

The Competitiveness of Indonesian Craft as Creative Industries in the Global Market: A SWOT Analysis Approach

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ABSTRACT

This research focused on the conditions of the craft as a creative industry in the global market by looking at aspects of its competition. This study aimed at analyzing strategies that can be formulated and become recommendations for stakeholders and exporters (MSMEs) and a reference for further research related to the creative industry. The SWOT-TOWS analysis shows that Indonesia has advantages in several aspects: the development and growth of cluster industries spread in various regions with their respective characteristics due to cultural influences. Therefore, each region has its own superior craft products, and the craft products that are in demand by foreign markets are jewelry and furniture crafts made of wood. Apart from that, what is currently in demand by foreign markets is wigs craft made of synthetic materials. Furthermore, according to statistical data, Indonesia leads the market share in the global market with a total market share reaching 35.1%. This condition shows that creative industrial products from Indonesia have their place in the global market.

Keywords: Competitiveness, Indonesia, Craft, Creative, SWOT

1. INTRODUCTION

Indonesia is a country rich in culture. There are 34 provinces with distinctive characteristics. Therefore, each region has the characteristics of a creative economy, which also supports the national economy. Uniquely, Indonesia's creative economy is dominated by the level of micro-enterprises or MSMEs, where growth has increased every year [1]. The strength of the Indonesian economy in the MSME sector was proven during the economic crisis where the economic crisis had its impact on large companies. The flexibility of MSMEs makes it their strength in facing the market with their uniqueness and advantages. Relying on creativity with limited resources makes them an industry that never dies, so it is called the creative industry. Referring to the type of creative industry version of the Indonesian Creative Economy Agency, there are 16 creative industry sectors:

fine arts; performing Arts; television and radio; advertising; publishing; application and game developers; fashion; music; culinary; craft; photography; film; animation and video; product design; visual communication design; design interior; and architecture [2]. Among the 16 creative industries, the craft industry is one of the creative industries with an enormous export potential seen from its export value in the last five years after the fashion industry sector.

The role of this culture also influences the crafts that are produced, where each region has its superior craftsmanship. This potential also plays a role in the creative economy both nationally and globally. Therefore, studies related to crafts in the creative industry sector are an attraction for researchers, particularly regarding the competition in the global market. Therefore, this research focused on the creative industries in Indonesia.

1.1. The creative industry in Indonesia

Based on the data of Badan Ekonomi Kreatif Republik Indonesia (Creative Economy Agency of the Republic of Indonesia) and Badan Pusat Statistik Indonesia (The Central Bureau of Statistics of Indonesia), the export potential of Indonesia's creative industry in 2016 included fashion; craft; culinary; publishing; art; music; and films, animations, and videos, with export value in thousand US\$ respectively 10,901,481.5; 7,797,661.1; 1,260,503.6 26,166.8; 3,039.9; 14.5; and 1.2. Based on these data, it is illustrated that the seven creative industries are Indonesia's mainstay in the creative economy led by the fashion sector. This was also influenced by the development of industry 4.0, trade policies between countries (free trade and fair trade), and advantages in export countries that import countries do not have. For instance, the labor costs which are cheaper than the country of origin can reduce the cost of the cost of the product, which is correlated with the profit margin obtained, even though the labor factor being paid at 'affordable prices' is now not the main reason, along with labor welfare policies and brand awareness and quality [3].

Certain advantages in each country make the development of the export of products/services for the creative industry more dynamic and challenging. Indonesia itself is a country that is rich in culture. As explained in the previous literature, culture triggers the creative industry in a region and even a country. Because of the variety of cultures that Indonesia has, it is no wonder that creative industry clusters are born naturally as a result of 'knowledge' passed down from generation to generation in an area. Born naturally and supported by local and central government policies, creative industry clusters were 'founded' by design to maximize regional potential and drive the local economy before the macroeconomy [4]. The growth and development of clusters create their competitive advantage in each industrial area, making it unique where the approaches are different. Like the UMKM constraints in general, MSMEs rely a lot on financial support to third parties who apply higher interest than formal financial institutions. This becomes a dilemma for them; on the one hand, it must be produced; on the other hand, there is a risk of default. Apart from the dilemma of financial factors, they are also faced with consistent product standardization. Considering that foreign markets have a different segmentation from the national market, consistency in maintaining standardization, such as agreements that have been agreed upon, is absolute. Export barriers by MSMEs also color the process of international trade transactions in the creative industry, especially language barriers. Foreign language skills are one of the main points in communicating with buyers, even though some use third-party services such as interpreters or brokers, whereas suppliers do not use

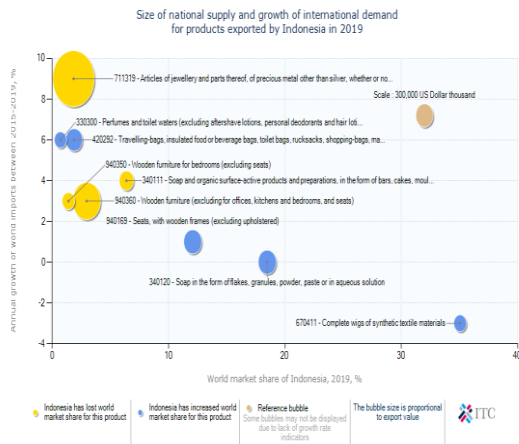
foreign language skills because third parties represent them.

2. METHODS

This study discussed Indonesia's creative industry competition in the global market. Researchers collected qualitative data [5] using descriptive research methods in data collection and analysis. This research was conducted through a literature review approach from various national and international journals, reports, news, and other secondary data. The secondary data collected was then processed with the SWOT Analysis approach. Afterward, it was then analyzed deeper with the TOWS Analysis approach to formulating a strategy for Indonesia's creative industry in facing global competition by combining internal and external factors. The purpose of this study was to analyze strategies that can be formulated and become recommendations for stakeholders and exporters (MSMEs) and a reference for further research related to the creative industry.

3. RESULTS AND DISCUSSION

Based on the literature that has been obtained, it shows that the creative industry in Indonesia is the mainstay of the national economy in the creative economy sector. The craft was one of Indonesia's mainstay creative industry sectors based on the international trade center data. Indonesian jewelry exports with HS Code 711319 had a significant export value, but in growth, it decreased significantly. The export value of articles of jewelry and parts thereof in 2019 reached 1,860,849 US \$ thousand, but the annual growth in value between 2015-2019 reached -14%. One of the reasons for the decline in export value is the import duty policy in export destination countries, such as the United Arab Emirates, which makes business people divert their exports. to Singapore, which still applies a 0% import duty policy, the export of this jewelry commodity has a market share of 1.8% of total world exports. Of all types of crafts, the Complete wigs of synthetic textile materials (HS Code 670411) industry had the highest market share, which was 35.1%, with an export value of 162,519 US \$ thousand, and is leading the world in wigs export commodities. Wooden crafts with HS Code 940360 (furniture) are still the mainstay of Indonesia's export commodity with an export value of 792,175 US \$ thousand with a market share of 3%. Then Seats, with wooden frames (excluding upholstered) (HS Code 940169), the export value in 2019 reached 328,915 US \$ thousand with a market share of 12.1%. Although export commodities such as jewelry and wood furniture have decreased, their export value remains the highest compared to other handicraft sectors. Based on Figure 1, it can be seen that several commodities that fall into the creative industry category show a significant increase.



Source: [6]

Figure 1. Size of national supply and growth of international demand for products exported by Indonesia in 2019

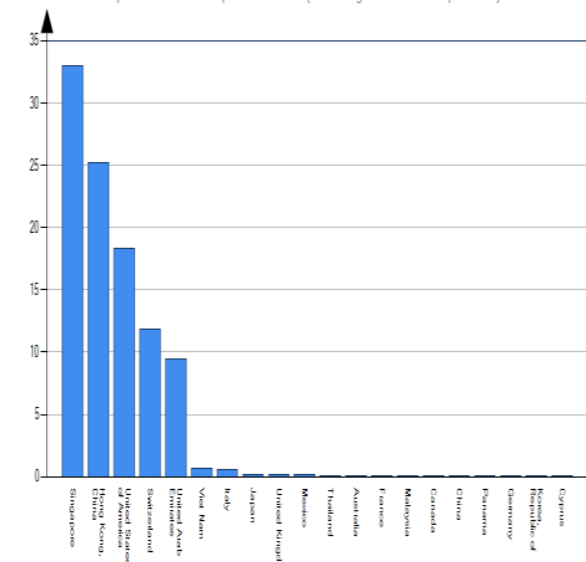
As previously explained, the jewelry industry is one of Indonesia's primary mainstays in international trade in the creative industry sector, followed by handicraft commodities made from wood or furniture. Figure 2 depicts the jewelry commodity's export destination countries from Indonesia, while Figure 3 depicts the export destination countries for the entire creative industry from Indonesia

Table 1. SWOT-TOWS Analysis

	Strenght (s)	Weakness (w)
Internal	Diverse culture (creativity, skills & innovation)	Weak financial support
External	Easily accessible sources of raw materials	Foreign language skills
	Affordable production cost	Product standardization
Opportunity (o)	Attending international trade fairs	Maximizing the capital assistance
	The government maximizes MSME ties to focus on the export market	program for exports from the government
	Selling and promoting creative industry products through e-commerce channels	Foreign language training for trade transactions and information about export markets

		An export standard made that can be applied by MSMEs in accordance with buyer's orders Highlight the advantages of the product
Threat (t)	Strategy t-s	Strategy t-w
Force Majeure Clarity of contract Global economic crisis	Adjusting the export product (adding/modifying it) according to the export destination country as an alternative	MSME entrepreneurs must be open to information and related export documents in foreign languages Using third-party services, such as trade services for export and import, in handling international trade transactions

List of importing markets for a product exported by Indonesia in 2019
Product : 711319 Articles of jewellery and parts thereof, of precious metal other than silver, whether or not plated or clad with precious metal (excluding articles > 100 years old)



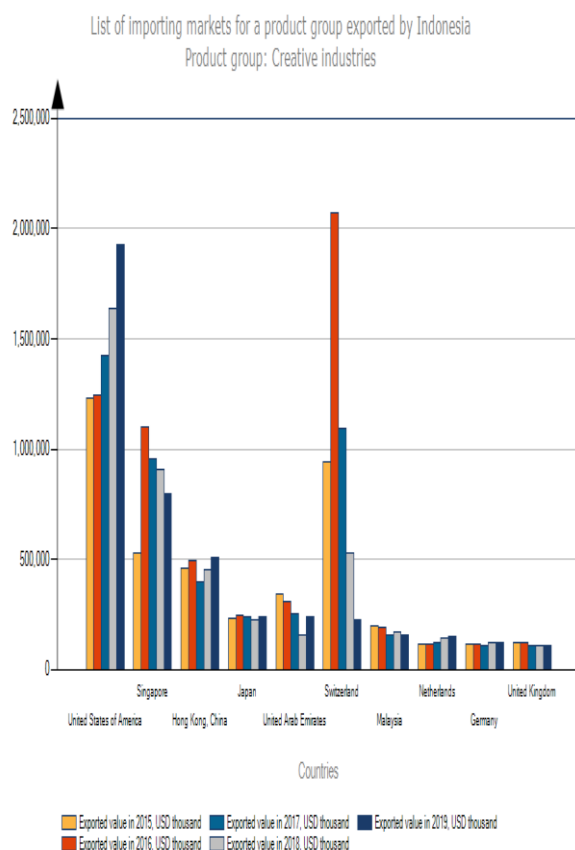
Source: [7]

Figure 2. List of importing markets for a product exported by Indonesia in 2019 HS Code 711319

The largest market for jewelry exports, as illustrated in graph 2, is Singapore, one of which is due to the import

duty policy in export destination countries such as the UAE, which applies 5%, while the Import Duty from Singapore to the UAE is 2.5%. Therefore, jewelry exports are carried out through Singapore to reduce entry costs. The highest recorded jewelry export is to Singapore [8]. The main export destinations for jewelry from Indonesia are Singapore, Hong Kong, China, the USA, Switzerland, and the UAE. Even though the export value has decreased significantly, it is still the highest among other craft commodities based on statistical data.

Figure 3 depicts the export destination countries for the entire creative industry from Indonesia



Source: [9]

Figure 3. List of importing markets for a product group exported by Indonesia, product group: creative industry

Figure 3. shows the development of exports of creative products in the last five years to Indonesia's export destination countries. It can be seen that the USA has experienced a significant increase in imports of Indonesian products, in contrast to Singapore, which experienced a pretty high increase in 2016 then decreased significantly. This condition is almost the same as the condition of exports to Switzerland. The increase in exports was relatively high in 2016, then fell quite sharply in 2017 and after that, while for other countries, the performance was almost stable every year. The fluctuation of exports in destination countries is

influenced by many factors, such as national and global economic conditions.

The SWOT-TOWS matrix above shows that Indonesia can apply many strategies in facing competition in international trade in export markets. As formulated in the TOWS analysis, what needs attention is how innovative industrial products show their advantages over similar products from competing countries, such as price, quality, raw materials, distance, etc. The participation of Indonesian products in international trade fairs can pave the way for entry into international markets. Through the Directorate General for National Export Development, the government facilitates international exhibitions for Indonesian products that have potential in the international market [10].

The weakness of competition for creative industrial products in global trade is the lack of information obtained by entrepreneurs, such as policies, supporting documents, payment methods, modes of transportation, and guarantees of goods arriving at the destination country. Differences in climate and long and long distances can affect the quality of the product shipped. This can lead to the risk of incomplete payment of the invoice that has been determined. Of course, this is returned to the original contract. Therefore, the standardization of products to destination countries must be determined by entrepreneurs to ensure that their products arrive at the quality and quantity expected by the buyer.

Maximizing the potential of a cluster-based creative industry can also be one strategy where MSMEs gather in geographical ties so that supply and demand can meet in one place. Therefore, this potential must be maximized with government policies, where the existence of a cluster-based creative industry also helps drive the local economy. The talent acquired from generation to generation helps to preserve the talent of "craftmanship" so that it will not be extinct. Several clusters of craft industry in Indonesia include the Jepara craft industry (wood carving) [11] and the silver craft industry in Kota Gede, Yogyakarta [12].

In the current era of 4.0, utilizing e-commerce channels for sales and promotion in international trade is one solution for introducing Indonesian products digitally. The ease of information must be utilized appropriately to expand the business to other countries. The involvement of creative industry MSMEs in international trade also contributes to the Indonesian Trade Balance, where Indonesia's non-oil and gas exports are supported by the creative economy or the creative industry.

4. CONCLUSIONS

As discussed earlier, Indonesia's creative industry in the craft sector is a mainstay of Indonesia's exports in the creative economy. The main destination countries are the United States, Singapore, Hong Kong, China, Japan, the United Arab Emirates, and Switzerland. Export growth is significant in the United States, while other countries have seen a significant decline and increase. This illustrates that the United States market remains Indonesia's main mainstay for exporting Creative Industry products. Tight competition in the global market is one of the opportunities for Indonesia, where costs are more affordable than competing countries due to more affordable sources of raw materials and human resources (artisans). The SWOT-TOWS analysis shows that Indonesia has advantages in several aspects: the development and growth of cluster industries that are spread in various regions with their respective characteristics due to cultural influences. Therefore, each region has its own superior craft products, and the craft products that are in demand by foreign markets are jewelry and furniture crafts made of wood. Apart from that, what is currently in demand by foreign markets is wigs craft made of synthetic materials.

Furthermore, according to statistical data, Indonesia leads the market share in the global market with a total market share reaching 35.1%. This condition shows that creative industrial products from Indonesia have their place in the global market. Therefore, maximizing the potential of both independent MSMEs and cluster-based MSMEs to look at foreign markets can be an opening for them to be ready to compete in the global market. By highlighting product advantages compared to other competitor products, it can provide comparisons for buyers to choose creative industrial products from Indonesia. The advantages of these products can be in the form of price, product quality according to specifications, raw materials, distance, and others.

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