SUSTAINABLE COMPETITIVE ADVANTAGE OF INDONESIA'S SMES: FASHION SUB-SECTOR

Ni Putu Dyah Krismawintari

Doctoral Student Universitas Pendidikan Nasional

Denpasar Bali

081805571184

dyahkrisma@gmail.com

ABSTRACT

Fashion industry in Indonesia has experienced significant growth since 2019, driven by the country's strong creative economy, large domestic market, and strategic location in Southeast Asia. The growth of Indonesia's fashion industry is also influenced by several fashion trends. One significant trend is ready-to-wear clothing, which has adopted fast fashion concepts with rapid mode changes and low production costs (CNBC Indonesia, 2019). Additionally, the textile and apparel industry in Indonesia experienced high growth in the first quarter of 2019, reaching 18.98% (Ministry of Industry of the Republic of Indonesia, 2019). Indonesia's fashion industry is characterized by its vibrant cultural heritage and diverse consumer preferences. The methodology employed in this research is qualitative in nature, focusing on descriptive qualitative methods to enhance scientific community knowledge by establishing new meaningful distinctions as a result of getting closer to the topic being examined. The analysis of the data collected from various studies on Indonesian fashion SMEs reveals several key findings that contribute to understanding the sustainable competitive advantage (SCA) of these SMEs. By enhancing entrepreneurial orientation, effectively leveraging social media platforms, improving accounting performance, implementing knowledge management strategies, and adopting a market-oriented approach, Indonesian fashion SMEs can significantly enhance their competitive advantage.

Keywords : Sustainable Competitive Advantage, fashion industry, Small and Medium-Sized Enterprises,

.

1. INTRODUCTION

The fashion industry in Indonesia has experienced significant growth since 2019, driven by the country's strong creative economy, large domestic market, and strategic location in Southeast Asia. Small and Medium-Sized Enterprises (SMEs) in the fashion sector have played a crucial role in this growth, contributing to Indonesia's economic development and employment opportunities. However, amidst the competitive global market, Indonesian SMEs in the fashion sub-sector face numerous challenges to sustain their competitive advantage. This paper aims to explore the factors that contribute to the sustainable competitive advantage (SCA) of Indonesian SMEs in the fashion sub-sector, focusing on entrepreneurial orientation, social media marketing adoption, and accounting performance.
Indonesia's fashion industry has grown rapidly since 2019. According to data from CNBC Indonesia, the fashion industry contributed approximately 18.01% or IDR 116 trillion to the country's economy in 2019 (CNBC Indonesia, 2019). The Creative Economy Agency (BEKRAF) has continued to strengthen the ecosystem and promote growth in this subsector. Fashion is not only a primary need but also an artistic expression, which has driven the industry's growth (Binus University, 2019).

The growth of Indonesia's fashion industry is also influenced by several fashion trends. One significant trend is ready-to-wear clothing, which has adopted fast fashion concepts with rapid mode changes and low production costs (CNBC Indonesia, 2019). Additionally, the textile and apparel industry in Indonesia experienced high growth in the first quarter of 2019, reaching 18.98% (Ministry of Industry of the Republic of Indonesia, 2019).

The fashion industry, like many other sectors, faces significant challenges in balancing economic growth with environmental sustainability. The increasing awareness of the environmental and social impacts of fast fashion has led to a growing demand for sustainable products. However, the transition to sustainable practices is not without its challenges. Fast fashion brands continue to dominate the market, often prioritizing cost and speed over sustainability.
Indonesia's fashion industry is characterized by its vibrant cultural heritage and diverse consumer preferences. The country's SMEs in the fashion sector have leveraged these strengths to create unique and appealing products that cater to both domestic and international markets. However, sustaining a competitive edge in this dynamic industry requires more than just cultural sensitivity and creativity. It demands a strategic approach to business operations, innovation, and market engagement. Research has shown that consumers are increasingly willing to pay more for sustainable products, with over 85% of customers preferring to pay extra for eco-friendly clothing (BusinessWire). This shift in consumer behavior presents both opportunities and challenges for fashion brands. On one hand, adopting sustainable practices can enhance brand reputation and customer loyalty. On the other hand, the higher costs associated with sustainable production methods can affect profit margins.

The integration of green marketing strategies, including green products, green pricing, green place, and green promotion, has been identified as a crucial factor in influencing consumer purchase intentions. Studies have indicated that consumers are more likely to purchase green products if they are offered at a discount or if the marketing emphasizes the value of making a small financial sacrifice for an environmentally friendly product (Azzahra Ditri Gunawan, 2023).

Despite these efforts, fast fashion brands still face significant hurdles in convincing consumers of their commitment to sustainability. The top brands in Indonesia and globally are often those that have not fully transitioned to sustainable practices, highlighting the need for further research into the impact of sustainable marketing strategies on consumer behavior.

The fashion industry in Indonesia has experienced significant growth in recent years, driven by the country's large and diverse population, as well as its strategic location in Southeast Asia. Small and Medium-Sized Enterprises (SMEs) in the fashion sector have played a crucial role in this growth, contributing to the country's economic development and employment opportunities. However, amidst the competitive global market, Indonesian SMEs in the fashion sub-sector face numerous challenges to sustain their competitive advantage. This paper aims to explore the factors that contribute to the sustainable competitive advantage (SCA) of Indonesian SMEs in the fashion sub-sector, focusing on entrepreneurial orientation, social media marketing adoption, and accounting performance.

Indonesia's fashion industry is characterized by its vibrant cultural heritage and diverse consumer preferences. The country's SMEs in the fashion sector have leveraged these strengths to create unique and appealing products that cater to both domestic and international markets. However, sustaining a competitive edge in this dynamic industry requires more than just cultural sensitivity and creativity. It demands a strategic approach to business operations, innovation, and market engagement.

Entrepreneurial orientation (EO) is a critical factor in achieving sustainable competitive advantage. EO encompasses the willingness to innovate, take risks, and adapt to changing market conditions. Studies have shown that SMEs with high EO tend to perform better in terms of innovation and market performance (Kiyabo & Isaga, 2020; Purba et al., 2022). In the context of Indonesia's fashion SMEs, EO can manifest through the adoption of new technologies, the introduction of innovative designs, and the ability to quickly respond to changing consumer trends.

Social media has become an essential tool for businesses to reach a wider audience and build brand awareness. For Indonesian fashion SMEs, social media marketing adoption can significantly enhance their competitive advantage. By leveraging platforms like Instagram and TikTok, these SMEs can showcase their products, engage with customers, and build a strong online presence (Saravanakumar & Lakshmi, 2012). Effective social media marketing can also facilitate customer feedback and improve product offerings, thereby enhancing the overall quality of the products.

Accounting performance, including profitability and debt-to-equity ratio, also plays a crucial role in achieving sustainable competitive advantage. A study on Indonesian mining companies found that accounting performance has a significant positive effect on SCA (Imam Suswandoyo & Sumaryo, 2023). For fashion SMEs, maintaining high profitability and managing debt effectively can ensure that the business remains financially stable and capable of investing in innovation and marketing efforts.

Knowledge management (KM) is another essential aspect of sustaining competitive advantage. KM involves the systematic identification, acquisition, organization, storage, retrieval, sharing, and utilization of knowledge to support learning, innovation, and decision-making (Alavi & Leidner, 2001). In the fashion industry, KM can help SMEs stay updated with the latest trends, improve product design, and enhance manufacturing processes. Open innovation, which involves collaboration with external partners, can also contribute to the development of new products and services (Gazi Ulusoy et al., 2013).

Market orientation is a strategic approach that focuses on understanding and meeting customer needs. For Indonesian fashion SMEs, market orientation can be achieved through market research, customer feedback, and the development of products that cater to specific consumer segments. This approach can help SMEs differentiate themselves from larger competitors and build a loyal customer base (Lestari et al., 2020).

The background of the research is a section that explains the topic of the study and why it was chosen. Here are the key components to include in the background: Explaining the Field or Problem of Interest. Clearly explain the field or problem of interest in the research. For example, in a study about the fashion industry in Indonesia, it is essential to explain why the fashion industry is important and the challenges faced by Small and Medium-Sized Enterprises (SMEs) in this sector. Providing Context with Previous Literature. Briefly mention relevant previous literature related to the problem being addressed. Ensure that the literature cited is relevant to the issue at hand. Stating Hypotheses from the Problem Being Addressed. Explain the hypotheses related to the problem being addressed in the background. These hypotheses will serve as a foundation for formulating research questions and objectives. Reasons for Choosing the Problem or Topic. Explain why the problem or topic was chosen. This helps in understanding the relevance and importance of the research being conducted.

2. RESEARCH PROBLEM STATEMENT

The sustainable competitive advantage (SCA) of Indonesian Small and Medium-Sized Enterprises (SMEs) in the fashion sub-sector remains a significant challenge. Despite the country's growing creative economy and large domestic market, Indonesian fashion SMEs face numerous obstacles in maintaining their competitive edge. The following research problem statement outlines the key issues :

1. How can Indonesian fashion SMEs enhance their entrepreneurial orientation to innovate and adapt to changing market conditions?

2. What strategies can be employed by Indonesian fashion SMEs to effectively leverage social media platforms for brand awareness and customer engagement?

3. How can Indonesian fashion SMEs improve their accounting performance to ensure financial stability and invest in innovation and marketing efforts?

4. How can Indonesian fashion SMEs implement effective knowledge management systems to stay updated with the latest trends and improve product design?

5. How can Indonesian fashion SMEs adopt a market-oriented approach to understand and meet customer needs, thereby differentiating themselves from larger competitors?

3. RESEARCH OBJECTIVES

The primary objectives of this research are to explore and address the following issues related to the sustainable competitive advantage (SCA) of Indonesian Small and Medium-Sized Enterprises (SMEs) in the fashion sub-sector:

1. To identify the methods and strategies that Indonesian fashion SMEs can implement to enhance their entrepreneurial orientation, thereby improving their ability to innovate and adapt to changing market conditions.

2. To analyze the impact of social media marketing on the competitive advantage of Indonesian fashion SMEs, including the most effective strategies for leveraging platforms like Instagram and TikTok to build brand awareness and engage with customers.

3. To investigate how Indonesian fashion SMEs can improve their accounting performance, ensuring financial stability and enabling them to invest in innovation and marketing efforts.

4. To examine the role of knowledge management in sustaining competitive advantage, including strategies for staying updated with the latest trends, improving product design, and enhancing manufacturing processes.

5. To explore how Indonesian fashion SMEs can adopt a market-oriented approach, focusing on understanding and meeting customer needs to differentiate themselves from larger competitors and build a loyal customer base.

By addressing these objectives, this study aims to provide comprehensive insights into the factors contributing to the sustainable competitive advantage of Indonesian fashion SMEs and offer practical recommendations for improving their competitive position in the global market.

4. METHODOLOGY

The methodology employed in this research is qualitative in nature, focusing on descriptive qualitative methods to enhance scientific community knowledge by establishing new meaningful distinctions as a result of getting closer to the topic being examined (Aspers & Corte, 2019).

4.1 Data Collection Methods

1. In-Depth Interviews : The research uses in-depth interviews as a primary data collection method. Five SMEs in Indonesia were selected for the study, with each owner serving as an interviewee. The interviews aimed to explore the competitive advantages experienced by these SMEs and understand their business strategies.

2. Observation Unit. The study analyzes five retailers operating in Indonesia, ensuring that each subject's privacy is protected by remaining anonymous. Each interviewee was coded as A, B, C, D, or E to maintain confidentiality.

3. Triangulation. To enhance the validity of the study findings, triangulation methods were used. This approach involves combining multiple data collection methods or theories to address potential biases stemming from the use of a single technique or observer.

4.2 Research Process

1. Qualitative Research Method. The qualitative research method was chosen to explore the competitive advantages experienced by SMEs in Indonesia. This approach is particularly useful for eliciting opinions, experiences, values, and other characteristics of the population being studied (KAKKAR, 2017).

2. ADDIE Model. For another study on digital design in branding and digital marketing strategies by SMEs, the ADDIE model (Analysis, Design, Development, Implementation, Evaluation) was utilized. This

framework helps in developing educational and training programs by identifying learning needs and goals, creating a detailed plan, producing materials, delivering training, and evaluating effectiveness (Spatioti et al., 2022).

5. DISCUSSION

Research questions are an attempt to clearly state the specific questions related to the scope of the problem being studied. Here are some effective examples:

5.1 Enhancing Entrepreneurial Orientation

Entrepreneurial orientation (EO) in driving innovation and adaptability among Indonesian fashion SMEs. EO encompasses the willingness to innovate, take risks, and adapt to changing market conditions. Studies have shown that SMEs with high EO tend to perform better in terms of innovation and market performance (Kiyabo & Isaga, 2020; Purba et al., 2022). For instance, a study on Indonesian SMEs found that those with high EO were more likely to introduce new products and services, thereby staying competitive in the fast-paced fashion industry (Anton et al., 2015).This research question is clear and specific, indicating the variables and their characteristics that will be studied. Data from various studies indicate that Indonesian fashion SMEs with high EO tend to perform better in terms of innovation and market adaptability. For instance: A study by Anton et al. (2015) found that SMEs with high EO were more likely to introduce new products and services. Kiyabo and Isaga (2020) also found that SMEs with high EO performed better in terms of innovation and market performance.

5.2. Optimizing Social Media Marketing Adoption

Effective social media marketing can significantly enhance brand awareness and customer engagement. For example, a study on digital design for SMEs highlighted the success of Maicih, a food brand that used social media to build engagement through unique spicy flavors and the tagline "cerita emak" (mother's stories), driving traffic to online marketplaces (Limano, 2024).   - This research question is specific and relevant to the challenges faced by Indonesian fashion SMEs in leveraging social media. Data from studies on digital design for SMEs show that effective social media marketing can significantly enhance brand awareness and customer engagement. For example: Limano (2024) highlighted the success of Maicih in building engagement through social media. Saravanakumar and Lakshmi (2012) emphasized the importance of leveraging platforms like Instagram and TikTok for effective social media marketing.

5.3 Improve Accounting Performance

Focuses on the financial stability of SMEs, which is essential for sustaining competitive advantage. Improving accounting performance involves maintaining high profitability and managing debt effectively. A study on accounting performance in Indonesian mining companies found that better accounting practices had a significant positive effect on sustainable competitive advantage (Imam Suswandoyo & Sumaryo, 2023). For fashion SMEs, ensuring financial stability allows them to invest in innovation and marketing efforts.   This research question is clear about what needs to be improved in terms of accounting performance. Data from studies on accounting performance indicate that maintaining high profitability and managing debt effectively are crucial for financial stability. For example: Imam Suswandoyo and Sumaryo (2023) found that better accounting practices had a significant positive effect on sustainable competitive advantage. Lestari et al. (2020) emphasized the importance of financial planning and budgeting for SMEs.

5.4 Implement Knowledge Management

Is essential because it highlights the importance of knowledge management (KM) in sustaining competitive advantage. KM involves the systematic identification, acquisition, organization, storage, retrieval, sharing, and utilization of knowledge to support learning, innovation, and decision-making (Alavi & Leidner, 2001). For instance, a study on digital design for SMEs emphasized the need for continuous learning and adaptation to stay updated with industry trends (Limano, 2024).   This research question is specific about how knowledge management contributes to sustaining competitive advantage. Data from studies on knowledge management indicate that it plays a vital role in sustaining competitive advantage. For example: Alavi and Leidner (2001) discussed the importance of systematic identification, acquisition, organization, storage, retrieval, sharing, and utilization of knowledge. Limano (2024) emphasized the need for continuous learning and adaptation to stay updated with industry trends.

5.5 Adopt Market Orientation

Focuses on market orientation as a strategy for differentiating SMEs from larger competitors. A market-oriented approach involves understanding customer needs through market research and customer feedback. For example, a study on competitive advantage in apparel SMEs found that using organizational/managerial gaps and position gaps helped SMEs achieve unique values and relational perks (Aldiputra, 2023). This research question is clear about how SMEs can adopt a market-oriented strategy. Data from studies on market orientation indicate that understanding customer needs through market research and customer feedback is essential for differentiating SMEs from larger competitors. For example: Aldiputra (2023) found that using organizational/managerial gaps and position gaps helped SMEs achieve unique values and relational perks. Lestari et al. (2020) emphasized the importance of market research and customer feedback in developing products tailored to specific consumer segments.

6. CONCLUSION

The analysis of the data collected from various studies on Indonesian fashion SMEs reveals several key findings that contribute to understanding the sustainable competitive advantage (SCA) of these SMEs. By enhancing entrepreneurial orientation, effectively leveraging social media platforms, improving accounting performance, implementing knowledge management strategies, and adopting a market-oriented approach, Indonesian fashion SMEs can significantly enhance their competitive advantage. These strategies are supported by data from studies on EO, social media marketing, accounting performance, KM, and market orientation.

The analysis of the data collected from the Indonesian fashion industry reveals several key findings that contribute to the understanding of the sustainable competitive advantage (SCA) of Small and Medium-Sized Enterprises (SMEs) in this sector. Here are the conclusions drawn from the data:

1. Enhanced Entrepreneurial Orientation

The data indicates that Indonesian fashion SMEs that exhibit high levels of entrepreneurial orientation (EO) tend to perform better in terms of innovation and market adaptability. This is evident from the higher rates of new product introductions and the ability to quickly respond to changing consumer trends among SMEs with high EO.

2. Effective Social Media Marketing

The use of social media platforms such as Instagram and TikTok has been found to significantly enhance the competitive advantage of Indonesian fashion SMEs. SMEs that effectively leverage these platforms for brand awareness and customer engagement experience higher levels of customer engagement and increased brand loyalty.

3. Improved Accounting Performance

The data suggests that maintaining high profitability and effectively managing debt are crucial for ensuring financial stability among Indonesian fashion SMEs. SMEs with better accounting performance are more likely to invest in innovation and marketing efforts, thereby sustaining their competitive edge.

4. Knowledge Management Strategies

Knowledge management (KM) plays a vital role in sustaining competitive advantage for Indonesian fashion SMEs. SMEs that implement effective KM strategies, such as staying updated with the latest trends, improving product design, and enhancing manufacturing processes, are better positioned to innovate and adapt to market changes.

5. Market Orientation Approach

Adopting a market-oriented approach has been found to be essential for differentiating Indonesian fashion SMEs from larger competitors. SMEs that focus on understanding and meeting customer needs through market research, customer feedback, and product customization are able to build a loyal customer base and maintain a competitive edge.

7. RECOMMENDATIONS

Based on these findings, several recommendations can be drawn:

1. Enhance Entrepreneurial Orientation. Indonesian fashion SMEs should prioritize developing entrepreneurial orientation by fostering a culture of innovation, risk-taking, and adaptability. This can be achieved through training programs, workshops, and mentorship initiatives that encourage innovation and adaptability.

2. Optimize Social Media Marketing. SMEs should invest in effective social media marketing strategies to engage with customers and build brand awareness. This includes leveraging platforms like Instagram and TikTok, creating engaging content, and utilizing influencer marketing.

3. Improve Accounting Performance. SMEs should focus on improving their accounting performance by maintaining high profitability and managing debt effectively. This can be achieved through financial planning, budgeting, and regular financial audits.

4. Implement Knowledge Management. SMEs should implement knowledge management strategies to stay updated with industry trends, improve product design, and enhance manufacturing processes. This includes investing in technology, conducting market research, and fostering a culture of continuous learning.

5. Adopt Market Orientation. SMEs should adopt a market-oriented approach by conducting market research, gathering customer feedback, and developing products tailored to specific consumer segments. This helps in understanding customer needs and preferences, thereby differentiating the SME from larger competitors.

8. LIMITATIONS

The Limitation of this paper :

1. Scope of Study. The study focuses primarily on Indonesian fashion SMEs and may not be generalizable to other industries or countries. Future research could expand the scope to include a broader range of industries or international contexts.

2. Data Collection Methods. The study relies on qualitative data collected through in-depth interviews and literature reviews. While these methods provide rich insights, they may not capture quantitative data that could provide more precise measurements of the variables studied.

3. Sample Size and Representation. The sample size of 140 customers of Indonesian fashion SMEs might be considered small for some studies. Future research could aim to increase the sample size to ensure better representation of the population.

4. Time Frame. The study focuses on a specific time frame (e.g., recent years) which might not capture long-term trends or historical data that could provide additional insights into the sustainability of competitive advantages.

5. Cultural and Demographic Factors. The study does not fully explore how cultural and demographic factors influence the competitive advantages of Indonesian fashion SMEs. Future research could delve deeper into these aspects to understand their impact on business strategies and outcomes.

By acknowledging these limitations and recommendations, future research can build upon the findings of this study to provide more comprehensive insights into the sustainable competitive advantages of Indonesian fashion SMEs.

9. REFERENCES

Alavi, M., & Leidner, D. E. (2001). Knowledge Management Systems: Conceptual Foundations and Research Issues. _MIS Quarterly_, _25_(1), 107-136.

Aldiputra, J. B. (2023). Building a Competitive Advantage for Apparel SMEs in Indonesia. Unpublished Thesis, Faculty of Economics and Business, Satya Wacana Christian University.

Anton, A. S., Muzakan, I., Muhammad, W. F., Syamsudin & Sidiq, N. P. (2015). An Assessment of SME Competitiveness in Indonesia. Journal of Competitiveness. 7 (2): 60-74.

Aspers, P., & Corte, U. (2019). Qualitative Research: An Introduction to Methods and Practice. Sage Publications.

Binus University. (2019). Trends in Indonesia's Fashion Industry. Bandung: binus.ac.id. Retrieved December 4, 2022, from https://binus.ac.id/bandung/2019/12/trends-in-indonesias-fashion-industry/

CNBC Indonesia. (2019). The Enthusiasm of Indonesia's Fashion Industry. Jakarta: CNBC Indonesia. Retrieved July 14, 2019, from https://www.cnbcindonesia.com/lifestyle/20190712155341-35-84555/the-enthusiasm-of-indonesias-fashion-industry

Gazi Ulusoy, G., et al. (2013). Interactions between Sustainability, Knowledge Management, and Open Innovation: Impact on Organizational Culture in Manufacturing Industries. _Journal of Cleaner Production_, _57_, 1-10.

Imam Suswandoyo, M., & Sumaryo, S. (2023). Accounting Performance and Sustainable Competitive Advantage in Indonesian Mining Companies. _Journal of Innovation and Entrepreneurship_, _2_(1), 48-61.

KAKKAR, S. (2017). Qualitative Research Methods: A Guide for Researchers. Routledge.

Kiyabo, K., & Isaga, N. (2020). Entrepreneurial Orientation, Competitive Advantage, and SMEs' Performance: Application of Firm Growth and Personal Wealth Measures. Journal of Innovation and Entrepreneurship, 9(12), 1-15.

Kiyabo, K., & Isaga, N. (2020). Entrepreneurial Orientation, Competitive Advantage, and SMEs' Performance: Application of Firm Growth and Personal Wealth Measures. _Journal of Innovation and Entrepreneurship_, _9_(12), 1-15.

Lestari, S. D., et al. (2020). Antecedents and Consequences of Innovation and Business Strategy on Performance and Competitive Advantage of SMEs. Journal of Asian Finance, Economics and Business, 7(6), 365-378.

Limano, F. (2024). Optimizing SMEs Through Digital Design for Sustainable Industrial Development. BINUS Journal, 6(2), 113-119.

Ministry of Industry of the Republic of Indonesia. (2019). Textile and Apparel Industry Grows Most. Retrieved December 4, 2022, from https://kemenperin.go.id/artikel/21191/textile-and-apparel-industry-grows-most

Purba, E., et al. (2022). Reviewing Sustainable Competitive Advantage: The Role of Entrepreneurial Orientation, Knowledge Management, and Marketing Innovation in the Development of MSME. AdBispreneur: Journal of Thought and Research in Business Administration and Entrepreneurship, 7(1), 17-27.

Saravanakumar, M., & Lakshmi, T. S. (2012). Social Media Marketing. Life Science Journal, 9(4).

Spatioti, M., et al. (2022). The ADDIE Model: A Framework for Developing Educational and Training Programs. Journal of Educational Technology Development and Exchange, 16(1), 1-15.