



# Development Strategy in the Leather Bag Craft Industry: A SWOT Analysis Perspective

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**Abstract.** One of Yogyakarta's MSME leather bag craft industries lacks a system covering all activities, including sales and warehouse operations. Sales and production reports are still manually generated in Microsoft Excel or not generated at all. This situation creates a significant obstacle for the company due to sloppy documentation and the potential for ineffectiveness and inefficiency in daily operations. Especially considering that the company has the potential for high turnover due to its well-known brand, which was established in 2011. This research aims to analyze IT development strategies using SWOT analysis to validate the efficiency of introduced IT systems. Various approaches and methods have been studied to overcome these challenges, including introducing information systems (IS), such as sales and inventory management systems, to improve performance through IT-based collaboration. Continuous efforts are necessary to design the system requirements before implementing the initial IS version.

**Keywords:** craft industry, SWOT, IT development strategies

## 1 Introduction

The advent of information technology in the context of global market integration has engendered a competitive landscape among companies. To ensure continued existence, participating companies in this competition must possess the capability to implement necessary modifications [1]. Globalization, digitalization, and the accompanying fluctuations of the economic landscape present organizations with a perpetual array of novel issues [2]. Companies must establish explicit objectives that effectively address the company's requirements and enhance its overall value. Companies also must respond to the market environment's rapid pace and disruptive nature to maintain competitiveness, necessitating ongoing adaptation [3]. As stated in several research, implementing suitable information systems or information technology can support adaptation. To extend, the practical implementation of Information Systems/Information Technology (IS/IT) that aligns precisely with the requirements of enterprises can significantly contribute to creating products perceived as valuable by their customers [4]. Hence, companies must establish a distinct advantage over their counterparts to remain competitive in a dynamic business environment characterized by constant change.

Consequently, the function of Information Systems/Information Technology (IS/IT) assumes significant importance [5]. Thus, implementing a strategic approach is necessary to harness and effectively harness and enhance the potential of Information Systems/Information Technology (IS/IT). Effective strategic planning tailored to specific needs can yield favorable outcomes for both the quality of the product and the perception by the customers [6] [7].

IS/IT strategic planning is the systematic identification of application portfolios that companies can leverage to facilitate and align with various business processes and objectives.

The implementation of mature IS/IT strategic planning has the potential to enhance work efficiency within a company [8]. This can be achieved by automating processes that oversee the management of IS/IT information and business operations. Additionally, mature IS/IT strategic planning can improve IS/IT management by providing accurate and timely information for effective decision-making. Ultimately, these benefits can lead to maximum advantages and a competitive edge for the organization. The advantages of conducting IS/IT strategic planning lie in its ability to methodically optimize all supporting elements inside the organization and serve as a long-term operational framework [9].

Numerous methodologies or frameworks can be employed within IS/IT strategy planning. One of the frameworks that can be considered is the SWOT framework. SWOT analysis is a strategic planning tool that can identify an organization's strengths, weaknesses, opportunities, and threats. SWOT analysis can help MSMEs select the right IT development strategy and ensure their IT systems align with their business goals.

## 2 Research Methodology

This research will use a mixed-methods approach, combining qualitative and quantitative data collection and analysis methods. Qualitative data will be collected through semi-structured interviews with key stakeholders in Yogyakarta, Indonesia's leather bag craft industry. The interviews will be conducted with stakeholders. Interviews were conducted to gather data through direct conversation with the research object. Observations in the field accompanied the interview stage to determine the condition of the existing business.

From a SWOT analysis perspective, some of the critical research areas that can be explored in this research are: 1) Identifying the key IS needs of leather bag craft businesses. What essential IS tasks are required in order to run a leather bag craft business efficiently and effectively? 2) Analyzing the strengths and weaknesses of existing IS in the leather bag craft industry. What are the current IS solutions being used by leather bag craft businesses? What are the benefits and limitations of these solutions? 3) Identifying opportunities and threats to IS development in the leather bag craft industry. What new technologies can be used to improve IS in the leather bag craft industry? What challenges need to be addressed to implement these technologies? 4) Develop an IS development strategy for the leather bag craft industry. Based on the SWOT analysis, what key IS development initiatives must be undertaken in the leather bag craft industry?

### 2.1 SWOT analysis

SWOT analysis is a strategic planning tool used to evaluate the strengths, weaknesses, opportunities, and threats involved in a business venture or any other situation of an organization or individual. It is a framework for analyzing internal factors (strengths and weaknesses) and external factors (opportunities and threats) that can impact achieving an organization's goals. Organizations have used SWOT analysis for decades, and a vast body of literature exists. The literature review below highlights key themes and findings from the SWOT analysis literature. The SWOT analysis literature has identified several key findings, including:

1. SWOT analysis is most effective when used with other strategic planning tools.
2. Regular SWOT analysis should be conducted to ensure the organization's strategies align with its changing environment.

3. SWOT analysis should be used to develop both short-term and long-term strategies.
4. SWOT analysis should be used to identify and prioritize the organization's most critical strategic initiatives.
5. SWOT analysis should be communicated to all levels of the organization so that everyone is aware of the organization's strengths, weaknesses, opportunities, and threats.

Strengths are the list of things a business does well and gives it a competitive advantage. Weaknesses are the list of things that a business needs to improve to be more successful. Opportunities are the list of external factors that could benefit a company if it can capitalize on them. Threats are the list of external factors that could harm a business if it cannot mitigate them. Once a business has identified its strengths, weaknesses, opportunities, and threats, it can develop strategies to leverage its strengths, improve its weaknesses, capitalize on its opportunities, and mitigate its threats.

### 3 Result and Discussion

The following are the analysis results, starting from the internal and external business environment analysis, analysis of the internal and external IS/IT environment obtained through observation, and in-depth interview results obtained from respondents in the leather craft industry. After completing the analytical phases, the findings derived from the study formulate a strategic course of action. The strategies can be classified into three distinct forms: business IS strategy, IT strategy, and IS/IT management strategy. The McFarlan strategic grid maps each decided strategy, serving as a foundation for establishing implementation priorities throughout the organization.

The SWOT analysis tool is employed to examine the internal company environment. The SWOT analysis is employed to identify the strengths of a business to sustain and advance its operations, enabling it to compete with other market participants effectively. Additionally, it is utilized to identify weaknesses within the company to devise strategies to address and enhance these areas of vulnerability. In addition to this, the process of finding opportunities involves the exploration of current favorable circumstances. In contrast, identifying dangers involves anticipating potential challenges that may occur, thereby enabling prompt mitigation strategies to minimise the impact of these threats. The outcomes of the SWOT analysis are presented in Table 1.

**Table 1.** Swot analysis

External	Strength	Internal Weakness
a.	The company offers leather products that meet national quality standards.	a. The reliance on imported basic materials for manufacturing purposes frequently leads to complications, such as delayed supply.
b.	The establishment employs personnel who	b. The limited availability of preservation techniques for leather

External	Strength	Internal Weakness
	<p>possess specialised knowledge and expertise in various domains, including tailoring, embossing, and pattern making</p> <p>c. Offers a wide range of product varieties, providing customers with numerous options to choose from.</p> <p>d. The company has engaged in online marketing activities across several e-commerce platforms and social media channels.</p> <p>e. Have positive relationships with various suppliers, encompassing those involved in providing leather, dyes, and leather-cutting equipment services.</p>	<p>results in the frequent decay of treated leather.</p> <p>c. In the process of data documentation, Microsoft Word and Excel software continue to be utilised, but their efficiency is perceived to be suboptimal.</p> <p>d. Currently, there is a lack of full utilisation of IS/IT in all aspects of company processes.</p> <p>e. The current inventory is constrained, hence in the event of an unexpected order, a delay in fulfillment may be necessary.</p>
Opportunity	SO Strategy	WO Strategy
<p>a. The demand for leather items has experienced an upsurge.</p> <p>b. The main leather is consistently accessible, and its quality continuously improves.</p> <p>c. The government provides support and incentives for the purchase and utilization of domestically produced goods.</p> <p>d. The ongoing advancement of technology presents firms with opportunities to incorporate it into</p>	<p>a. Developing novel products that evolve to consumer preferences is a crucial objective.</p> <p>b. Enhance marketing strategy in both digital and traditional channels.</p> <p>c. Developing compelling material about items is crucial in shaping a positive perception throughout society.</p> <p>d. Enhance the quality of products and services provided to consumers by effectively utilizing Information Systems and Information Technology.</p> <p>e. Maintain price stability of products through effective collaboration with suppliers.</p>	<p>a. Provides an information system for managing inventory of fundamental materials and products.</p> <p>b. Obtain leather in a semi-finished state to prevent leather decay. Semi-finished leather is more resilient and can be kept for an extended period.</p>

External	Strength	Internal Weakness
<p>their company operations.</p> <p><b>Threat</b></p> <ul style="list-style-type: none"> <li>a. The rise of multiple contenders in the market for leather craft companies.</li> <li>b. The rise of alternative material-based leather companies.</li> <li>c. The elevated value of the currency has an impact on essential goods, a portion of which are sourced from other countries.</li> <li>d. Extreme climate and weather phenomena pose a significant hazard due to their impact on the cost and timeliness of essential goods.</li> </ul>	<p><b>ST Strategy</b></p> <ul style="list-style-type: none"> <li>a. To cultivate positive customer relationships, it is imperative to have a platform that facilitates the expression of client thoughts.</li> <li>b. Enhancing creativity in the marketing of items across diverse social media channels with the aim of capturing public interest and fostering positive customer perceptions.</li> </ul>	<p><b>WT Strategy</b></p> <ul style="list-style-type: none"> <li>a. Establish and sustain positive relationships with both consumers and suppliers to ensure the smooth functioning of business operations.</li> <li>b. Optimize the utilization of IS/IT and its correlation with contemporary IS/IT developments.</li> </ul>

## 4 Conclusion

SWOT analysis is a simple but effective tool that SMEs can use to assess their strengths, weaknesses, opportunities, and threats in IS development. By understanding their SWOT, in the future, developing IS strategies that leverage their strengths, improve their weaknesses, capitalize on their opportunities, and mitigate their threats can benefit this leather craft company. Based on the SWOT analysis, two mandatory ISs should be prioritized: 1) IS for multi-channel sales and 2) IS for Warehouse (Inventory). For further recommendation, here are several strategies that should be taken into consideration by the business: 1) Develop and evaluate IS strategies for multi-channel sales and warehouse management that are tailored to the specific needs of the leather craft company. 2) Investigate the impact of these IS strategies on the performance of leather craft companies, such as sales growth, profitability, and customer satisfaction. 3) Identify and address the key challenges that leather craft companies face when implementing multi-channel sales and warehouse management ISs. 4) Develop best practices for implementing multi-channel sales and warehouse management ISs in leather craft SMEs.

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