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Lesson Learned from Indonesian Biggest Fashion Retailer Company to Encourage the Development of Small Fashion Business

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Abstract

Indonesian retail industries for fashion sector continue growing vigorously due to raise of income per capita and rise of middle-class people. PT Mitra Adiperkasa Tbk (MAP) is the leader of fashion retailer in Indonesia. The company's stock had ever categorized as a blue chip stock in February 2013 - January 2014 indicates its satisfactory performances. The company successfully brought many top fashion brands from other countries such as Zara and takes the Indonesian market well. In 2014, the stock is no longer pinned as a blue chip even some securities dwindled 24% of the stock price and the profit growth reach the negative area. The issues above trigger a curiosity about the company performance and value. How is the actual financial performance of MAP compare with other local and global companies? What innovative idea does each brand of MAP have to captivate Indonesian market? How small fashion businesses in Indonesia should develop themselves to be the fashion leader brand in the home country? To assess the financial performance, ratio analysis is going to be used. PT Mitra Adiperkasa financial performance will be compared with PT Matahari Department Store, PT Ramayana Lestari Sentosa, FJ Benjamin Sdn Bhd (Malaysia), Royal Sporting House Ltd (Singapore), and Giordano International Ltd (Hong Kong). The valuation will use 2 methods; DCF and market approach. The valuation using DCF method confirms that MAP's shares will grow 46% in 2029. This financial analysis is an encouragement either for the entrepreneurs to start fashion business or small businesses to continue developing since in the future fashion business is always tempting for investors and customers. Small fashion business should implement effective and efficient supply chain to create fast retailing and become the fashion business leader in the home country.

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1. Introduction

The fashion industry is indeed a dynamic business, characterized by demand uncertainty resulting from the high variation in styles and consumer tastes, makes it impossible to forecast demand accurately. Retail is an activity of selling small quantity of goods and services to the end-users. In 2012, this sector contributed 1.44% increase of GDP Indonesia. Several factors such as an increase in purchasing power of Indonesian consumers especially on special occasions like Aid Mubarak, Christmas, Chinese New Year, etc ; high population growth ; rising income per capita; and a rise of middle-up class people in Indonesia support the Indonesian retail growth. Retail sector itself is divided into several retail areas including food & drink, fashion, household goods and other subsectors.

Fashion is always an interesting topic to be discussed since it is one of human primary needs. Everyone wears clothes and footwear everyday in every activity, encourages people to have more than one cloth and footwear. Moreover, rapid changes in fashion season impulse people to not stop buying fashion items. In addition, fashion determines someone from social class unto their characteristic. That is why fashion retail sector will always expand greater and be more attractive to be contemplated.

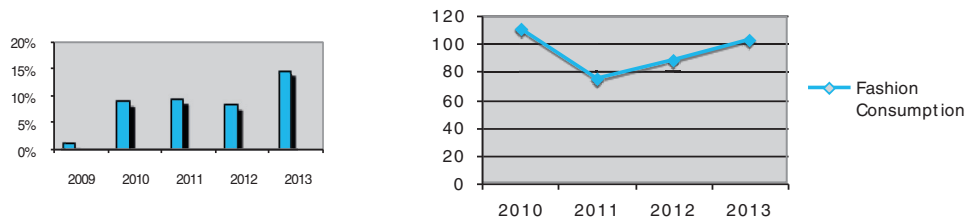


Fig. 1. (a) Indonesian Retail Growth; (b) Indonesia Fashion Consumption Index

PT Mitra Adiperkasa Tbk (MAP) is the biggest fashion retailer company in Indonesia. It was established in 1995 and listed in Indonesian Stock Exchange in 2004. The key business of this company is bring the top fashion brand and department stores from other countries to Indonesia such as Zara, Topshop, Sogo Department Store. Currently it has more than 1700 stores in 57 cities in Indonesia and employs 18,000 employees. The vision of the company is to strengthen our position as number 1 retailer & distributor in Indonesia (online and offline). The mission is to bring health, happiness and a more fulfilling lifestyle to our valued customers through our portfolio of world-class brands and delightful shopping experience.

MAP has performed significant business growth in Indonesia proved by many awards achieved. One of them is Indonesia's Most Admired Companies (TOP 20) by Fortune in 2012. In February 2013- January 2014, the MAP stock is categorized as a blue chip (LQ45). It indicates MAP had great performance compare to other listed company. The unstable exchange rate is the biggest challenge of MAP to keep the price affordable and also profitable for the company. MAP's strategies in 2008 effectively encountered the global economic crisis in 2008, which affect Indonesian rupiah exchange rate.

This research is intended to give a lesson learned from MAP for small fashion businesses to survive and develop significantly so finally able to dominate either national or international market. Several analyses are undertaken to support the strategy and innovation advises. The analyses are performance analysis and company valuation using asset based approach, market approach and discounted free cash flow approach.

2. Literature

Understanding the fashion industry and exactly your label will sit is fundamental (Meadows, 2012) to make your product and business precise. Some research should be done to help understanding your potential product at current

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