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## **Value Co-creation Canvas for Hijab Fashion Industry in Indonesia**

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**Abstract:** Indonesia is targetted to be the qibla of moeslem fashion of the world in 2020. Consequently, the sustainability of this industry become important. Therefore, all of the stakeholders of the hijab fashion ecosystem need to collaborate in order to realize those goals. It is also important to balance the tangible and intangible aspects of the industry to achieve sustainability. Moreover, business process of hijab fashion industry should be developed to describe the important stakeholders and their relationship in the industry. Related to this phenomenon, this study aims to support the traditional business model canvas by providing service-dominant logic insight into business process as the improvement. Data is collected by using qualitative approach such as in-depth interview, observation etc. This business model shows the relationship between resource integration, value co-creation, value proposition of the company, and also the financial aspect of the business.

**Key words:** *Value co-creation canvas, Business model canvas, Hijab Fashion Industry, Service-dominant logic*

### **Introduction**

Indonesia has the biggest moeslem population around the world. Around 85,2% from the total population of Indonesia is moeslem (<http://www.kemenperin.go.id/>) . One of related business with moeslem and fashion is hijab business. According to the CEO of Shafco Enterprises (one of big hijab company in Indonesia), hijab defined as woman dress which covers the body from her hair until her foot. Around 70% of the moeslem fashion business was dominated by hijab. The huge number of moeslem population brings huge opportunity for this business. Therefore, Indonesia is targetted to be the qibla of moeslem fashion of the world in 2020. In contrast, the market share of hijab in Indonesia is only around 20 millions people or around 10% from moeslem population. In the other words, hijab fashion industry fails to optimize market penetration (<http://www.kemenperin.go.id/>).

To realize the target of Indonesia in 2020, the sustainability of hijab fashion industry becomes important. Industry need to connect the effect of existing company with the sustainable development targets. It can be described into business model concept. The business model concept also involve a broader domain including all stakeholders and the natural ecosystem. The traditional of business model that was introduced by Ostewarlder & Pigneur (2009) containing a set of objects, resources, and financial stream which are mostly tangible aspects of company. It's showing the business rationale of specific company to produce, supply, and gain profit. However, to achieve sustainability, the balancing between

tangible and intangible aspects of company is needed. According to Hu et al (2015), intangible aspect such as knowledge, skill, and competency has been recognized as the basic capital of competitive advantage and strategy formation.

Related to the service-dominant logic perspective, both tangible and intangible aspects can be collected from internal and external stakeholders of company. Rather than focus on the internal aspects of producer, external aspects such as customers, government, community etc become important to be involved in the process of creating value. (Lusch & Vargo (2014); Ramaswamy & Ozcan (2014)). Therefore, this study aims to improve the business process of hijab fashion industry by providing service-dominant logic insight in term of value co-creation. To achieve research's objective, several questions are developed:

- a. Who are the main stakeholders in the hijab fashion industry?
- b. How does the interaction among the stakeholders in the hijab fashion industry?
- c. How does the business model improvement according service-dominant logic perspective?

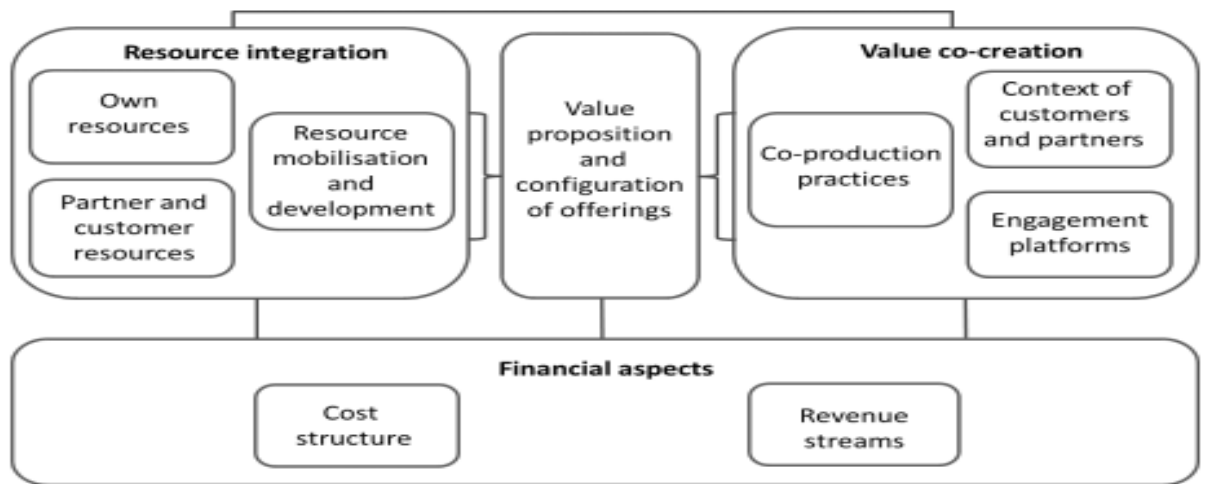
The next sections of this paper will provide brief literature review about value co-creation canvas and its significance toward hijab fashion industry. Then, research methodology is developed to get related data. Further, the business process is developed to answer the research questions.

### **Value Co-creation Canvas**

In the context of service-dominant logic, collaboration between internal and external aspect of company become an important aspect to create value. Service-dominant logic argued that consumers have emerged as source of competencies. Therefore, value is co-created by company and customers (Lusch & Vargo, 2014). The changing nature of the consumer-company interaction as the locus of value co-creation redefines the meaning of value and the process of value creation (Prahalad & Ramaswamy, 2004). Value co-creation is defined as a collection of value as the result from information exchange, intentional communication, knowledge-intensive interaction and any other purposeful (Mayangsari et al., 2015). Broader, the stakeholders in value co-creation are not only company and customer but also other external stakeholders which are related to the business.

Focus on value co-creation canvas, Viljakainen et al (2013) argued that in service-dominant logic (S-D logic), service system consists of all stakeholders such as provider, customer, even competitor. It seen as the locus for value co-creation. It is strongly on the idea of resource integration. Moreover, there are two types of contribution. First, conceptualising some of the foundational premises of service-dominant logic in the business model context. Second, developing service-dominant logic based on modification of an existing business model constructs. Value co-creation canvas places the value co-creation and resource integration in central role. Value co-creation becomes core of market characteristics of business process.

*Figure 1. Value co-creation canvas*

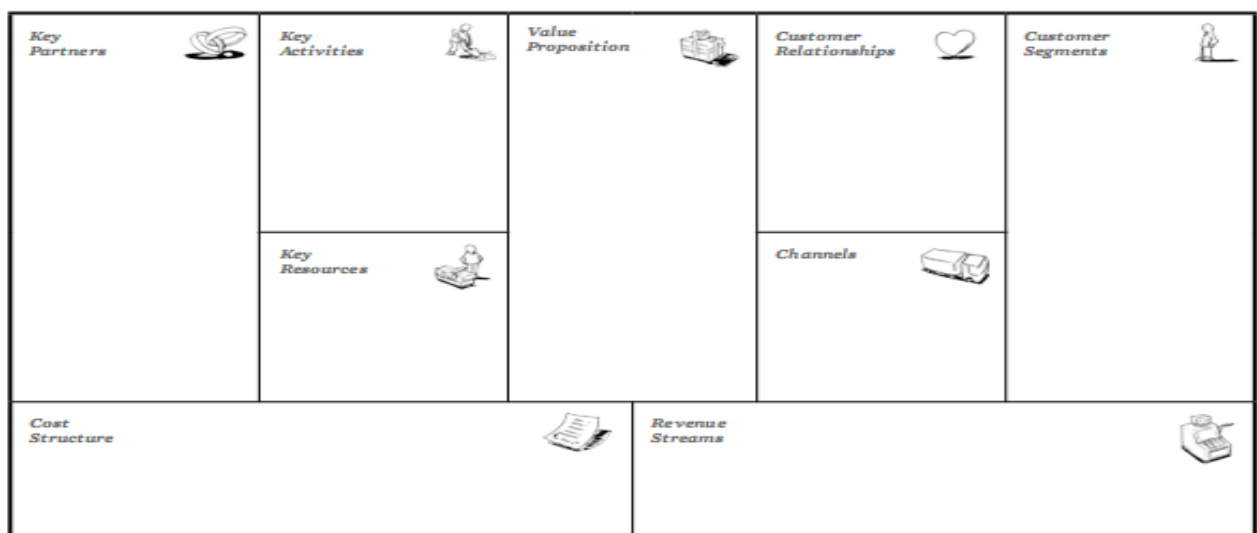


(Source: Viljakainen et al, 2013)

### Significancy of Value Co-creation Canvas

The business model is closely connected to business strategy and become a key concept for strategy (Teece, 2010). One of conventional business model is business model canvas which developed by Osterwalder & Pigneur (2009). According to the Osterwalder & Pigneur (2009), business model describes three main organization activities such as creates, delivers, and captures value. It is like a blueprint for strategy through organizational structures, processes, and systems. The challenge in develop the business model are simplicity, relevance, and easiness to be understood. By considering those point, the nine blocks - key partnership, key activities, key resources, value proposition, customer relationship, customer segment, channel, cost structure, and revenue stream - of business model were developed. Those nine blocks will help us to analyze the main stakeholders who have an important role in the business based on their contribution.

Figure 2. The Original of Business Model Canvas



(Source: Osterwalder & Pigneur, 2009)

The differences between value co-creation canvas and business model canvas is the location of customers and various group of partners as important actors in both value co-creation and resource integration. Although the position of value proposition between those two business models are located in the middle of model, they have different understanding. The

Osterwalder's business model canvas relies on the value chain thinking and put more focus on tangible aspects of company. The value proposition as a mediator in the continuous interaction and it accommodates the focal company which aims to contribute to the value creation for customer, generate value and new resource for itself. In other word, value is created by company and consumed by consumer. Consumer become passive stakeholder in value creation process. Most of business model canvas components explain the tangible aspect of business.

For value co-creation canvas, value proposition is located in the middle of the business model as the mediator in the continuous interaction between resource integration and value co-creation. This value proposition also aims to contribute to the value creation of the customer, and consequently to generate value and new resources for itself. The context of customer and partners refers to the situational factors that determine the service-related experience and that focal company has to understand. This understanding enables the customer analysis based on the view that customers are targets to whom the value is sold. The distribution channel is replaced by engagement platforms that may revolve around the offering, websites, physical stores, etc. Then, the co-production practices describe the actual service process in term of active customer which is customer engage themselves with the firm's production process. canvas component explain both tangible and intangible aspects of business since the design principles, resources, and capabilities from external stakeholders are considered in this business model as the input in creating value. Further, customer and other external stakeholders become active stakeholder to give an insight or integrate their resource to improve product value.

## **Methodology**

Basically, this study uses methodological approach based on the identification of superiorities and limitations of the conventional business model canvas and value co-creation canvas which were explained in previous section. This study also uses case study methods to analyse the component of value co-creation canvas and its relationship. Shafco enterprise is chosen to be case study. Shafco Enterprise is one of the old and big company which engaged in the hijab fashion industry in Indonesia. This enterprise has 14 business line which produce hijab products. Its business line operates in three types of market segment such as high, medium, and low segment which represent market segment of hijab fashion industry in Indonesia.

Data of this study is collected by doing in-depth interview. Interviewee of this research include CEO of Shafco Enterprise, General Manager of Shafco Enterprise, and Manager of Channel Distribution of Shafco enterprise. To triangulate the data from interview, the authors also conducted the observation and collected the secondary data such as related information from newspaper, online news etc. The data which is collected from the interviews was transcribed and examined into several common themes. It was also translated from Indonesia into English.

## **Analysis**

Hijab fashion industry is already start to do collaboration with university and government. According to the result of in-depth interview told that hijab fashion industry has already cooperated with university by developed the business incubator. Business incubator is a set of start up business which has an opportunity to learn how to develop their business by sharing with industry. In order to realize target of Indonesia in 2020, hijab fashion industry also cooperate with Noor magazine as media, APPMI as community, and Department of Trade and Commerce as representation of government. Unfortunately, the collaboration still not optimum yet according to the interview's result. To prove it, the authors note several important statement from interviewee such as:

*“...we need the support from government such as local product protection. The local product protection in Indonesia still low...If the local product protection is as high as in Malaysia, may be we can compete and maximize the market penetration in Indonesia.”* CEO of Shafco Enterprise, 2016

*“ We find difficulties to enter the high department store in Indonesia such as SOGO department store, Metro department store, etc. So, we need the support for government...”* - CEO of Shafco Enterprise, 2016

*“... media promotion play important role. Without media, we can not inform and promote our products. It helps us to reach our customer indirectly, globally...”*— CEO of Shafco Enterprise, General Manager, & Manager of Distribution Channel Department of Shafco Enterprise, 2016

*“... usually, we do survey to the customer to get an insight about what they want such as the suggestion for cotton type, mode, etc...”* – Manager of Distribution Channel Department of Shafco Enterprise, 2016

*“... we want to maximize App Store as our distribution channel because people nowadays very connected to their mobile phone. We still develop the mobile apps...”* - Manager of Distribution Channel Department of Shafco Enterprise, 2016

In summary, collaboration between Government, Media, and Distribution channel is important. It shows that more collaboration will bring more benefits such as increasing of market share and sustainability of business. In the information era, ICT also take a role to bring industry closer to the customer and meet the customer's demand. The result also shows that hijab fashion industry lack of collaboration with their customer. The author also underline that collaboration between the enterprise and retailer also did not run well and they need government support to solve their problem.

Secondary data related collaboration issue is strengthening that collaboration is important in hijab fashion industry as one of creative industry. Ministry of Industry of Indonesia said that the development of creative industry should be supported by six pillars such as human resources, technology, resources, institutions, and financial institutions. The growth of creative industry essentially supported by cooperation between universities, industries, and government which as known as Triple Helix concept. Each parties have different role which will support the creative industry by their specialization. University is important because they spread the knowledge which expected to create good human resources. Industries as a place to practice the knowledge and develop the creativity to fulfil market demand. Government also has an important role since they have authority to support and protect the development of creative industries, development of knowledge, and technology in their country (<http://kemenperin.go.id/>).

### **Value Co-creation Canvas for Hijab Fashion Industry**

In hijab fashion business context, resource integration is separated into three sub-component such as own resources, partner and customer resources, and resource mobilization and development. The own resources shows the resources that come from the firm itself. In Shafco enterprise cases, their own resources includes the human, financial aspects from their owner, and technology aspect. Partner and customer resources explain the external resources that related to the hijab fashion business. In this part, we describe the external resources based on their role in hijab fashion business. Then, resource mobilization and development will explain more about the transformation process of their input or resource such as production and R&D. It also explain the value distribution process from the firm to the end-

customer such as bazaar, customer relationship management, corporate social responsibility, and sales activities (offline and online selling).

Second aspect of this business model is value co-creation which have three sub-components such as co-production practices, context of customers and partner, and also engagement platform. Co-production process explain the value co-creation process in term of production that involve the firm and their external stakeholder. In this cases, co-production process includes crowdsourcing, design virtually by external stakeholders, and active magazine. Context of customer and partner explain more about how the firm will their customer and partners. This sub-component include the official website, workshop, exhibition, online news etc. while, the engagement platform take more focus to build an experience to their customers or partners and make them become an active stakeholders. For this platform, we propose virtual mix & match, real time chat, online customization, and online community. This virtual mix and match menu will help the customer to mix and match their desire hijab while online customization will give their external stakeholders to create their desire hijab virtually. All of the aspect is expected to give new experience to the customer or partners to involve in the production process.

The last aspect of this proposed business model is financial aspect. This aspect is separated into two sub-components such as cost structure and revenue stream. Cost structure explain about the expenses of the firm. It is include operational expenses, taxes, product maintenance expenses, salary, sales and marketing programs, and ICT's maintenance expenses. While the revenue stream explain the source of income of the firm. In this cases, the revenue stream of Shafco enterprise comes from sales activity include sales in showrooms, agents, franchise, online store, and custom products. In summary, all of those component will be describe in figure 4. The regular font indicates the existing component of hijab fashion industry, while bold font indicates the proposed aspect of value co-creation canvas.

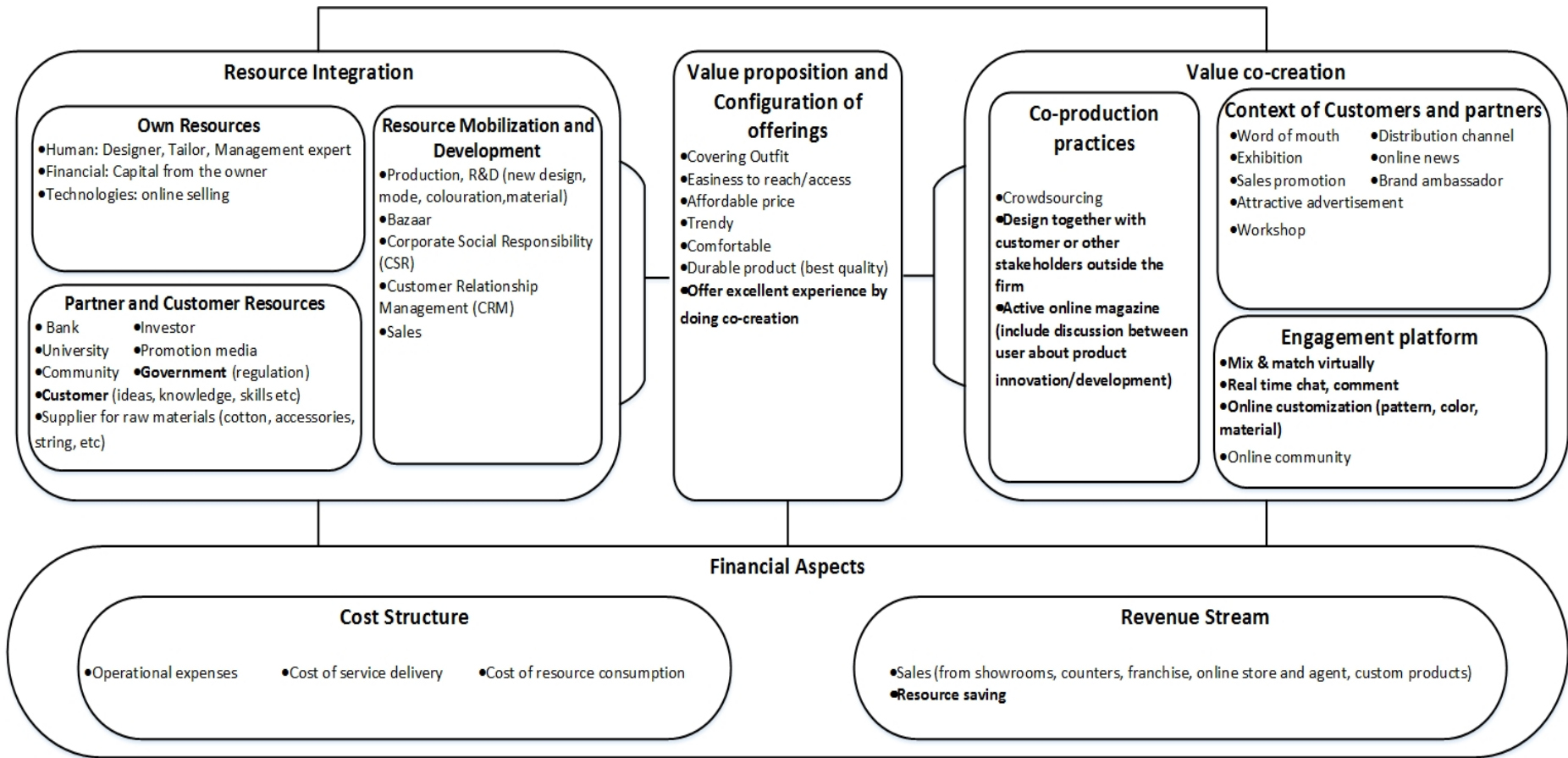
## **Conclusion**

The intention to have value co-creation in hijab fashion industry is already exist. It processes involve the enterprise, community, government, and media partner to develop the hijab fashion industry. Unfortunately, the existing value co-creation process still not optimal since each stakeholder does not full fil their role optimally. In other aspect, the existing value co-creation also lack of interaction with the customer, and the company fail to treat the customer as their partner. Currently, company still treat their customer as their agent or member. Therefore, this study propose the value co-reation canvas to describe the stakeholder and their role in hijab business process. The external stakeholders become active actor in value creation process as well as internal stakeholders and become partner of the company. By doing so, the company will reduce their effort to gain an information and suggestion from their customer which is related to the product development. At the end, the industry is expected to get more insight to ful fill customers' needs and achieve sustainability.

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Figure 3. Value Co-creation Canvas for Hijab Fashion Industry



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