

# [Instability of fashion industry in indonesia](https://assignbuster.com/instability-of-fashion-industry-in-indonesia/)

Fashion is a promising industry in Indonesia. Textile, Garment and shoes industry have been developing since the 1970s in Indonesia and have become the most significant contribution the country’s economic growth. According to the report made by Indonesian Textile Association (API) textile industry in Indonesia valued about US$ 15 billion with more than 2500 textile, garments and shoes manufacturers located in Java alone.

Numbers of new fashion designers emerging and established designers gain reputation in both domestic and some international market. With most manufacturers concentrated in the islands of Java and Bali, the two cities; Bali and Jakarta become the forefront of the fashion trend in Indonesia. Rebecca Payack, the Manhattan fashion correspondent from Global Language Monitor mentioned that the economic situation adjusted the global fashion industry. From 2009 to 2010, the fashion industry remains in flux with the decline of some leading players and the significant raises of the new emerging cities such as Bali which has mentioned as one of the fashion city in Asia, ranked 32nd in the fashion capitals annual list from Global Language Monitor.

Nevertheless, there are some problems delaying the development of the fashion industry in the country which will be discussed further in the paper. This paper will discuss the problems arise in the industry, the cause and effect of the problems towards the country’s economic situation and more focus on the domestic fashion industry. By overlooking the problems, the research will continue on the work ethic and domestic customers’ behavior in order to determine the prospect of improvement of the country to develop a fashion city.

## 1. 1 Indonesian Fashion Capitals

Compare to other Asian’s fashion capital such as Japan, Hong Kong, Korea and China which has been known worldwide; Indonesia’s fashion industry is less influential to be consider as fashion city of the world. In 2000s, Indonesia fashion has greatly improved, proven by the success of fashion week events in Jakarta, Bali and followed by other festivals of fashion and culture.

Jakarta is the capital city of Indonesia becomes the center of economic, political, and culture of Indonesia. The various ethnic groups in the city impact its culture to have distinct and vibrant lifestyle. Several art and culture exhibitions held in the city including Jakarta Fashion Week which founded in 2007 by Femina Group (leading magazine publisher). The events include fashion shows, exhibition, and fashion design competition. It has been one major events where designers across the country showcasing their creations to attract domestic and international clients.

Differ from Jakarta; Bali is the tourism city of Indonesia, well-known for its rich culture and preserved tradition. The flood of tourists influences it to have an attractive variety mixture of culture and tradition, impacts the creative movement in the city and attracts artists from both domestic and international markets. It geographic location also differ the style of fashion to be more ready-to-wear compare to Jakarta. Mostly known for the swimwear, it ranked 5th after Miami, Rio de Janeiro, Barcelona and Sidney. Bali Fashion Week has attracted tourists and buyers from all over the world;

Both cities has one similar features which determine the characteristic of fashion in Indonesia; A solid traditional culture which heavily influence the development of art including fashion scene in Indonesia, many visual artists and fashion designers taking ethnic elements as their inspirations and incorporate it into their creations.

## Problems in the Industry

To begin the research, the industry divided into three categories; Manufacturers and Small-Medium Enterprises (SME) and Designers. All categories are influence each other and responsible for the growth of the country’s fashion industry.

## 2. 1 Manufacturing

Indonesia’s manufacturers are mostly produce for export. Foreign investments are the main economic driver in the industry dominates by foreign investors from Japan and South Korea and exporting to countries such as US and EU.

Competition from other countries

Fierce competition from other countries such as China, India, Bangladesh, Turkey, Mexico, Vietnam and Thailand which have been developing and investing it the global market, investors move to these countries for better investment environment, lower wages and higher production capacity, especially China and India which are the most massive exporter to US, according to WTO report, China’s garment export to US is rising at least 15% in the recent 5 years.

Technology

Machinery and technology impact the production capability of a manufacturer. According to report by fibre2fashion, as many as 50% of manufacturers in Indonesia still use ageing machineries – causing problems for short productivity, efficiency and products quality.

Investment Opportunity

After the economic crisis, many manufacturers suffer great loss due to the withdrawal of foreign investors. Lack of legal certainty, corruption, inefficient bureaucracy, labor laws and tax problems are some of the troubles that keep investors away.

Cost of Production

Accounted 80% of materials used are imported because of the lack of materials produced locally. 90% of cotton needed in garment and textile manufacturer is exports from USA and Australia while synthetic leather and embellishment exports from China. Supply of high quality materials unable to meet local demand; Indonesia’s footwear manufacturers had to import $61. 2 million of leather and almost 15 to 20% supported materials.

Demand of skilled workers pushed salary rate up affect rising labor costs – smaller companies unable to achieve high skilled workers limit their production as home-based manufacturers

## 2. 2 Small-Medium Enterprises

SME is an important industry in Indonesia for its potential employment opportunities and its ability to fulfill low-income domestic market. It contribute 90% of the total GDP of the country, even during the economic crisis in 1997/1998, SME has proven to be reliant to the economic situation because of its flexibility to adjust the production process and less dependent on imports. Compare to large scale manufacturers, SME has more limitation but it able to channeling the creativity of the people which also open great opportunities to import their products

Quality of domestic products

Domestic manufacturers especially SME are rarely can compete with foreign-funded manufacturers since its mostly handmade production, the quality of these products are incomparable since most of best products are for export. For example, shoes industry dominate by sport shoes since it is what the exporters demand. This is one of the key reasons why the fashion industry is being monopolized by foreign brands.

Low Labor Production

Many of the SME are still base on home-industry with traditional management using manual production process. SMEs in Indonesia usually a very small in size, started from home with less than 50 labors consist of family members or hourly workers. Mostly produce inferior consumer goods with no specialization or subcontracting with large manufacturers

Financial

Lack of financial support limits them to have adequate knowledge and capability to serve large market demand. Limit the access for SME to have formal training and adequate skills especially in management and marketing. They depend on their own saving or informal financial resources, local network, subcontracting with large manufacturers or order from customers

Government Support

Excessive bureaucracy and poor infrastructure cause trouble for small industry, it cause many obstacles and cost a lot of money for starting or operating business due to improper credit allocation particularly in rural areas – poor transportation system, facilities and communication affect the working promises and efficiency of the cluster area to work together supporting each other

## 2. 3 Designer

Many Indonesian fashion designers started their business in 1980s however; the fashion scene was not “ alive” until around 2000s. The first fashion designer association, Ikatan Perancang Busana Madya Indonesia (IPBMI) established in 1980s as a small organization to manage the established fashion designers and only consist of few designers. The association later divided into two associations; Asosiasi Perancang Pengusaha Mode Indonesia (APPMI) and Ikatan Perancang Mode Indonesia which is still exist today. It is less organize and instable compare to the predecessor of fashion association like French Fashion Federation, The National Chamber for Italian Fashion or British Fashion Council which has been established earlier and has been managed properly

Financial Troubles for fashion designers

As one of SME, fashion designers mostly started as a tailor or seamstress by receive made to order, making couture pieces and greatly depend on customers to run their business. Lack of financial support put designers in trouble to gain market because of the lack of promotion and branding. One of crucial moment for fashion designer is fashion show; Indonesian fashion designers especially the new designers are not able to finance their independent fashion show, they depend on fashion weeks and other fashion events which affect their branding.

There are only few big designer names who able to have independent show, which still not in regular schedule.

Less Media Support

Except fashion weeks, there are no major media publications for designers impact the brand awareness from the market. Local resources such as traditional fabric was not being explored until around 2005, the fashion industry was totally influence by foreign chain brands like Zara, Mango, etc

Lack of designer’s identity

Like many other developing fashion capitals, Indonesian designers are greatly influence by western fashion nonetheless, they are lack self identification between each other. Many less famous designers are trailing behind the famous one and having same styles. The most common style is couture dresses (both western style and traditional Kebaya).

A significant example is Batik, starting 2008 when Batik was trending many Indonesian designers and fashion brands are compete to have Batik fashion line. This becomes a one moment trend since it become available to niche to low market in short cycle, affecting the exclusivity of the designer’s brands.

Consumers Mentality

Consumers are not convinced by the local made products, they prefer to have foreign brands due to pride, and lack of brand awareness. The sources of designer’s brand are niche market that only counted less than 10% of the country’s population while the most of the population are in medium-low income who unable and/or unaware to have designer’s brands.

Domestic fashion industry vs local market trend

Tradition is still a great influence on design; contradict the creativity and the consumers’ demand. Despite the government effort to promote the ethnic elements, there are growths of niche market population dominated by younger generation from age 16 to 35 that are unlikely to wear traditional clothes. Numbers of fashion designers create an upgrade version of fashion using traditional fabrics but designers with similar fashion line are piling up and numbers of consumers trend are decreasing, supported with the advance technology such as internet which help them to be more aware of the fast paced changes in international fashion trend.