Strategies for Enhancing the Competitiveness of Leather Bag Industry

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Abstract. The leather industry in numerous countries, including Indonesia, continues to encounter significant challenges that impede its competitiveness in both domestic and international markets. Abekani Leather, a small and medium-sized enterprise (SME) operating within the leather industry in Yogyakarta, is one such entity striving to remain competitive against other players in the sector. Based on interviews conducted with the owner of Abekani Leather, it was revealed that annual sales from 2018 to 2023 have declined by approximately 10-15%. This downturn is primarily attributed to the increasing presence of competitors offering similar products within the leather industry. Based on the AHP weighting results using the Super Decision software, it can be concluded that the alternative strategy SO-4 (Utilizing social media for promotions in various media by utilizing community relationships) has the highest weight value of 0.54, meaning this strategy should be prioritized first to achieve Abekani's objectives.

Keywords: Strategy, SWOT, AHP.

1. INTRODUCTION

Micro, Small, and Medium Enterprises (MSMEs) are profitable businesses operated by individuals or business entities that fullfill the latest requirements according to Presidential Regulation (PP) No. 7 of 2021. The positive impact of MSMEs extends generate significant socio-economic benefits, not only for business owners but also for broader stakeholders, as they contribute to increasing economic income across various sectors. Consequently, MSMEs hold a strategic role in enhancing Indonesia's Gross Domestic Product (GDP) (Amri, 2020). MSMEs serve as a fundamental pillar of the national economy due to their capacity for high competitiveness (Narto, 2021). Competitiveness is defined as the systematic efforts undertaken by business actors to sustain their operations and advance the growth of their enterprises (Sulistyani & Pratama, 2020). To achieve enhanced competitiveness, MSMEs must prioritize five critical components: pricing strategies, product quality, operational flexibility, innovation, and delivery performance (Russel & Millar, 2014).

Daerah Istimewa Yogyakarta (DIY) is one of the provinces in Indonesia experiencing significant growth in the number of Micro, Small, and Medium Enterprises (MSMEs). Between 2019 and 2022, the number of MSMEs increased by more than 100% (Bappeda DIY, 2024). This growth can be attributed to Yogyakarta's status as a prominent tourist destination, which has contributed to the annual rise in the number of MSMEs. However, the increasing number of MSMEs necessitates greater efforts from business owners to market their products effectively to remain competitive against similar enterprises. According to (Sari, 2021),

innovative marketing strategies have the potential to expand market access and enhance product visibility at the global level, thereby boosting competitiveness.

The leather industry is one of the sectors with significant economic potential at both national and international levels. Leather-based products, such as shoes, bags, jackets, and accessories, are in high demand in global markets. However, the leather industry in many countries, including Indonesia, continues to face various challenges that hinder its competitiveness in both domestic and international markets. Despite these challenges, the leather industry holds substantial opportunities to enhance its competitiveness. Research (Hidayat et all, 2020) indicates a growing demand for environmentally friendly leather products and premium goods in global markets. Abekani Leather, a micro, small, and medium enterprise (MSME) operating in the leather industry, is among the players competing in this sector in DIY. Based on interviews with the owner of Abekani Leather, the company experienced a decline in sales by 10-15% annually from 2018 to 2023. This decline is attributed to the increasing number of competitors offering similar products in the leather industry. Based on the challenges that have been stated, it is essential to design an optimal strategy for Abekani Leather to secure a competitive edge in the market. By implementing the proposed new strategies, it is expected that Abekani Leather will be able to improve its sales performance and reclaim its position in the leather bag market.

2. LITERATURE REVIEW

Research on the competitiveness of an industry often focuses on the internal and external factors influencing its ability to compete in the global market. SWOT analysis is a diagnostic tool used to evaluate an organization's internal and external conditions. According to (Rangkuti, 2023), SWOT analysis is a commonly employed method for formulating effective strategies by assessing the strengths, weaknesses, opportunities, and threats faced by a company. The application of SWOT analysis aids the leathercraft industry in devising strategies for international market expansion, which is particularly relevant in the context of the leather bag industry (Putra, 2019).

Effective marketing strategies are a key element in enhancing product competitiveness. Research by (Nugroho, 2020) highlights that appropriate marketing strategies, such as strengthening brand image and leveraging social media for promotion, have a significant impact on increasing product sales. Digital marketing and collaborations with influencers are considered effective for reaching broader markets, particularly in the international market segment. Research by (Wahyuni, 2022) also emphasizes the relevance of marketing strategies,

demonstrating that the analyzed craft industries successfully identified the most suitable strategies for expanding their international market reach. The Analytical Hierarchy Process (AHP) method offers several advantages in marketing decision-making. According to (Saaty, 2008), the primary advantage of AHP lies in its ability to break down complex problems into smaller components and quantitatively evaluate alternatives based on multiple criteria. This enables companies to make more rational, data-driven decisions when faced with various marketing strategy options. Research by (Wang & Chen, 2015) further supports these benefits, showing how AHP was applied to optimize marketing strategies in the technology sector. Their findings indicate that AHP provides more structured and objective outcomes in determining marketing strategies, thereby enhancing competitiveness in the highly competitive technology industry.

3. METHODS

This research was conducted at Abekani Leather, located in Puri Potorono Asri Housing Complex, Block C No. 18, Kilometer 8 of Wonosari Road, Potorono, Banguntapan, Bantul, Special Region of Yogyakarta. Abekani Leather specializes in producing leather bags crafted from cowhide, showcasing its expertise in leather craftsmanship.

The respondents are members of Abekani Leather's strategic management level, comprising the owner and six division heads within this MSME organization. Leaders at the strategic management level are expected to analyze dynamic business environments and make proactive decisions to leverage opportunities while managing risks (Hitt et all, 2017). The data were collected through interviews, focus group discussions (FGDs), and Analytical Hierarchy Process (AHP) questionnaires.

The research process implemented in this study is illustrated in Figure 1.
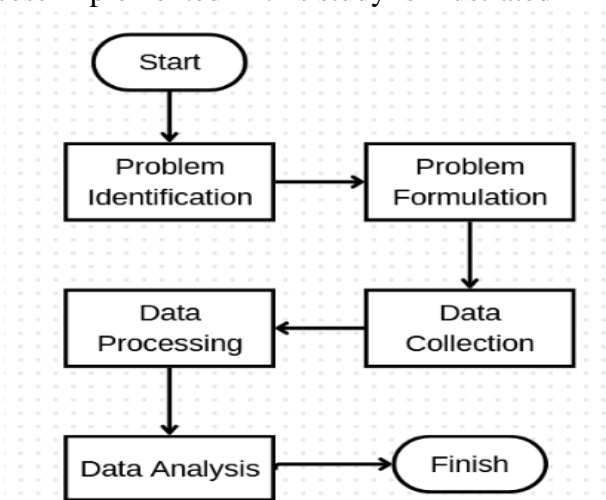

Figure 1. Research Flowchart

1. Problem Identification

The researcher identifies the issues present in the research object by gathering supporting data from both fieldwork and literature to strengthen the problem statement regarding the object of study.

2. Problem Formulation

The researcher determines the problems to be addressed and subsequently seeks the appropriate methodology to resolve these issues within the research object.

3. Data Collection

Data is collected through interviews with relevant stakeholders, including the owner, division heads involved in marketing and sales, and external parties associated with the research object. The required data includes the identification of strengths and weaknesses within the internal context and threats and opportunities from the external environment. Respondents will also be provided with questionnaires to gather additional data for processing. The data consists of alternative strategies that emerge after the initial identification, enabling the researcher to request respondents' evaluations of which alternative is considered the most suitable.

4. Data Processing

Data is processed using the SWOT method, with the output being the formulation of strategies. This output is then further evaluated using the Analytical Hierarchy Process (AHP) to determine the best strategy from the available alternatives.

5. Data Analysis

The researcher conducts an analysis and validation with data sources using a Focus Group Discussion (FGD). The purpose of the FGD is to ensure that the output generated aligns with the needs of the parties involved in the research object. FGDs are commonly used to revalidate assumptions or prior findings in a group discussion context, providing additional validation for the research results (Greenbaum, 2020).

The methods employed in this study include SWOT Analysis and AHP. SWOT stands for Strengths, Weaknesses, Opportunities, and Threats, and can be analyzed as a process where the management team identifies internal and external factors that influence the company's performance and business operations (Namugenyi et all, 2020). In SWOT analysis, the Internal Factor Evaluation (IFE) and External Factor Evaluation (EFE) matrices are weighted, ranked, and the weighted scores are calculated in the first stage. Marketing strategies are then formulated using the Internal-External (IE) matrix and SWOT analysis. Finally, alternative strategies are selected using the Analytical Hierarchy Process (AHP), a technique for identifying the best alternative strategy from the existing hierarchical structure. AHP can be

used to analyze and determine the most important criteria for improving competitiveness, such as product innovation, quality management, and production efficiency.

4. RESULTS

This study begins by conducting interviews and distributing questionnaires to identify the strengths, weaknesses, opportunities, and threats related to the business development of Abekani Leather. Data collection is performed by distributing questionnaires to the internal divisions of the company. Subsequently, internal and external aspects are formulated using a SWOT analysis approach, which can be understood as a compilation of strengths, weaknesses, opportunities, and threats. The next step involves constructing the Internal Strategic Factor Analysis Summary (IFAS) and External Strategic Factor Analysis Summary (EFAS) matrices to obtain the total scores. Following this, the internal and external factors are considered to determine the company's status and construct the Internal-External (IE) matrix. In addition, a SWOT matrix is developed, generating four distinct strategies: Strength-Opportunities (SO), Strength-Threats (ST), Weakness-Opportunities (WO), and Weakness-Threats (WT). The AHP method is employed to support decision-making with multiple criteria. The determination of the weight for each factor within the SWOT strategies is followed by constructing pairwise comparisons to assess the relative importance of each strategic alternative, ultimately allowing for the prioritization of strategies. Table 1 presents the IFAS matrix of Abekani Leather, while Table 2 shows the EFAS matrix of Abekani Leather.

Table 1. IFAS Matrix

Internal Factors (Strenght)				
No	Attribute	Rating	Weight	Score
1	Good service to customers	3.71	0.13	0.48
2	The quality of the leather used is of the highest grade	3.43	0.15	0.50
3	Product packaging is very safe	3.57	0.13	0.47
4	Various and attractive bag models	3.57	0.16	0.56
5	Good cooperation with leather suppliers	3.00	0.13	0.40
6	Having a community	3.57	0.15	0.54
7	Has its own building as a product ordering place	3.00	0.15	0.45
Total				3.41
Internal Factors (Weakness)				
No	Attribute	Rating	Weight	Score
1	Unstartegic place	2.29	0.14	0.31
2	Lack of product publicity advertising	2.29	0.14	0.31
3	Less product promotions	2.29	0.14	0.31
4	The number of human resources is limite	2.29	0.16	0.37
5	Limited production space	2.43	0.16	0.39
6	Lack of marketing strategy	1.86	0.15	0.28
7	Expensive product prices	2.43	0.11	0.27
Total				2.24
Total Internal Factors				5.65

Table 2. EFAS Matrix

No	Attribute	Rating	Weight	Score
Eksternal Factors (Opportunity)				
1	Yogyakarta is known as a tourist city which is always busy with tourists	3.57	0.26	0.94
2	There are many tourism agencies that work together to visit shopping centers	3.14	0.25	0.80
3	A lifestyle of people who like fashion bags with good quality and unique designs	3.57	0.21	0.75
4	Technological development	3.29	0.27	0.90
Total				3.38
Eksternal Factors (Threats)				
No	Atribut	Rating	Bobot	Skor
1	Customers switch to similar competitors	2.00	0.27	0.55
2	Rising prices of raw and supporting materials	2.43	0.25	0.60
3	innovative products appear from competitors	2.43	0.28	0.69
4	Cheaper competitor product prices	2.57	0.20	0.51
Total				2.34
Total Internal Factors				5.72

Based on the data processing results from the score differences in the IFAS and EFAS matrices, the Total (Strength) - Total (Weakness) IFAS is 1.19, and the Total (Opportunity) - Total (Threats) EFAS is 1.04. These values form a reference point for the SWOT quadrant matrix to determine the company's position. Figure 2 presents the SWOT quadrant matrix. The results of constructing the SWOT quadrant matrix reveal that Abekani Leather is positioned in Quadrant I, indicating that the formulation of alternative strategies is directed towards implementing a growth strategy and supporting an aggressive growth policy by leveraging existing opportunities and the company's internal strengths.
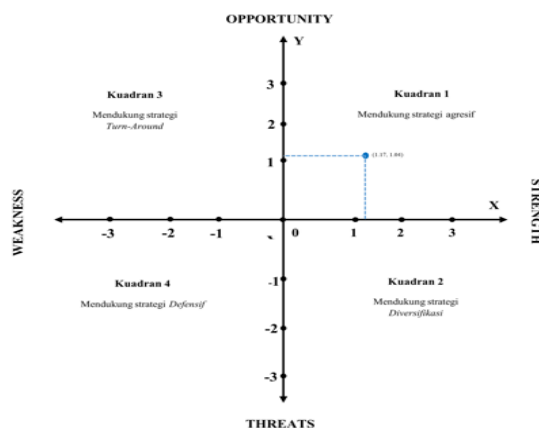

Figure 2. SWOT Quadrant Matrix

After determining the company's position and identifying the core strategies based on strengths, weaknesses, opportunities, and threats, alternative strategy formulations are derived. The SWOT matrix is constructed by combining factors from strengths and opportunities for the SO strategy, weaknesses and threats for the WO strategy, strengths and threats for the ST strategy, and weaknesses and threats for the WT strategy. Based on the SWOT matrix, the following alternative marketing strategies are identified:

SO Strategy (Strength – Opportunities)

This strategy is formulated based on the company's approach, which involves leveraging all available strengths and maximizing existing opportunities.

SO-1 = Improving service to customers, especially tourists by creating service SOPs

SO-2 = Collaborating with travel agencies to become one of the tourist destinations visited by travelers.

SO-3 = Creating flyers or advertisements in places frequently visited by tourists regarding various and interesting bag models

SO-4 = Utilizing social media for promotions in various media by utilizing community relationships

ST Strategy (Strength – Threats)

This strategy involves utilizing the company's strengths to overcome potential threats.

ST 1 = Enhancing innovation in handbag designs according to consumer preferences by conducting market analysis and implementing digital marketing strategies.

ST 2 = Strengthening relationships with leather suppliers.

ST 3 = Maintaining high product grades and ensuring consistent innovation in designs.

ST 4 = Adjusting prices to align with current market rates by coordinating with leather suppliers to reduce costs without compromising quality.

WO Strategy (Weaknesses – Opportunities)

This strategy is applied by leveraging existing opportunities while minimizing the present weaknesses.

WO 1 = Creating engaging advertisements on social media platforms such as Facebook, Instagram, and TikTok.

WO 2 = Conducting lifestyle analysis of the target market and then formulating appropriate marketing strategies to ensure the product appeals to current consumer preferences.

WO 3 = Establishing a store in high-traffic areas frequented by locals and tourists, and forming a promotional team at tourist destinations

WT Strategy (Weaknesses – Threats)

This strategy is based on defensive actions aimed at minimizing existing weaknesses and avoiding potential threats.

WT 1 = Offering attractive pricing promotions to consumers.

WT 2 = Creating extensive advertisements on social media and leveraging digital marketing, while collaborating with e-commerce platforms.

WT 3 = Reducing production costs by minimizing waste.

WT 4 = Lowering production costs to minimize the final selling price.

5. DISCUSSION

After obtaining alternative strategies based on the SWOT analysis, the next step is to determine the best alternative that can be applied to Abekani Leather using the Analytical Hierarchy Process (AHP). AHP is an appropriate method for identifying the best alternative from various options derived from the SWOT method, as it utilizes expert perspectives in assigning weights to each criterion. The experts consist of seven individuals, including the owner and division heads within the SME. They are key stakeholders involved in decision-making for each issue at Abekani Leather.

The identified criteria are those related to the selection of strategies for Abekani Leather. The results of the SWOT quadrant matrix indicate that Abekani Leather falls into Quadrant I, so the criteria used in the hierarchical structure are Strength (S) and Opportunity (O). Table 3 presents the weight values for the alternative strategies. When ranked, the most prioritized alternative strategies to enhance competitiveness are SO-4 (Utilizing social media for promotions in various media by utilizing community relationships), SO-2 (Collaborating with travel agencies to become one of the tourist destinations visited by travelers), SO-1 (Improving service to customers, especially tourists by creating service SOPs), with SO-3 (Creating flyers or advertisements in places frequently visited by tourists regarding various and interesting bag models..) being the least prioritized.

Tabel 3. Weight Values

	SO-1	SO-2	SO-3	SO-4	S.O.C	Eigen Vector
SO-1	23207,3	9372,4	59889,1	5185,2	97653,9	12%
SO-2	57787,0	23337,9	149126,0	12911,4	243162,3	30%
SO-3	8992,8	3631,8	23207,3	2009,3	37841,2	5%
SO-4	104450,6	42183,4	269550,4	23337,9	439522,3	54%
					818179,68	1

6. CONCLUSION

After conducting the identification using the SWOT method, the position of Abekani Leather is located at the coordinates 1.19 and 1.04 (Quadrant I), which indicates that the formulation of alternative strategies should focus on implementing a growth strategy and supporting an aggressive growth policy by leveraging existing opportunities and internal strengths. This approach provides value to the business. Based on the AHP weighting results using the Super Decision software, it can be concluded that the alternative strategy SO-4 (Utilizing social media for promotions in various media by utilizing community relationships) has the highest weight value of 0.54, meaning this strategy should be prioritized first to achieve Abekani's objectives.

LIMITATION

The limitation of this study lies in the AHP analysis, which only performs pairwise comparisons between strategies within the SO quadrant. It would be advisable to conduct an AHP analysis that compares all strategies across the entire SWOT strategy matrix.

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