

CHAPTER 1 INTRODUCTION

1.1 Background

Indonesia's Muslim fashion sector has grown rapidly recent years. The industry remains strong and growing although the slowing down of global economic situations. The number of Indonesian women wearing hijab increase as hijab trend turned from religious movement to a fashion-savvy trend industry. The increased demand for Muslim fashion created growth Muslim fashion industry in the country.

Moreover, Indonesia has the largest Muslim population in a country. As one of the mission of Indonesia Economy Creative Agency to be the reference of Muslim fashion world and the government announced the vision to be "Indonesia towards world Muslim fashion center in 2020". Indonesia has become the most potential market for Muslim fashion business industry.

Table 1.1 Top Ten Largest Muslim Population from Pew Research Center

Country		2010 Muslim population	% of World's Muslim Population in 2010	Country		2050 Muslim population	% of World's Muslim Population in 2050
1	Indonesia	209,120,000	13.1	1	India	310,660,000	11.2
2	India	176,200,000	11	2	Pakistan	273,110,000	9.9
3	Pakistan	167,410,000	10.5	3	Indonesia	256,820,000	9.3
4	Bangladesh	134,430,000	8.4	4	Nigeria	230,700,000	8.4
5	Nigeria	77,300,000	4.8	5	Bangladesh	182,360,000	6.6
6	Egypt	76,990,000	4.8	6	Egypt	119,530,000	4.3
7	Iran	73,570,000	4.6	7	Turkey	89,320,000	3.2
8	Turkey	71,330,000	4.5	8	Iran	86,190,000	3.1
9	Algeria	34,730,000	2.2	9	Iraq	80,190,000	2.9
10	Morocco	31,930,000	2.0	10	Afghanistan	79,190,000	2.6

Subtotal	1,053,010,000	65.8		Subtotal	1,701,070,000	61.6	
Subtotal for Rest of World	546,700,000	34.2		Subtotal for Rest of World	1,060,410,000	38.4	
World Total	1,599,700,000	100.0		World Total	2,761,480,000	100.0	

Based on the figure above, according to “The Future of World Religion: Population Growth Projection 2010-2050 Report from Pew Research Center”, the world total Muslim population will be growing about 42% from 1,599,700,000 to 2,761,480 people. For Indonesia, which had the most Muslim population in 2010 with 209,120,000 people, it will be growing to 256,820,000 in 2050.

For Muslim fashion consumption, according to Global Islamic Economy Report by Dinar Standard and Thompson Reuters, 2018/19, Muslim around the world spend on clothing was US\$270 billion in 2017, with the total Islamic Economy market size of US\$2,107 billion in 2017, and forecasted to reach US\$361 billion in 2023.

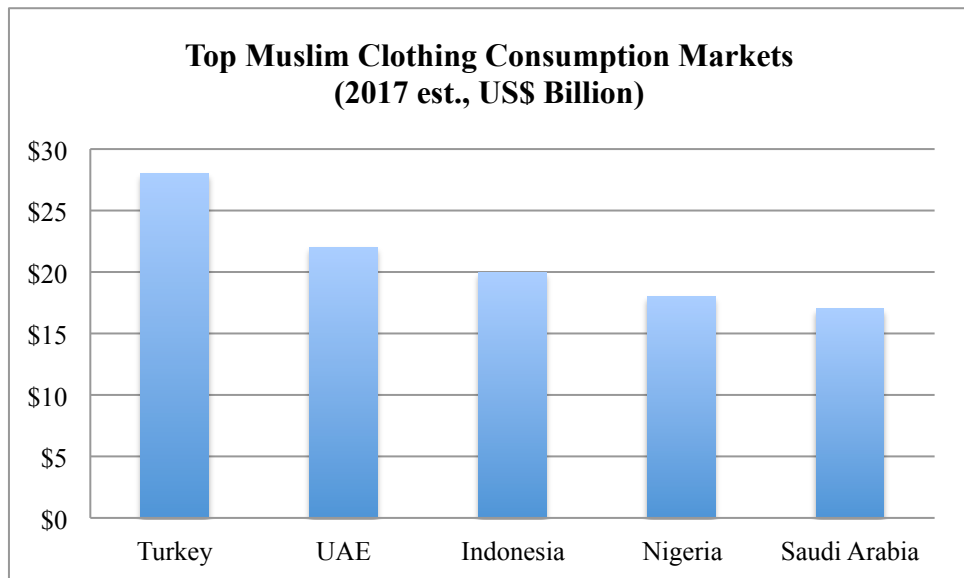


Figure 1.1 Top Muslim Clothing Consumption Markets from Global Islamic Economy Report 2018/19

Indonesia certainly has high economic value for the development of Muslim fashion market. To support this data, above research explained Indonesia as one

of the top country for Muslim consumer clothing expenditure market in the third position with total of US\$20 Billion.

Muslim fashion transfer from religious to mainstream, from designer brands fashion to small medium enterprises. Online retailing and influencers encouraged the popularity of Muslim fashion. The impact of Muslim fashion to Indonesia economic growth. Seeing this high opportunity on Muslim fashion market in Indonesia, Satchi was created in 2018 as hijab and ready-to-wear Muslim fashion brand.

Satchi is one of Muslim fashion brand developed as a hijab producing brand. Since its first opening, Satchi focus on producing plain hijab with high quality various fabric material. Satchi is one of fashion hijab brand that used laser-cutting technique to replace the conventional sewing technique. Apparently the movement of Muslim fashion industry was very fast, yet the team of Satchi has not been able to move quickly to adjust the rhythm of the industry.

As a small-medium fashion brand started with limited capital, not too many innovation were made since first established. Satchi more focused on the needs of its loyal customers to decide which best selling fabric material and produce it more. Marketing plan carried out to increase brand awareness, which is still lacking. The only marketing plan carried out by Satchi is through social media advertising to reach Jabodetabek people.

Satchi sales currently only use online shops through Instagram, Tokopedia, and Shopee. For the storing and shipping system, Satchi still uses amnnual system which results in high risk of mis-delivery or incorrect inventory recording. Moreover, the stocking system is not yet integrated from one to another online shop. For selling, Satchi only relies on internal teams, therefore sometimes shipping to customers outside city is limited due to high shipping costs. Below the sales data of Satchi:

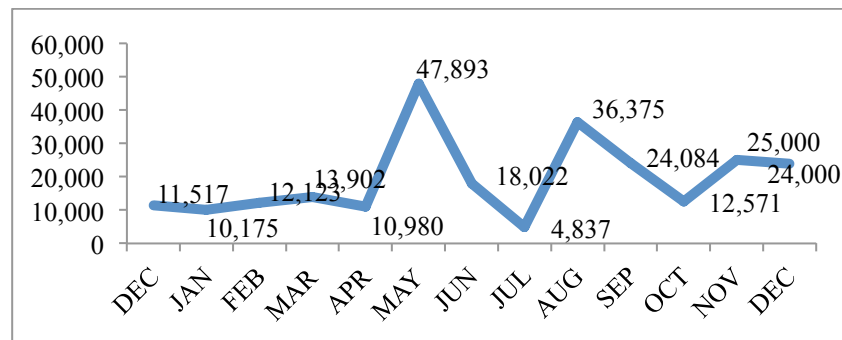


Figure 1.2 Satchi Sales 2018 – 2019

From the figure above, since the first launching of Satchi in December 2018 until now in October 2019, Satchi's sales showed unstable trend. In the first five months since its first launched, the sales started in between 10 until 13 million rupiahs following significant increase in May 2019 during Ramadhan ahead of Idul Fitri (Muslim's big day) to almost 50 million rupiahs but then the trend was dropped until August 2019 to only 4 million rupiahs. In September 2019, the sales successfully increased to almost 40 millions rupiahs and fell to 24 millions rupiahs in September 2019 and fell down to 12 millions rupiahs.

After seeing closely to the historical sales data, high sales supported unique innovations, variations of stock keeping units, and supported by a well-managed marketing promotion. In May, Satchi launched new products, inner hijab. In August, Satchi innovated eyelash hemming with new material hijab. The month afterwards, Satchi sold the remaining stocks with poor marketing promotions in order to save money for upcoming production.

Several problems raised from those situations, the first one is with this unstable sales situation, Satchi had difficulties to face intense competition in the Muslim fashion industry and also with far sales gap each month, to be able produce new products sustainably Satchi also needs to be careful in turning its capital over each production. This is expected to occur for several reasons, such as increasingly fierce competition, hijab trend that is developing very fast, and more competitors global and locally, which shown by the existence of hijab model by international famous brand such as H&M, Dolce & Gabbana, Nike, L'Oreal, Maxmara, Adidas. For the local brand, almost every brand launched its hijab edition or even a new hijab line.

Therefore, for a small Muslim fashion brand like Satchi, it is essential for the brand to have a sustainable competitive advantage and create a differentiation in the market, and right business model to be able to grow and compete in the competition. It is important for Satchi to develop business model in order to stay competitive in the market. By developing a new business model, such as adding a new target market, new marketing strategy, new value proposition, Satchi may be able to thrive the competitive industry.

1.2 Business Overview

1.2.1 Company Profile

Satchi was founded in February 2018. Satchi is a fashion brand that offers essential needs for every Muslim woman. Satchi has a vision to make Muslim fashion brand which empower women to change become better and to encourage them to share kindness around.

The Product

Satchi established for a young Muslim woman who is seeking fashion brand that can be fully trusted and rely on her daily habits. The products are made straightforward and relevant to today's day with a thoughtful design.

Satchi offers Muslim women daily outfits, which are headscarfs, known more as hijab, and clothing created locally. For hijab, Satchi divided to basic and signature collections. The basic headscarf made from cotton-based fabric and the signature headscarf made from chiffon-based fabric with three-dimension flower appliqué detail. For clothing, Satchi offers hijab-friendly top, which designed innovatively based on customers desire on current trend made from quality materials and affordable.

The Values

Satchi believe that every woman who just hijrah needs a 'friend' (or here, a brand) to reflect and to accompany her journey throughout her hijrah journey.

Satchi provide an innovative, long-lasting, reliable, and comfortable products that are suit every hijrah journey. Every item is crafted with detail, and passion.

The Structure

The organizational structure of Satchi includes of Production & Operation, Marketing, and Finance.

Satchi has not yet hired any employee. The founder had been work all things from the beginning. The structure of organization has been planned as explained below:

Job Description and Responsibility:

1. Controller Manager: responsible for business decision, purchasing, and production, including control financial condition of the company.
2. Managing Director: responsible for day to day operational of the business including shipping and stock management. Also building and maintaining partnership with vendors.
3. Creative and Marketing Director: responsible to create new campaign including photo for each collection and managing Satchi social media, also setting marketing strategy.

1.2.2 Company's Vision and Mission

Vision: "To be the global leader of Muslim essentials fashion brand when one start her hijrah."

Mission: "To empower each Muslim women in the world become better self by wearing kindness."

Satchi do it by,

1. Inspire Muslim women that by wearing full covered and modest outfit can be successful in this world and hereafter.
2. Creating sustain growth of Indonesia Muslim economic market by using and made by local.

3. Sharing positive impact to society by giving positive movement through social media.
 4. Building strong and diverse bound around global Muslim women community.
- Satchi aim to contribute to Muslim society sustainable development

1.2.3 Customer Profile

Market Segmentation

The market segment of Satchi are young urban Muslim women with middle to high income who interested in fashion and living in the city center in Indonesia.

Targeting

The target market of Satchi is young Muslim women who are within the age range of 18-35 years old; with expected income level of at least IDR 2,400,000 average national income in 2019, living in urban area in Indonesia.

Positioning

Satchi has a market positioning as a hijrah ‘friend’ for Muslim women who recently wear hijab.

1.2.4 Product Offering

Satchi offers different kind of hijab, which converted into two types, signature and daily collection. The price point for signature collection started from IDR 150,000 and for the daily collection started from IDR 99,000.

1.3 Problem Formulation

Having unstable sales situation, Satchi had difficulties to face intense competition in the Muslim fashion industry and also with far sales gap each month, to be able produce new products sustainably Satchi also needs to be careful in turning its capital over each production. With the potential market of Indonesia, having the largest Muslim population country, Satchi finds it as potential huge market and have a chance to develop and grow the business but other competitors have seen

it and started earlier as pioneers. In order to be able to compete in the Muslim fashion industry, there are several problems need to be addressed, such as:

1. High competition among local brand with similar products with cheaper price.
2. The need to increase number of sales to be able to maintain the business.

1.4 Research Objectives

The objective of this final project is to analyze and proposed the proper business strategy for Satchi to be able to compete in the Muslim fashion industry. There are three objectives of this research:

1. To analyze business condition of Satchi in Muslim fashion industry
2. To determine the most appropriate business model for the company in order to compete in the local Muslim fashion industry and suggest the most appropriate strategy for the company to be able to increase sales.
3. To implement the proposed strategy.

1.5 Research Questions

The research question used in this research, which are:

1. What are the internal and external factors that influence market condition and company's position in the Muslim fashion industry
2. What is the most effective business model strategy for Satchi to be able to compete in local Muslim fashion industry?
3. How is the implementation of proposed business model strategy of Satchi?

1.6 Limitation of Final Project

In this final project, research will be done and adjusted with some of limitation. The financial resources will not be discussed due to restriction and confidentially. This research is limited for developing new business model and implementation plan for Satchi.

1.7 Thesis Structure

This final project consists of four chapters, which divided as follows:

Chapter 1, Introduction: Background, business overview, and research issue

Chapter 2, Business Issue Exploration: Conceptual framework and business analysis

Chapter 3, Business Solution

Chapter 4, Conclusion and Implementation Plan