

DEVELOPING BANDUNG STORE IN SINGAPORE : A PRELIMINARY STUDY

Christina Francisca and Donald Crestofel Lantu
School of Business and Management
Institut Teknologi Bandung, Indonesia
c.francisca@sbm-itb.ac.id

Abstract- As one of the great contributor of Indonesia's national economy, development of Small and Medium Enterprises (SMEs) is still not fully matured. The development of SMEs should apply not only in local area, but also enable them to enter and compete in a more global market. This is how the idea of creating Bandung Store come about. The main theme of this research is international business strategy and focuses particularly on Singapore. The objective of this research is to analyze whether Singapore is an ideal place for starting up Bandung Store and creating developing strategy for the store. In this research, PESTEL and Porter's Five Forces analysis are used to decide Singapore favorability as destination of Bandung Store, while SWOT analysis and marketing mix are used in creating developing strategy for Bandung Store in Singapore. The data used in this research is gathered from secondary data, in-depth interview, and observation.

Keywords: SME, international business, business strategy, marketing mix, SWOT analysis, PESTEL, Porter's Five Forces

Introduction

Small and Medium Enterprises are great assets and contributors to the national economy of Indonesia. The development of SME should get more attention both from the government and the people to be able to compete with other economic actors. Also, the development of SME should be thought of globally by combining the local excellence with global market opportunity and synergized with the free trade era. SMEs are still having a lot of problems both internally and externally. The external problems are problems associated with limited access to markets, financing, technology and productive resources. Meanwhile, the internal problems faced by SMEs are related to the low capacity and quality of human resources that make productivity and capacity management of SMEs still low. The current condition of SMEs in Indonesia, particularly in Bandung where it is known for its fashion industry, has inspired the making of 'Bandung Store'. This is one form of strategy to make innovation and using different approach in developing Bandung's SMEs. Since most SMEs that move in fashion business are still working individually and have not been working together much to market their products, this 'Bandung Store' is expected to contain them together to get easier and better access to the market.

One of the aims of Bandung Store is to help the SMEs in Bandung to expand their market and be able to do export. There has been an offer from the government of Singapore to open 'Bandung Store' there. One of the main issues that has to be handled in developing SMEs in Bandung is their capability to do export. Some SMEs are still facing problems in making their products known abroad. This is a very good opportunity to introduce Bandung SMEs' products to the Singapore

market. With the support from both the Singaporean Government and Indonesian Government, those SMEs will have easier access to international market and no more financial dilemma of doing the export and also the procedures will be guided by capable institutions. The store itself is still a picture or an idea that yet to be conducted, although the support from Bandung City Government, Singaporean Government, academician, and creative industry are already eminent. The next step needed is to find out how this 'Bandung Store' will be realized in Singapore.

Theoretical Foundation

International Business

Basically, international business has the same task and function with domestic business, but in international business, there is a significant difficulty in performing and integrating basic tasks and functions effectively. International trade and business links have increased in complexity and it has been more difficult to establish the precise boundary line between domestic and international business. Furthermore it is defined the major difference of international business and domestic business is that the domestic firm deals only with the home environment while the international company also has to manage a wide range of foreign environment together with the aggregate international environment. (Taggart and McDermott, 1993:5)

International Trade

Vasudeva in chapter 1 of International Trade defined international trade as "International trade is exchange of capital, goods, and services across international border or territories". International trade helps to continue the globalization throughout the world, because it allows business to expand their target market which eventually will increase their revenue.

International trade not only results in increased efficiency but also allows countries to participate in a global economy, encouraging the opportunity of foreign direct investment (FDI), by which the investors participate in the management of the firm, in addition to receiving a return on their money (Ball et al, 2008: 41).

From Domestic to International Strategy

Porter (Taggart & McDermott, 1993: 51) demonstrates a good example of how a domestic planning model can be internationalized. There are five prime factors that determine the nature and level of competition in any industry in terms of its profit-making potential; those are:

- a. Threat of entry of new competitors
- b. Threat of substitute products made by other industries
- c. Relative bargaining power of suppliers
- d. Relative bargaining power of buyers
- e. Rivalry between competitors

PESTEL Analysis

PESTEL Analysis's objective is to identify and study as many external factors as possible. This tool mostly used when launching a new product or service and business process, exploring new way to join market, and when trying to reach new area. If organization want to expand their current operational area, become more globalized, PESTEL is a must complete analysis. The purpose is to understand more about external factor in Singapore.

Political Factors

The potential policy changes in any government should be concerned, because even where the political situation is relatively stable there may be changes in policy at the highest level and these

can have serious implications. This may result in changes in government priorities, which in turn can result in new initiatives being introduced as well as changes to trade regulations or taxation.

Economic Factors

Economic factors are including: assessing potential changes to an economy's inflation rate, taxes, interest rates, exchange rates, trading regulations, and excise duties. When it comes to operational efficiency, factors such as unemployment, skills levels, and availability of expertise, wage patterns, working practices, and labor cost trends should be considered.

Social Factors

The attitudes towards things like health, career, and environmental issues must be considered. Social factors and cross-cultural communication play a critical role in international and global markets. Before entering new area studying its culture is a must, and the chance of success on entering new area will be depend on how depth the company's research in this area.

Technological Factors

Technology advances really fast, usually big organization have annual budget for technology's expense. The amount of technology investment will be critical on how well the organization perform in the future. Technology has a potential to impact on its operations and business process, of course it is a good impact. FME stated in PESTEL Analysis that technological factors can be differed into two areas: manufacture and infrastructure. Taking advantage of opportunities to improve production and operations in organization, will eventually give organization strong competitive advantage.

Environmental Factors

In the past few years, the issue about environmental protection especially global warming, have gained more attention. This has become more significant with globalization as the impact of an organization's actions may be felt outside of its native country and may incur unquantifiable financial penalties. Other environmental factors are those that relate to the weather, climate, and geographical location. For example: potential financial penalties resulting from causing contamination of soil or water maybe incalculable, increasing concern about 'green' issue, packaging and pollution. The ecological and environmental aspects can have consequences that are felt both on an economic and a social level. (FME, n.d.:20)

Legal Factors

It is very important to consider factor arising from changes of law, since the last decade has seen a significant rise in coverage and deepness of the legal regulation. Operation in organization have to obey the law, they have to ensure there is no law broken by them. Area of operations that have to be observed such as: employee welfare, waste disposal, earning and investment tax, customer protection, trading restrictions and quota. Besides operation, there are area that should be considered includes employment, health and safety, and competition. (Cadle, Paul, & Turner, 2010:4)

SMEs in Indonesia

In the last few years, SMEs or Small and Medium-sized Enterprises has made up a large proportion of businesses in Indonesia and create a significant proportion of total employment. SMEs can be implemented as an instrumental in reducing poverty and very important in determining overall outcomes for social and economic welfare.

The reason why SMEs is very important for Indonesia's Economy is described in background of Fossil-Fuel Subsidy Reform and Small and Medium-Sized Enterprises (SMEs): The impacts and possible

responses. "As in many developing countries, there are at least three main reasons why small (including micro) and medium-sized enterprises (SMEs) are very important in Indonesia" (IISD, 2011:2)

First, it's because of SMEs size in Indonesia. Data from previous paragraph is more than enough to tell enormous SMEs in Indonesia. It creates 101.722.548 jobs which is almost half of Indonesia's total population. Mainly, it uses low-educated people which is still dominant in Indonesia so it can becomes so big.

Second, SMEs in Indonesia especially micro and small enterprises is spread all around throughout Indonesia, mostly in countryside area. Generally, area in Indonesia still categorized as countryside area. It makes SMEs very important for rural economic development and will reduce the gap between countryside and urban areas.

Third, SMEs hold unlimited economic potential, it is not only limited to increasing Indonesia's GDP. It also helps to diversify Indonesia economy, making new export sectors beside oil and gas sector. This is especially for products such as furniture, textile, garment, handicrafts, wood, and rubber.

Singapore Fashion Industry

Fashion in Singapore is appreciated very well, fashion designers from around the world are able to come and show their best creation on many fashion show occasions which remains at its height during the festive seasons and can be best felt in the incredible malls and shopping centers. As the appreciation of fashion in Singapore, Singapore Fashion Week and Singapore Fashion Festival are considered to be the special achievements made in the field of fashion. Those events are supported by Singapore Government and considered as two largest annual fashion event in Singapore. Through this event Singapore is established as a major fashion hub in the entire Asia Pacific region. The local fashion designers and even the international designers get a perfect platform to display their creations in this part of the world.

SWOT Analysis

IIBA defined SWOT in Chapter 4 of Business Analyst Book of Knowledge as an acronym of Strengths, Weakness, Opportunities, and Threats. SWOT is a good framework and one of the most popular tools for strategic planning, opportunity analysis, competitive analysis, and business development. (IIBA, 2008:130)

The SWOT analysis is an extremely useful tool for understanding and reviewing the company's position prior to making decisions about future company direction or the implementation of a new business idea. SWOT analysis is really useful for understanding and reviewing company's current situation when the company have to make decision about change in business, future planning, investment, and implementation of new business.

Marketing Mix

Marketing Mix is one of the most fundamental concepts in marketing management. Marketing mix is used to describe the different kinds of choices organizations have to make in the whole process of bringing a product or service to market. In defining marketing mix, it is known as the 4Ps theory.

In Marketing Mix Analysis explained the 4P model is initially formulated by Professor Jerry McCarthy in 1960, it is a marketing theory that highlights on defining distribution and sales plans for the product. 4P is acronym for Product, Price, Placement, and Promotion. Table 2.5 represents 4P template and its explanation. (Brown, 1991:24)

Table 1. 4P analysis

| | |
|-----------|--|
| Product | Study product or service scope, project, product or service positioning, and brand, etc |
| Price | Consider the basic price, payment, commission and discounts |
| Placement | Consider direct distribution and indirect distribution |
| Promotion | Use the form of advertising, personal promotion, sales, promotion and public, relations, etc |

Methodology

In this research, only qualitative research is conducted because researcher wants to get more deep answers from all parties that are essential in the process of starting up Bandung Store in Singapore.

Qualitative Research

Qualitative research provides background report of a certain topic and initiation of a new concept. It accentuates the significance of variables interaction in their natural setting. Thorough data are mostly gathered from open-ended questions. (Jacob, 1988). This type of research pursues to investigate occurrence regarding the issue of the research and able to gather more spontaneity and adaptability between interaction of participants and researcher. Researcher is also able to collect more elaborate and detail information from the participants. Qualitative research has a strong point on the capability to provide complex textual descriptions of how the research issue is experienced by people. The qualitative research methods used in this research are secondary data, observation and in-depth interview.

Secondary Data

Secondary data in this research is gathered to support the primary data and give more insight about the fashion industry, demand and current trend in Singapore. More secondary data is also necessary in making the PESTEL and Porter's Five Forces analysis.

Observation

In this research, structured observation study is done by preparing selected area to observe and researcher does direct inspection in Singapore to find the proper location for Bandung Store. The main observation is achieved in Haji Lane. Location is very important in deciding to open a new store especially in other country, but the human aspects also play a very important role in making the decision. From aspects of location, demand, people and style, Haji Lane is considered as the most suitable for establishing Bandung Store in Singapore.

In-depth Interview

This is a suitable method for getting perception of a particular person's appraisal about certain matters. By doing in-depth interview researcher can obtain vastly exact and accurate information and diverse knowledge about someone's resolute proficiency, estimation that is hard to come by in group interview and quantitative methods. This interview is given to Mr. Hanka from Mischief Denim, Mr. Ivan from Lazuli Sarae, and Ms. Dina Dellyana from Glintz. The interview is performed to consider whether these three brands are suitable for Bandung Store in Singapore or not. It is also to get to know more of the brands and products that they sell, get their point of view and opinion of

the store, how it should be operated, and information about style differences between Bandung and Singapore.

Data Collection and Analysis

After all data have been collected from qualitative research (in-depth interview, observation, secondary data), researcher will analyze the data using several tools. PESTEL and Porter's Five Forces tool are also used in analyzing favorability of opening Bandung Store in Singapore. SWOT analysis is also performed for Bandung Store in analyzing the internal and external factors that are important to the success of the store. Lastly, marketing mix tool is also used to analyze 4Ps which includes product, price, place, and promotion aspects of Bandung Store.

PESTEL Analysis of Singapore

- a. According to PESTEL analysis of Singapore, politically Singapore has a pretty stable corruption free governmental condition which means that Bandung Store does not have to worry about being affected by any politics upheaval. Singapore is a neighboring country of Indonesia that is located nearby (only 1.5 hours by plane) that makes travelling and distribution of items for Bandung Store not too difficult and also a member of ASEAN together which gives a close relationship of both countries.
- b. The economic condition of Singapore is also one of the strongest in Southeast Asia. The country's economy is expected to keep on growing which makes the buying power of the people also pretty high which allow them to buy creative products of Bandung Store. Singapore also has low inflation rate that means Bandung Store will have stability regarding price and demand.
- c. Socially Singapore is a multicultural country that accept people from different culture and races. Moreover, many Indonesian people also live in Singapore so Indonesian culture is not something completely unfamiliar to Singaporean people. This makes it easier for Bandung Store to penetrate through Singapore market. The high education also allows Singaporean to appreciate creativity and value provided by products in Bandung Store. Hiring a qualified employee for Bandung Store in Singapore is also not difficult.
- d. Singapore is developed in technology, with high connectivity of internet and equipment. The usage of smartphones is high in Singapore and most of the people use them to connect to internet or social media. This tells Bandung Store to use internet and social media as tools in spreading information about the store that is fast, easy, and cheap.
- e. The environment of Singapore has warm climate with only dry and rainy season like Indonesia. This similarity makes sure that SMEs of Bandung Store know what kind of items are suitable for this climate. There is a concern of air and water pollution in Singapore, but it does not effect Bandung Store since the production of its items are in Bandung. The concern of recycling can be shown by Bandung Store by using recyclable packaging and decor.
- f. Legal regulation in Singapore is not very burdening for foreign company although more attention has to be paid on this matter because Singapore is strict regarding its law. Bandung Store has to be registered before it can operate which can be done online. There is also a moderate amount of 17% tax has to be paid by Bandung Store to Singapore government.

Porter's Five Forces

1. Threat of New Entry

Seeing the fashion industry in Singapore, it is apparent that so many fashion houses are already running their business. As a new business with unknown brand and reputation, it is a

challenge for Bandung Store. But at the same Bandung Store also has differentiated products and the government policy of Singapore as one of the easiest place to make a business is helping. As a new store entering the Singapore market, threat of new entry for Bandung Store is MEDIUM.

2. Threat of Substitute Product

Although there are many other products from other fashion stores in Singapore that can replace products of Bandung Store in general, it is hard to find products with local value and craftsmanship of Bandung. Products sold in Bandung Store is more exclusive and limited that makes the threat of substitute MEDIUM.

3. Bargaining Power of Supplier

Suppliers for Bandung Store are selected SMEs from Bandung. Bandung Store is purposely created by CIEL and government to develop local SMEs and there is no other store in Singapore created with the same intention and support for Bandung SMEs. So the bargaining power of supplier is LOW.

4. Bargaining Power of Buyer

For people in Singapore, selection of fashion stores are so many from differend kind of brands, style, and there are no high switching cost needed. Buyers of creative products as Bandung Store has are also limited, so the bargaining power of buyer is HIGH.

5. Competitive Rivalry

Fashion industry players in Singapore are numerous and the existence of them are quite balanced if not more than Bandung Store. The cost of leasing or buying a space in Singapore is pretty expensive so each store will try to survive as long as they can. This makes the competitive rivalry HIGH.

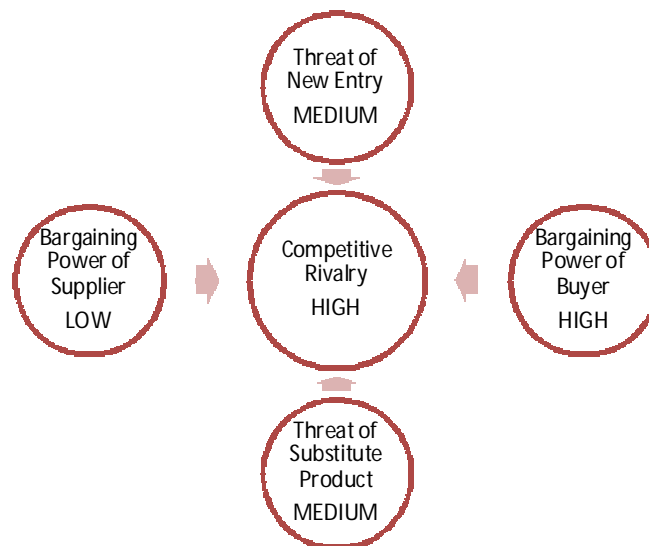


Figure 1. Porter's Five Forces

SWOT Analysis

Strength

The strength of Bandung Store is the uniqueness of bringing Bandung value that is difficult to be copied by other store, also the exclusivity of the products since the products are not sold in other place in Singapore. The price of the products are also reasonable and following the current trend.

Weakness

The weakness of Bandung Store is the brands of SMEs in the store still unknown to the Singaporean market and there is limitation of the stock since there is no storage and some time is needed to restock items because they need to be shipped from Bandung.

Opportunity

The opportunity for Bandung Store to succeed in Singapore is because Bandung and Singapore has the same cosmopolitan taste. Products that can be accepted well in Bandung have a chance to also be welcomed in Singapore. The large number of Indonesian population also helps in the sense that they might feel a sense of closeness to the store and help spread out the news regarding the store to people who are interested in Indonesian culture and also other fashion forward people. The support of Singaporean government also helps in making easier and faster legal process.

Threat

The threat of Bandung Store in Singapore is the fact that there are many competitors and local entrepreneurs are also encouraged by the government to grow. In the long run, the existence of Bandung Store might be challenged by Singapore's own local fashion entrepreneurs.

Marketing Mix

Product

There are three brands with different products that will participate in Bandung Store. Mischief has premium quality dry denim as its signature items and the most popular product is jeans with indigo color, non-stretch and slim leg design. This product represents the urban street style seek by many people in Bandung's distros as Mischief is one of the best denim store acknowledged in Bandung. Lazuli Sarae gain most popularity from its batik on denim shirt. The unique concept of batik on denim really show contemporary style and brings traditional value in new perspective. Glintz trademark items are its platform shoes with edgy designs. All the products are handmade using natural material from Indonesia which is a good selling point. These platform shoes will be the main products of Glintz in Bandung Store along with other variety from huge collection of Glintz shoes.

Price

The prices of Mischief, Lazuli Sarae, and Glintz are considered to be in the middle to high level in Bandung. These prices come from the quality, design, material, handcraft, and value presented by each brands. Mischief sell its jeans at different prices according to the style, material, color that ranges from Rp 519.000 to Rp 1.800.000. The customers of Mischief product realize that this price cannot be considered cheap, but it is a reasonable and worth it price for a good quality denim. Lazuli Sarae also has a wide range of price from Rp 225.000 to Rp 745.000 for its men and women clothing products, although it also has accessory products that start from Rp 50.000. For products that offer unique combination of Batik and denim material, the price is acceptable by customers Glintz sell a pair of shoes with price that range from Rp 165.000 to Rp 365.000. According to Glintz, customer find the price fitting for the product and Jakarta customer even think of the price as cheap because the shoes have good quality and fashionable design.

Place

The location that researcher choose as most suitable for Bandung Store in Singapore is a district named Haji Lane. Haji Lane is a fresh place that proves Singapore is not only a place for glamorous and branded items. Haji Lane is filled with many cafes, small local boutiques and conceptual stores. The street is colorful and artsy with vibrant graffiti on the walls. This area is a newly developed tourist destination as it can be seen there are many tourist coming there to shop or just to enjoy the creative artsy energy of the place. Bandung Store is a place that offers creativity and uniqueness with the touch of both local Bandung value and modernism. Bandung Store should be placed in a location where people are gathered because they want to appreciate something new and original, which is why Haji Lane is chosen.

Promotion

Mischief, Lazuli Sarae, and Glintz all said that their most powerful force of promotion is through social media. Although Mischief has interesting way of gaining loyal customers by joining special forum that is dedicated especially for people who love denim in Indonesia. Lazuli Sarae put some advertisements online via Facebook and Google AdSense but not in printed media because it is considered expensive and the effect is not as fast and spread out as online. Glintz gain most of its sales through instagram on daily basis. Joining exhibition is also a good promotion, but it is also for one time while social media provide more stability for the long run.

Conclusion and Recommendation

Conclusion

Overall, the PESTEL analysis of Singapore provides a pleasant result of doing business in Singapore since it is not too far from Indonesia, has stable government with low corruption rate and easy entry for foreign companies, strong economy that create high buying power, open to diversity of culture, familiar with Indonesian culture, high education level to appreciate creative products, has good internet connectivity and social media usage, safe and supporting environment for business, and proper, reasonable regulations for international business purpose. There is no big hurdle apparent from the country current state itself, moreover Bandung Store already has support from Singaporean government that ensure the store to be welcomed in doing business in Singapore. Porter's five forces also shows a pretty decent result. The Singapore fashion industry shows quite high competitiveness, but it also proves that this industry has great demand and there is still a chance or gap for Bandung Store to enter.

There are also some conclusion that can be made based on the SWOT analysis of Bandung Store in Singapore. Basically, there is quite a number of aspects that contribute to Bandung Store's strength and the number is more than the weakness. The opportunities of Bandung Store to operate smoothly in Singapore is also more numerous than the threat existing, although weakness and threat are both vital aspects that should be carefully watched out for.

Recommendation

There are some suggestions that resercher made based on marketing mix, for developing Bandung Store in Singapore:

- For starting up Bandung Store, it is best to display signature items of each brand that have uniqueness and have proven to grab many people's attention. Selecting the best seller items from each brands is a strategy to get insurance while testing new market.
- Keep the same price for the items sold in Bandung Store as they are usually sold in Indonesia. This is to maintain consistency from the brands and also prevent any bad

comparison that might come from the customers. All prices should be converted to Singapore dollar in Bandung Store.

- Maximize the advantage of Haji Lane as an edgy and artsy place by decorating the store in a colorful way and use elements that are representing Indonesian culture that could grab people's attention and curiosity.
- Bandung Store should focus on promoting the store through internet and social media by creating website, facebook, twitter, instagram. These accounts have to show the value carried by Bandung Store and give thorough information about the store itself, plus the SMEs included in the store. Bandung Store can also join forum for Indonesian people who live in Singapore so they can help promote Bandung Store and also Singapore fashion forums to make Bandung Store more recognized.

References

- Cadle, J., Paul, D., & Turner, P. (2010). *Business analysis techniques : 72 essential tools for success*. London: British Computer Society.
- FME, T. (n.d.). *PESTEL Analysis*. Retrieved from <http://www.free-management-ebooks.com/dldebk-pdf/fme-pestle-analysis.pdf>
- Glantz. (2014). *Glantzroom*. Retrieved July 17, 2014, from <http://glantzroom.com/>
- IIBA. (2008). *A Guide to the Business Analysis Body of Knowledge*. New York: International Institute of Business Analysis.
- ISD. (2013). *Fossil-Fuel Subsidy Reform and Small and Medium-Sized Enterprises (SMEs)*. New York: IISD.
- Key, James P. (1997). *Research Design in Occupational Education*. Stillwater, OK: Oklahoma State University.
- McCarthy, E. J. (1978). *Basic marketing : a managerial approach*. Homewood: R.D. Irwin.
- McDermott, M. C., & Taggart, J. H. (1993). *The Essence of International Business*. New York: Prentice Hall.
- Mischief. (2006). *Mischief Denim*. Retrieved June 18, 2014, from <http://www.mischiefdenim.com/>
- Sarae, L. (2010). *Lazuli Sarae*. Retrieved August 11, 2014, from <http://lazulisarae.com/>
- Vasudeva, P. K. (2011). *International Trade*. New Delhi: Excel Books.