

Growing Creative Industry, a SWOT analysis of Entrepreneurship of a Distribution Outlet at Bandung West Java

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ABSTRACT

The development of creative industry shows a significant contribution to the regional growth specially in Bandung. The paper describes the success of one company in a creative industry. The research applied the SWOT analysis to examine the performance of this kind of entrepreneurship. The investigation showed that this company can use its potential strength in the quality and design of its products to win the competition and manage its business based on the strategic offered.

Keywords: entrepreneurship, SMEs, SWOT analysis, distribution store, creative industry

Some Backgrounds

The rapid growth of small and medium enterprises (SMEs) has played a considerable role in generating employment and supporting household income. SMEs are also claimed to survive on economic crisis

Based on data, SMEs and local economy in West Java is almost 90% of the number of industries and it absorbs almost 99.6% of employment. There are many local potential economies that can be developed in this province. As the capital city of West Java, Bandung is the fourth largest city with a population of over 2 million; Bandung has long historical development of creative culture, where a society involved in creative-based activities and an abundance of educational institutions have become its greatest asset. The growth rate of regional income of Bandung has reach almost 7% and this is higher than the average rate of other city surround it which only reach 3%-5% and also higher than the average growth of West Java regional income which is 5.31% in 2005.

Based on the mapping study of the creative industry by the Ministry of Trade of Indonesia in 2007, the definition of creative industry is referred to UK DCMS Task Force 1998. “Creative industries as those industries which have their origin in individual creativity, skill & talent and which have a potential for wealth and job creation through the generation and exploitation of intellectual property and content.

The definition of creative economy which known also as cultural industry consist of 14 sub category such as: *printing, publishing, advertising, fashion design, architecture, entertainment, digital IT, handicraft, art*. In some countries creative economy is defined as content industry. In essence creative economy or creative industry is industry with a high level of value added since it involves creativity and production.

In the era of globalization, the creative economy has giving important support to the growth of local economy. Culture based economic activities such as fashion, television, theatre, music and dance, art, design, architecture advertising, publishing, information technology are important variable to the development of local economy. Bandung has experienced a shift from agraris based economy to manufacture based economy and then to creative economy.

Statistics Profile Creative Economy Indonesia 2002-2006

Indicator	average 2002-2006
Percentage to the total GDP	6.30%
Labor Productivity	19.466 (thousand Rp/labor)
Growth of export	8.21%
Growth of the Number of firms	7.18%

Source: Mapping study Ministry of Trade Indonesia, 2006

The numbers of firms in creative industry in Indonesia until 2006 are almost 2.19 million firms. This number is more than the number of firms in sectors such as electric, gas, water, finance, real estate and mining. Fashion is the subsector in creative industry that have number of firms above the average and it reach almost 1,234 million of firms in 2006.

ANTARA News reported that creative industry such as “Distro” (distribution outlet) is a business retail that produce and sell s casual clothings and accessories ,it sales has reach a total of billion hundred rupiah per year compare to other creative industry in Bandung

C.V Trijaya Utama is one of local fashion Distro located in Bandung as a trend center in fashion and design. With its brand **D'Loops: A Quality Clothing** this company has many stores. Untill now C.V Trijaya Utama are doing their best increase its performance so that its products can match with market expectation. This activity is implemented by producing high quality product with reasonable price, excellent service and non-mass production

Problem Identification

This research investigated:

1. Investigates problems and constraints faced by SMEs in the business of Distribution Outlet (Distro) at West Java (for the case of CV. TRIJAYA)
2. Investigates opportunity and potential sthrens by SMEs in the business of Distribution Outlet (Distro) at West Java (for the case of CV. TRIJAYA)
3. Organize a strategic empowering Plan of SMEs in the business of Distribution Outlet (Distro) at West Java (for the case of CV. TRIJAYA)

The purpose of the research:

4. Increase the capability of SMEs in the business of Distribution Outlet (Distro) at West Java (for the case of CV. TRIJAYA)
5. Increase the potential competition skill of SMEs in the business of Distribution Outlet (Distro) at West Java (for the case of CV. TRIJAYA)
6. Increase and maintain the performance of SMEs in the business of Distribution Outlet (Distro) at West Java (for the case of CV. TRIJAYA)

Theoretical backgrounds

The Regional government revenue is one of main sources for development expenditure of a country. Sources of regional revenue are local government original revenues and central government aid. The implementation of Regional Government Authority (OTDA) in Indonesia has pushed each regional government to seek their own source of expenditures and local economy is one of the sources.

Local Economy is a comprehensive activity to transform local resources becomes industry of goods and services in order to achieve the basic purpose of national development. (Iwan Dermawan Hanafi dan Widi Nugroho 2004).

Edward J Blakely (2004) defined that local economy is an economic development concept based on the utilization of local resources in society either human resources or natural resources. This development focus on economic development to increase human welfare and it designed according to condition and communal needs and region. Blakely also defined three important activities that government should do in developing local economy

1. Create an atmosphere to grow local potential
2. Ease the access of people to obtain economic resources such as capital, technology, jobs and market.
3. Minimize unfair competition and create partnership between developed and developing business.

Bandung a capital city of west java is known as a pioneer in the development of creative industry in Indonesia. Towards the vision of a 'creative city', Bandung has chosen as a pilot project for a creative city in East Asia at the International Conference of City based Creative Economy at Yokohama on July 2007.

Distribution Outlet (Distro) is one of creative industry business. Distro is businesses retail that produces and sells casual clothings and accessories. ANTARA News reported that "Distro" has reached a total sells of billion hundred rupiah per year compare to other creative industry in Bandung. One of the research reported that the sells of one of Distro business in Bandung has reach 2.5 billion per year.

Most of distribution outlet businesses are small & medium business and self managed. As a object study the research investigate CV Trijaya Utama. The name of the company comes from the friends who start the business with its first capital of only 6 millions rupiahs. **CV Trijaya** with its brand *D'loops Clothing Company* start its business in 1999 when three friends who are

students at Widyatama University; Aep Asjudiredja, Andri Kurniawan dan Andri Gunadi agreed to start a business in clothing & fashion.

At their first production CV Trijaya with its brand *D'loops Clothing Company* only produce its product and sale it to other Distribution Outlet since it didn't have its own store. In 2004 CV trijaya with its increasing sales become a formal business and it open its store at Jl. R.E Martadinata No. 110 Pav Bandung. Until now this company has three stores in Bandung and it also succeed to market its products 13 towns in Indonesia such as :Jakarta, Bekasi, Bogor, Semarang, Solo, Yogyakarta, Surabaya, Medan, Padang, Makasar, Kendari, Banjarmasin dan Pontianak.

Tabel 1. Income statement CV Trijaya Utama 1st and 2nd period (In thousand rupiahs)

	1999	2000	2001	2002	2003	2004	2005	2006
Sales Bruto	27.000	169.200	403.050	819.500	1.645.828	3.024.656	4.397.882	6.596.823
Discount& Freestuff	4.050	21.330	35.077,5	62.467,5	111.244,6	168.392,8	243.327,7	351.608,5
Consignment	5.400	28.440	39.754	77.812,5	152.304,4	253.393,7	366.154,1	529.092,6
Net	17.550	119.430	328.218,5	679.220	1.382.279	2.602.869,5	3.788.400,7	5.716.122,7
COGS	13.500	85.440	286.200	571.360	1.140.643,1	2.277.141,1	3.125.945,5	4.688.918,2
Profit	4.050	33.990	42.018,5	307.860	241.635,9	325.728,5	662.455,2	1.027.204,4

source : CV TRIJAYA

Based on 2003 to 2006 data there are an increasing number of sales revenue. There are positive responsive market for D'loops CLOTHING products. With its priority to maintain quality products and design inline with market needs the creativity of its designer resulted in a significant increase of profit 839,26 % in 2000, 123,62 % in 2001 and 256,69 % in 2002. The same figures can be seen also in the 2nd period.

SWOT ANALYSIS

Potential prospects

With its brand *D'loops Clothing Company*, CV Trijaya Specialize in producing casual clothing for ladies and gents, t shirt, trousers and accessories and give priority on high quality, first in mode and design with reasonable price. Specialize its market segment on young and teenage customers, distribution store businesses have potential prospects for three reasons:

1. There are many potential customers in Bandung since there are many universities are in Bandung and data shows that almost 90% of its customers are students (Amel et. al:2006).
2. Business in fashion will continue to develop inline with the needs of people for clothing. Levy Michael dan Barton (2004:139) *"fashion is a type of product or away of behaving that is temporarily adopted by a large number of consumer because the product or behavior is considered to be socially appropriate for the time and place,"*
3. *Most of young and teenage are fashionholie* (Amel et. al:2006)

Company Strength

a. Internal factors

- Commitment to increase capital from the owners of the business
- The Spirit of the entrepreneurs to develop their business
- Good Leadership
- Supportive employers
- Ease of Facilities & equipment
- Availability of raw material
- After sales services
- Promotion and advertisement

b. External factors

- c. Cooperation with suppliers
- d. Strategic location of the store / outlet
- e. Competitive price
- f. Good market demand
- g. Cooperation with distributor and sales

Company weakness

Most of problems faced by CV.Trijaya are in the inventory

1. Stocks of inventory damaged
2. Damaged raw material caused trouble to production process and the result is the defect products.
3. The products and raw material at warehouse is not match with the record
4. Some units demand for unplanned production and it caused problem to planned budget and planned raw material

If we classified the internal weaknesses of the company are:

- Managerial skill
- The ability to compete
- Financing in long term
- Skill of the employers
- Availability and of employers
- Production timing
- Low information about procedures handling with financial institution

External weaknesses of the company are:

- Narrow distribution line of the products
- Access to bank credits and financing
- Products design is always changed overtime.

Some suggested solutions for the inventory problem are:

- Apply the FIFO method for the inventory
- Make additional stock of raw material as much as 10% to handle unplanned production
- Products stock opname in the warehouse once a month
- Employers should join the training for the management warehouse

Opportunities for the company are

- Many market target for the products
- High demand for the products
- Diversification of products
- Efficiency in the production process
- The willingness of the owners to developed the business

Some threats to this company mostly come from external:

- Competition with large companies
- Competitor in the same products from abroad

Some strategic recommendation for the company:

1. SO strategic (Use strength to utilize opportunity)

- a. Strengthen production structure in order to increase the products quality by upgrading the quality of employee.
- b. Broaden the market by mapping the market target either inside or outside bandung.
- c. Cooperate with suppliers
- d. Increase promotion to broaden the market target and increase demand.

2. WO strategic (overcome the weakness utilize the opportunity)

- a. Support from the owners by increasing the freash capital to increase production capacity.

- b. Diversified the products by producing more variant.
- c. Upgrading employee skill to increase product quality
- d. Formed vertical integration with supplier.

3. ST strategic (Use strength to avoid threats)

- a. Develop a better after sales service
- b. Maintain designers to lead in mode and design
- c. Diversified products to maintain existing market.

4. WT strategic (Minimize weakness and avoid threats)

- a. Find alternative source of raw material
- b. Develop specific design to compete with other companies
- c. Maintain competitive price to compete in price competition

Opportunity and Challenges Creative Industry in Indonesia

The Opportunity of creative industry to develop is still high either in Indonesia or abroad. The market is still open widely. The opportunities arise from the following indicators:

- The shift of the market and consumer behavior into a self actualization based consumption. The growing of fashion industries such as Distro is one of the example to reflect this.
- Non mass production as a result from taste behavior of consumers. Industry tend to shift to demand driven production
- Consumer spending of the G7 countries almost 50% is for the products of creative industry.
- Domestic potential market, as the 4th largest population Indonesia is a potential market.
- Sosio Cultural difference is the source of creativity

The challenges creative industry

- The Human resources in creative industry in Indonesia should contextual and be applied in any side of industry.
- Educational Institution should produce human resources that has competitive competence and multi dimensional intelligence.
- The government institution to support the copyrights and to increase its bargaining position.

- Financial institution to support the financing.

In 2006 the contribution of creative industry Indonesia to the GNP is almost 6.28%, its labor participation almost 5.8% and the value of export reached 9.13%. From the above discussion

CONCLUSION

In 2006 the contribution of creative industry Indonesia to the GNP is almost 6.28%, its labor participation almost 5.8% and the value of export reached 9.13%. From the above discussion the creative industry is a promising industry to support economic growth of Indonesia.

CV TRIJAYA is an example of a success SMEs that develop its business with creativity. As a Distribution outlet started its business by producing its own design and marketed its products to other store, this SMEs showed its potential by broaden its market outside Bandung to Bali, Kalimantan and Sulawesi.

As one of creativity based business CV Trijaya have the potential to develop its business either inside or outside its production centre. As one of the fourteen sectors in creative economy, the business in fashion and design has give many contribution to the economic growth. The high contribution of this kind of business to the regional revenue should be followed by the commitment of regional government to develop creative industry by starting to map its potential area.



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