



Research Article

Identification of The Dimensions of Factory Outlets Viability in Yogyakarta

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Abstract.

Factory outlets are known for providing affordable designer clothing and clothing of a higher caliber. Quick corporate growth and fierce rivalry among competitors impact a company's capacity to remain viable. This study investigated the roles that product quality, pricing, and marketing play in maintaining the viability of the factory outlet industry. According to the study's findings, dimensions such as product quality, pricing, and promotions all impact a factory outlet's ability to remain viable in the long run. To enhance sales of factory outlet items, product quality, pricing, and sales promotion are the key determinants in capturing the hearts of customers. Every business must rapidly decide on its price to advertise a good product or service. Additionally, it encourages factory outlets in Yogyakarta to enhance their capacities and plans to ensure their long-term viability.

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1. Introduction

Rapid business expansion and intense competition among rivals might have an impact on the company's long-term viability. Businesses must innovate in order to draw consumers' attention to products or services and keep customers in order to achieve success. The faster the times change, the more quickly customer tastes vary, and the more choosy consumers pick where to purchase. As the age progressed, so did the level of rivalry in the retail industry. To win the competition, retail entrepreneurs must deploy all their strengths and strategies [1].

According to [2], during the purchasing process, buyers will focus on product quality. Consumers prefer to purchase high-quality goods over low-quality goods. Discount schemes are quite efficient in attracting new customers. The technique of supplying various things to entice customers to buy, or just observing what is in the actions of giving discounts to entice customers. Meanwhile, according to [3], ways to entice new customers to visit include boosting, maintaining consumers, preventing consumers from

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leaving, and providing a particular benefit to purchasers. Promotional qualities assist a product in generating customer interest. Favorable promotions will result in a favorable attitude on the product.

According to [4], a company must determine its price immediately in order to be effective in selling an item or service. Price is the sole component of the marketing mix that generates revenue or profits for the organization, whereas the other three produce expenses. Price is the starting point for someone interested in purchasing the goods given by the entrepreneur, so that a consumer purchase choice happens.

Factory Outlet is a store that offers clothing with well-known design concepts in Bandung and its neighboring areas. Factory outlet stores are recognized for selling designer and world class clothing at the lowest costs. Before it was named as "Factory Outlet," this retail business was known as "Toko Sisa Ekspor," which refers to stores that sell or export apparel, some of which are "reject" grade items. As a result, the pricing is inexpensive. The difference today is that "Toko Sisa Ekspor" has been renamed a Factory Outlet, and the items offered are not only of "reject" quality, but also grade A. Despite being an A-grade product, the price is lower than the export price to various countries [4].

Initially, the Factory Outlet was dedicated to selling surplus fashion items for export. Factory Outlet is derived from the name of the shop launched by Perry Tristianto in 1999 as FOS, or Factory Outlet shop. The name was inspired by the name of a similar company in Malaysia owned by his friend from Malaysia. A Factory Outlet is traditionally a shop linked to a factory or warehouse. These stores are frequently placed together in an outlet mall.

With the fourth-largest population in the world after China, America, and India, Indonesia has huge potential for the retail industry. As a result, many international retailers are focusing on and then joining the Indonesian retail market, which has led to the present emergence of many branded foreign products. Due to the impact of the economic crisis, consumers had less purchasing power for imported goods, which were also more expensive than domestic goods. However, this circumstance was warmly welcomed by local company owners and entrepreneurs as there is a need for high-quality, namebrand products at reasonable rates as a result of the ongoing economic crisis [5].

Even though Factory Outlets (FO) in Jogja are not as many as distros and boutiques, FO development is still "mushrooming" more and more. With the tagline "Branded wears retailer," its existence has the power to "conjure" Jogja locals into being impulsive and "shopping mad." This FO provides export-import leftovers with grade A labels or with the same quality as items shipped overseas. One of the draws of this FO, which is



around 20–30% cheaper than overseas pricing for the same high-quality goods, is the low price supplied by an internationally renowned brand. From the most basic to the extremely lavish, this FO caters to all customer demands in terms of clothes.

Yogyakarta is regarded as a city of education and tourism, thus there are increasing chances for factory outlet businesses there. According to tourism statistics in Yogyakarta, there were 214,651 total hotel guests in August 2012, including 201,164 domestic guests and 13,487 international guests. This is in accordance to the Haribudiman's research which found that there is a correlation between the elements that influence and draw travelers to Factory Outlets [6].

It is quite fascinating with the rising number of factory outlets in the city of Yogyakarta. The neighborhood is tremendously excited about the construction of the factories store. The factory outlet's offer, namely imported goods at low costs and of high quality, substantially encouraged the public's desire to attend and buy in huge quantities. The more branches that open, the quieter or less visited factory outlets become. Several factory outlets are visited by a small number of customers.

This prompted the author to learn more about the factory outlet marketing strategy in Yogyakarta at Supermurah Store, Siko Bali Stors, and Aberaca Store because these three stores had a characteristic when they were first established, namely to equalize prices by selling all the goods in the store at a relatively affordable price so that customers would shop. As the business grows, the prices of the things sold now fluctuate according to their quality. Even if these three businesses' pricing have altered, they still have their own attractiveness in the eyes of tourists by giving reasonable rates, even lower than market prices. The marketing of the goods supplied by these three businesses, which include women's apparel (length dresses, t-shirts, jeans), sandals, shoes, purses, and accessories, is competitive. These three businesses compete to market items offered at discounts in order to attract customers. This worked well as a marketing strategy to introduce items and increase market share. These two businesses want to show clients that high-quality clothing is still available at reasonable costs. In general, everything that is remarkable and distinctive will undoubtedly draw customers' attention, so that they are able to recall and recognize these products easily than other products that are widely available on the market.

Price, product quality, and sales promotion are all interconnected and will become determining elements in capturing consumers' hearts. The promotion plan will fail if it is not accompanied by sufficient price and high product quality. This study aims to identify product quality, price, and promotion in the continuity of the factory outlet business, so that it can provide added value and meet the company's needs in improving the



quality of everything the company offers, the number of customers, and the number of customers that have existed.

2. Theory, Literature Review, and Hypothesis

2.1. Factory Stores

Factory Outlets are retail outlets that sell things that are exclusive to them, such as outmoded or overstock clothing that is sold straight to customers. Factory outlet stores are recognized for selling designer and world class clothing at the lowest costs. Before it was known as the Factory Outlet, this retail outlet was known as the Export Time outlet, which is a store that sells or exports garments, some of which are "reject" grade items. As a result, the pricing is rather low. The difference now is that the Export Time Shop's name has been changed to Factory Outlet, and the items offered are not just of "reject" quality, but also grade A. Despite being in grade A, the product is better than export prices to various countries [4]. The person must understand or pay attention to the behavior.

2.2. Consumers

Consumers are defined as anybody who consumes commodities or services provided in society for the benefit of themselves, their family, other people, or other living things, rather than for monetary gain. Consumers are divided into two categories: intermediate consumers and ultimate consumers. Distributors, agents, and retailers are examples of intermediate consumers. They acquire products to trade rather than to use.

According to Nabban and Kresnaini in [7], "there is a tendency for consumers to choose quality products that match their tastes and desires and are reasonably priced." Consumers are classified into three groups:

- Consumers in a general sense, namely users, users or beneficiaries of goods or services for a particular purpose.
- 2. Intermediate consumers, namely buyers or beneficiaries of products and services to be produced (Producers) or traded (Distributors) for commercial objectives; these intermediate consumers are the same as business actors.
- 3. Final consumers, i.e. users or beneficiaries of consumer products and services for their own, their families', or their households' needs, rather than for re-trading.



2.3. Product

Companies must set marketing and sales targets so that the products offered and produced can meet the needs and desires of consumers since the characteristics of goods or products is inseparability. It results in an increase in consumer purchasing decisions. Products, according to [8], are everything that customers acquire as part of the exchange process with producers, including the basic advantages, the actual product and its packaging, as well as any ancillary components. Research by [9] define a product as anything that is readily offered to a market for consideration, acquisition, usage, or consumption and fulfill a need or want.

2.4. Role Stress

2.4.1. Price Definition

Price, as defined by Kotler and Armstrong (2016), is the amount of money charged for a product or service, or the amount of money customers pay in return for the benefits of owning and utilizing a product or service. Meanwhile, pricing is one of the marketing mix elements that generates income, while the others generate expenditures [9]. Price is also the most easily modifiable factor, along with product features, channels, and communications. Based on the two theories presented above, the researcher finds that pricing is a set of values determined by the company for a product/service; the price is determined by the corporation based on the cost of production, features, and product availability.

2.4.2. Pricing Objective

The company must determine where to submit its market bid. The pricing is easy to set when the company's aims are clear. There are five main goals:

Survival, companies attempt to survive when they have surplus capacity, fierce rivalry, or changing consumer demands.

Maximum Current Profit, many businesses strive to set pricing that maximize revenue.

Maximum Market Share, some businesses strive to maximize their market share.

Maximum Market Skimming, corporations who disclose their latest technology tend to establish high pricing to maximize Market Skimming, where the initial price is high and gradually falls.



Product-quality leadership, a corporation may strive to become the market's productquality leader.

2.5. Promotion/Advertising

Advertising is a type of commercial communication activity that involves spreading product information in order to attract customers. The capacity of social media marketing to generate an attitude of choosing things to sell and buy in the process of luring people to acquire these products. Ads that are loved profitably will effect and can develop favorable attitudes towards the product, and vice versa, if the ad generates a bad attitude, sales will drop or the product will be disliked [10]. Discount indicators used by [3] are as follows:

Advertising delivery messages

Advertisement script

Advertisement content design

Advertisement model

Color, Music

3. Research Methods

3.1. Research Types and Nature

Field research was employed in this study, which is research done in the field or at a research location to evaluate objective symptoms that occur at that location and is also used to prepare a scientific report. This field study will be place in Yogyakarta. Qualitative research will be the type of research employed in this study. A qualitative approach is described as a strategy to investigate or investigate and comprehend a phenomenon. The researcher used wide, generic inquiries during informant interviews to learn more about this phenomenon. In this study, a case study method of qualitative research was used. Case study research is defined as qualitative research that is based on human knowledge and behavior and is informed by human opinion. In Yogyakarta, Supermurah Stores, Siko Bali Stores, and Aberaca Stores, consumer purchase decisions can be influenced by factors such as product quality, price, and promotions, according to this research.



3.2. Data Collecting Methods

The researcher employed semi-structured interviews and field observations in this study to get the necessary data. This kind of semi-structured interview serves to produce research-related questions, and researchers can choose whether to bring up particular concern in their research at their discretion [11]. Observation is described as the process of noticing and then documenting numerous events in real and artificial circumstances methodically, logically, objectively, and rationally. Unstructured observation was employed in this study, where researchers might construct observations depending on developments in the field. To acquire the information required by researchers on product quality, pricing, and promotion variables in order to assess customer purchase decisions at Yogyakarta's Supermurah Stores, Siko Bali Stores, and Aberaca Stores.

3.3. Selection of Informants

The sample approach utilized in this study was purposive sampling. Purposive sampling is a data sampling approach that takes into account specific factors. The parameters mentioned include sources who are the most knowledgeable in their professions or sources who are thought to know the ins and outs of the company or its activities. The informants were owners of factory outlet stores in Yogyakarta (Supermurah shops, Siko Bali shops, and Aberaca shops), and samples were obtained based on preset features.

3.4. Data Analysis Method

The data analysis technique employed was a qualitative field analysis technique because the data gathered in this study are descriptions in the form of descriptions. A qualitative research method generates descriptive data, such as written sources or human expressions of activity that has been seen. Researchers can identify issues with product quality, pricing, and promotion aspects that influence consumers' purchase decisions at Yogyakarta's Supermurah Stores, Siko Bali Stores, and Aberaca Stores by using inductive reasoning.

4. Results and Discussion



4.1. Results and Discussion

On June 17, 2023, the interviews were conducted with factory outlet store owners or managers in the city of Yogyakarta with the objective of exploring the dimensions of factory outlet viability, and each store owner or management offered comments that were comparable to one another.

According to the interviews, in can be inferred that the viability of the factory outlets can be determined by several dimensions, as follows:

4.2. Discussions

There are disparities in financial sources based on the interview findings for each store. The money for the initial shop, Supermurah, comes from investors interested in developing a factory outlet company. The second business, Siko Bali, is financed with personal funds and the assistance of bank KUR. The funding for the third shop, Aberaca, comes from the private capital of various individuals. So, funding from factory outlets can be obtained through investors, personal funds, banks, and factory outlet employees. Researchers believe that the best funding comes from investors. A certain amount of money is chosen by the business owner based on possible investors, making it simple for all parties.

Location has an impact on customer volume or product purchases at factory outlet outlets in addition to money. Businesses at each shop have commonalities in how they select their business location throughout the areas surveyed and questioned, particularly by paying attention to strategic aspects. The attraction of the place, such as being close to dense populations of inhabitants, can be used to determine the location's strategic importance. As a result, while opening a factory outlet, business owners must consider the most advantageous location to sell or distribute goods to customers since the more advantageous the location, the more customers will visit the factory outlet shop. The findings of a prior study by [12], which discovered a favorable relationship between product, service, and location characteristics on consumer purchase decisions at Ramona Palembang Stores, confirm the findings of this study. Furthermore, [13] discovered that location and price had a big impact on buying choices.

According to the three interviews conducted, product quality can impact purchase intention, customer happiness, and the number of consumers visiting Factory Outlets in order to improve product sales. The higher the level of product quality of a product, the greater the level of consumer confidence in the product; with high confidence in



TABLE 1: Dimensions of Factory Outlet Viability in Yogyakarta.

Dimensions	Store 1	Store 2	Store 3
Capital	Capital comes from investors who are interested in developing a factory outlet and business owners are given complete authority to design the entire business model including training for potential workers.	J	The Capital is derived from Personal funding with mul- tiple people collaborating to establish Aberaca factory outlet.
Location	In determining a location, traffic is taken into consideration, particularly in areas near marketplaces or heavily populated areas.	The strategic location component, as well as the community needs factor, are thoroughly considered.	The Aberaca shop's location was not chosen for strategic reasons, but rather to conserve funds by renting a store owned by one of the founders.
Product	a wide selection of high- quality fashion options, including clothing, trousers, and accessories for everyone	The variety of products offered at the Siko Bali shop is extremely diverse and of great quality, beginning with various types of garments and pants supplied from export leftovers where the goods are not rejected or do not pass quality control.	Clothing, trousers, and accessories are available in a variety of sizes for children, teens, and adults. The Aberaca store's top items are the most recent fashion collections. In Addition, the quality of its items is important to this shop.
Product Availability	There are several wholesalers from various industries at the mega murah store. When the affiliated plant shut down, distributors' stock became scarce, and Yeni's mother looked for alternatives to make up for the shortage.	The items offered at the Siko Bali store come from multiple suppliers. When a product is no longer manufactured by the factory but demand is still high, there is a situation where suppliers or distributors have a shortage of stock.	Every month, several suppliers or distributors bring items to the Aberaca shop for sale. When suppliers or distributors are unable to supply retailers with the items they require, product scarcity happens. This typically happens when factories fail to produce the goods.
Business Strategy	Prioritizing product quality at prices below market rates is the marketing strategy used by Supermurah stores to attract customers.	Provide high-quality products at reasonable price and provide seasonal discounts. They also reduced the cost of products placed in front of the store.	new plan every time to draw consumers, includ- ing social media advertis-
Rivalry	In a comparable business, the level of competition is determined by consumer characteristics rather than other rivals.	Given the abundance of comparable stores in Yogyakarta, there will always be rivalry.	Competition is fairly fierce considering there are many comparable stores in Yogyakarta.
Government Policy	There were no government policies that impeded the operation of Supermurah outlets over time.	Given that Siko Bali just sells and does not manufacture, government laws have not yet caused any obstacles or harm the business	There were no government policies that impeded the operation of Aberaca store since the shop opened



the quality of the product, consumers are more likely to choose and make purchasing decisions on the product, which means that product sales will increase, ensuring the factory outlet's continuity. Quality goods originate from industrial production leftovers rather than rejected items that fail quality control. Factory Outlets provide items that are suited for consumer sale, since these products come complete with price tags and product information.

The findings of this study are confirmed by previous studies that showed the product has a favorable and substantial impact on purchasing decisions and that the product's quality also has a favorable and significant impact on satisfaction [14]. According to other studies, product quality impacts customer purchase decisions both in part and concurrently [15].

Additionally, they collaborate with distributors from different manufacturers in regards to the availability of items or product stock from the three Supermurah shops, Siko Bali shops, and Aberaca Stores. Consequently, in order to establish a factory outlet company, the entrepreneur must work with several manufacturers so that the items he wants to offer at the factory outlet can fluctuate and follow the numerous product variants released by a number of factories he trusts.

Additionally, according to the three interviewees, there are certain parallels in how each company boosts sales, mainly through conducting promotions. Each store, however, has a unique marketing strategy that it uses to entice customers to buy the goods it sells. Therefore, it can be said that promotions have an impact on the volume of customers at Factory Outlet stores and can boost sales. Sales promotion is a type of marketing communication that seeks to inform, convince, and remind the target market about the firm and its products so that they will purchase the goods being provided. Word of mouth and social media promotion both play a part in consumer purchasing decision [16]. Purchase decisions are generally quite strong, and there is an effect of sales promotion on them [17]. Sales promotion is in a poor indication, particularly in the incentive instruments supplied, such as price reductions and the availability of samples offered generally.

According to the factory outlets that were investigated and questioned about the business competitiveness of the three factory outlet stores, the competition in the same industry was extremely fierce given that Yogyakarta is home to many comparable businesses. Nevertheless, these circumstances did not result in a decrease in foot traffic at Supermurah, Siko Bali, or Aberaca outlets. Along with rivalry from other retailers, there is also competition due to the shifting consumer demographics.

In the three factory outlets under study, the government policy claimed that there were no barriers to the sustainability of the factory outlets. The government did not control the goods offered when the three stores were first opened; it just levied taxes on factory outlet enterprises. Government policy includes enabling elements like the KUR policy for commercial players in need of funding.

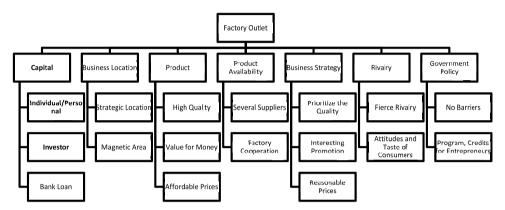


Figure 1: Elements of Factory Outlets. Sources: Author, 2023.

5. Finding and Conclusion

Based on the findings of the research and discussion previously described, it can be said that the existence of Factory Outlets in Yogyakarta led to very fierce competition in the outlet/distro market to draw customers. Factory Outlets also had several advantages in terms of product, strategy, and product availability, and this price encourages the sustainability of Factory Outlets in the Yogyakarta area to rise.

The strategy chosen to sustain the Factory Outlet's continuity is to concentrate on advantageous geographic circumstances, comprehend the traits of a variety of clients, and produce goods that are superior to those of competitors while also being more affordable and of superior quality. Customers are more likely to purchase at Factory Outlets than at the market because of the prices that are there, which are determined by the product's quality. As a result, this has the benefit of guaranteeing the long-term viability of the Factory Outlet.

6. Implications, Limitations, and Suggestions

This study possesses considerable limitations. The limitation of this study relies on its methodology. The future studies can employ variety of methodology, particularly quantitative approach to measure the influence of acquired dimensions to the viability

of factory outlets to achieve more generalization. Second, this study only investigates the role of product quality, pricing, and marketing strategy through the lens of the merchants without considering the consumers' perception. Future research can explore the role of product quality, pricing, and marketing strategy using survey methods to comprehensively understand the effects of these factors on the viability of factory outlets. Besides, longitudinal study is also advisable to evaluate the implementation of aforementioned elements towards the viability of the factory outlets to holistically extend the findings.

This study contributes to the extension of the literatures on the viability of factory outlets. Based on the findings, this article suggests further study concerning aspects such as various types of digital and non-digital promotion strategies, online or in-store sales systems, and so on. Furthermore, consumer experience may be one of the factors influencing purchase decisions that should be investigated further. As a result, more research is required to seek for factors other than those explored in this article that might impact purchase decisions.

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