

INNOVATION FOR HYPE LEATHER

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ABSTRACT

Hype Leather is a fashion company which produces leather clutch. Hype Leather's selling method is by online selling. Hype Leather sales have declined lately. Products of Hype Leather are less varied than competitors' product. Hype Leather's products also have no uniqueness that distinguish competitors' product, while customers prefer alternating models and feel embarased when they use same goods with others. Innovation is needed by Hype Leather to create better products, so it can compete with existing competitors. This study aims to develop innovation for Hype Leather, so that the sales turnover can be increased. This research is a qualitative research. Purposive sampling is used to select the informants based on the criteria related the research problem. The six study informants are owner of Hype Leather (one person), fashion expert (one person), marketing expert (one person), and customers of Hype Leather (three people). Interview, observation and documentation are used as data collection methods in this research. This study also uses Business Model Canvas (BMC) and Blue Ocean Strategy (BOS) approach. The outcomes of this study include the innovation that can be implemented to Hype Leather.

Keywords: Fashion business, Innovation, Business Model Canvas (BMC), Blue Ocean Strategy (BOS)

INTRODUCTION

Talking about creative industry has no ending because it always has progress. According to the Minister of Industry, Saleh Husin, fashion and handicraft are the sub-sectors that contribute greatly to the national economic growth. The Ministry of Industry also continues to encourage the development of national creative industry so that its growth can be increased by around 7% per year (www.kemenperin.go.id, August 2015). Textile, leather and footwear manufacturing sectors will continually expand from 2015 and are expected to be achieved by 2035. Growth of textile, leather and footwear industries are indicative of great opportunity for the industry, but companies in this industries also have greater challenges as competition becomes more stringent (www.kemenperin.go.id, August 2015).

Hype Leather is a business in creative industry, which established in 2015. Products of Hype Leather are fashion products made from leather. The main product of Hype Leather is leather clutch. The product types are still not varied, but Hype Leather uses vary skin motifs like snake skin pattern, crocodile skin pattern, orange skin pattern, saffiano leather, etc. Current selling method is by using social media (Instagram and Kaskus), then the sales systems are ready-stock and pre-order.

Hype Leather sales initially had a positive trend. Sales increased during the first quarter of 2016, but in the second quarter of 2016 Hype Leather sales declined significantly, while the

creative industry is projected to increase according to the Minister of Industry as described previously. The sales chart of Hype Leather is quite volatile and has no significant increase in recent months, even the sales trend tends to decline. This problem can be caused by the number of competitors that sell similar products, so that the competition gets tighter both in terms of products and price offered. The product variants of Hype Leather is currently fewer than competitors'. The more the product varies, the greater opportunity to obtain greater sales. Customers will not bored with the products offered and the company can fulfill customers' needs according to their different tastes. Competitors regularly launch new models and skin types as their strategy in order to repeat orders from customers. Hype Leather's products currently do not have the uniqueness that can differentiate with competitors', whereas the price offered is almost the same.

Based on the article on www.kompasiana.com (2013) which states that Indonesian people have a tendency to be ashamed to use general goods that impressed not exclusive, especially for women. Most women will feel embarrassed if they use same stuff with other people. From that case, it is very important for Hype Leather to innovate the products so that Hype Leather can offer different product than competitors. Hype Leather also need to add the channels because Hype Leather only sell products by online shop today, while competitors have many channels. It is hoped that Hype Leather sales will increase as more channels are available to deliver products to customers.

This research will discuss the innovation for Hype Leather using Business Model Canvas (BMC) and Blue Ocean Strategy (BOS) as analyze method. The purpose is to determine the appropriate innovation for Hype Leather in competing with existing competitors. Innovation is needed by every company because innovation is an important instrument for entrepreneurs in building and creating creative value-added in every business.

LITERATURE REVIEW

Business Model Canvas (BMC)

Business Model Canvas (Osterwalder and Pigneur, 2015) is a media for describing, visualizing, valuing and changing business models. There are 9 main components in Business Model Canvas which separated by 2 sides, the right side (creative) and the left side (logic) according to the division of the human brain. The components are customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partnerships, and cost structure.

Blue Ocean Strategy (BOS)

Blue Ocean Strategy (BOS) invites companies to get out from the red ocean where there are many similar competitors by creating new market that there is not much competitors. In Blue Ocean Strategy, demand is not contested in competition but to be created (Hardi and Mustamu, 2015). Rapid technological advances have increased productivity and enabled producers to produce more kinds of products or services, which could create blue ocean (Kim and Mauborgne, 2014). In Red Ocean, companies approach conventionally by competing to win the competition on the existing industry. Companies in blue ocean do not compete but innovate by creating value (Kim and Mauborgn, 2014).

Blue Ocean Strategy has three analytical tools (Septarini and Kusumadmo, 2014), they are Strategy Canvas, Four Actions Framework, and Eliminate-Reduce-Raise-Create (ERRC) Scheme. Four Actions Framework helps companies in constructing buyer value in creating new value curves (Septarini and Kusumadmo, 2014). Four Actions Framework has four main questions: (1) which factors must be raised within an industry in terms of product, pricing or service standards; (2) which areas of a company or industry could be completely eliminated to reduce costs and to create an entirely new market; (3) which areas of a company's product or

service are not entirely necessary but play a significant role in your industry, for example, the cost of manufacturing a certain material for a product could be reduced; (4) which factors have not been offered by the industry so that it must be created. After the questions answered, the next step is Eliminate-Reduce-Raise-Create Scheme which encourages companies to execute based on four questions in Four Actions Framework (Kim and Mauborgne, 2014).

RESEARCH METHODS

This research is a qualitative research. According to Sugiyono’s statement (2014), qualitative research becomes instrument in the research itself so that researchers also must be validated about the readiness in doing the research. The study informant is individual who is tasked to provide information relating to culture, social structure, beliefs, and other things that are useful for research (Herdiansyah, 2012). The criteria of the informants are as follows:

- 1) Owner of Hype Leather who understand the company’s operations (1 person)
- 2) Fashion expert (1 person)
- 3) Marketing expert (1 person)
- 4) Customers who have purchased Hype Leather products once or more (3 people)

This research will be done in three months from February to April in Surabaya and surrounding area. Interview is used as data collection method in this research. According to Bungin’s statement (2013), interview is a method to obtain information by talking face to face and discussing Q&A directly between the interviewer and speakers, using or without using guidelines. This study uses semi-structured interview method to enable researchers in finding information more openly and profoundly (Esteberg in Sugiyono, 2014). This study also uses documentation method that records a person or group of people, events in appropriate social conditions and related to the research topic (Joseph, 2014). Source triangulation is used as data validation using various data sources, such as documentation and interview results by interviewing more than one informant who have different point of view and fulfill specified criteria.

RESULTS AND DISCUSSION

Business Model Canvas (BMC) Data Collection

Here is an overview of the recent business model of Hype Leather based on nine components obtained from interview with informants IS as the owner of Hype Leather.

Key Partners -Supplier of raw materials -Delivery service	Key Activities -Production (create pattern, sewing, QC) -Packaging -Product delivery	Value Propositions -Serves customized order -Fast response	Customer Relationships -Communities (join the fashion forum on Kaskus)	Customer Segments -Middle to low market segmentation -Age 15 to 30 years -Male and female -Indonesia, especially Surabaya and surrounding areas
Key Resources -Physical (machines and sewing equipments) -Intellectual (brand and knowledge) -human (tailor) -financial (capital)		Channels -Online shop (social media)		
Cost Structure -Fixed costs (operating costs) -Variable costs (production costs, shipping costs, marketing costs)			Revenue Streams -Product sales	

Figure 1

Strategy Canvas

The interview results to the informants show nine factors to determine the success of a company in fashion industry, especially bags. These nine factors consist of price, product type, customized, product uniqueness, brand awareness, product quality, service, channels and trade-in. Here are the results obtained from interviews to informants:

a. Price

The price of Hype Leather's products is clearly lower than the price of competitor A's products. The price range of Hype Leather's products starts from Rp. 100.000,- while the price range of competitor A's products starts from Rp. 150.000,-

b. Product type

Type of Hype Leather's products is less than competitor A's product. Hype Leather's product currently is only clutch while competitor A has other type besides clutch, such as card holder and tote bag.

c. Customized

Hype Leather serves customized products or according to customers' request. This is not done by competitor A. Competitor A only sell available models and do not serve special model or size request from customers.

d. Product uniqueness

Hype Leather's products currently do not have uniqueness that differentiates with competitor A's products. Hype Leather's products have no characteristic yet.

e. Brand awareness

Hype Leather has better brand awareness than competitors because Hype Leather's brand define the meaning clearly and motivate customers to buy its products. The word "leather" shows that Hype Leather sells leather goods, while the word "hype" shows that the products make its users become trend setter. Competitor A does not have those things, but their brand is more easily to be remembered by customers because they have been existing longer and actively doing promotions and exhibitions.

f. Product quality

The quality of Hype Leather's products is currently lower than competitors. In terms of durability, Hype Leather's products are as durable as competitors' but competitors' product design is more diverse than Hype Leather's products.

g. Service

The service provided by Hype Leather is better than competitors'. Hype Leather responds the chats from customers quickly and provides friendly service, but competitor A has more product knowledge than Hype Leather.

h. Channels

Competitor A has more channels than Hype Leather. Hype Leather currently only sells products through online shop and has not focused on market place, while competitor A sells their products through media social, market place and exhibitions.

i. Trade-in

This system has not been done either by Hype Leather nor competitor A. Other companies have implemented this trade-in system, but none of them comes from bag industry.

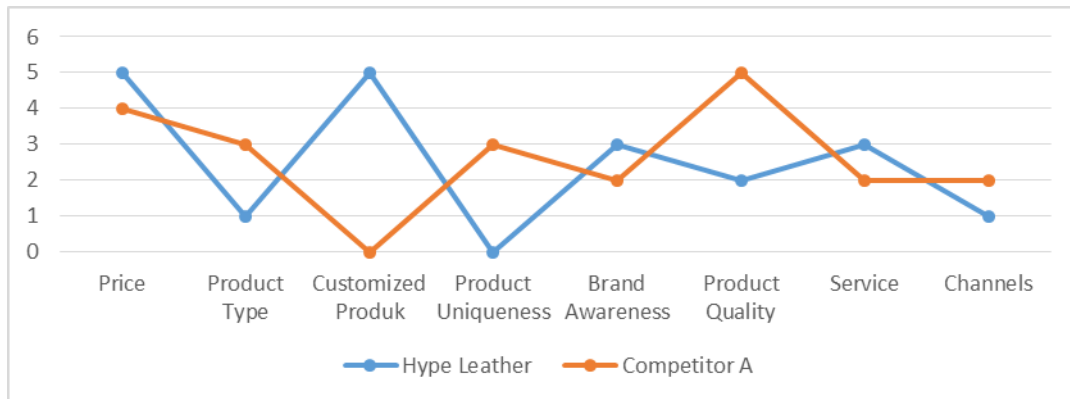


Figure 2

Four Actions Framework

Here are the factors that should be eliminate, reduce, raise and create.

a. Factors to be eliminated

Overall, the researcher do not find any factor to be eliminated. From the interview and observation results, the eight factors described previously are important factors in the competition of fashion industry. Those factors are required by customers to be owned by the company, so they cannot be eliminated.

b. Factors to be reduced

Customized is the factor that should be reduced. Customized product should be reduced in terms of quota by considering that customized product requires more effort, while the price of Hype Leather's products is not expensive. Customized product cannot be eliminated because it can be an advantage for Hype Leather that is not owned by competitors. Hype Leather will serve customized order with terms and conditions (example : there is minimum order amount for customized product).

c. Factors to be raised

There are several factors that need to be raised based on interview results. The first factor is channels. Hype Leather currently sells its products through online shop, so customers are not able to see or touch Hype Leather's products directly. Some customers want to buy a product if they ever see or touch the product directly before they purchase it, then they will not hesitate to buy online on the next time. Hype Leather needs to join some exhibitions in the future. Exhibition will help HypeLeather to establish better relationship with customers because Hype Leather can interact with customers directly, besides customers also can see the display of Hype Leather's products. Resellers are also needed by Hype Leather to increase sales. Online selling through social media is not enough for Hype Leather, so that the products should be sold through market place too.

The second factor is product type. Customers prefer to shop in stores that sell varied types of products, both in terms of model, size, color and so on. Current product type offered by Hype Leather is only clutch, so it is necessary for Hype Leather to increase product type such as card holder, passport holder, bad and wallet.

The third factor is service. The service that is provided by Hype Leather is better than competitor's because Hype Leather serves quick and friendly response to customers, but Hype Leather's product knowledge is less than competitors'. Product knowledge is an important indicator in service, especially in fashion business, in order to communicate with customers clearly. It also can give good advice customers.

The fourth factor is brand awareness. Hype Leather's brand has fulfilled two indicators. It has clear message and motivation for customers, but it is not remembered by customers easily.

Hype Leather's brand is a new brand, so it is not known by the public yet. Hype Leathers should join many exhibitions in order to promote the brand. In addition, Hype Leather also should add brand on its products to be more visible to customers.

The next factor that should be raised is product quality. Hype Leather's products are as durable as competitors', but product design of competitors' is better. Hype Leather should improve the design of products to be more trendy.

The last factor is product uniqueness. Based on the interview results, Hype Leather's products currently have no uniqueness. Hype Leather's products do not have differences with competitors'. Hype Leather should create a product signature in the future by adding certain attributes so that it can be Hype Leather's characteristics.

d. Factors to be created

Factor that should be created in Hype Leather is trade-in system. This transaction system can be implemented by Hype Leather as an innovation in fashion industry, especially bags because it can build customers' loyalty to Hype Leather's brand. Hype Leather's products belong to fast fashion products, where the trend turns very fast. It makes customers feel bored with their old stuffs quickly and want to replace them with the new ones. Trade-in system helps customers to exchange their old clutch with the new models. This kind of transaction is already implemented by electronic or vehicle companies. Companies usually earn greater profit from trade-in system because sales of used products is more profitable than the sales of new products. Used products can be repaired and modified in such way as to be sold again with more attractive appearance and attribute. In addition to profiy, companies also can strengthen their brand in market. If their brands are already strong, it is expected that the customers can be more loyal due to the provided service.

Eliminate-Reduce-Raise-Create Scheme

Based on the Four Actions Framework analysis results, here is the Eliminate-Reduce-Raise-Create Scheme that can be set up.

Table 1

Eliminate	Raise
-	<ul style="list-style-type: none"> ✓ Channels ✓ Product type ✓ Service ✓ Brand awareness ✓ Product quality ✓ Product uniqueness
Reduce	Create
<ul style="list-style-type: none"> ✓ Customized 	<ul style="list-style-type: none"> ✓ Trade-in

Based on the Eliminate-Reduce-Raise-Create Scheme above, then the new strategy canvas can be formed as follows.

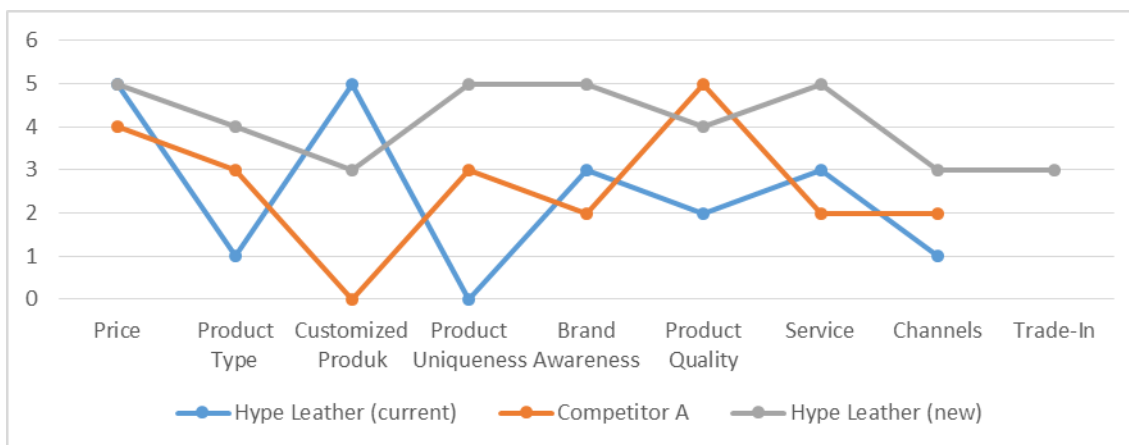


Figure 3

The scheme above shows some similarities and differences between the graphs depicted before and after the Eliminate-Reduce-Raise-Create made. The equation is in the price. The price remains the same, that is above the competitors' price because the price offered by Hype Leather is better than competitors'. Hype Leather does not need to do more price competition, but Hype Leather should increase other factors to make the price worthy to be paid by customers.

Differences are seen on several factors. The first factor is product type. The product type is higher than the previous and it is expected to exceed competitors because consumers prefer to buy varied products in stores. Varied products also help the companies to gain customers' loyalty because customers do not bored with provided products. The second factor is customized. This factor is lower than before because customized product quotas will be reduced in the future. Customized products can be advantage and also disadvantage for company that has middle to lower market segmentation. The disadvantage is that the cost can be swollen if the company receives too many customized orders without minimum order, besides it can be advantage if customized orders are received with terms and conditions (with minimum order) so that it can be opportunity for company to obtain larger turnover.

The next factor is product uniqueness. This factor has to be increased because Hype Leather does not have uniqueness on its products. Hype Leather should add signature on the products that can differentiate with competitors' products. Differences also occur on brand awareness. This factor also should be increased so that Hype Leather position can be higher than competitors. Hype Leather should do more product promotions. There is also difference on product quality. This factor should be increased because Hype Leather position is lower than competitors. Competitors' products design is better than Hype Leather, they also have more varied product design. Hype Leather should improve its design in the future to be better than competitors.

The next difference is on service. Hype Leather's service is already better than competitors, but the service still needs to be improve in terms of product knowledge. Hype Leather serves customers with fast response and more friendly that competitors, but not in product knowledge. Hype Leather has less product knowledge than competitors, so it needs to be improved in order to provide maximum customer satisfaction. There is difference on channels too. Current channel of Hype Leather is only online store, whereas competitors have more channels than Hype Leather. Therefore, Hype Leather should have more channels (increase from one channel to three channels at least). The channels that should be used by Hype Leather are online (social media and market place), exhibitons and resellers. Increasing number of Hype Leather's channels is expected to increase the sales turnover.

The last difference is seen on trade-in section, where there is only Hype Leather's line on the new strategy. It shows that this factor is a new innovation and not owned by competitors. This factor is a key for Hype Leather to enter the blue ocean. The implementation of trade-in system is expected to build customer loyalty, as well as Hype Leather's brand.

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