

# Analysis of Branding Strategy and Competitiveness of Textile and Clothing Industry (TPT) As Efforts to Increase Competitive Advantage (Competitive Advantage) Welcoming Asean Economic Community

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**Abstract:** *At the end of 2015, the ASEAN Economic Community (AEC) will be applied. AEC certainly impacted for the increasing the speed of the human and capital movement. Indonesia is one of the developing country which has many companies and MSEs in the industrial sector. The industrial sector of textile and clothing (TPT) grows fairly rapidly in Indonesia because it has an abundant resource in that sector. The study was conducted to determine the potential of the Indonesian textile sector compared to other ASEAN large countries. This study will be analyzed by using the combination of qualitative and quantitative approaches. The quantitative approaches aimed to see the competitiveness of the superiority of the TPT industry in the last 6 years of the ASEAN countries (Malaysia, Singapore and Thailand), whereas qualitative approach to analyze the best strategy for textile branding in order to improve competitiveness. The qualitative study in this paper uses the RTA (Revealed Comparative Trade Advantage) method. The RTA method used to determine the position of Indonesia's competitiveness to face the competition of textile sector, and who is the main Indonesia's competitor in ASEAN countries. The next analysis is the various efforts to improve the superiority of Indonesia's competitive in the textile sector to face the AEC. The study obtained the result that the Indonesian*

**Keywords:** TPT, AEC, RTA, Branding

## 1. Introduction

At the end of 2015 will be enacted ASEAN Economic Community (AEC). AEC was established aimed to encourage the efficiency and competitiveness of the economic on the ASEAN region, as reflected in the AEC blueprint, which is towards single market and production base (current free trade for the goods, services, investment, skilled labor, and capital), towards the creation of regional highly competitive economy, towards a region with equitable economic development (region of equitable economic development) through the development of Micro, Small and Medium Enterprises (MSMEs) and other programs, and also towards fully integration in the global economy.

Indonesia is a developing country that has many companies and MSMEs in the industrial sector. The industrial sector of textile and clothing (TPT) growing fairly rapidly in Indonesia because Indonesia has abundant resources in the textile sector. Industrial potential of Indonesia, according to the CIA 90% controlled by the businesses of MSMEs. The presence of AEC, Indonesia can compete with products produced by MSMEs are were mostly the textile sector. We have already recorded 18 TPT companies that have registered an Initial Public Offering (IPO) and become a public company.

The business opportunity in TPT sector is promising, but the competition in this sector is also tight enough, good competition in domestic and foreign competition, especially in ASEAN. Based on data from the economic magazine SWA competition textile sector is dominated by five countries, namely Indonesia, Singapore, Malaysia, Thailand and Philippines. Therefore, before competing in the AEC, Indonesia is expected to map the

textile industry competitors and has a specific strategy to improve branding and competitiveness. Therefore, the author will do research on branding strategy and competitiveness of the textile industry, in order to improve the competitive edge of Indonesia in facing the AEC. This research is expected to help Indonesia to improve the quantity and quality of the output of the textile industry so it can compete with other countries and also to encourage the export of Indonesian textile commodities.

## 2. Analysis and Discussion

### 2.1. Overview of Export TPT Indonesia

The diversity of the textile sector led to the development of various types of enterprises and the creation of diverse market structure which is dominated by the Micro, Small and Medium Enterprise (MSMEs). Production methods used also vary, but in general the textile manufacturing process requires large capital investments that must be removed at the earliest.

TABLE I: Data Export TPT Indonesia

| No. | Negara               | US\$          |               |               |               |               |               |               |
|-----|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|     |                      | 2009          | 2010          | 2011          | 2012          | 2013          | Jan-Nov       |               |
| 1   | AMERIKA SERIKAT      | 3,479,913,719 | 4,141,370,452 | 4,573,144,225 | 4,098,877,214 | 4,095,977,825 | 3,741,970,341 | 3,552,193,838 |
| 2   | MALAYSIA             | 205,734,370   | 232,414,252   | 267,852,645   | 277,767,395   | 287,206,970   | 266,094,452   | 266,557,848   |
| 3   | BELGIA               | 198,152,788   | 224,555,799   | 261,967,031   | 241,156,561   | 234,703,887   | 211,664,322   | 235,065,165   |
| 4   | ITALIA               | 163,852,826   | 224,826,202   | 257,939,910   | 189,616,849   | 214,902,563   | 194,601,391   | 177,807,152   |
| 5   | THAILAND             | 119,233,798   | 151,460,718   | 180,428,997   | 195,246,991   | 203,284,602   | 187,659,424   | 172,022,020   |
| 6   | KANADA               | 128,093,509   | 163,803,129   | 202,944,823   | 179,727,877   | 188,694,657   | 172,621,913   | 187,105,476   |
| 7   | BELANDA              | 156,542,113   | 192,085,642   | 230,523,952   | 176,818,333   | 179,538,805   | 161,959,337   | 136,838,103   |
| 8   | AUSTRALIA            | 83,594,870    | 104,887,670   | 138,529,023   | 156,850,495   | 170,416,661   | 156,268,719   | 160,199,615   |
| 9   | MESIR                | 85,630,321    | 95,440,261    | 130,188,201   | 142,637,813   | 167,992,910   | 153,126,561   | 150,772,273   |
| 10  | VIETNAM              | 66,633,152    | 121,907,093   | 146,987,113   | 146,239,944   | 152,209,709   | 137,987,736   | 172,086,329   |
| 11  | SPANYOL              | 121,626,045   | 153,036,195   | 210,949,776   | 140,624,892   | 137,921,463   | 124,236,248   | 111,456,741   |
| 12  | JEPANG               | 474,068,426   | 625,021,460   | 994,699,673   | 1,069,391,178 | 1,163,510,714 | 1,088,429,167 | 1,109,663,191 |
| 13  | PAKISTAN             | 46,457,317    | 71,969,399    | 101,133,126   | 112,795,559   | 124,027,139   | 112,493,969   | 119,399,763   |
| 17  | TURKI                | 309,051,556   | 469,932,769   | 608,039,652   | 564,374,767   | 623,933,409   | 557,734,606   | 590,806,466   |
| 18  | JERMAN               | 530,442,329   | 592,052,671   | 728,128,755   | 622,910,373   | 606,665,303   | 554,757,255   | 566,662,669   |
| 19  | KOREA SELATAN        | 325,116,877   | 441,587,523   | 513,595,530   | 554,634,112   | 599,439,791   | 556,229,407   | 492,493,27    |
| 20  | REP. RAKYAT TIONGGOK | 180,617,348   | 300,891,793   | 388,376,669   | 448,159,775   | 573,084,720   | 523,636,083   | 556,637,272   |
| 21  | UNI EMIRAT ARAB      | 307,789,152   | 329,127,765   | 390,520,677   | 410,126,455   | 397,645,666   | 363,336,260   | 453,365,115   |
| 22  | BRASILIA             | 269,731,132   | 314,945,292   | 352,964,458   | 352,513,514   | 362,349,661   | 326,474,705   | 294,724,643   |
| 23  | INGGRIS              | 360,363,933   | 375,817,302   | 405,714,540   | 373,173,645   | 335,397,599   | 306,767,276   | 263,546,393   |

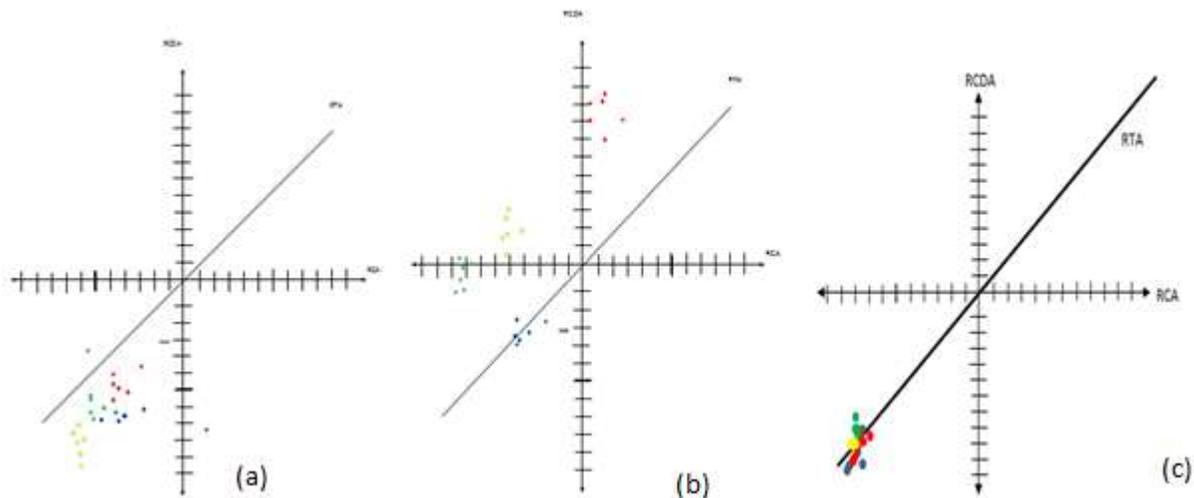
Source: Ministry of Domestic Trade (2013)

The following table shows the export value of Indonesia, where Indonesia has a textile export destinations are quite a lot, ranging from ASEAN countries to countries in the Americas. Judging from the numbers, Indonesian textile exports always increase from year to year for all export destinations. This shows that Indonesian textile potential to be developed. In addition, TPT is the flagship product of the main Indonesian exports.

Based on statistics contained in the South East Asian Textile Business Review 2009 (First Edition), Indonesia employed less than 1.6% of export market of textiles and garment exports of 1.7% world market. Globally, Indonesia produces 13% viscose staple fibers (viscose staple fiber / VSF), 4% polyester staple fibers (polyester staple fiber / PSF), 4% polyester filament yarn (polyester filament yarn), 2% polyamide, and 0.03 % cotton. Textile and garment export market Indonesia consists from America largest States (reaching 36% Indonesian textile and garment exports in 2009), followed by the EU (16%) and Japan (5%). The industry experienced steady growth during the past few years, with the growth rate of exports of textiles and textile products amounted to 11.59% or 3.41% per year, from 2000 to 2009.

### 2.2. The Index Calculation Results RTA Indonesia with 3 State of the ASEAN

The amount of export and import of TPT Indonesia has fluctuated from 2008 to 2013. The graph below shows the RTA Indonesia from 2008 until 2013.



Source: UN Comtrade, 2015 (processed)

Fig. 1: Mapping Commodities Competitiveness TPT Indonesia with Malaysia, Thailand and Singapore.

### 2.3. Analysis Textile Industry

In connection with the above analysis, the export of textile commodities is a potential contributor in foreign exchange earnings. It is caused by a factor of natural resources, so the gift factor (resources endowments) is one of Indonesia's comparative advantage (Sukarna, 1997 in Setiawan, 2006). However, when examined more deeply, comparative advantage that possessed by Indonesia is in TPT upstream, not downstream (data can be shown in the attachment). Thus, Indonesia become more dependent on the export of raw materials. Supposedly, Indonesia conduct downstream processes in the textile industry. It aims to increase the value added of textile commodities and also can absorb labor in the country.

Based on interviews with producers, lecturer and community acquired a general overview of the textile industry as follows:

Most of raw material for textile obtained through imports. The change in the value of the rupiah greatly affect to the price of raw materials, so that when the rupiah fell as now led to rising raw material prices, while the price of a product can not be raised any time so that demand remains stable. Results of the interviews in the public shows that the textile products are often consumed is finished goods such as clothes and other products in shopping centers like in the mall. The majority of respondents prefer to use foreign products because they prefer the quality and brand compared to the price.

Related to the textile industry ahead of the MEA, Indonesia is still to lose competitiveness with other ASEAN countries. Efficiency and lost production, as well as in technological applications. Price and quality as well. In this sector, support from the Government is not maximal. First, when viewed in terms of infrastructure such as highways, industrial centers to the port has not seen any increase or improvement. It can be seen from the logistics costs are still high, which is the cost of the port is still high at the range of 30% compared with Singapore which is only 8%.

The Ministry of industry and trade and Agency MSMEs are still not working in real and less real. The Government has not been able to boost MSMEs, there is no institution that can accommodate MSMEs to export products abroad and there is no standardization of products to improve the quality or quantity.

### 2.4. Strategies to Increase Competitive Advantage Indonesian Textile Industry

Based on the analysis above that is necessary to repair the system by the government, such as:

Establish an institute as a center of textile MSMEs services in each regional and sub-regional coordinated with central agencies, can be obtained by incorporate MSMEs in each regional so that can work together and

embodied. Creating a general curriculum and standards for Indonesian MSMEs or any other manufacturer in the textile industry in order to improve the quality and quantity

Improving infrastructure such as roads, highways, ports or other places used for the distribution of trade. Providing MSMEs financial facilities to support expansion of MSMEs especially textile industry in order to export abroad. The Government accommodate the textile industry MSMEs so that be able to export at least to ASEAN countries coordinated by a small industry (consisting of several MSMEs) considering the export requirement more easily obtained with great industry.

Declares branding 100% love Indonesian products to increase the loyalty of people to prefer the local brand products. Because there is many foreign brands are made in Indonesia. In addition the strategy should be improved by the textile manufacturer is . Increase downstream process. More manufacturers sell the finished products to the domestic and export as finished products have higher value added so as to increase of prices and production profits. Improve the marketing system, expand market share and distribution range. Branding on textile products, to provide an attractive brand, good quality and a superior product.

### 3. Conclusion

Based on the result of the RTA in analyzing the comparative advantage TPT industry to ASEAN countries between Indonesia and Malaysia, Indonesia and Singapore, and Indonesia and Thailand in the period 2008 to 2013, it appears that Indonesia has a comparative advantage in the upstream sector of the entire country, namely Malaysia, Singapore and Thailand. And for the sector between Indonesia only superior to Malaysia and Singapore, but not with Thailand. If it is viewed head to head Indonesia with Thailand, Indonesia only superior in upstream sector, whereas for downstream weaker. From the calculation of the index value or RTA, Indonesia needs to improve repair middlestream and downstream sectors. Downstreamisation TPT industry sector is a must to be done because downstream sector has high value added. Government as regulator need to help domestic industry in order to be more competing. In other side, agent of trade in TPT industry should increase their productivity and innovation in order to increase TPT market in ASEAN as well as the world. Beside that, increasing brand quality must be continuously done so that TPT industry could create market creation and dominate market objectives.

Suggestion that is delivered to the next research is the need to calculate RTA all the world that are gathered in ASEAN and lengthen time calculation so that deepen in analyzing international trade pattern in TPT industry sector that happens between Indonesia and ASEAN countries. The usefulness and development of TPT industry sector needs the wholly and carefully approach so that Indonesia could use the opportunity in MEA 2015.

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