is carried out to determine the external environmental conditions that affect the company's business processes. This environmental analysis used PESTEL Analysis, Porter Five Forces, and Competitor Analysis. PESTEL analysis is carried out to find out how the company faces macro conditions, such as political, economic, sociocultural, technological, ecological, and legal. Porter's Five Forces are carried out to find out the five forces that affect competition and company profitability in an industry. Competitor Analysis is conducted to determine the driving factors of competitors in competing in the same industry, strategies that competitors can carry out, and competitors' capabilities. This external environment analysis produces Opportunities and Threats faced by Asbhoel. The Opportunities and Threats are as follows:



**Table I.** Opportunities and Threats

<i>No</i>	<i>Category</i>	<i>Results</i>
1.	<b>Opportunities</b>	Increasing market demand for local fashion products
		Opportunity to build a brand with a differentiation strategy
		Partnership with buyers
		Increase collaboration
		The need for product differentiation is increasing
		Can improve customer experience
		Opportunities in new markets
		Opportunities for companies to innovate
		Ease of negotiating prices and terms with suppliers
		Explore new distribution channels
		Opportunities to improve service and quality
2.	<b>Threats</b>	Competition in the fashion industry in Indonesia is increasing
		Fluctuating market demand
		Customer loyalty eroded
		Replication and impersonation risks
		Increased marketing costs
		Dependence on suppliers
		Switching customers to competitors who offer more innovative products
		Brand image competition among competitors that collaborate with international brands
		Price reduction and potentially declining profit margins
		Decreasing market share

2. Internal Analysis

This analysis of the company's internal environment is carried out to determine the condition of the internal environment to understand the utilization of the company's unique set of resources and capabilities used in the company's internal processes. This is done to exploit external opportunities and to reduce the company's Internal Weaknesses and External Threats. This analysis was carried out using Resource-Based View and Value Chain Analysis. The Resource-Based View is used to discover



a company's unique set of resources and capabilities. Value Chain Analysis is used to determine the company's main activities and supporting activities. This internal environment analysis produces the Strengths and Weaknesses of the company. The Strengths and Weaknesses are as follows:

**Table II.** Strength and Weaknesses

<i>No</i>	<i>Category</i>	<i>Results</i>
1.	<b>Strengths</b>	Major production capacity
		Own loyal customers
		Operational database
		Good emotional relationships with public figures
		Good emotional relationship with vendors and suppliers
		Already have a fixed vendor
		Having alternative distributors, suppliers and vendors to minimize dependence on one company.
		Trademark rights
		Good reputation
		Social Media with lots of followers
2.	<b>Weaknesses</b>	Operational and maintenance costs are high
		Social media is not interactive
		Risk of accumulation of inventory
		Risk of product originality due to reliance on third-party designers
		There is no monthly promotion strategy planning
		Inefficient production management
		Inefficient employee management
		There is no delivery of company targets to employees
		Unmeasurable employee performance
		Inconsistency in operations
		Unutilized Operational Database
		Limited quality vendors
		Rarely produces new articles
		Does not maintain relationships with loyal customers



3. TOWS Matrix

After analyzing the external environment and internal environment, TOWS analysis is then carried out to formulate the following innovative strategy proposals:

Table III. TOWS Matrix

<p><b>External</b></p> <p style="font-size: 2em; transform: rotate(-45deg);">/</p> <p><b>Internal</b></p>	<p><b>External Opportunities (O):</b></p> <p>O1 Increasing market demand for local fashion products</p> <p>O2 Opportunity to build a brand with a differentiation strategy</p> <p>O3 Partnership with buyers</p> <p>O4 Increase collaboration</p> <p>O5 The need for product differentiation is increasing</p> <p>O6 Can improve customer experience</p> <p>O7 The opening of opportunities in new markets</p> <p>O8 Open opportunities for companies to innovate</p> <p>O9 Ease of negotiating prices and terms with suppliers</p> <p>O10 Explore new distribution channels</p> <p>O11 Open opportunities to improve service and quality</p>	<p><b>External Threats (T):</b></p> <p>T1 competition in the fashion industry in Indonesia is increasing</p> <p>T2 Market demand that fluctuates easily</p> <p>T3 Loyal Customers eroded</p> <p>T4 Risk of replication and impersonation</p> <p>T5 Increased marketing costs</p> <p>T6 Dependence on suppliers</p> <p>T7 Switching customers to competitors who offer more innovative products</p> <p>T8 Competition on a brand image with competitors collaborating with international brands</p> <p>T9 Pressure on prices and potentially declining profit margins</p> <p>T10 Decreased market share</p>
<p><b>Internal Strengths (S):</b></p> <p>S1 Large production capacity</p> <p>S2 Have loyal customers</p> <p>S3 Operational Database</p> <p>S4 Good emotional relationship with public figures</p> <p>S5 Good emotional relationship with vendors and suppliers</p> <p>S6 Already has a fixed vendor</p> <p>S7 Have alternative distributors, suppliers, and vendors to minimize dependence on one company.</p> <p>S8 Trademark Rights</p> <p>S9 Reputation Baik</p> <p>S10 Social Media with lots of followers</p>	<p><b>SO:</b></p> <p>Production capacity expansion (S1, S3, S5, S6, S7, O1, O5, O7, O8, O9)</p> <p>Continuously innovative products (S1, S2, S3, S5, S6, S7, S9, O1, O2, O5, O6, O7, O8, O9, O11)</p> <p>Innovative Customer Management Relationship (S1, S2, S3, S9, O2, O4, O5, O6, O7, O8, O10, O11)</p> <p>Distribution network expansion(S1, S2, S4, S9, O1, O3, O4, O7, O10)</p> <p>Innovative Distribution Channels (S1, S2, S4, S8, S9, S10, O1, O4, O7, O10)</p> <p>Decrease in Production Costs (S5, S6, S7, S9, O1, O5, O9, O11)</p> <p>Open Innovation (S2, S9, S10, O1, O2, O5, O6, O7, O8, O10, O11)</p> <p>Market Expansion (S1, S2, S3, S4, S5, S6, S9, S10, O1, O5, O7)</p>	<p><b>ST:</b></p> <p>Innovative Customer Management Relationship (S2, S9, T3, T7, T10)</p> <p>Sustainable innovative products (S1, S3, S6, T1, T2, T4, T7, T10)</p> <p>Innovative Customer Management Relationship (S1, S2, S3, T3, T7, T10)</p> <p>Creative and collaborative marketing (S1, S4, S9, T1, T2, T4, T5, T7, T8, T9, T10)</p> <p>Collaborative Products ( S1, S2, S3, S4, S9, S10, T1, T2, T4, T5, T7, T8, T9, T10)</p> <p>Decrease in Production Costs (S5, S6, S7, S9, T6, T9)</p> <p>Acquisition (S2, S8, S9, S10, T1, T5, T9, T10)</p> <p>Product Diversification (S1, S9, T1, T4, T7, T9, T10)</p>



	Creative and collaborative marketing (S3, S4, S8, S9, O2, O11) Continuing Loyalty Customers (S2, S3, S9, O4, O6, O11)	
<b>Internal Weakness (W):</b> W1 Operational and maintenance costs are high W2 Social media is not interactive W3 Risk of accumulation of inventory W4 Risk of product originality due to reliance on third-party designers W5 There is no monthly promotion strategy planning W6 Inefficient production management W7 Inefficient employee management W8 There is no delivery of company targets to employees W9 Unmeasurable employee performance W10 Inconsistency in operations W11 Unutilized Operational Database W12 Limited quality vendors W13 Rarely produces new articles W14 Does not maintain relationships with loyal customers	WO: Decrease in Production and Operational Costs (W1, W3, W6, W12, O1, O5, O8, O9, O11) Creative, innovative, competent and professional employees (W1, W6, W7, W8, W9, W10, O1, O11) Effective and Efficient Production System (W1, W3, W6, W11, W12, W13, O1, O2, O5, O7, O8, O11) Innovative Distribution Channels (W1, W3, W14, O3, O4, O7, O10) Collaborative Products (W3, W11, W13, O1, O2, O3, O4, O5, O8) Independent Product Research & Development (W4, W6, W11, W13, O1, O2, O5, O8) Effective and Efficient Marketing System (W1, W2, W5, W7, W9, W10, W11, O10, O11) Innovative Customer Relationship Management (W3, W11, W13, W14, O2, O3, O4, O6, O10)	WT: Decrease in Production and Operational Costs (W1, W3, W6, W12, T1, T2, T6, T9) Optimal Financial Strategy (W1, W6, W7, W11, T1, T5, T9) Creative, innovative, competent and professional employees (W1, W6, W7, W8, W9, W10, T1) Visioning (W1, W6, W7, W8, W9, W10, T1) Creative marketing (W2, W5, W14, T1, T3, T5, T9) Effective and Efficient Production System (W1, W3, W6, W11, W12, W13, T1, T2, T4, T7, T9, T10) Collaborative Products (W3, W11, W13, T1, T4, T5, T7, T8, T9, T10) Independent Product Research & Development (W4, W6, W11, W13, T1, T2, T4, T7, T10) Effective and Efficient Marketing System (W1, W2, W5, W7, W9, W10, W11, T5, T9, T10) Innovative products (W6, W11, W13, T1, T2, T4, T7, T10) Innovative Customer Relationship Management (W3, W6, W11, W13, W14, T1, T3, T5, T7, T10) New market expansions (W3, W6, W11, W13, T1, T7, T10)

The TOWS Matrix produces several recommendations to be used as innovative strategy proposals by combining perspectives from the four existing points. In dealing with the situation experienced by Asbhoel, alternative solutions are needed that can maintain positive cash flow by minimizing the weaknesses and threats that Asbhoel have. So the alternative solutions that are relevant for Asbhoel in the current situation are as follows: Decrease in production and operational costs; Optimal financial strategy; Creative, innovative, competent, and professional employees; Visioning; Creative marketing; Effective and efficient production system; Collaborative products; Independent product research & development; Effective and efficient marketing system; Innovative products; Innovative customer relationship management; New market expansions.

After obtaining alternative solutions, strategic innovation selection is carried out using a priority matrix with consideration of Asbhoel's priorities and capacities. Based on the priorities that have been determined and the existing capacity, the required strategy is related to one of the business-level strategies, namely the differentiation strategy. So the proposed strategy innovation is Visioning; Creative, innovative, competent, and professional employees; Effective and Efficient Production system; Effective and Efficient Marketing system; creative marketing; innovative products; Innovative customer relationship management.





## IMPLEMENTATION PLAN

Planning for implementing the proposed strategy innovation is carried out with a risk assessment and backup plan to explore the worst possible scenarios, including plans to reduce the impact of risks taken if something happens during implementation.

## CONCLUSION

Limitations of the suitable business strategy in dealing with changes in consumer behavior after the Covid-19 Pandemic experienced by Asbhoel can be overcome with strategic innovations. Actions that can be made are improving business strategy regarding the decrease in production and operational costs; optimal financial strategy; creative, innovative, competent, and professional employees; visioning; creative marketing; effective and efficient production system; collaborative products; independent product research & development; effective and efficient marketing system; innovative products; innovative customer relationship management; dan new market expansions. By making this innovative strategy proposal, it is hoped that it will overcome the problems experienced by Asbhoel.

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