

Validation and Development Strategy for Fashion Business: An Action Research Study on Euvoria

Syafiera Rahmania Muhamad

Entrepreneurship Department, BINUS Business School Undergraduate Program,
Bina Nusantara University, Jakarta, Indonesia
syafierar17@gmail.com

Rudy Aryanto

Entrepreneurship Department, BINUS Business School Undergraduate Program,
Bina Nusantara University, Jakarta, Indonesia
raryanto@binus.edu

Abstract

Euvoria is an online business that specialized in fashion, especially woman's clothing. Euvoria combined the art of Indonesia's culture and nature into a fashion product. Euvoria is one of fashion brand that is support the earth program by using all the natural ingredients for its clothing materials, coloring ingredients, until the packaging. As fashion business is one of the red-ocean business, and before starting a fashion business industry there will a lot of important things to do such as business validation. Based on a case study of Euvoria, the purpose of this study is to explain and identify the validation process followed by Euvoria's business development strategies. The research method is using applied research type action research. The data then analyzed by the qualitative and quantitative data that collected from interviews, surveys, company's personal data, etc. This study objectively found the importance of business validation before starting a start-up business that continued help business on their development process. The validation process that followed by the development strategy will further affect business performance and form the basis of this research.

Keywords

Business Validation Processes, Action Research, Business Growth Performance.

1. Introduction

In 2022, the fashion industry can return to growth as changing category landscapes, new digital frontiers, and advances in sustainability continue present opportunities (McKinsey, 2022). Fashion business has become the fourth largest sector in the business industry. However, due to the large number of enthusiasts, the business industry is one of the businesses that fall into the red ocean business category. Building eco-friendly business industries is also an opportunity in the business industry where the process of its operation also supports the earth program and helps solve existing earth problems.

However, in becoming a start-up business in this eco-friendly fashion industry, entrepreneurs need to pay attention to essential aspects of their operation so that all opportunities and risks can be analyzed first. One method that needs to be done at the beginning of making a business start-up is to do business validation. In that case entrepreneur can plan and analyze their business prospect at first from certain aspect like marketing, operation, and finance. As the result, the best development strategy can be developed based on their own business behavior and characteristic.

Business validation is a must in the view of the inherent risk associated with entering the market without even knowing if a start-up has got it right from the beginning. There are various steps involved in validating a business and any first-generation entrepreneur must follow these like a cardinal rule. This is crucial as there is always a scope for rectifying the business idea and taking the right approach, there is any lapse during validation (Gill, 2017). From an example of a case study on one of the eco-friendly fashion businesses, namely Euvoria, this study will discuss specifically the

steps for conducting business validation and what tools are needed. Indonesia juga sudah menjadi negara dengan pelaku pemakai smartphone tertinggi, sehingga hal tersebut dapat digunakan sebagai salah satu media untuk melakukan strategi pengembangan.

1.1 Objective

This study aims to propose and demonstrate a comprehensive methodology for conducting validation before starting a business start-up whose data is supported by case studies on the Euvoria business and the feasibility analysis of the business itself. And discusses in detail the media needed in the application of research from this study, The proposed methodology is adapted to data from companies. The results will carry a detailed analysis of information related to the steps in conducting business validation to approach the development strategy for the business

2. Literature Review

Business validation is market research or market analysis. This validation is supported by valid data so that the business that will or has been carried out is right on target and can be a solution to various existing problems. It is also an act and an analyzing process of verifying a set of end-to-end business processes.

Feasibility study is a material for consideration in making decision, about whether accept or not to accept a business idea or a planned project. The notion of feasibility in research as a feasibility study is the possibility of a business idea or project to be implemented in providing benefits both in terms of financial benefits and social benefits. Like a business idea or project in terms of social benefits, it does not always mean that it is feasible in terms of financial benefits this is based on the assessment carried out. (Purnomo, 2018)

A feasibility study can also be said as an activity that studies a business activity that will be carried out in-depth, which is intended as a determinant of the feasibility of a business being run (Setiawan, 2020). In feasibility analysis there are various aspects that must be researched and flexible. The basic aspects that are investigated when analyzing a business feasibility study include:

1. Product Feasibility

This is one aspect that must be investigated during the business feasibility study analysis process. This is related to how feasible the product

2. Industry/ Market Feasibility

The analysis carried out on this aspect can answer the predictions of the market fit opportunities of the products produced by the company whether the market/industry is feasible to fit-in or not.

3. Organizational Feasibility

In this aspect, what is analyzed is feasibility of the organizational and its structure based on the behavior, working capabilities, and strengths of each individual in the company organization

4. Financial Feasibility

This aspect relates to the financial activities of the company. This financial feasibility has a broad scope due to the overall result of the company finances themselves related on the growth of the financial aspect.

5. Overall Assessment

This aspect is related to all the analyses of the company's result, so this is also an important point in business. Therefore, this can also be a determinant in the launch of a business in the future whether it will be feasible or not.

3. Methods

This study focuses on developing a user-friendly business validation process which on its application, the method of this research will divide into 4 stages:

Step 1: Validate the Market

Market validation means testing whether the product that is built can create a market for our product and solve problems that exist in the surrounding environment. Examples of tools that can be used in validating markets are feasibility analysis and Porter's 5 forces analysis. With a PEST Analysis, it is necessary to analyze external aspect of the environment of the industry.

Step 2: Validate the problem

Market validation means testing whether the product that is built can create a market for our product and solve problems that exist in the surrounding environment. Examples of tools that can be used in validating markets are feasibility analysis and Porter's 5 forces analysis. With a feasibility analysis, we can find out whether the business to be started is feasible or not. In the feasibility analysis, it is also necessary to analyze several aspects such as the condition of the industry, market conditions, and others. If the results of the analysis state that the business is feasible to start, then the business can be continued.

Step 3: Validate the product

Product validation means testing whether the product produced is correct and overcomes existing problems. An example of a method that can be used to validate a product is to analyze feedback from potential customers. After a product is produced, whether it's still a prototype or a fixed product, we can immediately test and ask for feedback from potential customers. Which is then made a value proposition canvas. The results of this analysis will prove the feasibility of a product and find out whether the product made is in accordance with what the customer wants and can solve the problem or not.

Step 4: Validate willingness to pay

Validation of willingness to pay means to validate whether the customer is willing to spend money to pay or not. An example of the method used to validate willingness to pay is to conduct a buying intention survey. The survey will validate the availability of people in buying the products offered. To validate all of that, the most appropriate way to do this is by directly asking the target market we are aiming for, because the most important thing in developing a business is to test and believe whether the products we produce are needed by people and can generate profits or not.

Step 5: Feasibility Analysis

Feasibility analysis analyze by the result of the validation process and the several aspects of data collecting of the company that will be added such as the organizational and the financial data. As the result, there will generate an overall assessment that will be help on the final validation result.

3.1 Validate the Market

This process consists of 2 processes. The first analysis can be conducted on the micro-environment analysis. The Macro-environment or External environment is dynamic and keeps changing from time to time. The macro environment consists of various factors and forces from outside the company, which affect business operations. That is, the company has no control over their changes. Generally, the macro environment consists of four factors or commonly known as PEST Analysis, which among others contains aspects of Politics, Economics, Socio-culture, and Technology. The second analysis tools is using the Porter's 5 Forces Analysis to analyze the developing problems and the way it solved from a business in 5 aspects of Threat of the New Entrants, Bargaining Power of Supplier, Bargaining Power of Buyers, Threat of Substitute Products, and Competitive Rivalry within the Industry. The analyzing data for the Porter's 5 Forces Analysis are contained by the result of the company's personal data.

3.2 Validate the problem

To validate the problem, the need of the customer survey is required due to solve the customer needs. On this process, the tools that can be used is Value Proposition Canvas. It will be taken by the survey of the potential target customer. It is containing the customer's pain and gain, then how to relief them. It will be taken from the result of the potential target customer survey.

3.3 Validate the Product

After Value Proposition Canvas is created, the prototype will be tested, and the customer satisfaction score is needed due to knowing the product is solve the customer needs or not. The Key Result Areas will be containing of Quality of Product, Durability of Product, Value of Money, Product Convenience, Design of Product, Product Packaging, and Service. As the result, with the scale of >4 (score 1 Very Unsatisfied, score 2 Unsatisfied, score 3 Neutral, score 4 Satisfied, score 5 Very Satisfied), then we will know the customer satisfied of the product or not. If the customer is satisfied, it means the product is also validated.

3.4 Validate Willingness to Pay

Buying Intention Survey will be needed in this process, in order to find the willingness of customer to pay and buy the product. The survey itself will be consisting of the total number of customer interest of buying the product and knowing if the product will fit the market or not.

3.5 Feasibility Analysis

As the result of the validation analysis is complete, the feasibility analysis will be tested and analyze by the 4 key result areas of Product Feasibility, Market/Industry Feasibility, Organizational Feasibility, and Financial Feasibility and will be giving a result of the Overall Assessment that will conclude the business feasibility and the overall result of the business validation.

4 Result and Discussion

4.1 Business Validation Analysis

As the case study, the business validation process of Euvoria have been analyzed. As an eco-friendly fashion business, a company need to validate their business at first. Considering the broad external analysis, (Table 1) the market analysis and customer analysis with the end of result that the feasibility analysis is a satisfying sample for the study.

Table 1. External Analysis

Scanning		Monitoring	Forecasting		Assesing
Factor	Indicator	KPI	O	T	
Politic	Government Policy			✓	The activities of governments and influential pressure groups, as well as political activities, can influence business policies and activities.
	Political Environment			✓	If there is a political polemic in Indonesia or an unstable political situation in Indonesia, then this can hamper business activities.
Economic	Gross Domestic Product		✓		the high-income per capita shows society of the country has an average income tall. so that things it will have a chance in increase intensity inner community do activities shop.
	Inflation			✓	The increase in the inflation rate will affect how the company will price the product due to the increase in the price of raw materials and will also affect the purchasing power of customers so it will affect the decrease in demand.
Social Ethnic	Lifestyle		✓		The higher a person's lifestyle, the higher the intensity of their shopping. Especially for people who passionate in fashion.
	Demographic	Social Class	✓		The higher the social class of the community, the higher the intensity of shopping due to factors from the influence of the social environment that affect it.
	Ethnic	Trend	✓		The existence of certain trends in a period can affect the level of company sales.
Technology	Information	Social Media	✓		Social media is used as an opportunity for companies as a means of marketing and providing product knowledge

Step 1: Validate the Market

Considering the result for the 5 force Analysis reveals by the result of the company's survey which the result of the analysis are as follows:

1) Threat of New Entrants

The fashion industry itself is included in the red-ocean industry, so entering this industry will be easy but also difficult because it requires relatively large capital and high creativity. We have differentiation in 3 aspects that can minimize this, including:

a. Economies of Scale

Products that are made can be quite expensive, due to product differentiation and uniqueness that makes the product produced in a limited way.

b. Product Differentiation

Products that are handmade have their uniqueness from the raw materials that are made naturally, to the packaging which is made with biodegradable and environmentally friendly materials.

c. Capital Requirements

The capital required to build a business is not on a large scale, due to the minimum scale of the production.

2) Bargaining Power of Supplier

There are so many fabric craftsmen in Indonesia, so the prices of raw materials for the products company sell are very competitive. Because the raw materials of the product are produced by craftsmen, the company relies on craftsmen so that the craftsmen have a strong position and can also be a threat to the company. So that Euvoria minimizes the bargaining power of suppliers by:

a. Looking for suppliers who support our business well

b. Making contracts with suppliers

c. Make good relationships with suppliers

3) Bargaining Power of Buyers/ Customer

Factors that can affect the power of buyers for clothing products include low switching costs considering the prices offered between one clothing product and another is not far away, allowing buyers to switch. From a predetermined target market, the company only enters certain customers because of the variety of tastes and fashion styles of each customer. As the result, Euvoria minimize the bargaining power of buyers by:

a. Presenting a product with its own uniqueness and limited.

b. Providing products at prices that match the quality and can compete in the market.

c. Selling products that prioritize the convenience of buyers.

d. Provide the best service to customers

Step 2: Validate the Problem

On creating the Value Proposition Canvas, the customer survey is required to fill the Customer Segment due to answer the customer's pain and gain. The data survey consists of 150 respondent of the company's potential target market. Thus conclude the results the template of Figure 1 as follows:

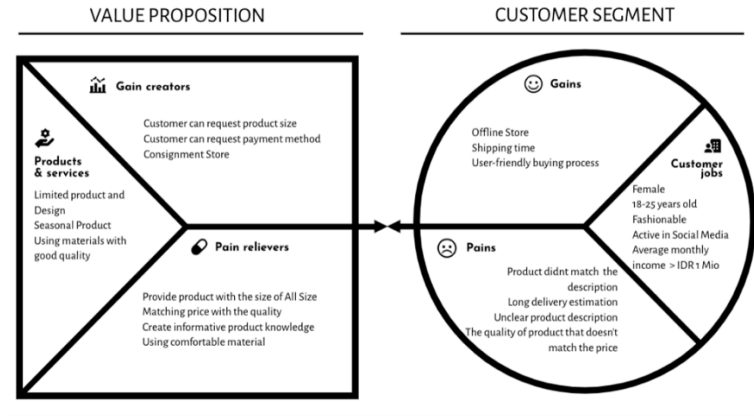


Figure 1. Value Proposition Canvas of Euvoria

Step 3: Validate the Product

As the value proposition canvas is being created and the first prototype product being launch, company tested the product to 50 potential target customers, and broadcast the customer satisfaction survey. The result of the customer satisfaction survey shows a good score of the customer satisfaction as follows: (Table 2)

Table 2. Average Customer Satisfaction Index

Key Result Areas	Mean Satisfaction Score
Quality of Product	4.73
Durability of Product	4.3
Value of Money	4.4
Product Convenience	5
Design of Product	4.86
Product Packaging	5
Service	4.96

The score shows that the overall average score is >4. As the result, customer being satisfied with the product.

Step 4: Validate willingness to pay

The Customer Buying Intention Survey is required in this validation process due to knowing the willingness of customer to buy and spend their money for the product. The survey broadcasted to 60 respondents of its potential target customer with a likert scale of 1-5 and the question of the willingness of customers to buy the product, and the result showed as follows: (Figure 2)

60 responses

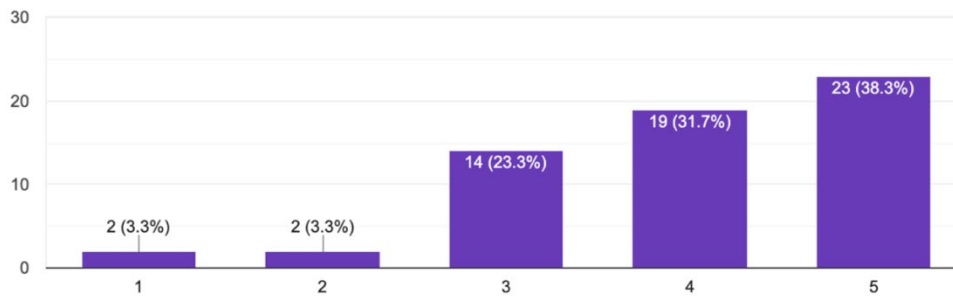


Figure 2. Buying Intention Survey Euvoria

Step 5: Feasibility Analysis

As the result is followed, the product feasibility is feasible due to the high score of the customer satisfaction index. It is also solving the customer needs. Even if the business can fit the market and solve the market needs, the feasibility of the business idea still can be said Unsure due to the fast-fashion and the red-ocean business. The organizational feasibility is feasible due to the experience and the passion of fashion business of their owners. All the business process is also handled by their owners, so it helps business in minimizing the future risks. Euvoria has also passed the financial feasibility test due to the good cashflow. (Table 3)

Table 3. Overall Feasibility Analysis Euvoria

	Overall Feasibility of the Business Idea	Suggestion for Improving the Feasibility
Product/ Service Feasibility	Not Feasible Unsure Feasible	Even though the products being sold are feasible, Euvoria will also continue to develop its products and always consider any criticism/ suggestions that provided by consumers.
Industry/ Market Feasibility	Not Feasible Unsure Feasible	Due to the tight competition in the industry, Euvoria will always develop and provide good value to its products in order to be stable and competitive, in the market.
Organizational Feasibility	Not Feasible Unsure Feasible	Even though the organizational structure has passed the feasibility test due to the business is handled by the owners, in the future Euvoria will be recruiting people to help the business to develop
Financial Feasibility	Not Feasible Unsure Feasible	Even though from a financial perspective, Euvoria have already pass the feasibility test, Euvoria will continue to manage her finances to be better.
Overall Assesment	Not Feasible Unsure Feasible	As the overall result, Euvoria has already pass the feasibility test. For the further consideration, Euvoria will be more intense in developing and analyzing market gaps

4.2 Development Strategy

After the business is valid and feasible, continued by establish the development strategy by using the social media as its media to develop the business. Based on the target and the geographical of the business, social media is the suitable platform to help the business grow due to amount of the users that shown Indonesia has 87% users of its population is active on social media (Hootsuite, 2021). Hence, as a “mobile-first” country, Indonesia is primary access to Indonesia, and it provide businesses an opportunity to develop their business through the social media marketing strategy.

Euvoria use the Marketing Pirate Funnel to create the marketing strategy. As a result, it requires six stages such Awareness, Acquisition, Activation, Conversion, Retention, and lastly Referral.

Awareness: Euvoria increases the awareness by creates and spread an informative content such photo and video on social media, use social media ads even paid-promote through KOL, and establish a viral marketing

Acquisition: Euvoria acquisition their potential customer by engaged their audience and pull them into the conversation, for example through the content of “how to guides’ even linked stories and create a content with a creative copywriting.

Activation: To maximize the customer interactions, Euvoria create social proof content or user experience of its customers.

Conversion: In order to maximize the customer conversion, Euvoria create a detailed product knowledge content, and provide discount or promotional programs.

Retention: Euvoria keeps their customer through provide giveaway program, information about their promos, rewards, and loyalty program.

Refferal: Provide referral marketing and giveaway.

After conducting the marketing funnel, Euvoria do remarketing strategy in order to evaluate their performances.

5 Conclusion

1. Validating before starting a business is important because it can help minimize the risk of loss or business failure. The importance of business validation can also help businesses move in a structured and clear manner because the opportunities and risks can be analyzed early after carrying out the validation process. Validation in Euvoria's business is validating using 4 things, namely problem validation, market validation, product validation, and validation of willingness to pay. On validating the problem, Euvoria uses the empathy map to create the value proposition canvas. In market validation, Euvoria uses feasibility analysis tools. In product validation, Euvoria analyzes feedback from the potential target market. Lastly, to validate willingness to pay, Euvoria conducted a buying intention survey.

2. According to the results of the survey and analysis, Euvoria has answered the problems in the market by providing products with good quality and comfort.

3. A good business development strategy also begins with a business validation process, from various aspects from product to financial and market analysis. In executing a business, customer orientation is very important because almost the entire process relies on feedback from customers. Euvoria' s business development itself begins with identifying the problem, followed by proving the need for a potential target segment that has the potential for business development, then continues by measuring the market potential and target market, then making a business model, value proposition, and feasibility analysis which will then be validated, then commencement of making a viable business product/prototype which is then tested on target customers, followed by the manufacture of the final product which after success, then determined and applied a marketing strategy to gain brand awareness and sales.

References

- Gaddefors, J., & Anderson, A. R. Entrepreneursheep and context: when entrepreneurship is greater than entrepreneurs. *International journal of entrepreneurial behavior & research*. (2017).
- Galavan, R. *Doing business strategy* (pp. 365-392). Oak Tree Press. (2004).
- Kietzmann, J. H., Hermkens, K., McCarthy, I. P., & Silvestre, B. S. social media? Get serious! Understanding the functional building blocks of social media. *Business horizons*, 54(3), 241-251. (2011).
- Kotler, P., & Keller, K. L. Manajemen Pemasaran, Edisi 13, Jilid 1. Jakarta: Penerbit Erlangga. Montaglione, CJ 1999. The Physician-Patient Relationship: Cornerstone of Patient Trust, Satisfaction, and Loyalty. *Journal of Management Care Quality*, 7(3), 5-21. (2009).
- Kotler, Philip, Gray Armstrong. Principles of Marketing 17th global edition. England: Pearson (2014),
- Quelch, J. A., & Jocz, K. E. The President and Fellows of Harvard College. **82**: 827–838.
- Rainer, R. K., Prince, B., Cegielski, C.G., *Introduction to Information System*. (2014).
- Setiawan, P. *Studi Kelayakan Bisnis – Pengertian, Manfaat, Materi, Tahapan, Contoh*. (2020). Available: <https://www.gurupendidikan.co.id/studi-kelayakan-bisnis/>

Setiawan, S. *Pengertian Validitas Beserta Bentuk dan Jenis*. (2021). Available: <https://www.gurupendidikan.co.id/pengertian-validitas/>

Tague, N. R. *The quality toolbox* (Vol. 600). Milwaukee, WI: ASQ Quality Press. (2005).

UNCTAD *Global Creative economy shows resilience, growth – report* (2019).. Available: <https://unctad.org/news/global-creative-economy-shows-resilience-growth-report#1547>; #Creative%20Economy%20Programme Switzerland: United Nations Conference on Trade and Development, 29 June 2021

Biographies

Syafiera Rahmania Muhamad is a Student, Department of Creativepreneurship, in University Bina Nusantara Bandung and Founder of Euvoria that is already running since 2019. She is also active as an Indonesia Eco Digital Ambassador, who also was nominated as Bandung Girls of The Year 2018 SHPVJ Awards 3.0. SHPVJ Awards 3.0 itself was an annual set of awards hosted by Student Hits Paris Van Java (SHPVJ). Girl of The Year awards honor "extraordinary and inspirational" women from a variety of fields, including entertainment, business, education, etc

Rudy Aryanto is currently the Head of Creativepreneurship Department, Bina Nusantara University, Bandung Campus. He is also a lecturer, and researcher in experimental and applied business action research. His competence in business education is supported by previous experience, as an SME business counselor and intrapreneur in services, consultant, manufactures companies. Moreover, he has acted as a contributor and project expert in various ministry and local government institutions.