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SUSTAINABILITY STUDIES
in the industry 4.0
and society 5.0 era.

Proceedings of
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DIGITALIZATION OF STRATEGIC PRICING OF FASHION PRODUCT TO INCREASE COMPETITIVENESS

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ABSTRACT

This research is an applied research on the application of strategic pricing models for fashion products, especially those managed by Small and Medium Enterprises (SMEs). The results of previous studies concluded, according to the SMEs the fashion sector, strategic pricing model helps and makes it easier for them in setting the selling price, helping to care about competition and considering it in determining the selling price of their products. This research was conducted to find a simple software design that can be used to help SME owners in setting price based on the strategic price. The design of a computer program consists of 5 steps. The first set determines the selling price based on the base price. The second step is analyzing the product position in the product lifecycle. The third step is to determine the amount of margin for each stage. The fourth step is to find information on the prices of similar products in online stores. The fifth step, based on the predetermined selling price, consideration of margins and prices from competitors, then the strategic selling price is determined. The software design will be tested and continued to be improved. The improved software design is called MERSYPRICE or "Merdeka Easy Pricing".

Keywords : pricing models, creative industry , SMEs

INTRODUCTION.

The creative economy industry in Indonesia has experienced exponential growth in the last three years. Based on national scale data, the creative industry sector has absorbed 15.9 million workers and contributed 7.3 percent to Indonesian Gross Domestic Product (GDP). On a global scale, the economic value of creative industry surpasses even the petroleum industry.

The scope of creative industry includes: clothing design, footwear, fashion accessories, clothing production and accessories, fashion product line consultation and fashion product distribution (Indonesian Ministry of Trade, 2008). To respond to the wider scope of the creative sector globally, the Indonesian government issued a regulation governing 16 creative economic sectors, namely: game, architecture, interior design, visual communication design, product design, fashion, film, animation and video, photography, craft, culinary, music, publishing, advertising, performing arts, fine arts, and also television and radio (Government Regulation, 2015). One of the main sectors is the fashion sector, with Small and Medium Enterprises (SMEs) as the most influencing actors.

In order to improve competitiveness, many solutions have been taken. Those were generally related to: promotion, brand development, mentoring or coaching through cluster approach (Muslikah, 2014), management coaching to gain easy access to banks, quality improvement, and improvement of design motives (Central Bank Malang, 2013, 2014). In addition, on a macro scale, action plans have also been activated by the government, including facilitations for SMEs to acquire Intellectual Property Rights. However, these solutions still need to be

supported by other alternatives. Considered very important is the strategic pricing model as one of the offered alternatives.

In tight competition, the determination of the selling price should consider the determinants of competition, including the competitor's product selling price, product life cycle, and cost life cycle (Blocher et al., 2010: 545-564). Strategic Pricing Model based on Product Life and Cost Cycle is considered more appropriate to be used in this particular kind of business environment. This study aims to produce a software design or computer program application that can be used to assist SME owners in setting prices based on a strategic pricing model.

The Design of Computer Program.

This software or computer program application can be used to assist SME owners in setting prices based on strategic selling prices. The computer program design consists of 5 steps. The first step is to determine the selling price based on the cost. This software or computer program application can be used to assist SME owners in setting prices based on strategic selling prices. The computer program design consists of 5 stages. The first stage is to determine the selling price based on the cost of the product. The cost of the product considers two factors, namely cost lifecycle and product cycle. Cost lifecycle is a series of activities in an organization that starts from research and development, design, production, marketing / distribution and consumer service activities, as shown in Figure 1 below:

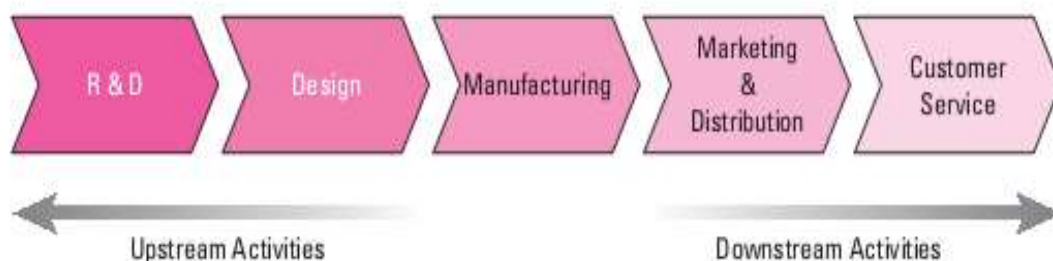


Figure 1

The second step is analyzing the product's position in the product lifecycle as shown in the following figure:

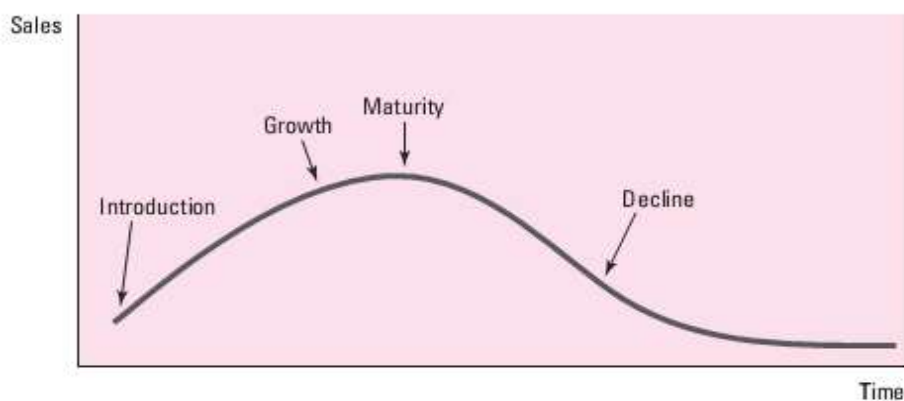


Figure 2

The third step is to determine the margin in accordance with the consideration or decision of the SME owner in accordance with its position in the product lifecycle. In determining margins, the owner or manager of the SME estimates at which position the product is being priced. At the introduction stage, margin can be set higher, as well as at the growth stage. Furthermore, in the step maturity and decline, the margin can be set lower. The fourth step is to find information on the prices of similar products in online stores. Then the program will be directly connected to two online stores; Tokopedia and Bukalapak. The owner can choose products in online stores based on certain considerations, for example: the most expensive price, the cheapest, and the medium or the middle between the most expensive and cheapest. In the fifth step, the program will then provide information about recommended selling prices. The price information is a strategic selling price, namely the price set by the owner based on the cost of the product and also consideration of the competitor's selling price.

The Flowchart software application is presented in the following figure:

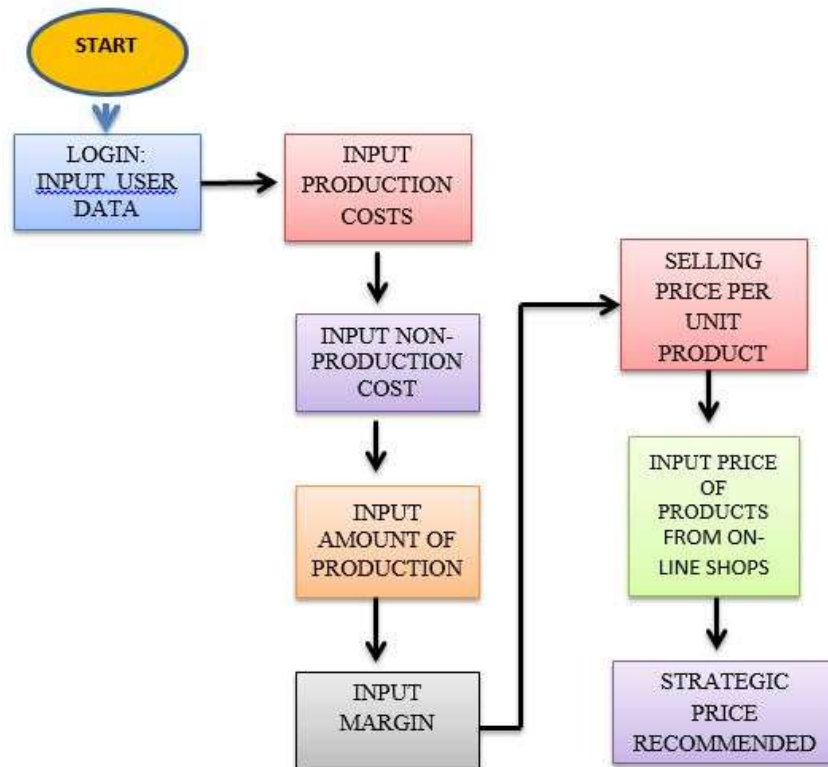


Figure 3
The Flowchart Software Application
Guidelines of Software Usage

Mersyprice application is a website based application. To use this application the user must access it via a browser, using the Firefox browser or Google Chrome. In order that the application can run properly it is recommended to use the latest browser. The first step in

using the program is to open the browser and enter the url address, the display will appear as follows:

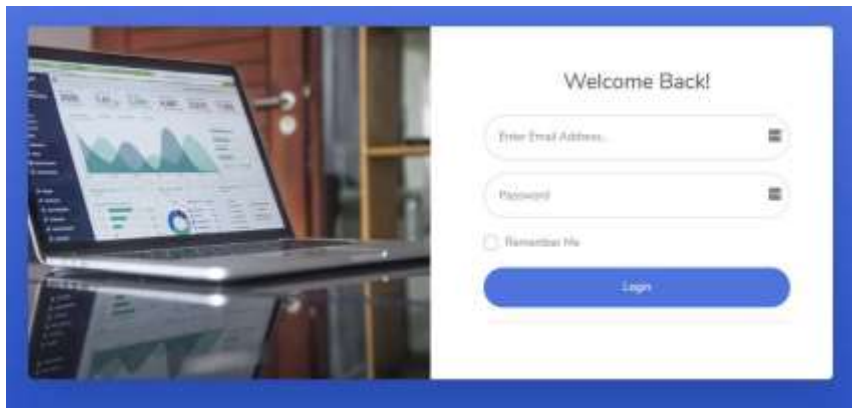


Figure 4

Next is to fill in your username and password in the fields provided. After completing the username and password then proceed by clicking the Login button. The data entered in this step are the username, password, company name and other data. The next step is to enter data on the cost of production, both production and non-production costs. The screen that appears as in the following figure:

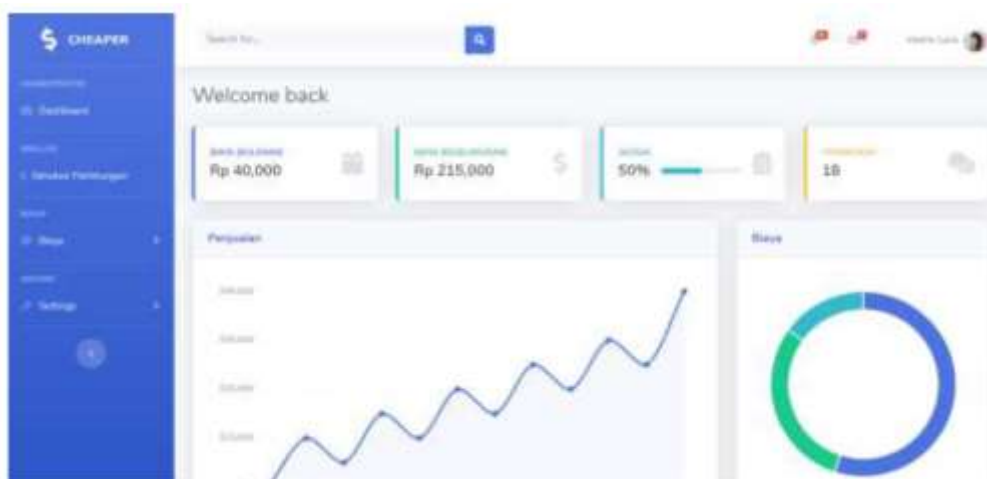


Figure 5

After the data is entered, the display on the screen appears in the following figure:

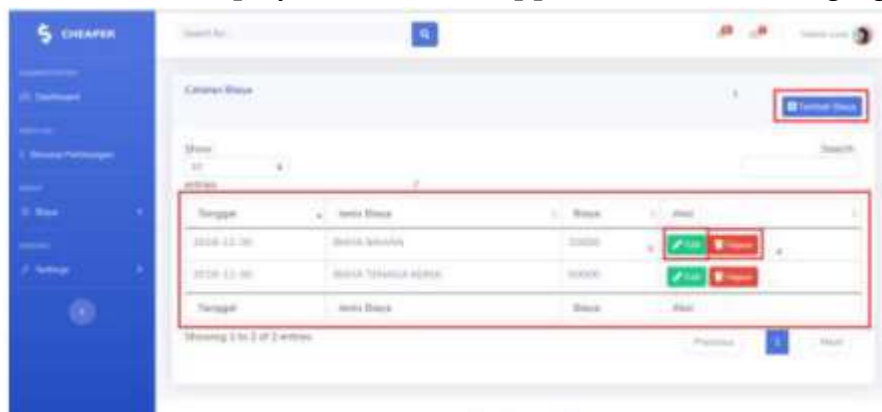


Figure 6

On this page there are 4 facilities that can be used, namely:

1. Adding monthly data costs
2. Table or List of Monthly Cost Data
3. Edit Monthly Cost
4. Remove Monthly Cost.

The results of the above processes are obtained data about the selling price of products per unit based on the product cost data, with the screen display as follows:



Figure 7

The next step is to find the price of similar products in the online shop. The following screen displays an example of a shoe product for children. If the product is deemed to have been selected, then click "price" on that product.

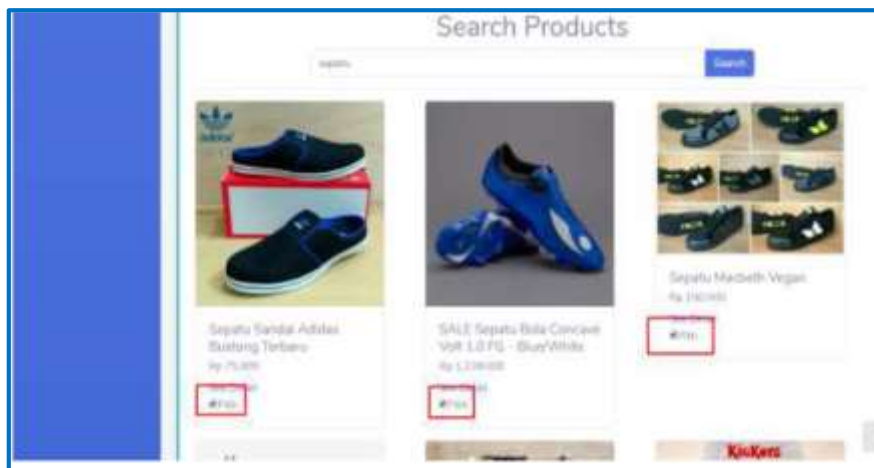


Figure 7

After checking the selected product it will automatically appears the recommended price. Finally, we obtain the strategic price recommended by the system. The display on the screen is as follows:

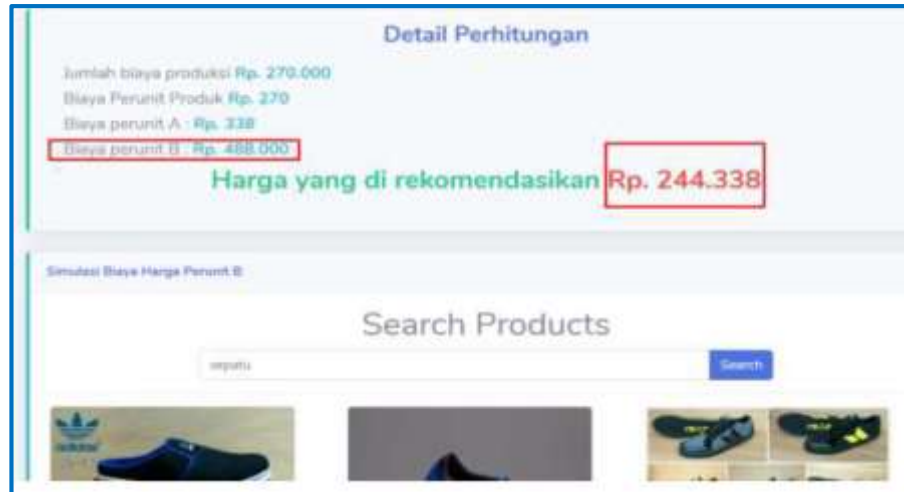


Figure 8

Thus, based on the above process, a price of Rp. 244,338 is assumed as competitive prices. This means that if the price is actually applied, then the price does not differ significantly from the prices of similar products in online stores so that SME products can still compete and be profitable. One aspect that must be considered in using this model is the amount of margin determined must be adjusted to the product's position in the product lifecycle. As an illustration of the determination of the margin is: if a new product is launched or introduced, that means, in the product lifecycle the product is in the introduction position. At this stage, if the owner sure that there are no similar products on the market, which also means that there are no competitors, then the margin can be determined high, for example 35%. When the product position shifts to growth, margins can be set higher, for example 45%. But if the product is already in a position of maturity, usually there are many competing products. In such conditions, the margin starts to be reduced, for example 25%, and if it has been in a position of decline, it means that it has begun to be abandoned by consumers. In this position, the margin should be even lower, for example 12%.

CONCLUSION

The strategic pricing model is considered as a model that helps SME owners in making decisions, especially selling price decisions. This model is also applicable and is suitable for SMEs who are generally unfamiliar with accounting. This model also accommodates the owner's subjectivity, especially in determining the amount of margins. This factor is very important because often it actually determines or dominates in deciding the selling price, especially business actors who are very experienced and understand the market well. However, for business owners who are just entering business or still inexperienced, this model is also very useful in guiding the determination of selling prices, one of the most difficult but important decisions in business management.

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