

THE ROLE OF SWOT IN BUSINESS DEVELOPMENT OF MAHREEN COLLECTION

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ABSTRACT

Fashion industry – clothing business especially, keeps on having new developments and changes very quickly. Clothes that are very popular right now can be outdated just in a matter of short period of time. Looking at the potential of fashion business and the market's enthusiasm for fashion industry in East Java, a boutique named Mahreen Collection was opened in 2010. It is located at Jalan Parengan no. 99, Kraton, Krian. The purpose of this research is to know the role of SWOT analysis in formulating the business strategy of Mahreen Collection based on the internal and external condition.

The type of research used is descriptive research using qualitative method. This research uses purposive sampling technique, which is a procedure of sampling where samples are chosen from population based on the compatibility with the purpose of the research. The chosen samples are the owner of Mahreen Collection, the competitors, the suppliers, the buyers, and an expert on marketing and business. This research is done at Mahreen Collection outlet, which is at Jalan Parengan no. 99, Kraton, Krian – Sidoarjo. Moreover, this research was done during the period of November 2015 – December 2016. Data analysis technique used in this research is qualitative data analysis.

The result based on the analysis on the company's internal condition shows about the strengths and weaknesses of the company. The strengths of Mahreen Collection are (1) selling high-quality fashion products, (2) providing up-to-date model, (3) great availability of goods, and (4) experienced in fashion business. On the other hand, the weaknesses of Mahreen Collection are (1) currently having only one store, (2) limited capital sourced from private funds, and (3) limited human resources. Moreover, the result based on the analysis on the company's external condition shows about the opportunities and threats for the company. The opportunities are (1) lots of market demand for fashion products, (2) high consumer's purchasing power, (3) Mahreen Collection's customers have consumptive behavior – they frequently change their fashion products, and (4) the government's support for small and medium businesses. Meanwhile, the threats for the company are (1) big numbers of competitors in fashion business, (2) consumers' freedom of choice in choosing fashion products, and (3) low barrier of entry for new competitors. All in all, SWOT analysis is very useful to decide the strategy to further develop the company. Mahreen Collection is on Quadrant I and the correct choice is S-O strategy, which is Growth-Oriented Strategy. On

this Quadrant, the company has the opportunities and strengths that can be used to maximize the future opportunities. This strategy focuses on supporting the growth of aggressive policies. The elaboration of the business strategy to further develop Mahreen Collection is by opening new outlets in Krian region.

Key words: role, SWOT analysis, business development

INTRODUCTION

Clothing is one of the human primary needs besides food and shelter. Nowadays, clothing functions not only as a primary need for protection, but also as a fashion, trend, and style. With more people spending money on clothing, in 2010, a boutique named Mahreen Collection was established in Parengan Street no.99, East Java. After continuous positive development in 5 years of establishment, the boutique owner decided to further expand the business. Therefore, this research aims to analyze the internal and external conditions of Mahreen Collection in order to make SWOT analysis and ultimately, formulate the best strategy which enables Mahreen Collection to expand its reach and income the most.

LITERATURE REVIEW

Previous Research

There are four relevant previous researches used in writing this research. The first research titled “Strategy Formulation and Implementation for PT. Multigarmen Jaya” was written by Yoanita and Wandebori (2013). The purpose of this research is to formulate strategy for PT. Multigarmen Jaya in facing tight competition in garment industry. The research uses both internal analysis such as value chain and resources and external analysis such as PEST, Porter’s Five Forces and competitor analysis.

The second research was written by Joen and Praptiningsih (2013). The title of this research is “*Deskripsi Pengelolaan dan Pengembangan Usaha Modes Mbak Soem di Surabaya*”. This descriptive qualitative research is purposed to: (1) describe the management and development of Mbak Soem’s tailoring business; (2) analyze external and internal environment in textile industry; and (3) construct business development methods for Mbak Soem’s business.

The third research by Jeyaraj *et al.* (2012) was titled “*Application of SWOT and Principal Component Analysis in a Textile Company - A Case Study*”. There are three purposes of this study, which are to: (1) identify SWOT variable of textile company; (2) find significant SWOT variables; and (3) construct SWOT matrix for textile company. This study used 125 respondents and the data was processed using Principal Component Analysis method and continued by qualitative method in constructing SWOT matrix.

The fourth research by Shooshinasab *et al.* (2013) was titled “*Strategic Planning for Development of Sport Events Tourism Industry in Iran*”. The purpose of this study is to present the process of strategic planning done for the development of sport event in hospitality industry in Iran. This study used 200 respondents who consist of hospitality academicians, federation manager, Olympic committees and cultural organization in Iran. The analysis technique used is confirmatory analysis continued with SWOT.

Internal Analysis

David (2012:177) stated that companies need to analyze their internal condition to be able to maximize their strengths in order to use available opportunities and reduce their weaknesses. Internal analysis of a company consists of human resource, marketing, finance and operational with the detail of each as such:

1. Human resource

Human resource activities include analyzing strengths and weaknesses of current workers in all levels and focusing on important human resource functions such as recruitment, selection, training, workers' relations and compensation (Bateman and Snell, 2014:168)

2. Marketing

Marketing activities include identifying markets, main market segments and competitive position (market share) (Bateman and Snell, 2014:168). The purpose of segmenting is to target the most responsive market using minimal costs (Pophal, 2014:48). Lamb *et al.* (2015:145) wrote about three mainly used targeting strategies, which are undifferentiated targeting, concentrated targeting and targeting to several segments only. Positioning of the selected target market(s) is the last important activity. Lamb *et al.* (2015:150) listed several types of positioning commonly used such as positioning based on attribute, price and quality, usage or application, user, product class, competitor and emotion.

3. Finance

The financial state of a company is often considered as a benchmark of its competitiveness and its appeal for investors (David, 2012:204). There are three function of finance such as: (1) capital budgeting – allocation and reallocation of capital and resources for projects, products, assets and division of an organization; (2) financing – to decide on the best mixture of capital structure including publishing stocks, applying for loans, selling assets, et cetera; (3) dividend sharing – to be concerned of issues such as the percentage of profit payable to the stockholders, the stability of dividend paid, and the repurchase or publishing of stocks.

4. Operational

Assauri (2011:27) stated that the design of production and operation system includes: selection of product design, selection of processes and tools, selection of location and company site, layout design, workflow design, job description, production strategy as well as production capacity selection.

External Analysis

External conditions are factors outside the company's control which can influence company's decision on its mission and chosen activities, organization structure, and internal processes (Pearce and Robinson, 2013:112). External conditions can be analyzed using Porter's Five Forces model with the detail as below:

1. Industry Rivalry

- Many exiting rivals with approximately similar size and strength
- Slow industry growth resulting in struggle for seizing market share
- Undifferentiated products and or services
- High fixed cost
- Capacity enhancement must be done in large quantity
- Rivals are diverse in terms of strategy, origin, and personality

2. Threat of New Entrants

- Economic Scale
- Differentiation of products and or services
- Capital requirements
- Access to distribution channel
- Government regulation

3. Threat of Substitutes

David (2012:150) stated that the increasing competitive pressure of substitutes happens when the relative price of substitutes reduced and when customer's switching cost is also lower.

4. Bargaining Power of Suppliers

- Small number of suppliers
 - Products supplied are unique or different
 - Suppliers are not in competition with other products
 - Suppliers have the capability to do vertical integration to end users
 - The industry is not the main customers for suppliers
5. Bargaining Power of Buyers
- Buyers are concentrated or buying in bulk
 - Products bought are standard ones
 - Products bought are important components with large price value
 - Buyers receive low profit margin
 - Industry's products are not important for the quality of buyers' products
 - Industry's products do not result in cost-saving for buyers

SWOT Analysis

SWOT Analysis is an organized approach in valuation of strengths and weaknesses of a company as well as the opportunities and external threats. Strengths can be developed into company's differing value toward competitors, while weaknesses can be exploited by competitors. Opportunities can be used to create uniqueness and differentiation with competitors and threats that can be disadvantageous for companies have to be eliminated as soon as possible

Strategy Formulation

According to Bryson (1995) as quoted by Nugroho (2010:11), strategy formulation is a discipline purposed to bring about results and basic activities that create and guide an organization to understand what an organization is, what it does, and why it does it. In strategy formulation, there are some important things needed to be considered, some of which are (Dirgantoro, 2011:83): (1) understanding vision, mission, and company's objectives; (2) current company's position such as market share and internal condition; (3) ability to identify internal and external factors; and (4) finding alternative solutions to achieve the purpose of organization efficiently. In strategy formulation, one of the most popular tools is grand strategy matrix (David, 2012:347) in which the assessed company can be positioned in one of the four quadrants thus giving it ideas about recommended strategies to be focused on.

Business Development

The key to success in responding future business challenge is emphasized on how a company able to formulate a tactical business plan in short-term and a strategic one for long-term which are aimed to increase company's productivity by good risk management. Business expansion can be in the form of new units or new branches or increase of business capacity (Suharyadi, 2011:122). Analysis of business development includes several aspects such as raw material procurement for production processes, work capital and investment, addition of production tools, finding new suppliers and human resources, et cetera. Last but not least, to evaluate the current business and the ideal one in the future (Muchtar, 2010:190).

RESEARCH METHODS

This research was conducted using descriptive research with qualitative approach. This research was done at the boutique location, Parengan Street no.99, Kraton, Krian within the time period of November 2015 to December 2016. Data collection will be done using research paper, interview and direct observation towards respondents. The sampling technique used in this study is purposive sampling because the respondents were chosen by their expertise and experience toward fashion industry. The respondents used in this research are:

1. Respondent for internal analysis
The main respondent for this analysis is the owner of Mahreen Collection.
 - Human resource: recruitment, selection, work allocation, training, workers' relations, and compensation
 - Marketing: STP (segmenting, targeting, positioning), production planning, pricing regulation, promotion, and distribution
 - Finance: allocation of budgeting, source of beginning capital and capital inflow for company's development, last year company's income, and proportion of profit sharing
 - Operational: product and workflow design, job description, production and stock planning, quality control, operational workforce management
2. Respondents for external analysis
The model of external analysis is based from Porter's Five Forces, thus the respondents chosen include rivals, suppliers, customers, newcomers, and substitute product suppliers of Mahreen Collection.
 - Industry's rivalry: the rivalry environment among existing companies in fashion industry as of now
 - Potential new entrants: newcomers bringing in new capacity and substantial resources with the purpose of some part of market share
 - Threat of substitutes: the consideration given by current customers toward using substitute products sold with lower prices
 - Bargaining power of suppliers: suppliers' degree of freedom in increasing price of lowering quality of products sold
 - Bargaining power of buyers: buyers' power in demanding higher quality or better services which can reduce company's profit
3. Marketing expert in fashion industry

The chosen respondent is Dian Primadini, a marketing expert as well as the owner of a big and long existing fashion business.

SWOT Analysis and Strategy Formulation

All of the data gathered will be categorized into SWOT and used to formulate strategies such as S-O (Strength-Opportunity), W-O (Weakness-Opportunity), S-T (Strength-Threat), and W-T (Weakness-Threat) strategies. The assignment of the company's position in grand strategy matrix will be based on two evaluative dimensions which are competitive position and growth of market (industry).

Data Triangulation

In qualitative research, the credibility and validity of data collected will be tested using triangulation. Moleong (2012:330-331) stated four types of triangulation, nonetheless the triangulation of sources is the method chosen for this research. Triangulation of sources is done by comparing perspectives and opinions of multiple respondents of this research.

RESULT AND DISCUSSION

Internal Analysis

There are four main points on internal analysis as explained below:

1. Human Resources
Since Mahreen Collection discontinued its made-by-order customized service, extra hands of employees are not needed anymore. As of now, the total of human resource running the business in Mahreen Collection is only 2 persons, who are the owners (husband and wife).

2. Marketing

High quality products coming from the correct choice of qualified suppliers, raw materials, and up-to-date model are the key for Mahreen Collection to fulfill the customers' demands. Mahreen Collection set relatively high prices for its high quality products. Its pricing strategy is based on the operational costs and the average market price. Its primary way of marketing is by using word-of-mouth (WOM) communication, where hopefully the satisfied customers will talk highly about Mahreen Collection as the most up-to-date fashion center in Krian.

3. Finance

The beginning capital of Mahreen Collection came from the owners' saving account. Meanwhile, due to its relatively small scale business, budgeting in Mahreen Collection is done in a straight and simple way without any particular approach involved. As for control and evaluation, the owners always make monthly financial statement.

4. Operational

As of now, the current operational activities include selection of qualified suppliers, purchasing selected products from Jakarta and resell them in the boutique in Krian. Mahreen Collection only has limited supplies since fashion model change quickly. There are two drawbacks in Mahreen Collection, which are it relies much on the availability of suppliers in Jakarta and Mahreen Collection cannot be in full control of the quality of items produced.

Table.1 Strengths and Weaknesses of Mahreen Collection

Indicators	Condition	Notes
Quality of Product	Mahreen Collection only sells high quality products. Quality control is always done for every purchase made from supplier.	Strength
Newest Model of Product	Mahreen Collection always order goods directly from Jakarta to ensure it always up to date to current trend.	Strength
Supply of Goods	Mahreen Collection uses more than 1 supplier to ensure its supply chain.	Strength
Distribution Channel	Distribution channel is done only by using outlets.	Weakness
Capital	Capital is limited because it is only funded from owners' money.	Weakness
Experience	Six years of establishment (2010-2016) has given Mahreen Collection a good amount of experience.	Strength
Human Resource	Mahreen Collection doesn't have employees. Everything is handled by its owner.	Weakness
Finance	Financing is done manually with a simple accounting book.	Weakness

External Analysis

External analysis is done using Porter's Five Forces that will be developed into the opportunities and threats for Mahreen Collection. The result of Porter's Five Forces is shown thru Figure.1 and explained in details as below:

1. Industry Rivalry: the rapid growth of interest in fashion brand and clothing nowadays results in huge number or rivals in fashion business.
2. Threat of New Entrants: the surge of new indie brand of clothing and the usage of internet marketing create many opportunities for new entrants to compete at fashion industry.

3. Bargaining Power of Buyer: Mahreen boutique's customers are very sensitive to price and quality. Even a small change can change their opinion and buying behavior, thus the customers determine the future of the boutique.
4. Threat of Substitutes: there is no substitute product for fashion since fashion always changes and adapts to the newest situation
5. Bargaining Power of Suppliers: there is almost none, since the number of suppliers are huge and there is no switching cost if Mahreen Collection want to change from one to other suppliers

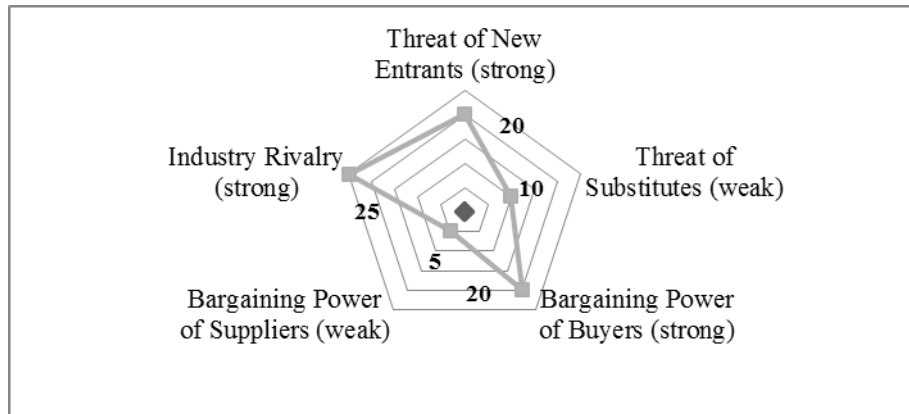


Figure.1 Porter's Five Forces

Analyzing the results of Porter's Five Forces, the opportunities and threats of Mahreen Collection are:

Opportunities

1. High market demand: fashion products and clothing always improve every year with new trend and style
2. Increase in customer buying power: growth of fashion and clothing brand in Indonesia shows the increase in buying power
3. Style and brand: consumers want many styles and brand of clothing
4. Government policy: government gives more incentive for people who want to open new business, or categorized as SMEs (small and medium enterprises)

Threats

1. Rivals: with many style and brands, it is inevitable to have many rivals competing in same line of fashion business
2. Bargaining power of customer: customers have the freedom to choose the style and brand of clothing that they want to buy, with minimal switching cost
3. Threat of new entrants: with the low barrier of entry and lucrative market, it is inevitable to have many new entrepreneurs trying to get some market shares in fashion business

SWOT Analysis

Knowing the strengths, weaknesses, opportunities, and threats, Mahreen Collection is now able to formulate SWOT strategies that can be used in its plan for business development, as depicted in Table.2 below.

Table.2 Strategy Formulation based on SWOT Analysis

Internal Factors External Factors	Strength - High quality products - Newest trend products - Steady amount of supply - Experience in fashion business	Weakness - Only 1 outlet for the distribution channel - Limited capital - Limited availability of human resource
	Opportunity - High market demand - High customer buying power - Consumptive behavior - Government policy	S-O Strategy Growth Oriented Strategy Company has strength and opportunity to maximize any opportunities available. The focus is to encourage aggressive policy.
Threat - High number of rival - High customer bargaining power - High number of new entrants	S-T Strategy Diversification Strategy Company is faced with many threats but has good amount of strengths. The focus is to use the strength to maximize long-term opportunity with diversification product or market strategy.	W-T Strategy Defensive Strategy Company is faced with many threats and has weakness inside. The focus is to do emergency action to avoid bigger loss.

In order to correctly pinpoint the most suitable strategy based on the four available strategy choices above, SWOT calculation as depicted in Table.3 was done.

Table.3 SWOT Analysis Calculation

Components	Weight	Rating	Value	Components	Weight	Rating	Value
STRENGTH (S)				WEAKNESS (W)			
High quality product	0.30	3	0.90	Distribution channel	0.20	3	0.60
Newest trend product	0.30	4	1.20	Capital	0.30	3	0.90
Steady amount of supply	0.30	3	0.90	Human resources	0.37	3	1.11
Experience in fashion business	0.10	3	0.30	Finance	0.13	3	0.39
TOTAL	1.00		3.30	TOTAL	1.00		3.00
OPPORTUNITY (O)				THREAT (T)			
Market demand	0.30	4	1.20	Rival	0.33	4	1.32
Customers' buying power	0.33	3	0.99	Customer bargaining power	0.39	4	1.56
Consumptive	0.27	4	1.08	New entrants	0.28	2	0.56

behavior of customer							
Government policy	0.10	3	0.30				
TOTAL	1.00		3.57	TOTAL	1.00		3.44

The result of SWOT calculation is converted into SWOT quadrant as depicted in Figure.2 to know whether Mahreen Collection falls into the first, second, third, or fourth quadrant.

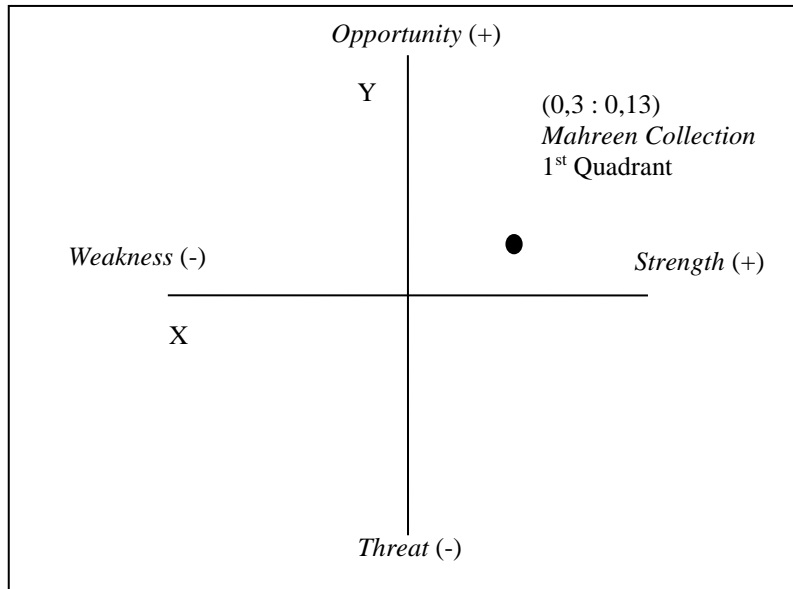


Figure.2 Mahreen Collection in SWOT Quadrant

Mahreen Collection is at the first quadrant, which means that the most suitable strategy is the S-O strategy that focuses more on aggressive policy to increase growth. Looking at the internal and external analysis, SWOT analysis, as well as strategy formulation and SWOT quadrant, there are definitely some changes needed to be applied for developing Mahreen Collection business. Table.4 below shows details of the managerial implication change before and after the aforementioned analyses.

Table.4 Managerial Implication

Old Condition	New Condition
Company only has one distribution channel, which is the only outlet at Parengan Street, Krian.	Making new distribution channels by opening new outlet(s) still in Krian region in order to increase marketing scope
Human resource management is not done yet because there is no employee.	With the plan of opening new outlet(s), new employees will be hired, thus new human resource management policy will be implemented (i.e. recruitment requirements, salaries and compensation regulations, et cetera)
Products available in the outlet are fashion product, such as clothes and dresses.	Extra products available in the new outlet(s) will be beauty products, in

Old Condition	New Condition
	addition to clothes and dresses.
Word-of-mouth is the only marketing method commonly applied	Social media accounts and company website will be made to increase marketing power.
Financing is done with a simple way, which is only keeping tab of income and spending, as well as products bought and sold.	Financing will also include keeping tab on assets, stocks, debit and credit in addition to the old one.
Operation aspect is done simply because the owners manage the business directly.	With the addition of new outlet(s) and employees, a well-made Standard Operation Procedure (SOP) will be established.

CONCLUSION AND RECOMMENDATION

Based on internal analysis, the strengths of Mahreen Collection are: (1) high quality fashion products; (2) newest model; (3) good availability of supplies; (4) experienced in fashion business. Meanwhile, the weaknesses are: (1) one outlet as distribution channel; (2) limited capital only from owners' savings; (3) limited human resources. Based on external analysis, the opportunities are: (1) high demand for fashion products; (2) high customers' buying power; (3) consumptive behavior of customers; (4) government regulation that boost SMEs. On the other hand, the threats are: (1) high number of rivals; (2) high customer bargaining power; (3) high threat from new entrants.

Mahreen Collection is at the first quadrant, thus the suitable strategy is S-O which is growth-oriented strategy. The focus of this strategy is to support activities that can boost growth aggressively, one of which is to add more outlets in Krian region. By adding outlets, then the demand will rise and therefore, Mahreen Collection has to add more suppliers so that the availability of supplies does not decrease. Moreover, this business development has to be evaluated closely so that the owners are able to take suitable decisions for the future of Mahreen Collection.

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