

## **ALIGNMENT OF BUSINESS MODEL WITH COMPETITIVE STRATEGY: A STUDY ON MICRO BUSINESS TEEFEES COLLECTION**

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### **ABSTRACT**

The emergence of digital technology, driven by the Covid-19 pandemic, has significantly affected the landscape of Indonesia's fashion industry. The accessibility of digital tools like the internet, social media, and artificial intelligence has led to the rise of new entrants in the market. These tools facilitate various aspects such as product design, supplier identification, marketing, sales, and overall business management. Nevertheless, there have been instances of businesses struggling to endure and eventually shutting down. Consequently, businesses are compelled to develop strategies to navigate the competitive arena and the rapidly evolving business environment. Competitive strategy, as conceptualized by Michael E. Porter, offers a framework for businesses to confront competition. It encompasses three primary approaches: differentiation, cost leadership, and focus. The chosen competitive strategy influences the alignment of the business model. Teepees Collection, a player in the fashion sector, similarly requires competitive strategies to navigate the changing environmental conditions and competitive pressures. This study aims to guide Teepees Collection in crafting competitive strategies and their business model, leveraging environmental assessments, encompassing both macro and industry perspectives through STEEP analysis and Porter's Five Forces framework. The collection of data is accomplished through interviews with internal and external stakeholders, alongside a review of pertinent literature. The analysis underscores the suitability of the differentiation strategy for Teepees Collection. Consequently, recommendations for a business model that dovetails with this differentiation strategy are formulated.

**Key words:** Business Model Canvas; Competitive strategy; Environment analysis; Porter's Five Forces; STEEP

### **INTRODUCTION**

According to the ASEAN Investment Report (Asean.org, 2022), Indonesia has the largest number of SMEs in the ASEAN region, totaling 65.46 million units in 2021. Micro-enterprises dominate this figure, accounting for 98.7% (Ministry of Cooperatives and SMEs, 2020). SMEs contribute significantly to the national economy, representing 61% of Indonesia's GDP (IDR 8,574 trillion) and employing approximately 97% of the workforce (Katadata, 2022). Despite their substantial contribution, SMEs encounter various challenges in adapting to the rapidly evolving digital environment, influenced by macroeconomic, organizational, and individual factors (Triono et al., 2022).

The fashion industry is among the largest SME sectors, with 591.3 thousand business units (Katadata, 2022). It contributes 17% to national GDP and generates export values of USD 11.9 billion (BPS, 2021). Intensified competition in this sector underscores the importance of strategic management to sustain competitiveness. Business-level strategy aims to build competitive advantage (Wheelen et al., 2017) through Porter's (1980) three generic strategies: differentiation, cost leadership, and focus. Prior studies confirm that competitive strategy positively influences firm performance (Islami et al., 2020; Suoniemi et al., 2020; Sahoo, 2020; Wuen et al., 2021). Furthermore, DaSilva and Trkman (2014) emphasize that the effectiveness of competitive strategy depends on its alignment with the business model.

Teepees Collection is a micro-enterprise in the fashion industry that incorporates Sulawesi's local cultural identity into its products, including hats, t-shirts, sweaters, and socks. However, the business faces intense market competition and internal managerial challenges, resulting in suboptimal performance. If not addressed, these issues may hinder its sustainability and competitiveness. Therefore, this study aims to formulate an effective competitive strategy and align it with a suitable business model through macro-environmental analysis (STEPP) and industry analysis (Porter's Five Forces). The results are expected to assist Teepees Collection in enhancing competitiveness, improving performance, and achieving a stronger market position.

### **METHOD**

#### **Research Design**

This study adopts a qualitative descriptive approach aimed at exploring the competitive strategy of Teepees Collection. According to Moleong (2011) and Sukmadinata (2007), qualitative research seeks to describe and interpret social phenomena through people's words and behavior. The analysis integrates the STEPP framework

(Sociocultural, Technological, Economic, Ecological, Political-Legal) and the Business Model Canvas (BMC) with its nine components.

#### **Data Collection**

Data were obtained through semi-structured interviews with purposively selected informants knowledgeable about the company and fashion industry dynamics, complemented by literature review and online publications. The study applied a cross-sectional approach, collecting data at a single point in time. Interview guides were developed based on BMC, STEEP, and Porter's Five Forces frameworks.

#### **Data Analysis**

Data were analyzed using the Miles and Huberman model, encompassing data reduction, display, and conclusion drawing. Analysis was conducted continuously before, during, and after data collection until data saturation was reached. Additional interviews were performed if inconsistencies appeared to ensure validity and reliability.

## **RESULTS AND DISCUSSION**

### **Existing Business Model**

Interviews revealed that Teepees Collection targets a mass market (ages 15–35, upper-middle class) interested in local culture and streetwear. Its value proposition lies in high-quality materials and culturally inspired limited-edition designs. Sales occur through online platforms (Shopee, Instagram, WhatsApp) and offline events. Key resources include designers and marketing staff; key partners involve suppliers, local communities, and logistics vendors. Costs comprise salaries, operations, and promotions, while revenue derives mainly from product sales.

### **STEPP Analysis**

Based on the data collected from various literature and interviews, various factors in the STEEP analysis can be identified. The explanations of these factors are as follows.

#### *Sociocultural*

In 2020, the population of Indonesia reached 270,203,917 people, placing it as the 4th highest in the world. The social and cultural diversity in Indonesia is one of the factors that influences business sustainability. The cultural evolution of society, which views clothing not only as a secondary need but also as an opportunity for the development of Teepees Collection's business, has a significant impact.

#### *Technological*

Indonesia is one of the fastest-growing countries in terms of internet users and e-commerce expansion (We Are Social & Hootsuite, 2017). Alfalur and Kadono (2022) identify that female consumers' purchase intentions in e-commerce are influenced by convenience, social influence, economic factors, and security, while male consumers are primarily influenced by website quality and perceived convenience. The increasing use of internet and information technology has enhanced public exposure to global trends, including fashion, and facilitated product access beyond spatial and temporal limits. Advancements in infrastructure and software, such as website development and mobile banking, further support e-commerce growth in Indonesia.

Micro, small, and medium enterprises (MSMEs) in Manado have begun adopting digital marketing strategies focusing on social media marketing, search engine optimization (SEO), content marketing, and affiliate marketing. Although Teepees Collection has implemented digital systems, it has not yet optimized SEO to increase visibility and competitiveness.

#### *Economics*

Economic growth positively correlates with purchasing power, making it a key factor in pricing and promotional strategies. In 2020, Indonesia's GDP reached USD 1.089 trillion, ranking 15th globally, with a per capita income of USD 4,038 (108th globally). Despite a temporary decline due to the COVID-19 pandemic, Indonesia's overall economic performance remained resilient, indicating stable consumer purchasing power and continued market potential for fashion products.

#### *Ecological*

Teepees Collection complies with government policies on environmental sustainability. Its products are made from environmentally safe materials, ensuring that production waste does not harm the ecosystem. This reflects the company's commitment to supporting eco-friendly production practices.

#### *Political-Legal*

As a micro-enterprise in the fashion industry, Teepees Collection benefits from government initiatives promoting entrepreneurship and the creative economy to boost national GDP. The business adheres to regulations on material usage and possesses the required permits, including a Small Business Trading License (SIUP). Regulatory adjustments, particularly in SIUP classifications, may require future business adaptations.

Legal factors influencing the company include consumer protection, product safety, and labor regulations. However, there are currently no specific standards governing Teepees Collection's production processes.

### **Porter's Five Forces Analysis**

Teefees Collection faces competition from one primary rival offering similar cultural-themed fashion products. However, Teefees Collection's earlier market entry provides a competitive advantage, positioning it ahead of its competitor. Consequently, the level of competitive rivalry is considered moderate. To sustain its position, Teefees Collection must continue optimizing its marketing strategy and strengthening customer loyalty.

#### *Rivalry Among Competitors*

Currently, Teefees Collection has one main competitor, which is a fashion business offering similar products and focusing on local cultural themes. However, Teefees Collection entered the market earlier than its competitor, thus maintaining a higher competitive position. Therefore, it can be said that the level of competition among competitors is moderate. Teefees Collection needs to optimize its strategy and maintain customer loyalty.

#### *Bargaining Power of Buyers*

Teefees Collection's customers exhibit moderate price sensitivity—some prioritize affordability, while others value product quality and uniqueness. Given the abundance of product alternatives and easy online access, customers can easily switch to competing brands without incurring switching costs. Since Teefees Collection's revenue model relies solely on direct customer transactions, the bargaining power of buyers is considered high. The company should therefore focus on maintaining customer satisfaction, strengthening brand value, and implementing effective promotional strategies to retain its market share.

#### *Bargaining Power of Suppliers*

Teefees Collection collaborates with multiple suppliers for raw materials that are generally easy to obtain. Although material quality remains consistent, price fluctuations often occur due to factors such as currency exchange rates, economic conditions, fuel prices, and logistics costs. Consequently, the bargaining power of suppliers is relatively low. To mitigate potential risks, Teefees Collection should diversify its suppliers and establish stable long-term partnerships to ensure cost efficiency and supply continuity.

#### *Threat of New Entrants*

Teefees Collection's streetwear products face substitution threats from various fashion concepts such as Muslim wear, casual wear, formal wear, or music-inspired apparel. In terms of product types, alternatives like jackets, shirts, and accessories can also serve as substitutes. Therefore, the threat of substitute products is high. To mitigate this, Teefees Collection should continuously innovate in design, maintain cultural authenticity, and strengthen its brand identity to attract and retain customers.

#### *Threat of Product Substitute*

Teefees Collection's fashion products adopt a streetwear concept that competes with various other fashion styles and product types. In terms of concept, alternative fashion segments such as bike wear, Muslim wear, casual wear, formal wear, and music wear can serve as substitutes. From a product perspective, items like shirts, jackets, sweaters, and accessories offer interchangeable options for consumers. Given the wide range of available alternatives, the threat of substitute products is considered high. To address this, Teefees Collection must continuously innovate in design, emphasize cultural uniqueness, and strengthen brand identity to maintain customer interest and loyalty.

### **Competitive Strategy Recommendation**

According to Porter (1985), competitive strategy reflects how a company positions itself within its environment, particularly the industry in which it operates. Based on the results of the STEEP and Porter's Five Forces analyses, the macro-environment presents no major threats to Teefees Collection. However, sociocultural factors are notably significant, as demographic trends indicate an increasing youth population (ages 15–35). This segment is characterized by strong technological literacy, environmental awareness, and appreciation for local culture—attributes that align with Teefees Collection's strength in incorporating cultural identity into its products.

The Porter's Five Forces analysis indicates that Teefees Collection operates under relatively challenging conditions: three forces are categorized as high (buyer power, threat of new entrants, and substitute products), one as moderate (competitive rivalry), and one as low (supplier power). The low supplier power benefits the company in obtaining raw materials to maintain product quality—an essential part of its value proposition. Meanwhile, moderate competitive rivalry suggests opportunities to strengthen brand differentiation, particularly through cultural value and customer loyalty.

Given the high intensity of buyer power and the threats from new entrants and substitutes, Teefees Collection must enhance its value proposition beyond product quality and design. Improvements should extend to customer experience and service excellence, supported by optimized distribution channels and relationship management. Moreover, data utilization can serve as a strategic tool to improve service quality and decision-making. Triono and Rachman (2020) found that effective data use significantly improves startup performance in West Java. This insight provides a foundation for developing a refined business model, which will be discussed in the following section.

In conclusion, Teefees Collection needs to develop a competitive advantage rooted in its products and services. The available market size is substantial. Therefore, the appropriate competitive strategy for Teefees Collection is a differentiation strategy (Figure 1).

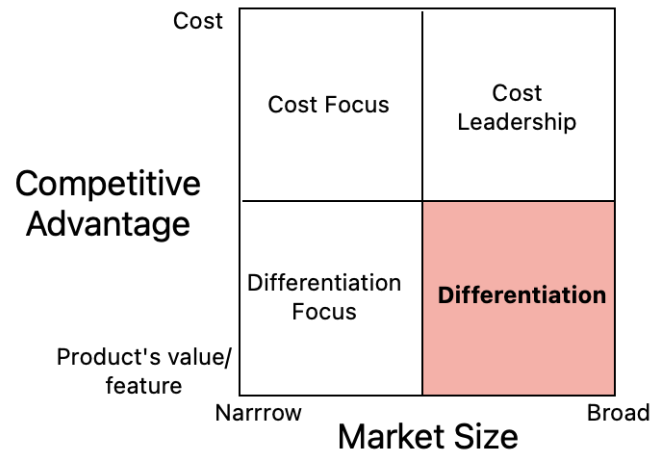


Figure 1. Competitive Strategy Analysis Result

### Business Model Recommendation

The competitive strategy analysis indicates that a differentiation strategy is the most appropriate approach for Teepees Collection under current conditions. Implementing this strategy requires several adjustments to the existing business model. Internally, the company faces several challenges: (1) limited job specialization, as most tasks are handled directly by the business owner; (2) a geographically restricted market, concentrated mainly in Manado; and (3) the absence of standardized operating procedures.

To align with the differentiation strategy, the business model should focus on enhancing overall business value through additional value propositions and improved service quality. This involves strengthening product uniqueness, brand identity, and customer engagement. Consequently, the proposed business model emphasizes differentiation not only in design and cultural integration but also in service excellence and operational effectiveness.

### CONCLUSION

The fashion industry is one of the fastest-growing and most influential sectors within the creative economy. In the context of a digitalized business environment, small and medium enterprises (SMEs) face unique challenges due to limited resources. To remain competitive, SMEs must adopt effective competitive strategies. Teepees Collection, as a micro enterprise in the fashion sector, requires an appropriate strategy to strengthen its market position.

The STEEP analysis indicates that demographic growth presents significant market opportunities, while digital transformation continues to shape consumer behavior and business operations. Teepees Collection must therefore adapt in product design, customer engagement, marketing, and management practices. The Porter's Five Forces analysis shows that buyer power, new entrants, and substitute products pose high threats, while competition intensity is moderate and supplier power remains low. These findings emphasize the need to enhance product and service differentiation.

Based on the competitive strategy assessment, a differentiation strategy is identified as the most suitable approach. To support this strategy, Teepees Collection should adjust its business model by enriching value propositions and improving service quality. Recommended actions include: product diversification, customizable designs, quality assurance, CRM system development, digital marketing enhancement, job specialization, and partnerships with suppliers, vendors, influencers, and affiliates.

Practically, this research provides strategic and business model recommendations for Teepees Collection to achieve sustainable competitiveness. Academically, it contributes to bridging strategy formulation and business model development, which are often treated separately in prior studies. However, this study has limitations related to the absence of expert interview data and restricted analytical tools. Future research is encouraged to involve experts and employ complementary analytical frameworks, such as SWOT, SFAS, or a modified BCG matrix, to enrich strategic insights.

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