

# Innovation through Design Strategy: Case Study of SMEs in Bandung

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**Abstract** The rise of business in the city of Bandung has caused the intensity of competition to be very high. Small-scale businesses are very difficult to survive especially facing companies that have larger economies of scale. Innovation can be one way for SMEs to compete. Previous research stated that implementing a design strategy can trigger opportunities to create innovation in the company. This study examines how design is used by Soca companies to produce innovation as a strategy to survive in competition. Soca is an SME in Bandung that produces glasses with wood materials. As a startup, Soca is considered successful in penetrating the market amid intense competition. This study uses a qualitative method with a descriptive case study approach. Primary data is obtained through document review, in-depth interviews and observations. The results of this study are expected to be a reference for how design strategies are used by SMEs to generate innovation

**Keywords** Innovations, SMEs, Design Strategy

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## 1. Introduction

One of the cities in Indonesia that experiences a very high level of development is Bandung. According to BPS (2017) data, the rate of economic growth in Bandung reached 8%. This figure is relatively high when compared to the growth rate of the West Java province, national to international. This high economic growth is an attraction for investors or entrepreneurs to do business in the city of Bandung. The increasing number of businesses caused the intensity of competition in the Bandung area to be high. This condition has made it difficult for small and medium enterprises (SMEs) to develop their businesses. One way for SMEs to compete is to innovate and be creative in their business activities.

One of the SMEs in Bandung is Soca Sundanesia. The products offered are fashion sunglasses made of wood material. Because of its limitations, until now Soca Sundanesia only sells its products online through Instagram. Although it has been established since 2017, the business development of Soca Sundanesia has not experienced significant growth. The high competition with other eyewear manufacturers has

caused Soca Sundanesia to be unable to expand its market share. Entering mid-2019, company management feels that they need a new strategy in order to survive in competition. Previous studies have mentioned the link between innovation and SME performance. According to Soderling [1], innovation in SMEs is related to how their businesses reach business opportunities through product development, market expansion, and organizational growth. Innovation is also related to adding value received by customers. The conclusion is that innovation can be a mechanism for companies to adjust to the changing dynamic business environment.

One of the elements needed to produce an innovation and integrated in business processes is through design. Design becomes very important for small and medium enterprises because it can improve communication and product development, and can be a source of support for innovation [2]. The same opinion was expressed by Lockwood et [3] who stated that design has more potential to direct business change, strengthen innovation, create customer experience, and add value. According to [3], design creates value through innovation, improving functions, visual differentiation, strengthening brands and giving positive energy to

customer experience, therefore design plays an important role in an organization.

The purpose of this study was to see how the design strategy formulation process triggered innovation in Soca Sundanesia. Design can play a role in increasing brand strength, and creating innovation in products and business processes. The author hopes that the results of this study can be an example of how design can play a greater role in business processes at various levels of management, not just judging from mere aesthetic aspects.

## 2. Theoretical Framework

**Table 1.** Design Strategy Process [5]

Phases	Issues to analyze	Tools
<b>Strategy formulation</b> Competitive analysis External	Industry attractiveness Opportunities & threats	PEST analysis Porter 5 forces model Strategic group Segmentation Matrix attractiveness/assets
Competitive analysis Internal	Strategic capacity Key success factors Strengths & weaknesses	Value chain Benchmarking Portfolio analysis
Organizational objectives	Synthesis	SWOT analysis
	Corporate governance Stakeholders expectations Business ethics Culture	Matrix power/interest Identity focalization
	Mission vision	Design management Strategic audit
<b>Strategy selection</b>	Balance between governance objectives and SWOT analysis	Porter generic strategies - Volume/price - Differentiation
<b>Strategy implementation</b>	Strategy development routes	Vertical integration Diversification Internationalization

Design strategy is an integrated planning process that combines business and design aspects that aim to solve business problems so that they can produce the right design solutions. According to [4], a design strategy is a scientific discipline that helps business entities determine what needs to be done and made, why and how to innovate as part of a long-term business decision. Design linkages at the strategic level were also stated by [5], "design contributions in the strategy formulation process by ensuring design involvement in the formation of corporate culture, finding design opportunities for innovation and applying corporate identity through design". According to Best [4], design strategies determine

how an organization decides to use design and how the design process is used for operational needs.

## 3. Research Method

The method of data collection is carried out in 3 stages, namely: observation, interview, and literature study. Observation method is done by observing something, someone, environment and situation clearly which is followed by recording in several ways [6]. This observation process is carried out on all visual outputs used by the company. The next step is interviewing the founder and customers of Soca Sundanesia to get an understanding of the mindset, concepts, experiences and opinions. Interviews are conducted directly by conducting face-to-face meetings [7]). The last stage is a literature study, conducted to strengthen the desired perspective and place it in context [7]. The study literature used related to the design strategy framework as the focus of the study in this study.

## 4. Discussion

### 4.1 Company Profile



**Figure 1.** Soca Sundanesia Logo

Soca Sundanesia is a small business that sells a wide variety of sunglasses made of sonokeling and ebony wood. The name Soca which means "eye" in Sundanese is chosen as a characteristic of Soca products born in Sundanese land. Until now, sales of Soca Sundanesia are done online through Instagram social media. The online sales method facilitates small businesses from the aspect of financing and market reach. However, this business process does not provide a customer experience. In the business model for eye-wear products, the experience of trying glasses is important. Glasses are considered to be supporting the appearance, so that the suitability of the face shape and design of the glasses becomes important. Previous research states that customer experience is one of the determinants in making purchasing decisions

Nowadays wooden sunglasses have become the latest fashion because they are considered to have their own uniqueness and aesthetics. This trend is the reason for the many

companies that sell fashion glasses, including: Tesmak, Kayamata, Kallestory, etc. Not to mention previous large-scale companies such as Optic Seis. Lily Kasoem, Owl, Bridge, etc. who have the same segment. This condition requires Soca Sundanesia to innovate as a way to survive in the competition

#### 4.2 Design Strategy Formulation Process

The process of formulating a design strategy begins with conducting an environmental analysis for Sundanesia which includes internal analysis, external analysis and organizational goals.

##### a. Internal Analysis

The analysis was carried out related to the company's functionalities including marketing, finance, operations, and HR. At this stage the company found strengths and weaknesses related to the overall business process

##### b. External Analysis

The first external analysis includes an understanding of the political and legal, economic, social and technological aspects that affect company performance. Then proceed with understanding how the competitive climate in the industry is related to the company. The analytical methods used are PEST and Porter Analysis. The findings at this stage are the design opportunities and threats faced by Soca Sundanesia

##### c. Company Purpose

At this stage, the results of internal and external analysis are analyzed through SWOT analysis (Table 2.2).

The results of SWOT analysis are a reference for design strategies that can be done by understanding the company's strengths, weaknesses, opportunities and threats. Design acts as a framework of thinking, how to understand consumers as a whole and produce innovative solutions to existing problems.

**Table 2.** SWOT Analysis

Strength	Weakness
<ul style="list-style-type: none"> <li>Flexibility as a small company</li> <li>Own production</li> <li>Value Product</li> <li>Differentiation in visual identity and product concepts</li> </ul>	<ul style="list-style-type: none"> <li>Limited working capital</li> <li>distribution channels only use social media</li> <li>Low brand awareness</li> <li>No strong visual identity system</li> <li>Communication media is not integrated</li> <li>No customer experience</li> </ul>
Opportunity	Threat
<ul style="list-style-type: none"> <li>Fashion trends</li> <li>Awareness of local products</li> <li>Shifting consumer behavior towards digital media</li> <li>Environmental and social concerns</li> </ul>	<ul style="list-style-type: none"> <li>High competition in the industry</li> <li>A fast change in fashion trends</li> <li>Material scarcity</li> </ul>

#### 4.3 Strategy Selection

##### A. Business Strategy - Focus (Porter Generic Strategy)

Soca Sundanesia remains focused as a producer of wood eye glass in the youth segment to young adults who have a fashion-oriented lifestyle.

Soca Sundanesia strengthens the image of being a fashionable brand while having environmental and social concerns.

##### B. Design Strategy – Innovation in Business Process

The previous sales process carried out through online media overrides the customer's experience in trying directly the glasses offered. Related to this, Soca Sundanesia is innovating in the form of website design with a "virtual product display" feature. In this feature the customer experience in "trying" the product delivered. Users only need to upload their photos and the results can be linked to each product offered.



**Figure 2.** Website & media informing Soca Sundanesia

##### C. Design Strategy - Innovation in Brand Communication *Soca Sundanesia as fashion statement*

Soca Sundanesia educate its consumers that Soca Sundanesia glasses are part of fashion, not just a media solution. This is attributed to Soca Sundanesia products that fit various types of fashion styles. This approach is expected to trigger repeated purchases of products offered.



Figure 3. Media Informing of Soca Sundanesia

### *Soca Sundanesia as Environmentally friendly product*

Soca Sundanesia has been build community perceptions as a brand that cares about the environment issue. The public's positive perception of brand value is the basis of Soca Sundanesia to raise the selling price of its products.



Figure 4. Soca Sundanesia Logo

### *Integrated communication media*

Soca Sundanesia needs to integrate all communication media that are implemented, both in terms of media relations, visual identity systems to the messages delivered. One solution that can be done is to apply a barcode that is connected to online media for every offline media that is applied



Figure 5. Barcode in Media

## 5. Conclusion

The process of design strategy has been proven to produce design output that is holistically integrated in business processes. When given a role more than just aesthetic functions, design can contribute more to business processes. Design science has a different approach in understanding customers, so innovation or design output such as the resulting logo can produce higher value. This is in line with what was stated [8], in designing a company's visual identity, it is necessary to understand the target audience of the brand. Thus, logos are easier to remember in the minds of consumers because of their association with audience and emotional involvement. Design recommendations on Soca Sundanesia produce design innovations that understand the customer's needs and communication strategies that strengthen the company's brand image

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