ONLINE BUSINESS OPERATIONAL STRATEGIES (GLORY ONLINE STORE CASE STUDY)

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Abstract: The rapid development in the fashion industry due to the increasing use of technology shifts conventional methods of selling to online methods. Glory Online Store is one of the online stores that took the opportunity by selling fashion products for women via Instagram. To compete and gain more customers, Glory changed their operation strategy from drop shipper and reseller systems into an independent production. Hence, Glory requires the right operating strategy to maximize its business performance. This study aimed to: (1) identify the business processes on Glory's Business internal environment, (2) identify the organizational structure on Glory's Business internal environment, (3) formulate the Glory business operation strategy based on the results of the SWOT analysis evaluation and (4) redesign business processes on Glory's Business internal environment. The research employed BPMN and SWOT analysis. In-depth interviews were used to collect the data. This study analyzed the operations and seek for improvements to its business processes through BPMN. The mapping of internal and external factors was completed to find the operational strategy. Furthermore, also business processes redesign was performed based on the strategies that have been formulated.

Keywords: online, fashion, operational strategy, BPMN, swot

Abstrak: Perkembangan pesat dalam industri fashion akibat meningkatnya penggunaan teknologi menggeser metode penjualan konvensional ke metode online. Glory Online Store merupakan salah satu toko online yang mengambil kesempatan dengan menjual produk fashion wanita melalui Instagram. Untuk bersaing dan mendapatkan lebih banyak pelanggan, Glory mengubah strategi operasi mereka dari sistem pengirim dan pengecer drop menjadi produksi independen. Karenanya, Glory membutuhkan strategi operasi yang tepat untuk memaksimalkan kinerja bisnisnya. Penelitian ini bertujuan (1) mengidentifikasi proses bisnis pada lingkungan internal Bisnis Glory, (2) mengidentifikasi struktur organisasi pada lingkungan internal Bisnis Glory, (3) merumuskan strategi operasi bisnis kejayaan berdasarkan hasil evaluasi analisis SWOT dan (4) mendesain ulang proses bisnis di lingkungan internal Bisnis Glory. Penelitian ini menggunakan analisis BPMN dan SWOT. Wawancara mendalam digunakan untuk mengumpulkan data. Studi ini menganalisis operasional dan mengupayakan perbaikan proses bisnisnya melalui BPMN. Pemetaan faktor internal dan eksternal diselesaikan untuk mencari strategi operasional. Selain itu juga dilakukan perancangan ulang proses bisnis berdasarkan strategi yang telah dirumuskan.

Kata kunci: online, fashion, strategi operasional, BPMN, swot

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INTRODUCTION

The fashion industry is one of the leading sectors in Indonesia's creative economy. This industry has contributed 18.01 percent or equivalent to 166.1 Trillion of Indonesia's national GDP. The fashion industry had a significant growth of 8.79 percent in the early quarter of 2019 and experienced growth of 29.19 percent annually (Augusto, 2019). Data from 2016 showed that 15 percent businesses in the ecraf sector, with a total of 1,230,988 entrepreneurs, were engaged in the fashion sub-sector (Jayani, 2019). This shows a great opportunity for people to develop this industry. The fashion industry is also the 2nd contributor to Indonesia's national GDP that comes after the 1st contributor which is the culinary sector.

The rapid development that occurred in the fashion industry is supported by the development of advance technologies. Many businesses, that previously only use conventional methods of selling, started to sell through online media to gain more customers. This development is followed by the increasing number of internet users in 2018 reaching 95.2 million that grew 13.3% from 2017 with a total of 84 million. Internet users in 2019 are projected to grow by 12.6% compared to 2018, which is 107.2 million users (NI, 2016). The growth of online trade transactions also continued to increase from 2011 (1 billion rupiah) to 2015 (3.5 billion rupiah) (Opus Indonesia, 2019).

The increasing trend of fashion and digital technology makes many businesses to use the internet to offer their products. One of those businesses is *Glory* Online Store. *Glory* is an online fashion store that uses Instagram to offer its products. In 2019, *Glory*'s income has declined from June to November. The owner reported the cause of the decline was the poor production and the constrained schedule of the owner who was still a final year under graduate student. *Glory* also does not have a clear production management. *Glory* store was chosen as the object of research because it already has consumers, but it is still unable to develop its business due to the limited human resources. Therefore, evaluation and planning of the business is needed to improve the performance and income of *Glory*.

METHODS

Data was obtained between January 2020 to February 2020 in the City of Padang, West Sumatra. This research was conducted at the *Glory* store, located in Komplek Fillano Jaya 2 Blok BB2 No.7, Padang City. Respondents used in this study are obtained internally and externally. Internal respondents are *Glory* store owner and employees. External respondents are experts that give opinions on how to formulate *Glory* store operational strategies.

SWOT analysis is done to form strategic factors that align goals with internal and external strategic environment factors. Formulating the operating strategy through the SWOT matrix was done by matching various indicators possessed by *Glory* store such as strengths, weaknesses, opportunities, and threats (SWOT). Once the internal and external strategic factors were determined, the IFAS (Internal Factor Analysis Summary) and EFAS (External Factor Analysis Summary) table, which was developed by Wheleen and Hunger (2012), was then made to determine the strategic direction. The SWOT matrix matching up step was performed to produce 4 types of strategies, which were SO strategy (strengths-opportunities), WO strategy (weaknesses-opportunities), ST strategy (strengths-threats), and strategy WT (weaknesses-threats).

The business process carried out by *Glory* store uses the Business Process Management (BPM) method. It started by analyzing the business process, then mapping it by making a notation to the BPM, after which the business process was classified based on BVA (Business Value Added), VA (Value Added), and NVA (Non-Value Added. Analysis of the actors involved in the business process was also conducted.

RESULTS

Operational Strategy Formulation

The formulation of operational strategies was prioritized in this business to achieve the maximum level of effectiveness and efficiency in the use of *Glory*'s resources, both human and material resources. The formulation of this operational strategy was taken from the highest value based on calculations of strengths, weaknesses, opportunities, and threats possessed by the *Glory* store. It was considered to be able to contribute to the formulation of the strategy.

S-O Strategy (strengths-opportunities)

Changing production systems from make to order to make to stock

Make to order (MTO) or commonly called the PO system (pre-order) is a production system where the activities are processed based on consumer orders. Based on the results of the SO strategy analysis on *Glory*, it was explained that what becomes a strength for *Glory* was the quality of the product is in accordance with consumers perception and it also had gained the opportunity for consumers to like the product. Switching to make to stock (MTS) system, inventory made in the form of ready-to-sell products, shows that strategy can be conducted by *Glory* to speed up transactions and increase customer satisfaction

Makes shopping easier to access

Glory could register its business on an online page provided by various e-commerce sites. Registering its store on an online page could help *Glory* store reach out to target consumers. It could also be used to expand its market reach and simplify transactions for consumers.

Making an offline store

Combining offline and online systems could be used to facilitate consumers who want to see *Glory* products directly and virtually. Setting up a strategic establishment location should be done to make it easier for consumers to find the business, for example by choosing the location that is close to the city center, trade centers, offices, schools, city parks, and others that have easy accessibility. In addition, the creation of an offline store can increase consumer trust in *Glory* products.

Strategi W-O (weaknesses-opportunities)

Make a production plan

The system that could be used by *Glory* is MRP (Material Requirement Planning) which is used to estimate exactly how much raw material is needed during production and to schedule time of delivery. This system takes information from the Bill of Materials (a list of all raw materials used, subassemblies, and other components needed to produce an item, complete with the amount needed for the product).

Make human resource planning

The human resource management cycle carried out by *Glory* which pay attention to *Glory*'s vision, mission and strategic objectives is a must for operational, design, marketing, and financial department. The cycle could be carried out by planning (resource management planning), attaining (attaining good recruitment and selection system), developing (developing potential resources), and maintaining (managing employees), and retaining (combination of retaining or expelling employees).

Combine operational systems between resellers and independent production

The combination stages that *Glory* can do for example, there are 8 times of production planning in a month, 4 times by using a reseller system and 4 times by using an independent production and also dividing the time per week using 1 reseller and 1 independent production. When the reseller product was uploaded, the independent production process must had been done beforehand. The benefit of the combination of these systems is that it makes production time more consistent so that consumers won't wait too long for *Glory* products to be sold to them. This system could also maximize product sales.

Collaboration with outsourcing companies (fashion specialty wholesale convection).

Currently, various convection services become available for businesses. For example, Myfashiongrosir offers many services for fashion businesses. They provided reseller systems, drop shippers, and even convection with partnered businesses owned custom brands. The custom brand could be easily applied to *Glory* products, where previously *Glory* had to make an agreement related to design, materials, price with this company, so that *Glory* products could get its own desired store label.

S-T Strategy (strengths-threats)

Conduct product development and research

The method that could be used by *Glory* is the House of Quality method which is a tool used to help companies to focus on the desires of consumers and ensure its in the products offered to the customers. This method

could help *Glory* to find out the features that are in accordance with the wants of *Glory* consumers.

Monitoring and evaluating the performance of company resources

Monitoring and evaluation could be done periodically or incidentally when needed. The system would be monitored and evaluated at the end of every month which are performance evaluation, revenue, and operational systems of *Glory*. This monitoring and evaluation must cover all aspects of the risk management process aimed at ensuring that the controls used are effective and efficient, starting from the design, product planning, production process, giving SOPs to the admin, SOPs for product resellers, setting the posting time, and giving a giveaway, marketing, finance, packaging until the product reaches consumers, so consumers are satisfied with the services provided by *Glory*.

W-T Strategy (weaknesses-threats)

Finding the best supplier

The selection of suppliers could be done by vendor analysis. The selection of those vendors needed to be carried out by taking into account evaluation risk and predict the vendor's financial ability. Evaluating and selecting suppliers of raw materials for fabrics and accessories that would be used by *Glory* could be seen from several criteria, which is quality in terms of product quality, cost where the material is offered by suppliers, and also flexibility which is the ability of suppliers to meet demands on changes in quantity and time.

Product differentiation

The differentiation that could be done by *Glory* is by implementing service excellence to consumers, offering quality excellence, and making packaging and product functions more attractive. This differentiation by *Glory* could bring added high value or could bring more meaning to consumers. The higher the value offered, the easier it will be remembered by consumers.

Business Process Management Redesign (BPM)

The operational strategy that had been designed above could affect the business processes in *Glory*. Because of that, *Glory* requires a redesign of their business process.

This redesigned business process lies in the early part of the production process which is the additional task of production planning. The production planning could be made on a long, medium, or short-term durations based on Glory's internal decisions. The benefit of BPM redesign is making business processes more efficient so that it could increase Glory's productivity and performance and reduce waiting times for consumers. Previous product sales analysis is needed for production planning because it will be used for make to stock (MTS) system to reduce the waiting time of consumers and increase consumer trust in Glory. It is also important for Glory to know the average consumer purchase of the product to estimate the amount figure of stock needed to be produced. Furthermore, the business process also could experience changes in the sample and product production. The production is immediately carried out after checking the completion of the product sample and continued by the photography of the product for catalog promotion on social media.

Redesigns are then carried out in the order process. Consumer orders can be directly processed and shipped without having to wait for the product production time because it already uses a ready stock system so that it will make consumers feel more satisfied with the service

Glory Business Process

Glory's business process experienced a significant change from a reseller to an independent production. When becoming a reseller, the business process was quite simple because it had received a finished product from a supplier, then the product directly goes to the marketing stage. Since Glory decided to do their own production in 2019, Glory had to change its business processes starting from upstream to downstream, which starts from design, selection of raw materials, making samples, and selling products to consumers.

BPMN Making Product Samples – Open Pre Order (PO)

Classification of a business process from making the product samples to pre-orders (POs) had 1 VA, 4 BVA, and 11 NVA. The division of labor from making sample products to open pre-orders are very scarce between owner, tailors, photographer, and administration because of the limited amount of human resources. The role is only divided into 2 which are tailors and the company

(owner, photographer, and admin of *Glory*) and there are no consumers due to the absence of products and transactions.

The division of labor in making sample products up to open PO is very limited between owner, tailor, photographer, and administration due to a limited amount of human resources. The role is divided into 2 which are tailors and company (owner, photographer, and admin of *Glory*) and there are no consumers due to the absence of products and transactions. Business processes that are classified as BVA and NVA are almost all carried out by the owner of *Glory* and for VA is done by tailors. The complete explanation is as listed in Table 1.

Table 1. The making product samples-open po

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Stages	Actor	Classification
Making designs	Company (owner)	BVA
Choosing designs	Company (owner)	NVA
Chosing	Company (owner)	NVA
Buying	Company (owner)	BVA
Cheking item availability	Company (owner)	NVA
Sending designs and materials	Company (owner)	NVA
Accepting designs and materials	Tailors	NVA
Making product samples	Tailors	VA
Sending product samples	Tailor	NVA
Receive product samples	Company (owner)	NVA
Preparing product photos	Company (photographer)	BVA
Checking capital availability	Company (owner)	NVA
sending products to model / selebgram / public figur	Company (owner)	BVA
Receiving photos	Company (owner)	NVA
Uploading product photos	Company (owner)	NVA
Open order	Company (owner)	BVA

BPMN Production process

The classification of business processes in the production process had 3 VA, 6 BVA and 13 NVA. The division of labor in the production process from *Glory* is also limited between owner, tailor, photographer, and parts administration due to a limited amount of resources. The role are divided into 3 which are consumers, company (owner, photographer, and admin of *Glory*), and tailors.

The division of labor in the production process is also limited between owner, tailors, photographer and administration due to a limited amount of resources. The role is divided into 3 which are consumers, company (owner, photographer, and administration of *Glory*), and tailors for the production process. Business processes that are classified as BVA and NVA are almost all carried out by owner of *Glory* and for VA is done by the tailors. The complete explanation is as listed in Table 2.

Glory Organizational Structure

The *Glory* organizational structure is directed by its owner that supervises administrators, tailors, photographers and models. This small organizational structure is due to the limited human resources employed by *Glory*, the operational, marketing, financial, product design sections are still regulated directly by the owner.

Glory Business Environment Analysis External Environmental Analysis

Threat of Competitors

Based on an e-commerce listing survey conducted by BPS in 2019 shows that from 3,504 census blocks in Indonesia, there were 13,485 that was registered as an e-commerce businesses. 15.45% of them were in the processing industry (clothes, shirts, jackets, skirts, robe, socks, socks, footwear, headscarves, mukena, kopyah, accessories, belts, glasses). This shows the number of competitors of *Glory* in Indonesia.

Table 2. Production process

Stages	Actor	Classification
Sending product samples	Tailor	NVA
Receive product samples	Company (owner)	NVA
Preparing product photos	Company (photographer)	BVA
Checking capital availability	Company (owner)	NVA
sending products to model / selebgram / public figur	Company (owner)	BVA
Receiving photos	Company (owner)	NVA
Uploading product photos	Company (owner)	NVA
Open order recieved	Company (owner)	BVA
Receiving notifications	Consumer	NVA
Making payements	Consumer	VA
Sending proof of payements	Consumer	NVA
Receiving proof of payements	Company (admin)	NVA
Making list of orders	Company (admin)	NVA
Making calculations of material and accessories	Company (owner)	NVA
Buying material and accessories	Company (owner)	BVA
Cheking availability of material and accessories	Company (owner)	NVA
Sending product designs and materials	Company (owner)	NVA
Accepting material and accessories	Tailors	NVA
Making orders	Tailors	VA
Sending orders	Tailors	BVA
Receiving orders	Company (owner)	NVA
Packing orders	Company (owner)	BVA
Delivering products through freight forwarding services	Company (owner)	BVA
Receiving products	Consumers	NVA
Giving notofocations to Glory / testimony/ review	Consumers	VA

Threat of New Arrivals

Currently, *Glory* is faced with a digital competition through social media that makes it easier for newcomers to enter the industry. Consumers can freely replace the product of choice in terms of model, price, and product quality. New competitors sometimes enter the industry with the same size and strength as the company.

Threats of Replacement Products

Replacement products for women's clothing can only be replaced by women's clothing as well but with different models, types, quality, and brands. Examples of substitute products that can replace *Glory* products that are not produced by *Glory*, for example are shirts, blazers, sweaters, cardigans, denim, skirts, and others. Patterned shirts and blazers are now also becoming one of the product trends among fashion women because it can be combined with a variety of items fashion others that make these clothes can be worn in various situations.

Bargaining Power of Suppliers

The bargaining power of suppliers of *Glory* were low because *Glory* has 3 suppliers of raw materials which were from Jakarta, Solo, and Padang. With those many suppliers *Glory* could be more selective in choosing a material to use.

Bargaining Power of Consumers

Bargaining power of consumers was low because *Glory* is an online shopping store which already had the price stated on each product and that it can't be bargained by consumers. However, *Glory* still have to adjust prices with its competitors so that it would still be attractive by the consumers.

Internal Environmental Analysis

Sales

before independent production, sales activities carried out by *Glory* were uploading photos of products that was obtained from suppliers for reseller to Instagram, periodically gave giveaway to its consumers, and occasionally conducted endorsement with a public figure. After *Glory* became an independent production of a product, sales are also done through social media,

which was Instagram, by posting products done after the photoshoot session with a model. The posting of the photo was made after making samples of the products and clothes colors through Instagram feed and instastory.

Pricing

When using a reseller system, *Glory* only took a maximum profit of 50 percent of production costs. But after using an independent production system, *Glory* maximize its profits from 70 to 100 percent of production costs. Prices were set by *Glory* in accordance with the market prices so that it could still be reached by their target consumers. The price offered was IDR 30,000 for a veil, between IDR 80,000 to IDR 150,000 for tops, and between IDR 150,000 to IDR 250,000 for a dress.

Consumer Analysis

Consumer analysis was done to *Glory*'s market segmentation which are adolescent women – adults. Clothing products sold by *Glory* had an affordable price. By prioritizing the quality of the product, *Glory* could differentiate it self from the market. *Glory* consumers had spread throughout Indonesia, from the islands of Sumatra, Java, Kalimantan to Sulawesi, which was connected through the internet and Instagram.

Finance

The financial situation of *Glory* had been through a change of system from reseller to an independent producer which shows a very different significance. The owner said that when *Glory* used a reseller system it took a maximum profit of 50 percent of the price of production, but after *Glory* used an independent producer system, it maximize its profits from 70 to 100 percent of the price of production. This shows a very significant difference from a financial perspective.

Human Resources

Glory had not applied human resources maximally. For example, the division of labor, product design, finance, marketing, and production, are still managed directly by the owner. For the product design department, the owner had tried the recruitment and selection process in order to help him in product management and planning. But the owner still hasn't found any suitable

person. Until now, the division of work is only admin and photographer, the rest is still held by the owner.

SWOT analysis based on Glory environment

Strong

- 1. Product quality is in accordance with the wants of consumers
- 2. Product prices are affordable by consumer
- 3. Information for a good services from ordering up to the receivement of the products to the hands of consumers

Weaknesses

- 1. Lack of human resources (design, production, marketing, finance)
- 2. Lack of capital for marketing
- 3. Unstructured performance management No product warranty
- 4. Manual administrative system

Opportunities

- 1. A good technological development
- 2. The growth of internet users in Indonesia is increasing Fashion trends that are changing so fast
- 3. Consumers like products that is offered

Threats

- 1. Changes in unstable economic conditions
- 2. The emergence of similar companies with products that are more up to date and fashionable
- 3. Availability of materials

Formulation of IFAS and EFAS Matrix

The formulation of the IFAS and EFAS Matrix was obtained from the results of the search of weights and ratings from the assessment of each strategic factor from the experts by using a Likert scale to obtain a weighted score. After getting the weighted score results from all strategic factors, the factors that had the biggest value are recalculated to see the most influential factors in general from internal and external factors that will be included in the SFAS (Strategic Factors Analysis Summary) table. The results that were obtained were the strategic factors that had a short-term influence are W1 which had a weighted score of 0.36, W3 which had

a weighted score of 0.30, and W4 which had a weighted score of 0.35. The short-term influence is a strategic factor that must be improved in a period of less than 1 year. Furthermore, strategic factors that have mediumterm influence are O3 which had a weighted score of 0.51, T2 which had a weighted score of 0.51, and T3 which had a weighted score of 0.39. The medium-term influence in question is a strategic factor that must be improved within a period of 1-3 years. Furthermore, strategic factors that have a long-term influence S1 have a weighting score of 0.53, S3 which had a weighting score of 0.53. The long-term influence is a strategic factor that must be improved within a period of more than 3 years. The results are as shown in Table 3.

Managerial Implications

The company management aims to have clear objectives; therefore, the goals and expectations of the company can be achieved. Thus, *Glory* needs to make various efforts to improve its performance in order to meet customer satisfaction and grow the business into a more competitive business than their competitors. The *Glory*'s problems occur because the operational plan and system were not optimal, thus affecting its production capacity. The evaluation of current performance and operational processes is the right measure in improving their business governance so that it can operate more optimally.

The factors that must be addressed by Glory in the short term are in terms of weaknesses, namely: human resource management, performance management, product warranty, and increase productivity and consumer confidence. For the medium-term duration, namely: fast changing fashion trends, competitors/ similar companies, and the availability of raw materials in order to prevent consumer boredom with the products offered and proper supplier planning. For the long-term duration, namely: product quality, good information and service, and consumers acceptance in order to increase consumers loyalty. Furthermore, the new formulated strategies that will have an impact on Glory's operations should be carried out. These strategies are including changes in the production process to achieve maximum levels of effectiveness and efficiency in terms of using company resources and meeting market demands. Furthermore, the decision of the owner of Glory as top management for the various choices of strategies will drive the impact on investment and operating costs. Therefore, careful consideration is needed in every operational decision to be executed. The role and leadership of the owner as top management is needed to encourage the team / organization he leads. Therefore, good relationship is needed between the owner, supplier and workers. In addition, such support from related parties such as the Padang City UMKM Association, the Young Entrepreneurs Association and the government as policy makers for companies operating in Indonesia are also needed to help the MSME business so that it can continue to develop into a competitive business for the future.

Table 3. Strategic Factor Analysis Summary (SFAS)

Strategic Factors		Rating	Score ·	Duration		
				S	M	L
S1 Quality product in accordance with the wants of the consumer	0.12	4.29	0.53			X
S3 Information for a good services from ordering up to the receivement of the products to the hands of consumers		4.57	0.58			X
W1. Lack of human resources (design, production, marketing, finance)	0.10	3.43	0.36	X		
W3. Unstructured performance management	0.09	3.29	0.30	X		
W4. No product warranty	0.10	3.57	0.35	X		
O3. Fast changing fashion trends	0.12	4.29	0.51		X	
O4. Consumer likes the product	0.12	4.57	0.53			X
T2. The emergence of similar companies with products that are more up to date and fashionable	0.12	4.29	0.51		X	
T3. Availability of raw materials	0.10	3.71	0.39		X	
Total Score	1	36.01	4.04			

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

Based on the results of research conducted on *Glory*, it is concluded that *Glory* had an operational system that runs well for its business, but had not been able to meet the consumer's desires and other opportunities that had existed so far. There are still problems that need improvement in the operational system and business processes. This research was conducted to help *Glory* in formulating the appropriate operational strategies with a strategic management concept.

Recommendations

Glory management needs to take action to handle their weaknesses. Based on the research findings, there were several weaknesses that should be potential to be developed, namely, lack of human resources, lack of capital for marketing, unstructured performance management, no product warranty, and an administrative system that is still manual. So, it is necessary to plan the

production and the right strategy for the continuity of the business in the future. For further research, *Glory* could carry out more in-depth research on topics related to development strategies and competitive strategies in the *Glory* business.

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