

CHAPTER I

Introduction

I.1 Background

I.1.1. Indonesia's Creative Industry

Indonesia's Creative Economy Agency (BEKRAF) forecasts that Indonesia's creative industry's growth will reach new heights in 2018. This prediction is in-line with the rapid progress of the country's e-commerce industry that has taken place in the last 5 years. Going forward, the creative economy is expected to become a new economic driver. In order to achieve this, the government has prepared a number of incentives and supporting measures which include issuing new regulations to facilitate investors who are interested in investing in this sector.

Indonesia's creative industry posted strong growth in 2017 contributing 990.4 trillion IDR to the country's GDP. The sector has been consistently recording positive growth equating to 70 trillion IDR in the last three years, from 852 trillion IDR in 2015 to 922.58 trillion IDR in 2016 which accounted for 7.44% of Indonesia's GDP.

According to BEKRAF (201), the creative industry sector was able to provide employment to 16.4 million people in 2017, an increase compared to 16.2 million people in 2016. In 2015, the creative economy sector employed 15.9% of total workers with an export value of \$19.4 billion USD.

The creative industry sector's growth is in line with the rapid growth of Indonesia's e-commerce industry. The latter has been growing at a breakneck speed of 60-80% annually and is expected to become a major growth driver of the Indonesian economy. Currently, national e-commerce transactions have reached \$25 billion USD and are expected to soar to \$130 billion USD by 2020.

I.1.2 Importance and Growth of Gifting

Gifts are tangible expressions of social relationships (Sherry, 1983). From the customs of gift-exchanging in tribal times to nowadays yearly celebrations such as birthdays and corporate gifting purposes, gift giving has been a part of every culture and an adhesive that ties the bond of society together for centuries.

The global industry of gifts have went through a massive growth in the recent times. In 1995, almost one third of the typical retailer would be waiting until the last quarter of the year for their money to be generated. However, this is not the case anymore because in 2014, gifting reports by Unity Marketing (2015) says that money generated by typical retail stores at the end of the year has dropped by 29,4%. Instead, reports are saying that online shopping is ultimately “disrupting the gifting market” (Unity Marketing, 2015) for retail shops like Target and Walmart, and changing the gift shopping game forever. This shopping behavior is also not only happening on the fourth quarter of the year, but throughout the whole year. Knowing these changes, that means the there is a chance to maximize gifting, not as a seasonal business but throughout the whole year.

I.1.3 Opportunities in Gifting

There are many opportunities in the gifting industry. There is a potential for gifting industry in the B2B market because many corporations still look for hampers to give to clients and relations to keep the good hospitality practice on special occasions such as Christmas, Ramadan or Chinese New Year. With Indonesia being a melting pot of cultures, this is an all year long opportunity for gifting businesses. To add to that, in this digital era, social media also plays a big part in opening a wide window of opportunity for businesses to market and sell products with convenience and speed.

Moreover, the government of Indonesia is starting to support efforts for creative businesses to establish an independent economy (www.bekraf.go.id). With all of these opportunities, there is a fortunate chance to maximize this business with the right strategy and careful implementation.

I.2 Problem Findings

Merci Hampers has started going into business in November 2017 selling Christmas Hampers through word-of-mouth selling to friends and acquaintances. It has succeeded selling more than 130 pieces of hampers. With a fairly large amount of sales on its first project to both B2B and B2C customers, Merci found out that there was a difference in serving these two types of customers and realized that it does not yet have the resources needed to fulfill the needs of individual customers. Some examples of individual customer needs that Merci observed based on past experiences are:

- 1) Demands on personalization and customization is high: Customers usually ask for box personalization, substitution of items, and negotiate on prices.
- 2) Demand for delivery of hampers to each recipient: Customers also need the hampers they purchase to be delivered to each recipient's address.

With these demands, Merci Hampers do not have the resources in terms of human resources, logistics, funds, and equipment to fulfill them. Yet, with the B2C companies, oo is a rigidness with price, but less customization is demanded. Also, delivery is only to 1 destination. This is why Merci wants to find out how to aim for more B2B customers with the resources it has now.

I.2.1 Report Gap

Diving into the B2B world, Merci needs careful consideration as to which step to take next for Merci Hampers' business model and strategy. Merci Hampers have initially aimed its customer segment to be anyone

who need to buy hampers. From Merci's customer database so far (customer database being individuals who have made a transaction with Merci), it is fortunate that 80% of them are corporate businesses. Up until today, Merci has just been blind shooting on the target market. The company should be guilty of this crime of not really understanding the target market, gambling and hoping that it would generate sales, knowing it could result fatally one day, as most gambling businesses end up. 42% of small businesses fail because of the absence of market need for products or services and 14% fail because they ignore their customers (Leadem, 2017). That is more than half chance of failing.

Merci needs to be able to invest in the right ideas, devise the right strategy and communicate the value demanded by specific customers. It most certainly do not want to end up like small start-ups who go out of business in less than a year.

At this point, there is a profound need for MERCI hampers to create a proper and, if possible, precise value for these corporate clients. Therefore, this paper proposes to search for an appropriate Value Proposition Design for MERCI hampers. Through a proper Value Proposition Design (VPD), Merci Hampers could provide hampers that will suit the needs of corporate businesses build a stable and sustainable business through great planning and implementation.

I.3 Objectives

The purpose of creating this business, Merci Hampers, is to be the leading company providing high end and unique hampers, gifts, etc. in big cities by providing quick and convenient quality hampers of the highest quality and design taste to cater to the needs of companies and individuals of keeping relations. That is why we want to research on what possible Value Proposition Design (VPD) could improve MERCI Hampers' service quality for corporate clients. Therefore it can be concluded that the objectives of this paper is to:

1. Create Hamper's Value Proposition Design for corporate clients
2. Create Business Plan based on Value Proposition Design
3. Implementation analysis based on plan and realization

I.4 Limitations

This final project is limited to the country of Indonesia, reporting on Value Proposition Design in the scope of Merci Hampers business. The time is limited from the month of September of 2017 to July of 2018, the time the business has been run. Respondents are limited to those who have seen Merci Hampers Instagram account or have seen and bought the physical product.

I.5 Research Method

This final project uses the descriptive method, which breaks down how the running business should improve its planning and implementation based on Value Proposition Design method. It also analyzes the gap between the plan and implementation in a few business aspects such as the marketing, operational and financial management, including the human resource development.

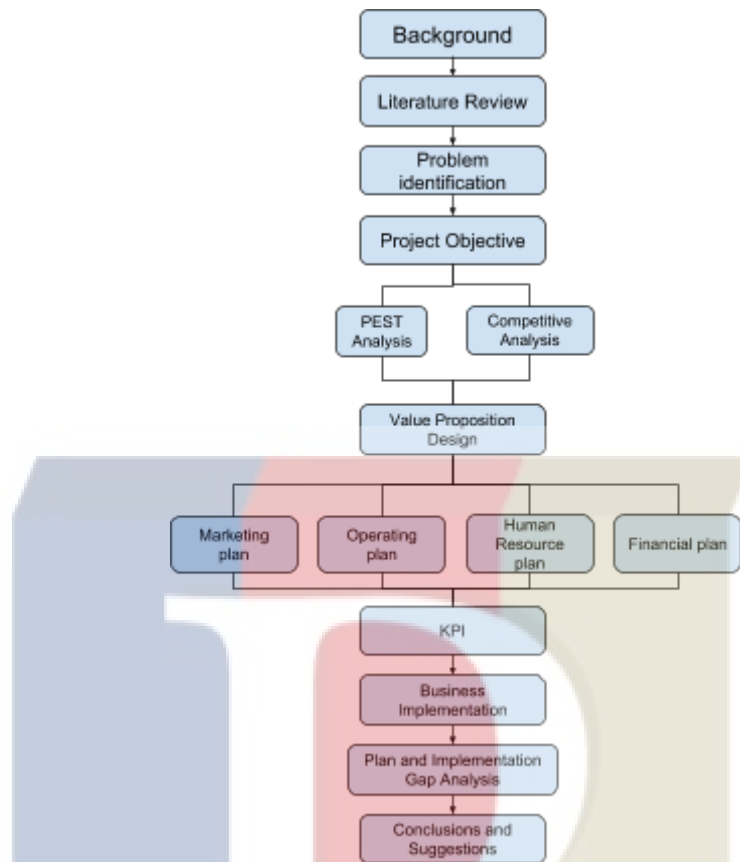


Figure 1.1. Theoretical Framework of Flow of Report

Source: Merci's own elaboration (2018)

I.6 Systematic Writing

Chapter 1 is an introduction that consists of a background, a problem finding, aim and objectives, research method and systematic writing. Chapter 2 is a literature review that consists of theories that will be used to create an analysis and chapter 3 is a business plan that consists of an analysis of the external and internal environment, industry analysis, competitor and consumer analysis, marketing plan, operation plan and financial plan for 3 years as well as a KPI and milestone timeline for 1 year. Chapter 4 is an business implementation analysis that consists of an business activity report for 3 months and analysis gap from the plan that has been made compared to its realization in those 3 months. Chapter 5 is a conclusion and suggestion coming from the results of the business project report.

