



An Entrepreneur's Brave Attempt to Go International

Case

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Abstract

Going international or even global is the rosy destiny that many entrepreneurs strive for. Despite the high potential profitability of extending sales beyond a nation's borders, there is a high probability of failure if the effort is not managed properly. This case study examines some of the issues encountered by an entrepreneur when entering an overseas market. The analysis of this one case provides lessons that can be applied by other entrepreneurs to their own experiences. As a late entrant into the low-tech apparel industry, how can newcomer TNA survive locally and succeed internationally? This case describes the birth of the entrepreneurship, and analyzes the rationale of targeting an international market, the strategies that TNA used, and the problems that it encountered along the way.

Case Learning Outcomes

Students should have an improved understanding of the following:

- understanding of a company's entry mode selection and related issues of going international, such as market and cultural differences, changes in response to those differences and other challenges, and lessons learned;
- how to initiate an entrepreneurial venture by learning from real experiences, including identification of business opportunities, operations management, ways to extend business overseas, and adjustment of operations strategies; and
- the hotly contested issues of intellectual property, corporate social responsibility (CSR), and sustainability in the international business environment

Case

Prayer outfits, special uniforms used by Muslim women when performing their prayers, are designed to cover the whole body from the head to the foot except for the face. Face design refers to the use of fabric (such as a lace motif) that can stretch to fit different face shapes and sizes to ensure comfort during prayer. The fictional company TNA Sdn. Bhd. is a very famous local apparel brand in Malaysia, excelling in selling prayer outfits with a unique and innovative face design. Sdn. Bhd. is short for the Malay phrase Sendirian Berhad, which means a private limited company. The company originated when founder Madam Q heard complaints from relatives and friends about their uncomfortable prayer outfits. After modifying the outfit to make it comfortable as well as suitable, Madam Q started her business with her husband by selling her female prayer outfit in small quantities, mainly to her circle of relatives and friends. To provide the best customer service, Madam Q distinguished TNA from other competitors by prioritizing quality and comfort through innovative facial design and quality materials. TNA offers four unique face designs in its collection of prayer outfits: Original, Classic, Harmony and Exclusive. In addition to prayer outfits, the company also produces other articles of female clothing including robes (called jubah in Malay), traditional clothes (baju kurung in Malay), and a variety of accessories such as head veils, hand socks, socks, bags, Al-Quran, etc. TNA has obtained tremendous support from customers and has followers and fans throughout Malaysia.

To achieve this level of success, TNA has four primary divisions: R&D, Production, Marketing & Sales, and After-sales Service. TNA employees include graphic designers, IT assistants, online assistants, boutique assistants, administrative and data entry clerks, warehouse and production workers, marketing executives, and production operators responsible for tailoring and packaging. The function of R&D focuses more on the design of the head area of the prayer outfit and the selection of quality materials. The company issues new designs each year and updates the lace motif every six months to keep pace with changes in customer tastes and preferences. In terms of production, approximately 80% of each prayer outfit is produced in Indonesia

where the cost of production is much lower, while the more complex head parts and face designs are made in Malaysia. For marketing and sales, TNA utilizes local and social media to promote its products and penetrate the market, including a company website, Facebook, Instagram, etc. Although various promotion methods are employed, such as free gifts, holiday discounts, and raffles or lucky draws, Madam Q adheres to the principle of “sell the value, not the price” to generate sales. As part of the After-sales Service, which includes repairs, Madam Q established a sewing academy where women, especially single mothers, can build the necessary skills and knowledge of entrepreneurship to lessen the hardships in their lives.

Taking advantage of efforts by the Indonesian government to boost foreign direct investment (FDI), TNA opened a new outlet in Jakarta, Indonesia in July 2015. After obtaining approval of its investment license from the Investment Coordinating Board (BKPM) in Jakarta, TNA used the Greenfield investment mode and registered as a limited liability company, retaining 100% ownership. To ensure that the effort was not just bold but smart, TNA proceeded carefully into this new international market.

Indonesia is close to Malaysia, so the transportation costs, time, and risk are all low. As the majority of both countries' populations are Muslim, the two countries share the Muslim/Malay culture, which minimizes the differences among targeted customers. More importantly, Indonesia is ranked among the top ten largest textile-producing countries and is widely acknowledged for the quality of its textile products. When interviewed, Madam Q said proudly, “To produce their products, TNA has been collaborating with Indonesian producers because they tend to operate in an integrated way and produce large volumes that can easily meet their customers' demand. They also provide good quality textiles at a lower cost because the weaker rupiah (Indonesia's currency) guarantees cheaper raw materials.”

Before the firm entered this market, it already had some experience with it. TNA had exported and sold its outfits in Indonesia through online sales. “We noticed that a number of Indonesian customers either came to Malaysia to purchase our products or did so online. As the online sales kept soaring and customer feedback continued to be positive, we were thinking that opening a boutique might be a better way to satisfy our customers there,” Madam Q explained. “Further, considering the population of 24 million in Jakarta city where the people have high purchasing power to buy a few prayer outfits not only for themselves but also for friends as wedding or birthday gifts, and not just limited to the fasting month of Ramadhan, we're thoroughly sure that it's the right market for us, especially since we have already had major sales and production there.”

Any journey is not smooth sailing, however. The government's openness to FDI attracted other big brands as well. Madam Q confessed, “I am not upset by the numerous local or foreign rivals in the marketplace, such as Kyle & Jane Muslim prayer, Griya Zahra, CV Two Season, Tiga Muslimah, and so on, because we have our own strengths, including quality materials, distinctive designs, frequent innovations, and true commitment to customer satisfaction. Positioned as a luxury brand, we have our own fans.” To build up its brand name and image, TNA fully utilized popular social media platforms including Facebook, Twitter, and Instagram, as well as local media, to disseminate all information regarding new designs, promotions, and discounts to attract customers and deliver its products in the Indonesian market. The firm even employed an agent to serve and encourage the people outside the city of Jakarta to purchase its products. To enhance its brand loyalty, TNA emphasized its after-sales services, such as mending a torn face veil or swapping out a broken head part.

In addition to maintaining a low cost/high quality strategy in the face of fierce competition, TNA needed to respond to the pressure of Indonesian preferences for more colorful and patterned prayer outfits. Madam Q explained, “Our prayer outfit is usually composed of white fabric and the Prayer Outfit label. But to attract the local customers, we modified the outfit with a more colorful design and a mixture of high quality fabrics that are comfortable to wear and different from our competitors.”

“Besides these pressures, which we can handle, there are certain challenges that are hard to overcome in a short time,” Madam Q added. “For example, in the black market, there are fake TNA products sold cheap with low quality. Although we are victims, the complaints from our customers jeopardize our reputation. It is well known that intellectual property (IP) protection is quite weak in Indonesia. This has been criticized by numerous foreign corporations and governments, but in our own case, it really hurts. We have tried to register IP rights there, but it was very difficult because the process as required by the local government is complicated. And even if the registration is successful, the worst thing is that it does not guarantee the definite

evidence of ownership. Moreover, the coordination at the ministry level is also lacking. New regulations in Indonesia are tough to comprehend and are insufficiently notified to those who are involved, which causes redundant and slow processes of securing business licenses and import permits, as well as conflicting regulations. We do hope this situation could be improved in the coming years.”

As it faces fierce competition in the Indonesian market, pressures of local responsiveness, and challenges of IP protection, can TNA survive internationally with the same success it has achieved locally? After operating internationally for over two years, this late entrant into the low-tech apparel industry in Malaysia has built their brand and gained profitability in the Indonesian market, at least for now. The success of Madam Q's courageous effort to go international can be attributed to aggressive trade promotion/advertising and dedication to after sales service, as well as solid relationships with its producers and customers and patience with local policies.

Discussion Questions

- 1.
What triggered TNA to go international rather than just continuing to export its products to Indonesia?
- 2.
What challenges did TNA need to address when establishing a store in Indonesia?
- 3.
What changes happened in TNA's value chain that enhanced value creation?
- 4.
What is the rationale behind the entry mode(s) that TNA selected to expand into the Indonesian market?
- 5.
How can the experiences of TNA be applied to other entrepreneurial ventures?

Further Reading

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