

Chapter 5

Enhancing the Competitiveness of the Creative Services Sector in Indonesia

Togar M. Simatupang

School and Management, Bandung Institute of Technology

Sonny Rustiadi

School and Management, Bandung Institute of Technology

Dohar Bob M. Situmorang

School and Management, Bandung Institute of Technology

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CHAPTER 5

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TOGAR M. SIMATUPANG

School of Business and Management, Bandung Institute of Technology, Indonesia

SONNY RUSTIADI

School of Business and Management, Bandung Institute of Technology, Indonesia

DOHAR BOB M. SITUMORANG

School of Business and Management, Bandung Institute of Technology, Indonesia

1. Introduction

1.1. Global Interest on Creative Industry

In the world of interdependence of the 21st century, we face complex challenges, polarization, and inequality within and between countries. This situation requires strategy development to uncover the creative potential in order to meet the challenges—cultural, economic, social, and technological aspect—that we are facing nowadays. The concept of creative and cultural economy grows and thrives as a liaison among the culture, economy, and technology. The global development currently dominated by images, sounds, symbols, and ideas that create new jobs, prosperity, and cultures. Nobody disagrees that an innovative and creative idea is constantly changing as people always create and exchange goods, services, and cultures.

The development of the creative sector is one of the important and complex topics in a country's policy. For many countries, traditions and cultures have long been promoted as the main export sector and source of employment in their economic structure, along with the development of creative industries in their certain region.

Besides their role in the economy, these industries can also be used as a tool of foreign diplomacy and a local identity. Many countries such as Canada, Singapore, UK, Australia, France, and Germany use this creative sector as an instrument of international relations and soft diplomacy.

The responsibilities of industry to the creative products vary widely, but they have similarities. The industry benefits from the creative abilities of their workers and the generation of intellectual property known as the industry's intellectual property. Law can be a catalyst that converts creative activities into creative industries and protects the ownership of the idea of the author's property rights as the law protects property rights, land, and buildings.

Creative industries have a significant economic contribution to the economy, because it can create a positive business climate, strengthen the image and identity, support the utilization of renewable resources (central to the creation of innovation and creativity formation), and have a positive social impact. Based on these reasons, the creative industry has been a sector that should be developed within the concept of national building. To develop the creative economy, it is believed that the collaboration between various actors that play a role in the creative industries are important, which are scholars, business practitioners, and government (the triple helix). The term creative industry in the contemporary practice carries with it a perceived economic potential of production, employment, and income to meet the demands of consumers. Howkins (2001) defined the industry to include 15 subsectors which comprise advertising, architecture, arts and antiques, crafts, design, fashion, film, music, performing arts, publishing, research and development, software, toys and games, television and radio, and video games. With the formula, Howkins (2001) valued the global creative economy worth about USD 2.24 trillion in 2000 and grew at 5% a year. In view of the fact that the world's GDP in 2005, as stated by the World Bank as much as USD 44.4 trillion, the creative economy stood for 6.1% of the global economy.

A large piece of the global creative economy is currently driven by the developed countries, primarily by United States, United Kingdom, the European Union, and Japan. In many developing countries, commodity prices are decreasing, and populations are growing strongly. However, in many developed countries have used the opportunities brought about by globalization to either own or license a lot of the local assets. The

developing countries have incredible assets in their national and ethnic cultures and arts, and aspire to promote them in pursuit for their national pride and economic gain. They face several challenges. They do not have enough entrepreneurs who are familiar with business, law, and finance. In many countries, support from policy makers and government official is not strongly needed. In addition to a digital divide problem, they are facing a new creative divide. It does not imply that the people are required to be creative, but to have the capacity and skills required to convey their creative ideas in marketable products.

In general, Europe is powerful in creativity and innovation. The creative economy in the region employs no less than 5.8 million people. While works generally decreased in the EU between 2002 and 2004, it actually increased by 1.85% in the cultural and creative sectors. More importantly, people in the creative economy tend to be better educated than in other sectors. Nearly half hold university degree, compared with about one-quarter of the total labor force. They are also more likely to be self-employed which means they have to take control not only in their creative talents but also in financial and management skills.

Britain has relatively good outlook. According to Howkins (2001), UK has market a magnitude amounting to GBP 108 billion (nearly 10% of GDP), owing to the significant level of activity across all 15 creative industry sectors. The country has a respectable reputation for its originality and quality, although it has only few major companies. The British economy has continuously flourished faster in the copyright products. Its creative industries expanded at an average of 7% between 1997 and 2004, four times the growth of traditional manufacturing and two times as fast as traditional services. Over 1.8 million Britons define themselves as creative workers. The number of the workers has had a growth of 3% per year since 1991, much faster than the population growth.

1.2. ASEAN Potential for Creative Industry

Singapore (app.mica.gov.sg)

Ministry of Information, Communications, and the Arts (MICA) of Singapore is spearheading the Creative Industries Development Strategy (CIDS) to contribute to the vision of Economic Review Committee (ERC). Singapore economy is diverse,

entrepreneurial, and global. ERC identified creative industries as one of the three areas of new services and promises, besides education and health in 2003.

MICA adopts a national collaborative approach involving all relevant government agencies, industries, and stakeholders to develop a new industrial sector and the above-mentioned promise. The main focus is to build the foundations of this industry through the development of creative abilities, stimulation of sophisticated demands, and strengthening of industry players to become credible and significant players in the global creative field.

With a vision to develop the “a vigorous and independent creative cluster to encourage Singapore’s Creative Economy”, CIDS has the following blueprints:

1. Renaissance City 2.0: build Renaissance City blueprint to develop Singapore into a global city that is very innovative and multi-talented for arts and culture
2. DesignSingapore: build Singapore into Asia’s leading center for excellence of design, in which a cluster design is fully developed into a key driver of national competitiveness and creativity
3. Media 21: develop a media ecosystem rooted in Singapore with a strong international extension

Complementary to CIDS is a Creative Community Singapore (CCS), a major initiative of MICA which tries to position Singapore as the “Land of Opportunity”, through state support, for the creative industries. Officially launched in July 2005 in partnership with the private sector, community, and public, CCS adopts a bottom-up approach to revitalize the economy of Singapore, by nurturing creative talent, stimulating creative ideas, and fostering creative effort from the bottom to the top. CCS aims to empower individuals and organizations to initiate a pilot project that will provide the freedom for creativity and entrepreneurial spirit of individuals and communities and to build demand and capabilities for the creative industries. This is a public-private collaboration which provides different levels of support, including facilities, co-branding, marketing, and financing.

Thailand (Kenan Institute Asia & Fiscal Policy Institute-Thailand, 2009)

Thailand’s economy depends on labor-intensive manufacturing sector for decades, but now the country is in a stage of development of creative industries driven by

knowledge and information. Knowledge-based economy is considered as the basis for the development of creative economy. Thailand has sought to enhance its role in international trade with a more proactive and have shifted the focus to the knowledge and creativity-based production with the aim to add more value to his country. Thailand considers knowledge management as an important factor to promote economic development, in addition to managing the infrastructure and services, develop knowledge and technology, and promoting R&D and innovation to commercialization.

Software, animation, and games industry in Thailand is still small compared with other types of creative industries. Software market in Thailand was worth THB 67 billion in 2010, while animation and games respectively were worth THB 10 billion and THB 12 billion. The industry currently does not make a significant contribution to the GDP of the country, because they face problems related to financial supports, target markets, and human resources. However, it is believed that the software, animation, and games will play an important role in the future for the creative economy, because they are considered a real cluster in each type of industry and creativity of Thailand. In addition, the Software Industry Promotion Agency under the jurisdiction of the Ministry of Information and Communications Technology has been spearheading a national scheme to support industries ranging from financial support, marketing, and professional training programs. Currently, the government announced the creative economy as a national agenda. Thus the industry is still growing, even during the global economic recession. The needs of creative economy, public and private partnerships, international cooperation, government stability, government policies, and strong private sector will make the animation software and games become the main export products nationwide.

Thailand was ranked 17 of top 20 exporters of creative goods in 2005. Although not recognized as a major exporter in this field, Thailand is developing itself to become one of the significant exporters of creative goods and services. According to the Thailand government economic and social development plan as well as increased creativity is considered as part of measures for economic restructuring.

The main impacts involving a direct and measurable contribution of creative industries to the national economy includes the creative industries that directly contribute to GDP, value added, and employment. The survey results in 2008 on

information and communications technology industry showed that the creative industries contributed Thailand THB 1,067,987 million (approximately USD 32 billion). These industries accounted 9.53% of the total GDP by value added amounting to 2.86% of GDP in 2008. Revenue from the jewelry industry accounted for 4.73% of GDP.

In 2008, 875,500 workers (or 2.42% of the Thailand workforce) who worked in creative industries such as IT industry, had the highest performance. Creative industries, including IT industry, contributed an average added value of THB 750,000 (USD 22,522.5) per worker. Jewelry industry had a relatively high value added per worker of about THB 2.57 million (USD 77,177.2), while the printing and publishing industry had a value added THB 2,280,000 (USD 68,468.5) per worker. It was well above the average value added per worker, THB 309,230 (USD 9,286.2) and nearly three times of the value added per worker in manufacturing, THB 786,850 (USD 23,629). In terms of international trade, exports of selected creative industries amounted to THB 429,653 million (USD 12.9 million) in 2008, 7.34% of total exports, and, according to statistics of UNTAD this value continued to increase (5.1% per year from 2000 to 2005). IT sector is a major exporter, with value of THB 192,079.32 million (USD 5,768 million), and the export of articles of jewelry and of their related sectors valued at THB 157,730.65 million (USD 4,737 million).

ASEAN Economic Community

The ASEAN Economic Community (AEC) is schedule to be ratified in 2015. However, only a handful of countries such as Singapore, Malaysia, and Thailand benefited from the highly competitive economic arrangement. Initially, the AEC was in favor for Indonesia, Malaysia, Thailand, and Singapore, because, during 2007-2010, Indonesia experienced a surplus trade and it had always had an increasing trend. In 2010, Indonesia had a trade surplus amounting to USD 3.5 billion, although in 2005-2006 Indonesia was still in a trade deficit. Indonesia could turn its trade around in part due to the massive number of plantation commodities, marine harvests, electronics, and textiles. But, those industries are already starting to fall (sunset industry). Trades in these sectors are declining gradually. If it is not revitalized, then these sectors will be problematic. Therefore, Indonesia may be in disadvantaged in the future when the AEC

was set in motion in 2015. And this could result in other ASEAN countries like Vietnam, Philippines, and others overtake Indonesia.

The important thing to address is to resolve the problems that interfere with domestic economy. Indonesia must strengthen its agricultural and industrial sectors. These sectors are weakening from year to year. Up to 2015, Indonesia will be able to survive in the competition arena of ASEAN. But after that, Indonesia will have a lot of problems if no improvements are done, including improving the investment climate, competitiveness, infrastructure development, and consistency of government policy. Currently the best economic environments among ASEAN countries are offered by Thailand, Singapore, and Malaysia which have gained the most benefit from the AEC arrangement. Indonesia sits in mid-level, competing with Philippines and Vietnam. The countries that are most possibly harmed are countries with low competitiveness such as Cambodia, Laos, Brunei Darussalam, and Myanmar. Conversely, countries that mostly benefit from AEC are the countries that are most ready to compete, most efficient, and most prepared. If Indonesia does not prepare good labor force, other countries will likely send their experts to Indonesia. Thus, AEC will be very harmful for Indonesia, because it will be in the position of only providing unskilled and low income laborers. On the other hand, other ASEAN countries can get access to a much larger market, where Indonesia cannot do. Looking at the current lack of preparation, Indonesia could be harmed by the institution of the AEC. Although Indonesia has a comparable advantage from having cheap laborers, this advantage is a detrimental.

Malaysia, Thailand, and Singapore are clearly in the most advantaged position in AEC. For example, Singapore has high-tech advantages, compared to Indonesia, in electronic or other products. Indonesia is also importing fuel from Singapore. Management and services in Singapore are much better. It is also true for Malaysia. Only in crude palm oil (CPO) Indonesia can compete with Malaysia. But, in terms of value added and high-tech products, including in electronics, Indonesia cannot compete with Malaysia. Malaysia's industrial competitiveness is also much better than Indonesia because of its having good energy supply. Factories in Indonesia are having trouble in obtaining gas in the country, but Malaysia has been able to guarantee gas supply for its industry because this country has a long-term gas contract, up to 30 years,

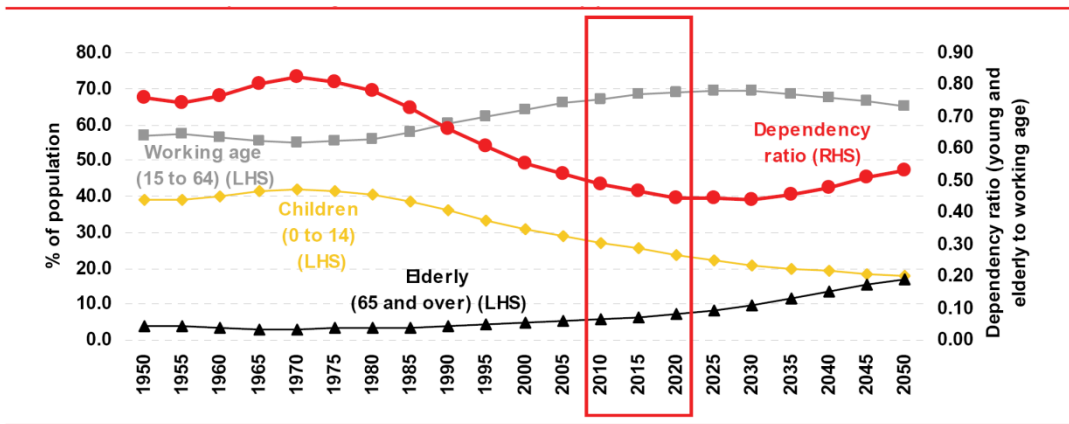
with Indonesia. Moreover, if compared with another Asean country member, i.e. Thailand, Indonesia is not as ready as Thailand in absorbing foreign investment. Thailand has become the center of Japanese car production, and therefore this has a multiplier effect to its other industries. In fact, factories in Thailand have sold the products to Indonesia.

Indonesia will also benefit from this competition if it can improve the investment climate prior to 2015. But, looking back at how things were in free trade, where government and employers underutilized the ASEAN market, things were not encouraging. The increase of Indonesian exports to ASEAN countries was not significant. The AEC result will be the same, if Indonesia is not careful in preparing itself for the launching of the AEC in 2015, the launching of which was previously scheduled to be in 2020. In other words, ASEAN has determined to immediately increase its economic growth and competitiveness to face the global competition. This decision has driven other people to work on the Indonesian market, while Indonesia does not. If Indonesia only serves as the subject of the ASEAN market itself, it will only hurt Indonesia in the long run.

2. An Analysis of Business Climate of the Creative Service Sector in Indonesia

Indonesia is a country in Southeast Asia, situated at the equator, and located between Asia and Australia as well as between the Pacific and Indian Ocean. It sits between two continents and two oceans. Comprising of 17,508 islands, Indonesia is the largest archipelago country in the world. With a population of 222 million people in 2006, Indonesia is also the fourth most populous country in the world. It ranked 44th of 139 countries on the Global Competitiveness Index, a survey conducted by one of the leading institutions based in Europe. A number of materials can become the elements of the competitiveness, including institutions, infrastructure, macro economy, health, education, market efficiency, technological readiness, business, and innovation. In 2005 the country only sat at 69th position, and in 2002 it was at 54th position.

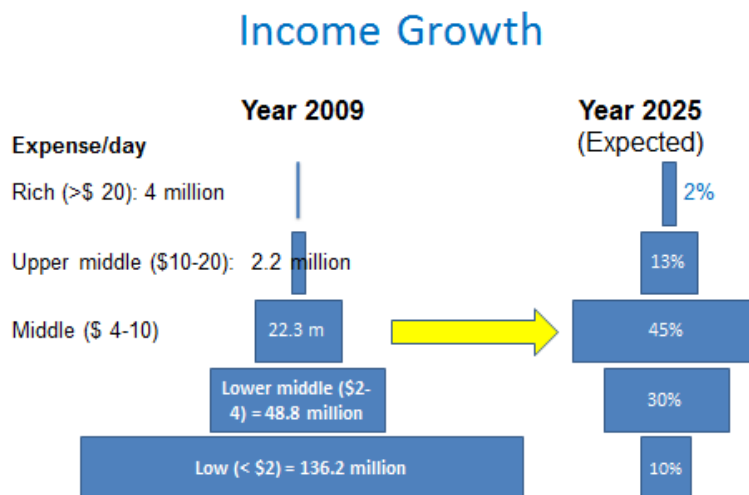
Figure 1: Indonesia Demographic Condition



Source: Indonesian Coordinating Ministry for the Economy (2010).

Currently Indonesia is not considered as advanced industrial countries in the world because there are still many problems in developing its industry, one of which is the number of new entrepreneurs in Indonesia. Only as many as 440 thousand entrepreneurs or approximately 0.2% of the total Indonesian people who are entrepreneurs, compared with advanced industrial countries like the United States (20%), Japan (18%), and the UK (18%). Even among developing countries, the rate of entrepreneurs in Indonesia is still considered low, for example Singapore (10%), China (5%), and India (5%). This is a dilemma because entrepreneurs have a major contribution in the development of industry.

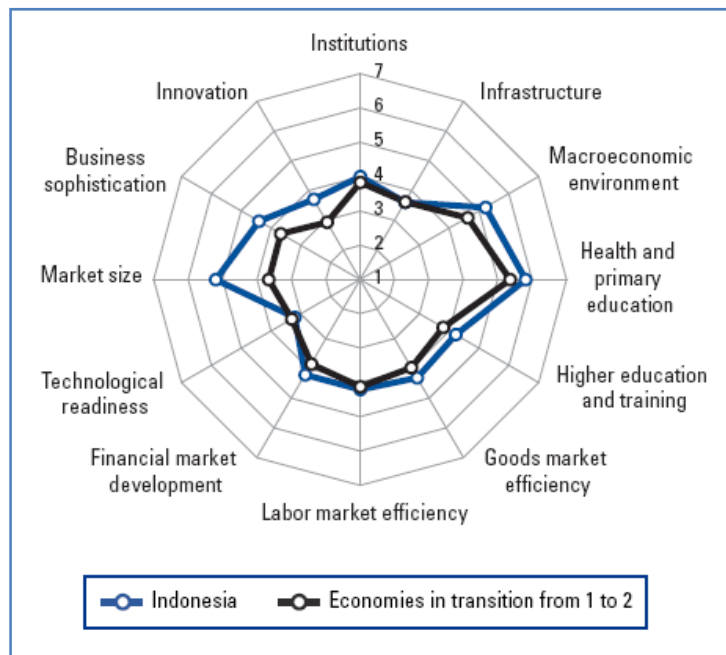
Figure 2: Indonesian Income Growth



One interesting findings in the Global Competitiveness Report 2010-2011 was the fact that the competitiveness of developed countries and developing movement towards

a single point. The World Economic Forum released a progress report each year of competitiveness which is based on a survey on business leaders and the latest economic indicators show the importance in Indonesia's competitiveness globally. Its rank climbed 10 levels to rank 44 of 139 countries. This is mainly due to an increase in macroeconomic indicators, health, and basic education, according to the report. The quality of overall infrastructure has increased from 96 to 90. The protection of intellectual property rights (IPRs) has increased from 67 to 58; the national savings rate has increased from 40 to 16, the effectiveness of antimonopoly policy has risen from 35 to 30, and the impact of taxation has ascended from 22 to 17. Meanwhile, business sophistication index has also increased, including the number of local suppliers, from 50 to 43, while the distribution value chain has decreased, from 35 to 26; the control of international distribution has declined, from 39 to 33, and the sophistication of the production process has also dropped, from 60 to 52. The ranking was based on a comprehensive survey on each the state. Indonesia was behind Portugal (46th), Italy (48th), India (51st), South Africa (54th), Brazil (58th), Turkey (61st), Russia (63rd), Mexico (66th), Egypt (81st), Greece (83rd), and Argentina (87th). Among ASEAN countries, Indonesia was ranked the fifth after Singapore (3rd), Malaysia (26th), Brunei Darussalam (28th), Thailand (38th), Vietnam (59th), Philippines (85th), and Cambodia (109th).

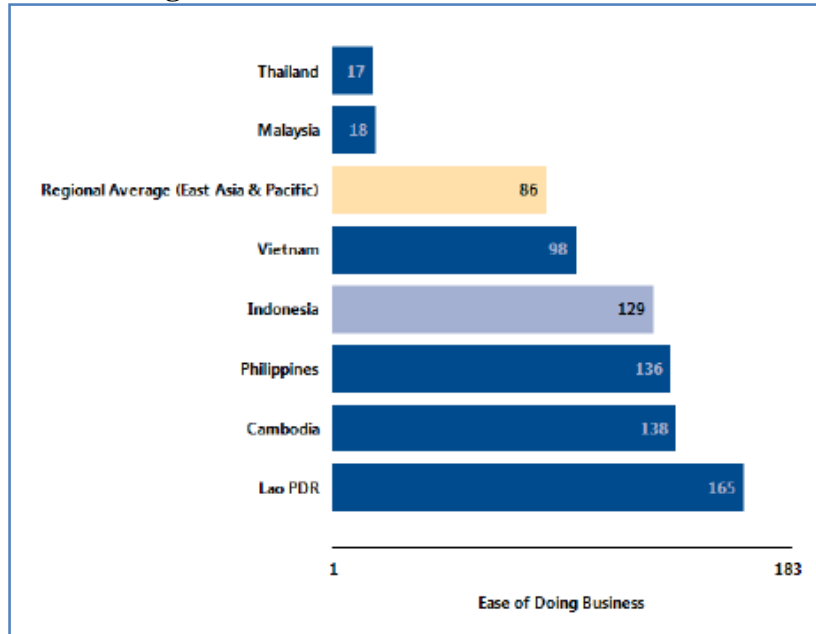
Figure 3: Indonesia Competitiveness (2011)



Source: World Economic Forum (2011).

On the other hand, at the World Bank report “Doing Business 2012”, Indonesia ranks 129 of total 183 countries. Nothing to be proud of, especially when considering that Indonesia’s position is down 3 ranks compared with the same data in 2011. Such factors as manufacturing companies, infrastructure (electricity, telephone, etc.), and the tax structure are the points where Indonesia is very weak compared to other states. The better points for Indonesia are policies for investor protection and interstate transactions, which are considered quite well in Indonesia.

Figure 4: Ease of Doing Business of Some ASEAN Countries



Source: World Bank (2011).

The rapid growth of the global market for unique products has made the creative industry become a major sector and grow rapidly. Digital technology and global networking have made the creative industries as one of the fastest-growing sectors in the world with average annual growth of between 5 and 20%. As seen on Table 1, the average GDP contribution of creative industries in Indonesia for year 2002-2010 was 7.74% of its total GDP. Creative industries export value reached IDR 131.3 billion, accounted for 10% of total national export (Simarmata & Adiwidjaja, 2011), employed 8.5 million workers, and contributed IDR 468.1 billion to GDP in 2010. As a comparison, in the United States about 11% contribution to GDP comes from the creative industries. In the UK, creative industries have become one of the fastest-growing sectors with computer games and electronic publishing as the sector's most successful industries. Currently the creative industry is estimated to contribute about 8% of the Britain's GDP.

Table 1: Indicators of Indonesia's Creative Industry (2002-2010)

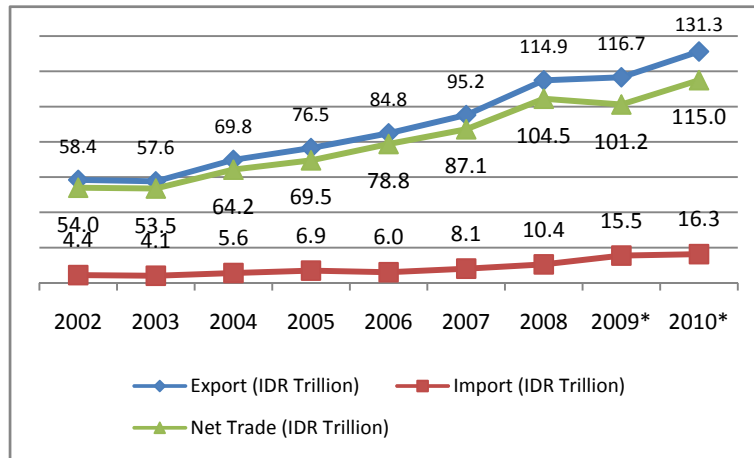
Indicator	Unit	2002	2003	2004	2005	2006	2007	2008	2009*	2010*	Average
Output Base											
Current Value Added	Billion (IDR)	160,3	167,3	192,1	214,5	256,8	293,2	345,4	394,9	468,1	276,9
		37	55	28	41	48	86	58	37	03	99
Constant Value Added	Billion (IDR)	132,4	131,0	138,6	135,3	142,0	145,9	145,2	148,5	157,4	141,8
		72	77	27	94	91	75	39	37	88	78
Value Added Growth	%	-	-1.05	5.76	-2.33	4.95	2.73	-0.50	2.27	6.03	2.23
National Value Added Contribution	%	8.80	8.31	8.37	7.73	7.69	7.43	6.97	7.04	7.29	7.74
Worker Base											
Number of Workers	Person	8,090,	6,700,	7,497,	7,360,	7,009,	7,375,	7,624,	8,207,	8,553,	7,602,
		276	589	885	032	392	116	643	532	365	092
Workers Growth	%	-	-17.18	11.90	-1.84	-4.76	5.22	3.38	7.64	4.21	1.07
National Participation Index	%	8.83	7.38	8.00	7.75	7.34	7.38	7.43	7.83	7.90	7.76
Workers Productivity	Thousand (IDR)	52,30	48,03	56,23	63,60	65,45	67,36	67,12	67,82	62,70	61,18
		1	8	0	6	8	1	9	9	1	4
Field of Business Base											
Number of Firms	Firms	3,192,	2,623,	3,099,	2,734,	2,576,	2,835,	3,035,	3,225,	3,350,	2,963,
		365	965	344	076	235	608	224	248	672	637
Firms Growth	%	-	-17.80	18.12	-11.79	-5.77	10.07	7.04	6.26	3.89	1.25
National Firms Contribution	%	7.52	6.34	7.24	6.57	6.09	6.41	6.64	6.94	7.11	6.76
International Trade Base											
Export	Billion (IDR)	58,41	57,59	69,77	76,46	84,84	95,20	114,9	116,6	131,2	89,45
		3	7	4	2	0	9	25	51	51	8
Export Growth	%	-	-1.40	21.14	9.59	10.96	12.22	20.71	1.50	12.52	10.90
National Export Contribution	%	11.43	11.32	10.49	9.08	9.33	8.86	7.52	10.65	9.25	9.77
Import	Billion (IDR)	4,445	4,060	5,560	6,915	6,045	8,077	10,44	15,49	16,26	8,589
								2	1	2	
Import Growth	%	-	-8.66	36.95	24.37	-12.58	33.61	29.28	48.35	4.98	19.54
National Import Contribution	%	1.59	1.50	1.29	1.22	1.10	1.15	0.82	1.70	1.33	1.30
Net Trade	Billion (IDR)	53,96	53,53	64,21	69,54	78,79	87,13	104,4	101,1	114,9	80,86
		8	7	4	7	5	2	83	60	89	9
Net Trade Growth	%	-	-0.80	19.94	8.31	13.30	10.58	19.91	-3.18	13.67	10.22
National Net Trade Contribution	%	23.33	22.54	27.58	25.30	21.99	23.34	41.65	54.68	57.83	33.14

* Preliminary figures.

Source: Simarmata and Adiwidjaja (2011).

Creative industry only supplied about 10% of national export; however the ratio between creative industry import values against the national import were only about 1%. The export value of creative industry reached 7 to 10 times its import value (Figure 5). The products of the nation's creative industry had established themselves more in the global markets, better than how foreign creative industry established their products in national markets. This fact also proved that the creative industry's dependence on import were relatively small. Creative industry had an opportunity in establishing the national autonomy (Simarmata & Adiwidjaja, 2011).

Figure 5: Value of Export, Import, and Net Trade of Indonesia's Creative Industry (2002-2010)



* Preliminary figures.

Source: Simarmata and Adiwidjaja (2011).

Government of Indonesia realizes creative economic potentials for job creation, poverty eradication, increasing the national income, and nurturing of nationalism. As a sign of the government commitment, an action program by 27 ministries/institutions and local governments has been stated explicitly in the Instruction of President of the Republic of Indonesia No. 6 of 2009 regarding Development of Creative Economy, in which the government detailed the policy for creative economic development for the year 2009-2015. The development of economic activities based on the creativity, skills, and individual talents to create creative and inventive individuals who are economically valuable and influential on Indonesia's public welfare. Government has also launched the Vision and Mission of Creative Economy for 2025 as follows:

- Vision: The Indonesian nation with good quality of life and creativity in the world
- Mission: Empower Indonesia's human resources to:
 1. Increase the contribution of creative industries to the GDP of Indonesia
 2. Increase the national exports of products/services based on the creativity of the nation that carries the spirit of contemporary local content
 3. Increase the employment as a result of the opening of new jobs in the creative industries

4. Increase a number of highly competitive firms engaged in the creative industries
5. Prioritize the the utilization of sustainable resources for the earth and coming generations
6. Create creative innovations, including those based on wisdom and cultural heritage archipelago, that hava economic value
7. Develop creative potentials in the areas and regionsof Indonesia
8. Develop creative branding on the products/services as national branding of Indonesia

In this instruction of president were disclosed six goals of Indonesia's creative industry, namely:

1. Nurturing creative human beings with a creative mind-set
2. Developing industries that are leading in domestic market and abroad,nurturing the local entrepreneurs
3. Developingtechnology that supports the creativity of Indonesian people
4. Utilizing domestic raw materials effectively for the creative industry
5. Encouraging Indonesian people to appreciate and consume local products
6. Winning high trust from financing institutions for the creative industries in the economic sector as an attractive industry

As the continuation of the government's commitment to develop the creative economy Indonesia in 2025, the Ministry of Commerce has conducted initial studies to map the economic contribution of creative industries that are part of the creative economy. This is then followed up by making "*Creative Economy Development Plan 2009-2015*", "*14 Creative Industries Subsector Development Plan 2009-2015*", and finally the next stage is planning "*Work Program 2009-2010 National Creative Economic Development, Ministry of Trade*". To direct and to carry out activities that can achieve the targets, the focus of activities undertaken will be divided into 5 main stages so that the targets can be achieved by 2015. Stages of the activities to be implemented are as follows:

1. Good data and information. At this stage activities will be focused on improving the quality and dissemination of information about the creative industries including

comprehensive studies of the industry, database development, and adequate information systems.

2. Service excellence. If the system has been developed with good information, then the service provided by the Department of Commerce is expected to increase significantly. Database that has been obtained can be the basis for policy studies to make rules that support the growth of creative industries.
3. Demand establishment, high productivity, and efficiency. At this stage, efforts should be well planned to create and stabilize the level of demand, improve productivity and efficiency of efforts to achieve the highest level to meet the level of demand and to stabilize a system of partnerships.
4. Design excellence. If the level of demand is relatively stable, then the focus of the next activity is the creation of product innovation by creating new designs, both of which have a local identity and contemporary nature.
5. Brand excellence. In order for creative products to be created and manufactured in Indonesia, it is necessary for intensive branding efforts to form a competitive advantage when compared with other similar products.

The reshuffle of the cabinet carried out by the President of Republic of Indonesia in October 2011 change the Ministry of Tourism into the Ministry of Tourism and Creative Economy, which is led by Mari Elka Pangestu, is expected to create new competitiveness for Indonesia in the creative economic sector. Ministry of Tourism and Creative Economy is the ministry within the government of Indonesia that is in charge of cultural affairs and tourism. After the reshuffle, at least there are three ministries whose duties are in direct contact with the handling of the creative economy. ministries are the Ministry of Trade, Ministry of Industry, and Ministry of Tourism and Creative Economy. All three must perform in order to generate synergies and better output. There should also be a coordination among them to avoid overlapping programs, butto complement and reinforce one another in the handling the Creative Economy. In the last 5 years, the function by the Ministry of Tourism and Creative Economy was performed under the Ministry of Trade. The Minister of Tourism and Creative Economy Mari Elka Pangestu said that the handling of the creative economy in three ministries

would not overlap, as each ministry has already had a blueprint that states their own tasks.

Along with the situation changes and rapid developments in information technology, a new generation is created to help shape the face of present day Indonesia, dominated by young musicians, artists, and designers. Through their hands, many brilliant works will be produced and managed to bring Indonesia to the global world arena.

In this study, we studied three subsectors of creative industries such as fashion, design, and games and animation. There are hundreds of creative activities carried out in Indonesia every year, some of which attract the attention of local communities and the world. They, based on areas, are:

- Bandung: Helarfest, Braga Festival, Kickfest
- Jakarta: Festival Kota Tua, PRJ, JakJazz, Jiffest, Jakarta Fashion Week
- Solo: Solo Batik Carnival, Pasar Windu Jenar
- Yogyakarta: Festival Kesenian Yogyakarta, Pasar Malam Sekaten, Biennale
- Jember: Jember Fashion Carnival
- Bali: Bali Fashion Week, Bali Art Festival, Bali Sanur Festival
- Lampung: Way Kambas Festival
- Palembang: Festival Musi
- Other creativeevent which has also been held regularly such as: Blogger Party and Java Jazz

2.1. Creative Service Sector: Games and Animation

The creative industries subsector of games and animation is creative activities related to the creation, production, and distribution of computer and video games that are entertaining, lively, and educative. The subsector of the games and animation is not solely for entertainment but also for education. According to some literatures, games industry has the following criteria:

- a. They are in the form of electronic-based software applications on the computer (online or stand-alone), console (PlayStation, XBox, Nintendo, etc.), mobile handsets, and arcade.

- b. They are fun and competitive.
- c. They provide feedback/interaction to the players, both among players or players with the tools (devices)
- d. They have a purpose or more and may carry one content / payload or more. The message has varied elements such as education, entertainment, product promotion (advertisement), and destructive messages.

Based on Britannica Concise Encyclopedia (answer.com), animation is process of giving the illusion of movement to drawings, models, or inanimate objects. From the mid-1850s, such optical devices as the zoetrope produced the illusion of animation. Stop-action photography enabled the production of cartoon films. The innovative design and assembly techniques of Walt Disney soon moved him to the forefront of the animation industry, and he produced a series of classic animated films, beginning with Snow White and the Seven Dwarfs (1937). The Fleischer brothers and the animators at Warner Brothers offered more irreverent cartoons that often appealed to adult audiences. In Europe new animation alternatives to line drawing were developed, including animation using puppets (sometimes made from clay). In the late 20th century computer animation, as seen in the first fully computer-generated animated feature, Toy Story (1995) moved the art to a new level.

The relative activities which are part of the games and animation industry groups are, among others:

1. Video sequences (using actors, directors, and crew)
2. Music soundtracks
3. Digital TV gaming
4. Gaming for mobile phones
5. Computer manufacture, distribution, and retail
6. Games console manufacture, distribution and retail

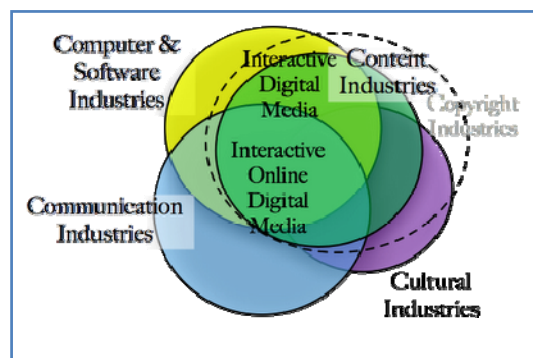
Games or 'interactive leisure software' in Indonesia satisfies the following main criteria:

1. Firms or entrepreneurs or individuals involved in game and anime development
2. Having a primary focus on development including

- Established game developers
- Established animators
- Emerging new game developers and animators
- Outsourcing in anime and game development

Recently, games and animation are part of software environment (see Figure 6), because they need software in designing and production.

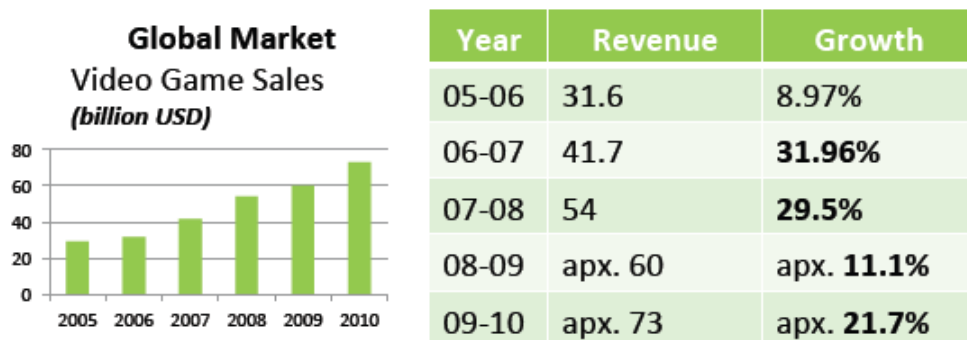
Figure 6: Software Environment



Source: bibliothekia.blogspot.com.

In 2010, the market capitalization of the world gaming industry was worth more than USD 100 billion and its value was predicted to continue increasing every year. The above figures do not include the conventional games such as board/card games whose supporting products were estimated to be more than USD 10 billion and to grow rapidly every year. These figures give an idea of how big and potential gaming industry is. This is a fact which should be known by many parties. Table 2 below shows the global market of game industry.

Table 2: Global Market of Game Industry



Source: Data calculated from NPD Group, ESA, MPAA, IGDA, RIAA, and IFPI.

Interactive or game developers are the major companies in interactive game-development industry. The companies are generally middle-sized according to the number labor employed. Even many of these developers are only informal firms consisting of 3 to 5 people. Interactive games developers are believed to have existed since the 1990s. The game developers usually make products as a hobby. But since January 2004, when the Divine Kids, a locally made game by David Setiabudi was awarded as the first game manufactured in Indonesia, the local interactive game industries began to start their businesses. Although the level of online game users has already reached 7 million users (data from the game publisher association in Indonesia) and nearly 30 people have accessed the internet, the gaming industry in Indonesia is still far from settled. The amount of usage of computers and electronic gadgets and telecom does not correlate directly with the game industries development, at least until now. Establishing software and hardware supporting industries for interactive games is therefore needed.

However, piracy of software and hardware in Indonesia is still high. This condition is often seen as an obstacle for developers of interactive games in running their business. Nevertheless, this obstacle can be solved by many ways. One of them is by commercialization activity. This activity is generally done through the dissemination of information on the websites. Another way is by joining international competitions although the events are still limited. Such events are good for company promotion. Thus, participating in the festivals can be used for introducing themselves to the world. This kind of festival in domestic level should be encouraged more. Besides strengthening the commercialization chain, it can strengthen the quality of human resources.

This industry can be divided into two types: computer game and conventional game. Computer game only requires low cost and raw materials; however, not every people can enter this industry as it requires a variety of expertise in programming, graphic design, and animation. This adds to the fact that business climate in Indonesia has not been supportive to the commercialization of software. One solution to market a computer game is to make it playable on the handset, although there is a risk of piracy.

But the games marketed with the help of content providers, at least help market the products. Another solution is to market the games online through social networking sites. Facebook, for example, offers considerable advantages to the manufacturers as each game is posted on it. Some economic figures of the subsector in Indonesia can be seen in Table 3:

Table 3: Economic Figures of Game Industry

Indicator	Unit	Amount
Gross value added	IDR billion	550
Contribution of creative industries	%	0.36
Labor absorption	Person	3,537
The contribution of labor to the creative industry	%	0.05
Labor productivity	IDR 000/labor/year	148,767
The number of business units	Company	764
The contribution of business units to creative industry	%	0.03
The export value	IDR billion	170.23
The contribution of exports to the creative industry	%	0.14

*Sources:*Data processing from Ministry of Trade of the Republic Indonesia (2009), and Creative Industry Research Team and Ministry of Trade of the Republic of Indonesia.

Some of the industries in Indonesia are, among others:

- Main Games Studio, Jakarta
- Sangkuriang Studio Bandung
- Indismart Kreatif Idea, Bandung
- Agate Production, Bandung

The industry associations in the games sector in Indonesia are:

Association of National Games and Electronic Sport (ANGELS), Asosiasi Penggiat Mainan Tradisional dan Edukatif Indonesia (APMETI), and Liga Game.

This study used a qualitative approach that begins on the data and lead to the conclusion using interview and secondary data analysis. The data were obtained from interviews. The Interviews were conducted in a conversation that has a purpose. The interviews were preceded with a few informal questions. The research also interprets or translates the discourses from the informants in the field. The research also used descriptive research, namely the kind of research that simply describes and summarizes the various

conditions and situations that exist. The interviews lasted for 90 minutes on average. The respondents who participated were:

1. Elitua Simarmata (Executive Director) and Yuda Kamsi (Community Relations); Indonesia Kreatif (indonesiakreatif.net)

Indonesia Kreatif is a working group for creative economy development initiated by Indonesian Trade Ministry in 2010 with the primary role as a hub agency, facilitator, and public outreach program in the development of creative economy of Indonesia. Indonesia Kreatif has 3 main programs, namely: Creativepreneur (creation and capacity building program), Creative City (creation and development of creative cities program), and Creative Network. Creative Network is a program for the creation and development of networks among creative leaders, creative businesses, communities, governments, academics, and investors as a driving force of creative economy both within and outside the country.

One important contribution by the working group is providing an online media for information, communication, and education of the creative economy in Indonesia for the creative economy stakeholders in Indonesia. The launch of this portal is a form of government intervention in providing a platform for the creative sector in Indonesia and building creative-preneurships and creative-networks.

2. Ferrie Budiansyah; Coordinator and Facilitator; I2TB (i2tb.web.id)

In 2008 Indonesian Ministry of Communication and Information built the first pilot project for telematics innovation incubator in Bandung, named Inkubator Inovasi Telematika Bandung (I2TB). The purpose is to create and increase the number of qualified ICT technopreneur in Indonesia. The agency is planned to be replicated in other cities in Indonesia, including Yogyakarta and Semarang. Its activities are directed to facilitate and nurture young creative technopreneurs and develop cooperation between stakeholders.

3. Djarot Subiantoro (President), Riyanto Gozali (VP), and Hidayat Tjolrodjojo (Treasurer); Asosiasi Piranti Lunak Indonesia—ASPILUKI/Indonesian Computer Software Association (aspiluki.or.id)

ASPILUKI is an association of software and IT companies in Indonesia. ASPILUKI was established in 1990 under the auspices of the Ministry of Industrial and Trade. This is an independent organization consisting of local companies in the software and information technology services industry. The main purpose for ASPILUKI is to create conducive and healthy business climate in the software and IT industry. Some members ASPILUKI are multinational companies such as Oracle and Microsoft, while other members are local software and IT companies from various areas in Indonesia. ASPILUKI provides a place for communication, consultation, development and coordination among its members. To participate in the development of the Indonesian information technology industry, ASPILUKI supports Government institutions in improving the business operating environment and regulations. It also actively promotes the dissemination and utilization of information technology in the industry, combats chronic problems such as software piracy, initiates programs such as RICE (Regional IT Center of Excellence) and National Software Developers Accreditation, and holds national software exhibition (IndoSoft).

4. Arief Widhiyasa; Game Developer, Co-founder, and CEO; Agate Studio (agategames.com)

Agate Studio is a game developer creating a wide range of games. Established in 2009, the company is growing quickly and becoming one of the biggest game developers in Indonesia. As per interview (October 2011), the company has more than 60 employees working on more than 120 projects for various overseas clients. The average age of employees of this company is 23-24 years old. Arief Widhiyasa, the CEO, is only 25 years old.

2.1.1. SWOT Analysis of the Sector

Strength

Flexibility to Respond to Market Trend (S1)

In the context of innovation and creativity in the creative industries, it requires an independent mental attitude to new ideas. The industry is distinct by its substantial progress, volatility and big prospect. The market has undoubtedly grown to its pioneer

days. With this, the industry structure and the principal dynamic influence the behavior of firms. The exceptional price-to-quality ratio of production and the low level resources entails the companies to operate efficiently empowered by the high level of technological expertise. Hobby, which powers the pioneering companies' spirit, becomes a trigger for tenacity and creativity. Meanwhile, the quality of the creations (art) has been internationally appreciated, and developer's passion generates investment. Economic scope is done by leveraging various sources. Some of businessmen often use self-developed technologies, such as self-assembled computer. Businessmen have a good network with local designers who have international class. As a result of new generation platforms and vast growth in global gaming industry demanded excellent technological competences from local companies. The technological and content capability of the companies has been principally essential in relation to the rapid advancement in technology. The growth of creativity and innovation brings new patterns and way of thinking which do not abandon local wisdom.

Attractive Design (S2)

The local cultural values should be appreciated, developed, traced, and analysed in its various aspects to be utilized and transformed into art forms as the foundation to develop high creative power and innovation toward the building of national identity and to compete in the global world. Art in different types and nature in the cultural context can not be separated from the environmental community sociology which supports and indicate a rich regional identity to be explored.

The views on the value-added enhancement to the design of consumer create market development that will provide support and pay for each design innovation. This will also inform the corporate sector and government to realize the value of design and design innovation and provision of skilled labor and improved business management skills among the designers to work on higher levels, with international clients, and has alliances strategis. This will increase the local supply chain and increased awareness of the technology to compete both nationally and globally and therefore increased financial flexibility.

Internal innovations and invention of intellectual property products is considered one of the main contributing factors for successful products. A strategy should be

developed to promote the creation, protection and practice of intellectual property which provide the stakeholder with simple and strong procedures to enforce the law. The plan should also address policies to expand the industries by preparing the creative environment, protection system, and promoting legal distribution. Companies being willing and able to create innovations. Today, the industry is not (yet) hampered by the issue of IPRs violations. Other facts to be addressed are that the salaries and the living costs of workers in the sector are low, so this industry will not be able to grow without facing financing problems.

Weakness

Lack of Working Capital (W1)

Various types of scale, cost, and quality of customer interaction are important for many companies. The cost of production and development and the cost of marketing campaign are expensive, while distribution and commercialization channels are still limited. These cause the local companies difficult to reach economies of scale. Technology is currently enough to satisfy any requirements that developer may have. Computer processing power is not a restraint anymore for creation of advanced graphics and games. High-speed internet connection services have increased many times over with wireless carriers adopting high-speed, next-generation networks. But whilst computer processors have declined in price, high-end computers and graphics chips are still expensive. Further, access to utilize of cross-cutting relationship between agencies and users is still limited.

So the question is, how is creative activity be supported in the early phases when profitability has not been achieved? The rising costs of developing, distributing, operating and marketing necessitate access to financial support is critical to nurture companies. Moreover, high risks factor associated in a business where success is extremely unpredictable require big importance to have financial capital support for the company or at least to have a portfolio of several products to mitigate the risks. In Indonesia companies in their initial and growth phase, especially the smaller ones, bootstrapping has always been sources of capital for expansion, as trust from the financial industries toward investing is not yet exist. The rising complexity of industry networks throughout the value chain with different financial models indicates that the

relational aspect of stakeholders becomes central. The network approach then will be even more important as a tool for analysis in the future as the industry expands further.

Lack of Managerial Skills (W2)

To be able to develop the creative industries, the character of the nation should be understood. Most importantly good character education and culture is very important. One aspect that has the potential to support the character nourishment is to develop creative and innovative capabilities. Problems faced by the businessmen of this sector are the lack of professional proficiency and lacking in innovation, so they have not been able to compete with big industries. Technical capabilities and language skills hamper the pace of international market penetration. Designers have a lack of knowledge and capacity in business and managerial skills. They also have limited confidence, English language ability, vision, strategies, and nationalism in design; in addition, they have a self-centered nature. Furthermore, they do not have a sufficient understanding of and access to financing institutions. Moreover, they cannot make a right decision to develop their infrastructure capacity.

Producers of creative products recognize that each use individual life experiences into the process of creation and the products reflect those life experiences, as well as ideas and beliefs. Indonesian workforce in creative industry therefore illustrates and reflects the diversity of ideas, experiences and preferences. However, concentration of business in various stages is not an anti-competitive behavior. Nevertheless, vertical integration continues to be a new entry barrier.

Infrastructure is the supporting mechanisms that distribute the products and associated services to the end user. Rapid technological advances and complex business environment in the industry require a holistic network method to catch up with the development and global market transformation. High-speed internet connection has driven the industry towards complex knowledge intensive services. On micro level, companies have to take advantage of these new possibilities. To captivate consumers and attract business, the whole value chain had to be more integrated. The company must also determine the best approach to offer product up-grades and potential technical problems. With bigger technical power from clients, this dimension of service is vital for business. The quality of the internet is not stable, thus inhibiting the development

of technology in terms of obtaining information that can support their business. Businessmen also do not give good attention to R&D, whereas R&D is needed to develop products and services.

However, ever since the rise of the industry there has been a sometimes ambiguous development policy from the government. On the one side the government aspire to create a strong domestic industry. But on the other hand, and more often than not at the same time, have concerns for the societal, cultural and political consequences. Sometimes these two nodes correspond, on other time they clashes.

Opportunity

Strong Domestic Market Potential (O1)

The value of art and culture on one side and the creative industries on the other hand often contradicted. The value of art and culture is a cultural expression. While creative industries are progressive culture. In other words, the first is an expression of tradition, while the latter is an idiom for economy and modernity. The success of one product is able to cover investment losses on other failed products (one hit out many) with adequate and cheap telecommunication, electricity, and energy that are available. Crafts and tourism potential are positively correlated to the development of design, and it is supported by the openness of society to develop the design. This condition will provide a positive influence for the development of design so that the design is able to compete in the international market. The existence of community associations is likely to be the forerunner of interactive games.

Game has tremendous potential for educate a generation. Given a positive values via a game, there will be a massive change in life. Games can also train concentration skills, thinking skills, reflexes and of course can foster self-confidence to the most extreme level. Immersed in a game, and have the brain stimulated, can encourage creative solutions and adaptations. These can then be useful to real life situations. The results can be surprisingly positive for individuals, communities, and society as a whole.

Further there is an international attraction regarding opportunities in gaming industry in Indonesia. Their interest in the market is understandable considering a huge population of Indonesia (which serves as a potential market and also for the talent of the

workforce (which is pretty cheap compared to other countries). One renowned international company, Gameloft, has entered Indonesia, soon there are many more who come.

Increasing of Subcontracting Markets (O2)

Asian countries, particularly Indonesia, have great advantage in labor-intensive development and subcontracting. But it is not enough. Other components are also needed, among them creation of Intellectual Property environment. Intellectual property is deeply related to creative industries as it comprises both industrial property (patents, designs, and trademarks) and copyrighted property (in sectors such as music, art, and literature). Some products, especially games, have a relatively short life cycle, which can accelerate the growth of the business. Entrepreneurial creativity to construct creative products must be able to affect the lives of the country and not only enjoyed by the business itself. Creative workers must find ways to encourage the development of creative industries that benefit many people.

Competition to draw the best creative and technically skilled employees is high, especially in a country where skilled and experienced labor is not many but less skilled workforce is in excess such as in Indonesia. Therefore education in design is becoming more popular, and it raises the level of salary. This condition will stimulate people to plunge into the design field. Standardization and certification of skills for design practitioners are necessary.

The government issued Government Regulation of the Government of Republic of Indonesia No. 20 of 2005 regarding Technology Transfer and Government Regulation of the Government of Republic of Indonesia No. 35 of 2007 regarding the Reduction of Tax and Customs Incentives for State-owned Enterprises which are Conducting R&D. This regulation can be used to encourage the manufactures of highly competitive domestic products, designer associations and communities.

It is true that the foundation of creative industries is individual creativity. However, the impetus of industrialization is management of the company or organization. Therefore, policies to promote creative activity, which acts as the input for creative industries, and industrialization, which represents the output, need to be

addressed from different way of thinking. This is the key to the sustained development of creative industries which is building a good structure within the environment.

Threat

Unproven Career for Living (T1)

Many people are still considering that interactive games are less promising. 'Brain drain' has taken place (domestic developers move overseas). WTO rule which authorizes the mobilization of foreign workers (code 4) has led to competition in obtaining a job. However, there is no doubt that the industry will profit from a more diverse pool of talented workforce. It is undeniable that education has an important role in realizing the success of the creative economy. This is particularly true for developing the creative industry in Indonesia. An artist, designer or craftsman can not always market their own products they make. In the marketing system which largely product oriented like creative industries, a designer or craftsman should not directly manage the marketing and sales function. A designer, artist or craftsman should be more focus on product creation and exploration of new products.

The fact that game developer has not yet been seen as an attractive profession, difficulty in mapping the number of game developer, and inadequate certification standards are threats to the growth of interactive gaming industries. Some people still have negative perceptions about a career in art and design. In addition, tuition of design school is expensive. These cause the lack of number of designers. Furthermore, there are not many formal educational institutions that specialize in interactive games.

No Support from Training and Education Sector (T2)

Education and work skills training are needed by the creative industries to provide the companies with attracting, recruiting, and maintaining employee. At the same time, opportunity should be given for education and training providers to better understand and respond to the needs of creative industries.

On the product side, there are still many products that are vulnerable to piracy. For supporting parts, the manufacturers do not have a center for game development and associations, and this subsector is not included in Indonesia Standard Industrial Classification of All Economic Activities (ISIC/Klasifikasi Baku Lapangan Usaha

Indonesia-KBLI). Inadequate infrastructure and illegal levies also cause a high cost economy. For example, lengthy processes in licensing arrangements leads to businessmen spend more expenses. Moreover, in Indonesia the promotion of many creative industries has been left largely to the individual businesses.

No Government Support in Distribution and Finance (T3)

There are a few of financial institutions which are interested in funding this sector since the return on investment takes a long time. Also, businessmen cannot make a right decision to develop their infrastructure capacity. The rules of interactive games distribution in cyberspace through the internet is not yet stable and not conducive to this business, such as tax policy. Moreover, software and computing equipment is expensive.

Government efforts to support the creative economy can not be separated with the context of the cultural journey of Indonesia. It is undeniable that the Indonesian nation made up of ethnic groups that naturally has incredible artistic talent. However, it should not be forgotten that since the New Order Regime, art and culture sector did not receive proper attention and guidance. There is even a notion that after 1965 traditional arts are systematically slaughtered slowly. Almost all strands of arts are highly observed and regulated, so as not to become a political tool of any group except that of the government.

There is no an ideal link and match between industry and higher education, in terms of competency and applied research design. Rapid technological change (disruptive technology) can be detrimental to investment. In addition, local businessmen have limitations in terms of buying software licenses. Banks and venture capitalists see the industry as not bankable, so they do not want to finance it. This has caused many designers choose to work informally. Other inconducive conditions are the exploitation and acquisitions by companies that provide assistance for them.

There is no design center that can facilitate the designers and their work, while the cluster concept is expected to help designers. The negative bureaucratic climate also has impeded the development of innovation. Another thing is that piracy is high, which is caused by the high cost of IPR registration and regulation, public service, and ineffective law enforcement. Creating high industry standard will be a good technique

to protect sustained economic growth in the knowledge-driven economy. As the economy becomes more knowledge-intensive, infrastructure generates new opportunities for innovation.

2.1.2. Key Players

Agate

agatestudio.com

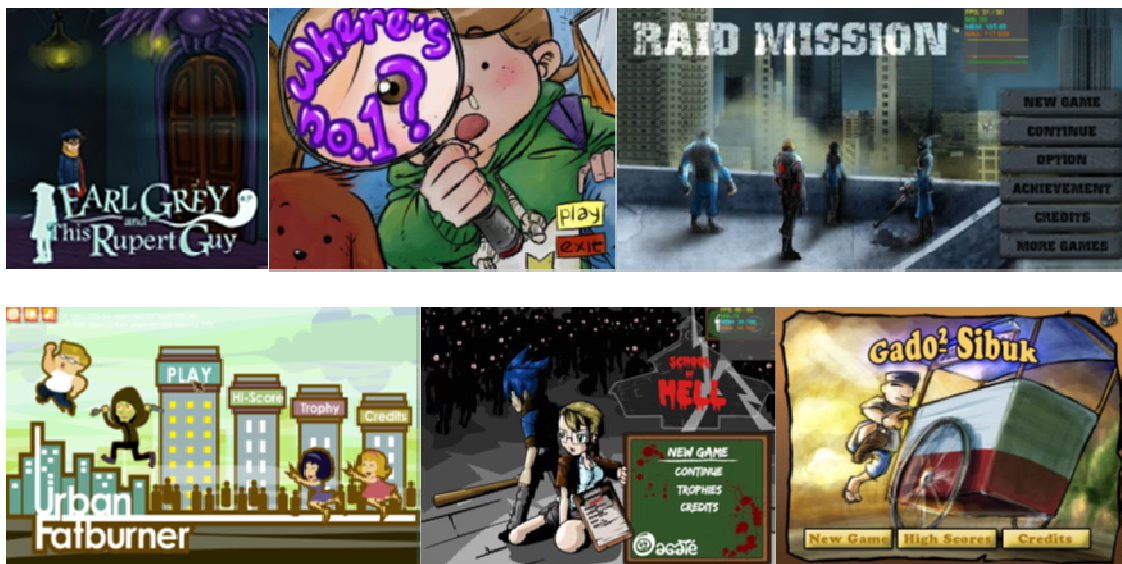


In October 2007, 20 college students with deep passion in gaming successfully created their very own game in 9 months with virtually no budget called “Twilight Altercation”. In July 2008, the same team created a multiplayer Xbox360 game called “Ponporon!” in one month which rocks Indonesian Game Show 2008. This continues to 2009 with the creation of three games “Farewell Night”, “Blank!”, and “Wish!”. One of the games won Most Favourite Product on INAICTA 2009. Finally in April 2009, the company was formally and legally established and is growing quickly to become one of the biggest game developers in Indonesia creating a wide range of games. Agate Studio has created more than 80 games, multi platforms in XNA, Flash Game, Xbox360 Game, Online Game, Silverlight Game, Social Game, Mobile Game, and this studio is even developing into Board Games. They produced some of the most successful games, not only in Indonesia but globally, such as Football Saga, Lilo City, Nyanyi Yuk!, Bola-bola Batik, Urban Fat Burner.

Agate also provides game development services as solution for advertising, campaign supporting, and digital marketing. Now there are approximately 60 crews, living with passion and skills to achieve their dreams together in Agate Studio. Making a game requires a variety of people. It can start from 2 or up to ten people. Its core is usually composed of the Game Producer (the Party Leader), Game Programmer (the one who programmes the game), and Game Artist (the one who makes the design and its assets), and usually Game Designer (the one who makes the concept of story, gameplay concepts, etc.).

Each year, the income of this company tends to rise. In 2009, for example, its total revenues reached about IDR 120 million. The amount increased to IDR 500

million the following year. In the year of 2011 the turnover was more than IDR 1 billion.



Success story:

- Earl Grey and This Rupert Guy is a point and click mystery game, great art, and music, obtained 806,628 clicks in its first 3 weeks of launching.
- Since its launch in February 2011, Agate Studio told us that the game has been downloaded more than 200,000 times and is highly popular in countries like Australia, Indonesia, Italy, Turkey, India, and South Africa.
- They successfully won the People Choice Award Flash Gaming Summit 2010 in San Fransisco, March 2010; Most Growth Company (Revenue & Profit) ~ Action Coach Business Coaching, April 2010; Indigo Fellowship Award, December 2010; Teknopreneur Award 2010 (StartUp Category), December 2010; and Top Awards in IMULAI 3.0 by Microsoft & USAID, April 2011.

Bamboomedia

bamboomedia.net



Bamboomedia is engaged in the business/creative digital industry, the unique combination of business software, education, and media (content). Bamboomedia Cipta Persada is known as a producer

of computer software applications for office, students, employees, large or small companies, and the children. The company is concerned with education and how these applications can be spread properly, well, easily, and inexpensively without limit. This company develops creative products by sourcing an idea or ideas, combined with technology and art. With a simple vision and mission, this company is able to support the empowerment of human resources and contribute to increasing national economic competitiveness of Indonesian people. The company has a simple vision, i.e. "Towards a better life through the software and creativity". Its mission is to become a partner and a provider of the best learning technology solutions, computer based training, and creative software in Indonesia.

With creative research, innovation, and marketing savvy use of CD/DVD and online application, this company provides optimal benefit to the consumer. Bamboomedia offers alternative and complementary products. It packages knowledge and skills in media of interactive CD-ROM, corporate intranet, and internet (computer based training/learning). Its products are kids interactive (kids browser), e-learning (animation/simulation), virtual IT college (programming, database, graphics, multimedia, internet, web, cad, civil, etc.), business software (SME), digital era solutions for school/teacher, online communities, and retail store (digital corner). It has a distribution of products/services by working with a network book store, computer stores, and various city resellers.

The local information and technology company owned by Putu Sudiarta is also registered as a member of the Business Software Alliance (BSA) Indonesia on July 1, 2008. In this year, Bamboomedia won ICT and E-Learning Award. The emphasis on its products and services has benefited this company (using appropriate technology, efficient, and effective), because basically the customers will only buy benefits. With loyalty and appreciation of its consumers, Bamboomedia can still maintain to provide the best work and contribution to the nation. During the five years operation, there are approximately 25,000 businesses that become consumers of Bamboomedia.

Putu Sudiarta only sells CDs of applications whose starting price is of IDR 25,000-50,000 per chip. The application may also be accessed by anyone from the CD, simply by registering or paying a sum of money according to the price of a CD without having to come to his office. Bamboomedia products, whose philosophy is based on

having products which are simple, flexible, and having high performance, are low cost local software products, but guaranteeing high performance. His collection products also have about 108 products whose turnover could be millions of dollars, and in fact, it has been recorded to reach up to IDR 1.6 billion. Because of this, Microsoft is willing to take this company as one of its vendors to distribute its products to all corners of the country, including at least 30,000 small and medium enterprises that already use its products. Another reason why Microsoft has chosen this company to be its vendor is because Bamboomedia is against piracy.

Kinema Systrans Multimedia

kinema.frameworks-studios.com



Infinite Frameworks (IFW)

Studios is a brand name of PT Kinema Systrans Multimedia,

which was established in 1998. Located on one of the most beautiful beaches in Batam, Kinema has become one of the major players in the South East Asian's animation industry.

For the production of films consisting of city replicas that can be adjusted to the setting of the film to be made, two sound stages measuring 14,000 and 30,000 feet, workshops (art department and prosthetic workshops), animation studios, and post production. Right now, Kinema and IFW Studios have constructed a new studio in Batam and expanded their business to include live action production. Located only 45 minutes from Singapore, Kinema and IFW Studio's new facility is planned to be a media hub for Indonesia-Singapore's entertainment industries.

Island Studios, under Infinite Frameworks Group, occupies a land area of 10 hectares in Nongsa, Batam, and is projected to be the largest in South East Asia. The studio offers a comprehensive range of facilities, including visual effects.

With the capacity to ramp up resources of between 80 and 200 artists at any given time, along with corresponding data management technology and render farm capability, Kinema offers clients and partners a range of services; from animation outsource work to collaboration and co-production opportunities for animated TV Series and Feature Films.

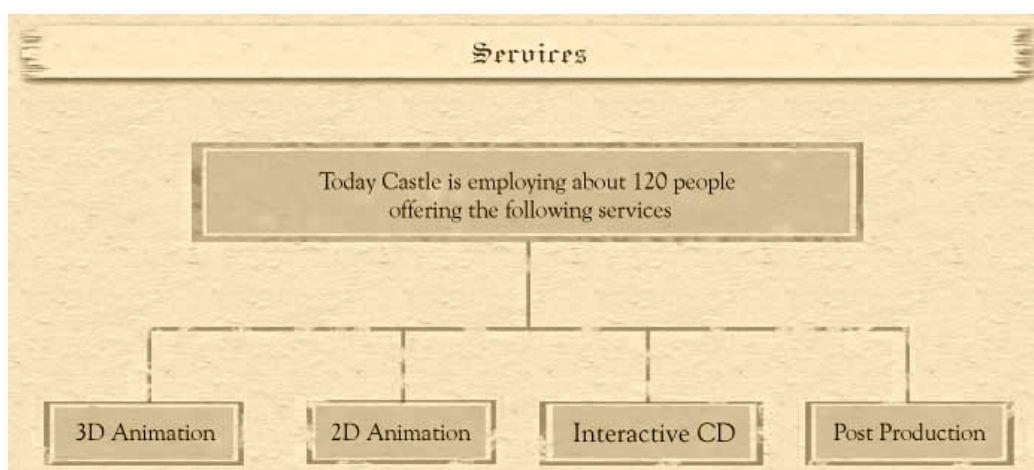
As the production house of several animated TV series such as ‘The Garfield Show’, ‘Leonard/Dr.Contraptus’, ‘Lucky Luke’, and ‘Franklin & Friends’, Kinema and IFW Studios provide a quality service to the international animation industry. “Sing to the Dawn”, the first musical full animated feature film in South East Asia, was premiered in 2008. Indonesian film “Dead Mine” is the first movie in production at Island Studios. Starring Aryo Bayu, Joe Taslim, Tigor, and Mike Lewis added with Japanese martial art star, Miki Mizuno, the film is expected to compete in the international arena.

By focusing on developing original content and IP local and international markets, Kinema aims to be a leading owner and producer of animated content in the region. With nearly a decade of experience in supervising animated feature films and TV series, the CGI team, comprising talents mainly from Indonesia and Singapore, is constantly supervised, trained, and upgraded in their skill-sets to remain up-to-date and relevant to the ever changing trends in style, technology, and applications.

Castle Animation

castle-pro.com/castle

Castle Animation was established in 2000, specializing in producing animation for the international market. Its products include TV Series, Home DVD, TV Commercial, CD-Interactive, and Children’s Book.



Hundreds of animated film series productions for kids made by a local animation company called Production Castle have been absorbed by the European and US markets,

but not a single television station has absorbed. Television series made by Castle has been exported to Switzerland, France, Spain, Germany, United Kingdom, and the US. Some movie titles such as “The Adventures of Carlos Caterpillar”, telling about the adventures of a caterpillar for Spanish television, “The Story of Jim Elliot”, about missionaries in Ecuador for British television, and children stories “Cherub Wings”, for US television. Castle worked through all the process of animation, while the story and characters were made by others.

Exports have been conducted since 2000, and from year to year the number of orders rose about 20 percent. Within a month, the average number of film productions reaches two. It has more than 170 employees; about 80 percent of them are animators.

Animated films made by Castle are still classified into a B-class, but they are parallel to the animated films made in Taiwan and Korea. Their quality is still less than 25 frames per second, but they are over Doraemon, which is only 12 frames per second. Foreign television chose Castle because of the quality was not inferior, and the price can be cheaper than other films in the same class.

2.2. Creative Service Sector: Fashion

Creative industry on fashion group are the activities associated with the creation of clothes designs, footwear designs, and fashion accessory designs, fashion production and its accessories, line consulting of fashion products, and distribution of fashion products. The business fields which are part of the fashion industry groups are, among others (Indonesia Kreatif, 2009a):

1. Industry of knitted ready made clothes that includes business on ready made clothes production, which also includes hats made by weaving or lacing
2. Knitted socks industry including socks-production business that is made by knitting or lacing
3. Other knitted goods industries that manufacture such knitted goods as light shirt, deker, and headbands
4. Manufactures of textile and its equipment which include the business of textile fabrics for ready made clothes production and their cutting and sewing equipment to make ready to wear products, such as shirts, kebaya, trousers, blouses, skirts,

- baby clothes, dance and sports wear, hats, tie, gloves, mukena, scarves, veils, belts, and handkerchiefs, from woven and sewn knit fabrics
5. The industry (convection) of ready made clothes made of either original or imitated leather and their cutting and sewing equipment to make ready to use jackets, coats, vest, pants and skirts, hats, gloves, and belts
 6. Ready made clothes industry that make goods from fur and their accessories, including garment-making business that uses leather and fur, such as fur coats
 7. Industry of footwear for everyday use, including real leather, imitated leather, rubber, and wood kanfas footwear manufacturing business,, such as daily shoes, casual shoes, shoes sandals, sandals, clogs, and slippers; besides, This business also includes the making offootwear parts, such as sole boss in, outer soles, the front lasing, middle, back, lining, and accessories
 8. Sports shoes industry includes shoes production business for sports made of leather and imitated leather, rubber, and canvas, such as shoes for soccer, athletics, gymnastics, jogging, and ballet
 9. Industry the produces field engineering shoes, including the industry that makes the parts of shoes for engineering/industry purpose. The materials used for the shoes parts are from real leather, imitated leather, rubber, and plastics which are chemical resistant, heat resistant, and safe.
 10. Other footwear industries including manufacturing business of leather, imitated leather, rubber, canvas, and plastic footwear that does not belong to any of such groups as health shoes, gedebog, and water hyacinth footwear.
 11. Big trade textiles, apparels, and leather, including a large trade of textiles and garment to other countries, such as: all kinds of textiles, made clothes, batik, ropes, carpets/rugs of textile materials, bags, all kinds of knitting, and other made goods from textiles except made clothes
 12. The big trade of goods and other household supplies includes a large variety of trade goods and other household goods related to fashion, such as: leather garment and leather footwear
 13. Textile retail business which includes a special retail trade of all kinds of batik clothes made from natural fibers, synthetic, or mixtures, such as woven cloth and batik clothes

14. Retail of ready made clothes that covers specific retail trade for all kinds of apparel made of textile, leather, or imitated leather, such as shirts, pants, jacket, coat, pajamas, kebaya, etc.
15. Retail of shoes, sandals and other footwears, including special kinds of retailing business on varieties of shoes, sandals, slippers, and other footwear made of leather, imitated leather, plastic, rubber, cloth, or wood, such as: men's shoes, children shoes, sports shoes, shoes- sandals, sandals, slippers, and medical shoes
16. Retail of textiles, apparels, footwears and other personal goods, including special retail of textile made clothes, footwear, and other personal belongings that have not been included in the groups of 52321 to the group of 52328 such as tablecloths, bed clothes, mosquito nets, mattress fabric, fabric cushions, curtains, mops, mats, and so forth
17. Export trade of textile and leather made clothing that covers the business of exporting textile and apparel production, such as: all kinds of textile made clothes, batik clothes, ropes, carpets/rugs made of of textile materials, bags, all kinds of knitting, and other textile made goods, of except for apparels
18. Trade exports of goods and other household goods covering exporting business of variety of goods and other household goods related to fashion, such as: leather garment and leather footwear
19. Individual services that do not belong to any other classification, especially for services of fashion designers and fashion models.

The main activities which are covered by designer fashion are:

1. Clothing design
2. Manufacture of clothing for exhibition
3. Consultancy and diffusion line
4. Gaming for mobile phones
5. Computer manufacture, distribution, and retail
6. Games console manufacture, distribution and retail

Designer fashion industry in Indonesia satisfies the following main criteria:

1. Firms or entrepreneurs or individuals involved in clothing

2. Having a primary focus on design, as distinct from manufacture of clothing

- Established fashion labels
- Lifestyle clothing
- Niche market brand
- Emerging new designers (e.g. designers, designer makers)

Fashion is the highest contributor to Indonesia's GDP among the creative industries subsectors. Fashion is also the highest subsector in workforce absorption, exports contribution, and number of business units. Some economic figures of this subsector in Indonesia can be seen in Table 4:

Table 4: Economic Figures of Fashion Industry

Indicator	Unit	Amount
Gross value added	IDR billion	65,902
Contribution of creative industries	%	43.48
Labor absorption	Person	4,209,920
The contribution of labor to the creative industry	%	54.77
Labor productivity	IDR 000/labor/year	16,157
The number of business units	Company	1,559,993
The contribution of business units to creative industry	%	51.97
The export value	IDR billion	71,695.51
The contribution of exports to the creative industry	%	62.39

Sources: Data processing from Ministry of Trade of the Republic Indonesia (2009), and Creative Industry Research Team and Ministry of Trade of the Republic of Indonesia.

The industry associations in fashion sector in Indonesia are:

Asosiasi Pengusaha Garmen dan Aksesoris Indonesia (APGAI), Asosiasi Perancang Pengusaha Mode Indonesia (APPMI/Indonesian Fashion Designers Association), Asosiasi Pengusaha Tekstil (APT), Asosiasi Persepatuan Indonesia (ASPRINDO), Asosiasi Pertekstilan Indonesia (API), Asosiasi Produsen Garmen Indonesia (APGI), and Ikatan Perancang Mode Indonesia (IPMI).

This study used a qualitative approach. This approach uses the interviews and the secondary data which are then analysed to draw the conclusion of the study. The interviews were conducted on a conversation basis that has a purpose. The interviews were preceded with a few informal questions. The discourses of the interviews from the informants were interpreted to get an understanding of the conditions of this study. The

study also employed a descriptive approach, in which various conditions and situations that relate to this study are described and summarized. The interview lasted for 90 minutes on average. The respondents who participated in the interviews were:

1. Elitua Simarmata (Executive Director) and Yuda Kamsi (Community Relations); Indonesia Kreatif (indonesiakreatif.net)

Indonesia Kreatif is a working group for creative economy development initiated by Indonesian Trade Ministry in 2010 with the primary role as a hub agency, facilitator, and public outreach program in the development of creative economy of Indonesia. Indonesia Kreatif has 3 main programs, namely Creativepreneur (creation and capacity building program), Creative City (creation and development of creative cities program), and Creative Network. Creative Network is a program for the creation and development of networks among creative leaders, creative businessmen, communities, governments, academics, and investors. Creative Network functions as a driving force of creative economy both within and outside the country.

One important contribution by the working group is providing an online media for information, communication, and education of the creative economy in Indonesia for the creative economy stakeholders in Indonesia. The launch of this portal is a form of government intervention in providing a platform for the creative sector in Indonesia and in building creative-preneurships and creative-networks.

2. Laksono K. Adi; Fashion Designer and Owner; Oink! (oinkthepiggest.blogspot.com)

Oink! began in 1999 in Bandung, Indonesia. The name is derived from 'oink', the sounds of a little pig. That character motivated the company to create products. Oink! centred itself mainly around vintage, skateboarding, scootering, and punk-pop music culture.

3. Arifin Mas; Asosiasi Perancang Pengusaha Mode Indonesia - APPMI, Indonesian Fashion Designers Association (indonesianfashiondesigners.com)

APPMI was established on July 22, 1993. The association strives for designing, developing and fostering the fashion sector, maintaining the interest and cohesion among Indonesian fashion entrepreneurs, improving and developing the

knowledge and skills of fashion designers Indonesia, and helping to develop a business climate that allows the participation of its members.

4. Ben Wirawan; Fashion Designer, Co-founder, and CEO; Mahanagari (mahanagari.com)

Mahanagari is a company engaged in the production of merchandise whose theme is based on local cultures. The main product of Mahanagari is t-shirts with contemporary designs that are eccentric and intriguing, but having a social mission. With the tagline 'Bandung Pisan' (meaning: real Bandung), Mahanagari is successful in making T-shirts. The T-shirt designs function as a medium for a cultural campaign. Their products are not only souvenirs for tourists but also as a tool to improve knowledge, love, and awareness of Bandung's citizens to their own city. Founded by Ben S. Wirawan and Hanafi Salman in 2005, Mahanagari's other products are key rings, pins, mugs, postcards, and many others.

2.2.1. SWOT Analysis of the Sector

Strength

Uniquely Ethnic Touch and Contemporary for Patterns and Process (S1)

Indonesia has an enormous amount of cultural heritage. Indonesia has more than 700 ethnic groups, and every ethnic group has its cultural artifacts, including clothing. Batik, lurik, bagonjong, songket, and ulos are some types of clothing to show that Indonesia is rich as far as the culture is concerned. Each ethnic group has own it curves and patterns, so that those enrich Indonesian fashion. The uniqueness of ethnic is also found in the way the clothes are worn. Any ethnic traditional ceremonial event requires the people to wear appropriate clothing, for example in marriage and funeral ceremonies.

In moslem fashion, Indonesian designers have the courage to use contemporary approach, such as making a colorful kaftan—traditional clothing of the Middle East—which was previously only black. The respondents said this uniqueness is the strength of the Indonesian fashion industry. This uniqueness should be developed and promoted so that it becomes a competitive advantage for their design, as claimed by a respondent:

“Our moslem fashion is ogled by Dubai market. MiddleEast’s kaftanthat was previouslyonly black has becomecolorful in Indonesia. It becomesmore beautiful, and many peoplecan wear it.” (Arifin Mas, APPMI).

The people in fashion industry are independent, and they are autodidactic learners. They have a good expertise in designing, production techniques, and software knowlege. These advantages encourage them to always do innovation in their design. They are also the people who do not give in to circumstances, so that they manage to create appropriate production processes and techniques in response to high prices of equipment.

Growth of Local Fashion Entrepreneurs Number (S2)

Growth and profits, as the results of creative industry development, have stimulated the people to take part in it. An increasing number of entrepreneurs in this business is in fact push the entrepreneurs to countinuously innovate their designsin order to win the competition. This is the strength of the fashion industry because the entrepreneurs will always produce good quality products.

The presence of outsourcing garments helps designers to transform their designs into products. Outsourcing garments allow the entrepreneurs to meet orders from their customers and to increase their product quantities.

Weakness

Limited Number of Textile Variation in the Design Collection (W1)

Local textile factories are major manufacturers for the availability of raw materials needed by the fashion industry. The factories are concentrated in Jakarta, Bogor, and Bandung. The location of factories is close to Jakarta. The owners of those factories only produce certain goods that provide the greatest benefit for the company. They only produce a limited variety of textiles. It creates difficulties for designersbecause they do not have many choices in designing. The limitations of the design will weaken their competitiveness.

Lack of Up-scaling Ability for Mass Customization (W2)

The respondents stated that their production capacities do not increase significantly. Most of the fashion entrepreneurs are at the SME level. Their small assets and revenue cause banks do not have trust to finance them. Many respondents argued that they did not receive any funding from the government or access to banks and financial institutions. One respondent who have managed to get credit from banks, claims that the interest rates of credit is high which burdens him.

Skilled workers are not available in a large number, which limits the productivity. Skilled workers have special abilities. Therefore, they can work independently. On the contrary, unskilled workers work by direction or order, and it affects the productivity. This condition, however, can be improved by providing training and education for workers, but the new problem is the new cost.

This leads the entrepreneurs to produce them in limited numbers and cannot up-scale their business into mass customization, thus hindering the development of the fashion industry.

Lack of Collaboration among Stakeholders: Designers, Association, and Government (W3)

The good collaboration among stakeholder in fashion industry has not been created yet. To some extent, the entrepreneurs and designers have not gained attention from the government and have not benefited from the association. Many entrepreneurs and the designers did not obtain enough information about events, business clusters, and the training that was held by the government or association. The association also has not received attention from the government. An association official said that the government did not give attention to the association's views in making creative industries regulations.

Lack of Branding and Understanding of Global Customers (W4)

Some entrepreneurs and designers run their business as followers. They only focus on the best-selling products both in domestic and in global market, and then imitate them. Besides, they do not have a strong motivation to develop a national brand. In addition to these issues, some of them do not have the skill to branding.

Local entrepreneurs still have a lack of understanding on global customers. Their products are tailored to the trend and they do not offer something unique and different. Some of them do not realize that global customers are aware of local content from Indonesia. One thing that should be underlined is that they have no confidence to compete in global markets.

Opportunity

Potential Domestic Market (O1)

Data released by Coordinating Ministry of Economy (2010) estimated that Indonesia would have a demographic bonus in the next 20 years. The demographic bonus would be in the more qualified workers due to their being more skilled workers. This estimation was based on the assumption that the workers would have higher level education. This estimated demographic condition is very advantageous because the new talents will probably be available to support the development of creative industries. This demographic bonus also means lower number of dependency ratio, thereby expanding the number of productive age and ultimately enhancing economy productivity.

Indonesia has experienced high economic growth in the last 10 years. In World Economic Outlook Database, IMF (2010) predicts that GDP of Indonesia will grow 6.3% in average in period of 2009-2015. This figure is the highest in the world. GDP growth is followed by a rise in income per capita, and this automatically increases the number of middle class people in Indonesia. This class in general is well-educated, aware of the lifestyle, and understands the technology. These facts indicate that they are a potential market for fashion products. This is emphasized by the respondents who claim that their products are always accepted by the domestic market that is potential to be penetrated.

Mecca of Moslem Fashion and Batik for International Markets (O2)

Indonesia is the largest moslem country in the world. This encourages entrepreneurs and designers to be involved in the moslem fashion because the domestic market gives a positive response to their products. Besides domestic market, there is also an opportunity in the international market. The data released by the Ministry of

Industry show that the value of international transactions of moslem fashion in 2010 was about USD 96 billion (Purwoko & Pristine, 2010). The opportunities from both domestic and international markets excite entrepreneurs and designers to develop their business. The association also feels the same passion. APPMI (Asosiasi Perancang Pengusaha Mode Indonesia-Indonesian Fashion Designers Association) plans to make Indonesia as the mecca of the moslem fashion. Furthermore, IIFC (Indonesia Islamic Fashion Consortium) declared that Indonesia would become a world trendsetter for moslem fashion in 2020. The largest export destinations are the moslem countries, such as Malaysia, Turkey, Brunei Darussalam, United Arab Emirates, and other Middle East countries. Thus, it can be said, that themoslemfashionhasa bright futureasit is stated in the following statement:

“Because we want to penetrate the international level, we are promoting the business and artists opimally. Alhamdulillah, we have managed to make Indonesia as a fashion city of moslemfashion (the mecca of moslem fashion) like Paris and New York, which are previously known as fashion cities.... Our moslem fashion is ogled by Dubai market...” (Arifin Mas, APPMI).

Batik is one famous example of Indonesia’s pattern of clothing, especially after batik is included in the intangible cultural heritage list by UNESCO. The uniqueness within batik and its variation—each region has a different style— can be explored and designed to create a world class fashion industry.

Threat

Bargaining Power of Raw Material (T1)

The bargaining power of the raw material suppliers is greater than the entrepreneurs. It is a problem for the entrepreneurs. They do not have the choice of raw materials because the variations of raw materials are determined by the suppliers. The other thing that threatens them is the availability of raw material. Entrepreneurs cannot run their business well when the raw material disappears from the market. In this circumstance, suppliers can raise the prices. However, entrepreneurs cannot resist it although it will increase their production costs.

Imported Products from China and South Korea (T2)

The enactment of market liberalization allows foreign products, particularly from China and South Korea to enter Indonesia rapidly. The products may weaken the competitiveness of the local products. Also, the competition will become tougher when ASEAN signs the ACFTA (ASEAN-China Free Trade Area).

Some raw materials are imported. The process of import requires a long delivery time. It will disrupt the production process, because entrepreneurs rely on the availability of raw materials. Besides that, Indonesia is a “good” market for illegally-imported consumer goods. The presence of illegal products is threatening the local products, because their price is very cheap.

Appreciation of the Fashion (T3)

The customers in Indonesia consider price and function as a primary bases in buying things. In other words, they do not want to spend more money to buy better quality Indonesian products and designs. Thus, low appreciation has become a threat to the fashion industry, because the probability of their products not being acceptable is huge. For a long time, this condition will slow or even stop the growth of this industry. In contrary, they prefer to buy foreign brand. The massive attack of global ads changes their lifestyle. They are more proud to use abroad fashion

Less Conducive Import Procedures, Labor Regulation, Support from the Regional Government, and the Advent of New Regulations Overlapping (T4)

Less conducive import procedures are complained by the respondents. Custom process, which is expensive and time-consuming, is inhibiting their production processes. In fact, sometimes they cannot take their imported products. The entrepreneurs also face unclear labor regulation. The reactive attitude of the government—issued regulation after a problem occurs—often hampers the production. Another threat comes from the regional government. They have not provided assistance to the creative industries. They also tend to reject their responsibility to manage creative industries development funding from the central government. The last threat is the conflicts among state agencies also have impact on the lack of attention to industrial development.

The advents of new overlapping regulation made by local governments make high cost economy. Since the enactment of regional autonomy, local governments have made a variety of regulations that sometimes contradict with the regulations of the central government. Entrepreneurs have to spend a greater cost to pay various fees, and this leads to high cost economy.

2.2.2. Key Players

Batik Danar Hadi

www.danarhadibatik.com



PT Batik Danar Hadi

Batik is one famous example of cultural artifacts in Indonesia, especially after batik is included in the intangible cultural heritage list by UNESCO.

The uniqueness of batik and its variation in Indonesia—each region has a different style—is a very potential opportunity to be developed to advance the creative economy. Batik can be used to create a variety of fashions.

Established in 1967, Batik Danar Hadi—a holding company which was formed by Mr. and Mrs. Santosa Doellah—has helped the development of batik art and batik business in Indonesia. The objective of this group is to popularize batik as the Javanese traditional art which has the values of Javanese culture.

In the past two decades, Danar Hadi has become an integrated batik manufacturing company and has been known as a producer of fine and high quality batiks. This progress is the result of a combination of sufficient capital, diligence, expertise, and solid management. In addition, this group is also very aware of its business responsibilities in order to preserve the art of batik itself. It has paid a great attention to the preservation of a traditional art from generation to generation since the 17th century.

Integrating tenacity, skill, experience, entrepreneurial spirit, and openness to accept the fashion and taste development, Danar Hadi evolved from a self-employed business into becoming a national asset which now serves middle-to-high customers. Since 1975, Danar Hadi has expanded its business to Jakarta and major cities in Indonesia by opening House of Batik as well as a series of other outlets.

Danar Hadi has been exporting its products since 1970s era. Besides ASEAN countries, its export destinations are Australia, Italy, Germany, France, and the United States. In Japan, we can find Danar Hadi in leading department stores in Tokyo (such as Sogo, Seiyu, Seibu, Tawaraya) and in many major cities.

Eiger Adventure Gear

www.eigeradventure.com



Eiger is identic with adventure. When we mention “Eiger”, most people in Indonesia will immediately refer to the equipment related to adventure or wildlife. Eiger is a major player in adventure equipment industry in Indonesia. Its products have also succeeded in penetrating foreign markets, such as Canada and Germany. Not only does it produce the goods, but Eiger also publishes adventure bulletins, holds and sponsors the adventurous activities, and fosters the communities of natural lovers (Basir, JBPTUNIKOMPP-Universitas Komputer Indonesia, & Handayani, 2010).

PT Eigerindo Multi Produk Industri or well known as Eiger is the most renowned company in Indonesia specialized in manufacturing and retailing of adventure equipment. The company was founded in 1993 by Mr. Ronny Lukito in Bandung. The company name, Eiger, was inspired by mount Eiger, a notable mountain in the Bernese Alps, Switzerland, rising to an elevation of 3,970 meters above sea level. Started with very limited facilities, they launched out to produce bags with only two simple machines at Jl. Cihampelas No. 22 Bandung. And in the same place they opened up a small shop to sell their bags.

It produces bags and adventure equipment. Its products come in three main brands, Eiger with the positioning of adventure lifestyle, Bodypack with the positioning of e-lifestyle, and Nordwand with the positioning of outdoor living. Its brands are widely recognized as prominent local brands in Indonesia. In 2009 it is listed as one of the Top 250 Indonesia Original Brands by a distinguished business magazine Swa. It shows hard work, determination, and day by day commitment to quality excellence and outstanding reputation.

Southeast Asia is a suitable place to develop muslim fashion. Besides having a large Muslim population, Southeast Asia also has a rich cultural heritage. Started as a small store with only two sewing machines in Jalan Cihampelas No. 22 sixteen years ago, this company has evolved into a market leader in bags and adventure industry in Indonesia. Up to now this company owns 6 Eiger Adventure stores, 18 showrooms, and 88 counters spreading around Indonesia.

Shafira
shafira.com



diversity. By combining these elements, we can say that muslim fashion has a bright future in this region. One of the major muslim fashions in Indonesia is Shafira, which has also successfully developed its business abroad such as the Middle East countries.

Rumah Mode Shafira began as a muslim clothing studio that was founded in Bandung on January 8, 1989 at Jl. Ir.H.Juanda No. 52 Lt. II. Shafira was pioneered by Feny Mustafa.

Shafira was inspired by the word "Shaf" (meaning "line") which is often found on the walls of mosque. In current interpretation, Shaf also means an organization. Since then, Shafira has become a large, strong, and healthy business organization by synergizing the strengths of individuals from within.

During its development, Shafira received positive support from the community, and it began to open stores outside Bandung. Now, Shafira has 22 showrooms spread in Medan, Pekanbaru, Palembang, Jakarta, Bogor, Bandung, Cirebon, Surabaya, Malang, Jember, Banjarmasin, Balikpapan, Samarinda, and Makassar.

Shafira applies four elements of philosophy in manufacturing its products:

1. Design—it should be able to create convenient products, to provide a sense of pride when worn, and to create the aesthetic appearance
2. Process—it has to serve women empowerment through breeding skills and competencies throughout its chain of manufacture

3. Material—it should be as much as possible minimize the use of materials that can harm the earth and the biological environment by selecting environmental friendly textile and raw materials.
4. Shariah—it must uphold Islamic values in its entire chain of manufacturing processes and on its products

UNKL347

www.unkl347.com



Based On A True Story

UNKL347 is one of the pioneers of clothing and distribution outlet (distro) industry in Indonesia. This industry is a manifestation of urban design that represents young people and their lifestyle. Starting from Bandung, the movement of clothing

and distro has grown throughout Indonesia. Even some companies have expanded abroad. UNKL347 is one of them. It has four selling points abroad: Singapore, Malaysia, Australia, and Germany. Currently, the turnover of UNKL347 reached IDR 700 million-1 billion/month (Hanifah & Purnadi, 2008).

After 13 years, now UNKL347 is a 7-part project that holds not only a clothing linebut also skateboarding and interior household stuff. Founded by art school music junkie in 1996, this company represents the trademark of UNKL347 personal perspective, lifestyle, and attitude.

Based on their love towards skateboarding, surfing, and design, in 1996, these music junkies gathered and decided to create their own “Playground”. They started by selling stuffs through special orders and catalogues, it didn’t take long until they opened their own store in 1999. Shortly they became the pioneer of Indonesia’s own label called 347 boardrider.co with their initial designs that described about the way of life they were living. Back in the earlier days they had no one but themselves to please. They were making things that they want to wear and need to wear. Later on 347boardrider.co grew as its owners’ life continued. Music, nightlife, art, and with avant-garde nuance have made them what they are today. Then the name changed into “347”.

By the end of 2006, 347 evolved into UNKL347 and made a tagline “after ten years, friends call us uncle” which tried to explain about what happened inside the company.

Sense, Design, Memories, Create, and Play. These five elements increasingly will guide our lives and shape our world in organizing youth movements, innovating a new form of creativity, supporting any kind of subculture evolution. Good design, now more accessible and affordable than ever, also offers us a chance to bring pleasure, meaning, and beauty to our lives. But, the most important thing, cultivating a design sensibility can make our city a better place for us all.

Up until today, UNKL347 is still trying new things and smiling at the back of your head!

2.3. Creative Service Sector: Design

Design is multidimensional and complex. From the process of creating ideas, the design can be subjective and emotional and can also be objective and rational. From the output side of the design can be something that is symbolic and can also be material. Design is not craft or traditional, it is defined as a creative activity associated with the creation of graphic design, interior design, product design, industrial design, architecture, corporate identity consulting and marketing research, and production of packaging and services (Indonesia Kreatif, 2009).

Design and also almost all other subsectors of creative industries rely on creativity. Design relates to and is used by all other subsectors of creative industries, although maybe that does not originate from the activity of people with design background. Designs are also used for both aesthetic and functional elements as well as properties in other creative industries subsectors.

We include the architecture into the design subsector, because it is full of activity closely associated with the design. Architecture is defined as creative activities related to building design services as a whole, both at macro level (city planning, urban design, landscape architecture) and at micro level (construction details), for example: garden architecture; construction cost planning; conservation of heritage buildings;

supervision of construction;urban planning; and consulting engineering activities, such as buildings, civil, mechanical, and electrical engineering (Indonesia Kreatif, 2009).

Some economic figures of the subsector in Indonesia can be seen in Table 5:

Table 5: Economic Figures of Design Industry

Indicator	Unit	Amount
Gross value added	IDR billion	13,602
Contribution of creative industries	%	8.97
Labor absorption	Person	439,272
The contribution of labor to the creative industry	%	5.71
Labor productivity (design)	IDR 000/labor/year	22,203
Labor productivity (architecture)	IDR 000/labor/year	131,375
The number of business units	Company	214,143
The contribution of business units to creative industry	%	7.13
The export value	IDR billion	2,892.12
The contribution of exports to the creative industry	%	2.52

Sources: Data processing from Ministry of Trade of the Republic Indonesia (2009), and Creative Industry Research Team and Ministry of Trade of the Republic of Indonesia.

Some of the industries in Indonesia are, among others:

- LeBoYe Design, Jakarta Pusat
- magno-Piranti Works, Temanggung, Jawa Tengah
- Lunar Cipta Kreasi, Yogyakarta
- Rancang Nuansa Nirmana (RN+N Designworks), Jakarta Selatan
- IMP Design Ilustrasi Komik, Bandung, Jawa Barat
- Reka Selaras Cipta Griya, Jakarta Selatan
- Eppconindo Pilar, Bekasi, Jawa Barat
- Alabaster Lighting, Denpasar, Bali
- B21 Concepts, Badung, Bali
- Rumah Desain KUBUS, Surakarta, Jawa Tengah
- RUKOS ART & DESIGN Management, Tangerang, Banten
- Deemsidea, Jakarta Utara
- IC Design, Surabaya, Jawa Timur
- Invictus Indonesia, Bandung, Jawa Barat
- Raga Global Pariwara, Jakarta Selatan
- Evolver Industries, Jakarta Selatan
- Appalindo Pratama, Batam, Kepulauan Riau
- Media Beragam Cipta, Jakarta Selatan
- Menu Media Satu, Jakarta Selatan
- Agit4Creative/Boutique Creative, Tangerang Selatan, Banten
- Kisah Publishing, Jakarta Selatan
- Raga Global Pariwara, Jakarta Selatan
- Iris Desain, Bandung, Jawa Barat

- Alinea Cipta Grafika-FDGI, Jakarta Selatan

The industry associations in this sector in Indonesia are:

Asosiasi Desain Produk Indonesia (ADPI), Asosiasi Desainer Grafis Indonesia (ADGI/Indonesia Graphic Designers Association), Desain Grafis Indonesia (DGI/Indonesia Graphic Design), Forum Desain Grafis Indonesia (FDGI), Himpunan Desainer Interior Indonesia (HDII/Indonesian Society of Interior Designers), Ikatan Arsitek Indonesia (IAI), and Ikatan Arsitek Lansekap Indonesia (IALI).

This study used a qualitative approach that begins on the data (both interview and secondary data) whose analysis is used to draw the conclusion of this study. The interviews in this study were conducted on a conversation basis and were preceded with a few informal questions. The research also interprets or translates the discourses obtained from the informants to get an understanding on what the respondents meant. The research also used a descriptive research to describe and summarize the various conditions and situations that exist. The interview lasted for 90 minutes on average. The respondents who participated were:

1. Elitua Simarmata (Executive Director) and Yuda Kamsi (Community Relations of Indonesia Kreatif (indonesiakreatif.net))

Indonesia Kreatif is a working group for creative economy development initiated by Indonesian Trade Ministry in 2010 with the primary role as a hub agency, facilitator, and public outreach program in the development of creative economy of Indonesia. Indonesia Kreatif has 3 main programs, namely Creativepreneur (creation and capacity building program), Creative City (creation and development of creative cities program), and Creative Network. Creative Network is a program for the creation and development of networks among creative leaders, creative businesses, communities, governments, academics, and investors. This program can be used as a driving force for creative economy both within and outside the country.

One important contribution from the working group is that it provides an online media for information, communication, and education of the creative economy in Indonesia for the creative economy stakeholders in Indonesia. The launch of this portal

is a form of government intervention in providing platform for creative sector in Indonesia and building creative-preneurship and creative-network.

2. Rachmad Imron; Animation, Graphic, and Technical Designer, Co-founder, and CEO; Iris Desain (irisdesain.com)

Iris Desain is an integrated communications company. The company consists of designers, engineers, consultants, and marketing specialists that work together to translate the abstract language of communication in the form of strategic media for the company's clients in the form of digital content production applications and graphic/visual tools.

3. Yannes Martinus Pasaribu; Lecturer; Fakultas Seni Rupa dan Desain-FSRD ITB, Faculty of Arts and Design, Bandung Institute of Technology

2.3.1. SWOT Analysis of the Sector

Strength

Unique and Strong Symbolic Cultural Value (S1)

The design is need by all industries—in either a small or big portion. These needs are widely varied, ranging from just a logo or company profile design to products/services that require a very large design touches. Design is not only needed by the industrybut also by the people. Business cards, wedding invitations, furniture, and even home decor and architecture are examples of the application of design needed by humans.

Designers have ability and integrity to sharply translate the symbolic value preference of domestic market. This is exactly the reason for designers to control the domestic markets. In addition, entrepreneurs can support the designers to produce new designs in anticipation of any changes in trend and even to build a new trend in society.

Trend Makers (S2)

People in the design industry are autodidactic learner. They have a strong will to develop the design knowledge and business. This situation is in line with design entrepreneurs who often hold in-house training to address the educational system that

does not yet support the development of the design industry. As a medium of learning, in-house training is to produce designers and skilled workers who have the expertise and skills that can boost the growth of industrial design.

Designers need computer as a tool to support the working process. However, the price of these devices is still too expensive. They usually buy self-assembled computer as a response to solve that problem. This is actually strength for the designers because with limited technologies they have they are triggered to produce high quality designs.

Some Indonesia designers have been able to conduct exhibitions at the international level. The events can be used as arenas for them to market and sell their products/services besides broadening their new networking with foreign partners.

Weakness

Lack of Entrepreneurial Skills (W1)

Skilled workers are not available in large numbers. This constrains the creative industries to develop their businesses. Lack of skilled workers will also limit the space of designers to create spectacular works, because their ideas can only be translated into products/services when performed by skilled workers.

On the business and managerial side, designers still have limitations. In fact, knowledge and capacity of business and managerial are the factors at which they are weak. These two factors are important for them to promote and preserve the business. Although they have a powerful ability, they have not been able to manage their business well. For example, the reluctance of designers to take care of the contract is claimed by one respondent:

“...on contract, the artists (designers) would not want to take care of the contract...someone have to manage it... In general, I see the managerial skills are still lacking in the creative industries.” (Elitua Simarmata, Indonesia Kreatif).

Lack of Funding (W2)

No matter how good the design is generated, it will not sustain if the industry does not lead to industrial level. The basic weakness of the entrepreneurs is in both funding and financing. The limited funds hamper them to develop their businesses. One of the barriers is related to their affordability to buy legal softwares. They will have difficult to work because they are overshadowed by the discomfort of using illegal softwares because of risking legal consequences. Other barriers related to lack of funding are the ability to expand and to increase production.

Design industries have difficulty to access to bank credit. They do not get the socialization of the means and requirements to apply for loans from banks. On the other hand, industry players feel that the banks do not have trust to finance them. These conditions correspond to the words of one respondent when asked whether he ever get financing from banks:

“Do not want to and have never tried ... I want to increase trust first.”

(Rachmad Imron, Iris Desain).

Lack of Collaboration among Stakeholders: Designers, Association, and Government (W3)

The good collaboration among stakeholder in design industry has not been created yet. To some extent, the entrepreneurs and designers have not gained attention from the government and have not benefited from the association. Many entrepreneurs and the designers did not obtain enough information about events, business clusters, and the training that was held by the government or association. The association also has not received attention from the government. An association official said that the government did not give attention to the association's views in making creative industries regulations.

As the people who are considered independent in the midst of society, designers usually do not like to be bound within a rigid organization. They tend to form communities that are more open. Many things they can gain from the community, such as sharing ideas and knowledge, sharing projects, or simply discussing the trends and development of the most cutting-edge design.

Opportunity

Domestic Markets for Ethnic Designs and National Advertisement (O1)

The needs of designs have increased. Domestic industry players are more aware of a product design that will be more readily accepted by the market. This is a conducive and stimulating condition for the designers to create good designs. The more better designs are created, the more established is the design industry.

Rich of cultural assets is authentic creative resources that can be developed the industry design. The tradition of storytelling (rather than written one) that is passed from generation to generation has built the ability to think metaphorically. Those both create a generation who are very good to interpret any input and to change it into design.

Emerging International Markets (O2)

There are a lot of overseas design studios that prefer to work with Indonesia designers. This is definitely due to the result of their good designs. This cooperation needs to be upgraded to open up market opportunities for Indonesian designers at the global level owing to the fact that the performance ratio of Indonesia's exports to imports of industrial design is 10:1.

“Number of our creative industry imports is actually very small...almost one in ten with its exports. It means that the total imported component per year is not much.” (Elitua Simarmata, Indonesia Kreatif).

Threat

No Government Support for Synergy (T1)

Piracy and plagiarism are a very significant threat to the development of the design industry. Piracy and plagiarism of designs and products will damage the markets and businesses run by real design entrepreneurs. Unfortunately, many design industry players do not understand the importance of IPRs. Some of them are still in the process of learning how to make good design and how to market the design they create. In fact, others have never been explained about IPRs.

There is no terminology of creative industry in central bank policy, so that the banking cannot provide any particular funding schemes. It makes most of the creative industries cannot receive funding from bank loans, although they need the funds for their working capital. On the other hand, the government has not appointed a financial institution which has the right to fund the creative industries. This condition is very harmful to the efforts of creative industry development. The more difficult they obtain funds, the more difficult creative industry is to be developed. This is certainly dangerous, because the longer this situation lasts, the more industries will die. This will lead this industry into the more unsafe condition when the free market is fully implemented.

This should be part of the duties and responsibilities of the government as a party entitled to issue policies and regulations. However, the government has not provided assistance and has not yet ready to develop the design industry. The government has several plans, but they are not executed properly.

Limited Access to Appropriate Technology (T2)

Entrepreneurs face the limited access to effective and efficient production technology. The lack of supporting industry such as suppliers of production technology and product operation system is still serious problems they faced. One respondent stated:

“...for example: Cosmos—household producer—cannot make dize for injection molding of its houseware products with competitive price and quality domestically, so it had to make it in China with the consequences that its design would be copied and then it was marketed by competitor with different brand but has the same design characteristics... Cosmos still has to import rice cooker parts, and its various household products from China, although the design of product shapes are made in Indonesia. Because, there is no national company that is able to make electronic and mechanic parts which have competitive quality, price, and after-sales guarantee.”
(Yannes Martinus Pasaribu, FSRD ITB).

Market Liberalization and Migration (T3)

In term of liberalization, government is unprepared to build protection system and to enhance creative value added of its resources, both natural and human. Government issued policy to export raw materials that give zero value added, though national design industry is still very dependent on the natural resource.

Appreciation to the design industry is still low, because the industry is still underestimated by some people who believe that design is not a real job. Many people assume that design is an easy job to do and can be done by anyone. In fact, the design can only be done by people who are creative, willing to innovate, able to see good opportunities, and able to execute these opportunities into real businesses. This condition causes a lot of designers and skilled workers prefer to work abroad. Overseas companies have a better understanding on the difficulties and complexities in the design process and would provide a better appreciation to the designers and their work.

New Global Standardization: Material, Specification, License, and Safety (T4)

Each launched product has to meet certain criteria and standards, both in terms of design and finished products. The use of environmentally friendly materials and production processes is more prominent in line with the growing concern of global warming. Product specification has also meet internationally recognized standards, which give attention to the legality of a product, in this case the license or authenticity of legal ownership, and safety elements that must be met by such products.

Unfortunately, there are many design entrepreneurs who do not pay particular attention to the standardization. They are still in the stage of creating something according to their idealism, and not to design and certify their products. The government attempted to give attention to this problem by issuing the Standar Nasional Indonesia (SNI/Indonesian National Standard). Problems were encountered are teh development of this program is still fledgling and doesn not touched the entire design industry, in dissemination, implementation, and supervision.

2.3.1. Key Players

Accupunto

www.accupunto.com

Accupunto

The inspiration underlying the creation of a product design can come from anywhere. Essentially, an inspiration should be able to meet the human needs. Accupunto combines beautiful design and ergonomics on every product they create. After the products are made, the next step is how to market them. Accupunto is able to make the distribution system of premium-class furniture products as a solution to the furniture business slump in the United States and Europe. Therefore, Accupunto won Primaniyarta Award 2011—award given to best-performing export companies—for Global Brand Builders category. This company has been exporting its products to eight countries with an export value exceeded USD 2 million (Manopol, *et al.* 2011).

Collaboration between father and son brings together a design synergy of the past and the present. Accupunto adopts an ancient method of acupuncture and transforms it into living furniture. Its ergonomic series have received numerous international awards and publications, such as Interior Innovation Award 2004 (German Design Council for Category Best of the Best for Best Details), Good Design Award from Japan, Red Dot Design Award 2003, and Indonesia Good Design Award 2003 (Grand Award winner).

Ergonic utilizes an international patented system that forms the contour of the seat. Innovation and development have always been the core beliefs of the company and it has carried the brand through its venture in introducing new and original products from Asia.

dedato

www.dedato.co.id



Integration between architecture, interior design, and visual design is dedato's strength. This has been evident in long stretches of development since the first time the company was founded.

Dedato Indonesia is a multidiscipline design consultant founded in 1988. Established in Jakarta to do consultation design jobs, this company has specialized itself in furniture design development and design product for export.

Dedato develops strong concepts to create new solutions to designs by integrating four disciplines of design. Its other concepts deal with durability and connection with client's business plan, mission statement, and company profile are the focal points in the design process.

Integrated Design when implemented consistently can help increase the awareness of name and image of a company, and as such can yield a positive influence of company's performance. A consistent and coherent approach is necessary as a corporate identity is not just communicated through the company's products and services, but also through promotional materials, buildings, interior and exterior of buildings, stationery, and many other items.

Architecture

Building is the delicate result of an equation of political, economic, and social metaphors. And throughout the process of realizing a work, the building is constantly subjected to rules and regulations, the social and political context of decision-making, and normative and engineering constraints which lead to confusion between functional ideas aimed at the economy of space and the program itself.

interior

Design elements, such as light fixtures and art, can help give the appeal. The choice of furniture and particularly its color can also achieve the right effect.

industrial + graphiC

A good technical solution is not enough. A well-designed piece of product reduces strain, error, and easy to maintain. In other words, understanding a working situation, improving ergonomics, and creating flexibility are the key of a well-designed product. In terms of graphic design, visual communication plays an important role in a communication both internally (between the business/services units within a company) and externally (communication with other companies).

LeBoYe

www.leboyedesign.com



Consciously or not, a graphic design is a common thing to people in their everyday lives. Brand, packaging, logos, symbols, text, the publication, and so on are those that belong to graphic design. The media used for graphic design are highly varied such as paper, metals, fabrics, and ceramics.

LeBoYe began as a graphic design firm in the late 1990s when the concept of graphic design was underrated in Indonesia, and Apples were largely thought of only as fruits. Armed only with one unit of the first-generation Apple Macintosh, a leaky little house converted into an “office”, and ageing Volkswagen, Ignatius Hermawan Tanzil established LeBoYe under very modest circumstances.

This firm grew alongside its every client. This firm has been fortunate to have customers who recognize its impassioned determination to differentiate itself from others by working hard to understand its clients’ businesses as if they were owned by this firm. This firm is aware of the fact that there is no similarity among clients. Therefore, LeBoYe has always developed fresh new approaches that defy convention and “standard” industry formats. With every new assignment, this firm endeavors to constantly develop a design that not only satisfies every client’s needs and objectives but also to create a project that can communicate a new spirit and soul beyond the colors and every drawn line.

Today, this interdisciplinary design firm is specializing in creating image and branding identities, packaging, corporate communications, corporate brochures, web design, and other marketing collaterals. From international airlines to recognized fashion designers, this firm chooses to broaden its horizons by engaging itself in a variety of projects across several business types.

As a result, this firm is fortunate to have won several national and international awards for design excellence including awards from the Communications Arts, Type Director Club of New York, and the publication of a cover design on *Novum Gerachsgraphics*, West Germany. LeBoYe was invited to participate in several exhibitions in cities such as Rio de Janeiro, Tokyo, and Toronto, including exhibitions

“The Energy of Asian Design” together with 13 other well-known designers from across Asia.

Urbane Indonesia

www.urbane.co.id

URBANE Architecture is a part of the design industry which is growing rapidly and constantly renewed. By all its ability and idealism, Urbane Indonesia has sophisticated capability speak on an international level. Projects undertaken by Urbane are not only domestically, but also have expanded into many countries.

Urbane Indonesia is a consultant firm specializing in architecture, urban design, and project visioning. This firm is based in Bandung. Urbane was founded on June 2004 in Bandung by M. Ridwan Kamil (an International Young Design Entrepreneur of the Year/IYDEY award recipients from British Council Indonesia in 2006). With his partners Achmad D. Tardiyana, Reza Nurtjahja, and Irvan P. Darwis, they have established an international reputation by doing some overseas projects such as Syria Al-Noor Ecopolis in Syria and Changchun Financial District in China.

Urbane Indonesia’s team consists of young professionals with creative and idealistic minds to look for and create solutions for environment and urban design problem. This firm has onedivision called Urban Community Project whose vision and mission is to help people in an urban community to have donation access and skills to upgrade their neighborhood. This dvision has done several community project s.

Urbane Indonesia has received awards from international media such as BCI Asia Award (3 times in a row 2008, 2009, and 2010) and BCI Green Award 2009 for Bottle House Project. Urbane Indonesia has also won many national design competitions, such as Tsunami Museum NAD Competition (1st award-built, 2007), Kampus 1-Tarumanagara University Design Competition (1st award-built, 2007), Fakultas Ilmu Budaya University of Indonesia Gedung X Competition (1st award, 2009), Sangga Nagari-Kota Baru Parahyangan Town Center (1st award, 2008), and the Magic Box-Pusat Seni dan Sekolah Seni University of Indonesia (1st award, 2009).

3. Indonesian Regulation Environment on Creative Industry

Law of the Republic of Indonesia No. 31 of 2000 regarding Industrial Designs

This law governs all matters relating to industrial design. Article 1, point 1 of this law states:

“Industrial design is a creation of shape, configuration, or composition of lines or colors, or lines and color, or a combination thereof in the form of three-dimensions or two-dimensions which gives aesthetic impression and can be manifested in the pattern of three-dimensions or two-dimensions which gives aesthetic impression and able to produce a product, goods, industrial commodity, or handicraft.”

The explanation of this law states that as a developing country, Indonesia needs to promote the industrial sector by increasing competitiveness, such as in utilizing the role of industrial design that is a part of the IPRs. Cultural diversity combined with the efforts to participate in the globalization of trade and by giving legal protection to industrial design will accelerate national industrial development. Furthermore, industrial design regulation intended to provide a foundation for effective protection against various forms of plagiarism, piracy, or imitation of industrial design that has been widely known. The principle of the regulation is to recognize the ownership of one's intellectual work which gives aesthetic impression, can be produced repeatedly, and can be produced in the form of two or three dimensions. Legal protection afforded to industrial designs rights is intended to stimulate creative activities and to create a climate that encourages designers to continually create new designs (komisiinformasi.go.id, 2000).

Law of the Republic of Indonesia No. 15 of 2001 regarding Brands

This law governs all matters relating to the brand. Article 1 of this law states (portal.apkomindo.or.id, 2001):

“(1) Brand is a mark in the form of images, names, words, letters, numbers, color composition, or a combination of these elements, which has distinguishing features and is used in the trading of goods or services. (2) Trademark is a trademark used on goods traded by a person or persons jointly or a legal entity to distinguish it from other similar items. (3) Services brand is a brand that is used for services traded by a person or persons jointly or a legal entity to distinguish it from other similar services.”

The explanation of this law stated that one of the actual developments that needs to be considered for the last ten years, and the trend is still to take place in the future, is the ever-expanding globalization in the social, economic, cultural, and other areas of life. Other developments that need to be considered are the development of information technology and transportation. These two developments have made the activity in the trade sector increased rapidly and has even put the world together as a single market.

The era of global trade can only be sustained if there is a climate of healthy competition. In this era, brand plays a very important role. Therefore, to protect it, a more adequate system of regulation is required. In addition to the protection of trademarks and services brands, this law also should govern the protection of geographical indication and the sign which indicates the origin of goods (komisiinformasi.go.id, 2001).

Law of the Republic of Indonesia No. 19 of 2002 regarding Copyrights

This law governs all matters relating to the copyright. Article 2 of this law stated (budpar.go.id, 2002):

(1) Copyright is the exclusive right for the creator or copyright holder to publish or to reproduce their creation, which is arising out automatically after a creature born without reducing regulatory restrictions under applicable legislation. (2) Creator and/or copyrights holder of a work of cinematography and computer program has the right to give permission or

prohibit any other person without the approval rents for commercial purposes.

The scope of creation is stated in article 12 (budpar.go.id, 2002):

“In this law, the creation which is protected is the creation in the fields of science, art, and literature, which includes: a) books, computer programs, pamphlets, typographical arrangement (layout) of a published work, and all other written works; b) speeches, lectures, oration, and other similar creations; c) the props which are made for the benefit of education and science; d) songs or music with or without text; e) dramas or musical dramas, dance, choreography, puppetry, and pantomime; f) fine art in all forms such as painting, drawing, sculpture (carving), calligraphy, sculpture (engraving), sculpture, collage, and applied arts; g) architecture; h) map; i) art of batik; j) photography; k) cinematography; l) translations, interpretations, adaptations, anthologies, databases, and other pieces of the adaptations.”

The explanation of this law stated that Indonesia as an archipelagic country is very rich in the diversity of its art, culture, ethnicity, and religion, which as a whole is the national potential that needs to be protected. The wealth of arts and cultures is one source of intellectual work that should be protected by law. The wealth is not merely for art and culture itself, but it can be utilized to enhance the capabilities in the field of trade and industry involving its creators. Thus, the protected wealth of art and culture can improve the welfare not only for its creators but also for the nation (setneg.go.id, 2002).

Regulation of President of the Republic of Indonesia No. 28 of 2008 regarding Policy of National Industry

This regulation contains six groups of industries: manufacturing, agro industries, transportation equipment, electronics, creative industries, and specific small and medium industries (kemenperin.go.id, 2008) which are the priorities to be developed in the period 2010-2014 (indonesiakreatif.net, 2010). Issuance of this regulation is a

positive step taken by the government to develop creative industries. Creative industries subsectors which are prioritized are software and multimedia content, fashion, and crafts and art.

This regulation also requires preparation of a road map of creative industries development. Road map is a guide to develop three main points: design, technology, and quality; access to financial resources and management; and special market of export.

As a strategic move, based on Instruction of President No. 6 of 2009 and Regulation of President No. 28 of 2008, the Ministry of Industry determined the medium and long term objectives, followed by programs and action plans (indonesiakreatif.net, 2010).

a. Software and Multimedia Content Industry

Medium Term

- Completing law of the information and electronic transactions
- Developing strategic alliances in order to develop software and multimedia industry
- Revitalizing and enhancing the ability of the software industry
- Encouraging the growth of software industry that is capable to support the acceleration of animation, games, and content industry
- Developing new businesses by incubation program

Long Term

Building software and multimedia industry which are are highly competitive.

Program	Action Plan
1. Technology and standardization	1. Increasing telematics technology innovation 2. Developing and implementing company standard (KIPI), SNI, and SKKNI 3. Developing professional certification agency (LSP)
2. Human resources	1. Implementing human resources competency certification 2. Training and apprenticeship
3. Strengthening of business structure	1. Empowering Regional Information Technology Center of Excellence (RICE) dan Incubator Business Center (IBC) 2. Building and developing telematics techno park
4. Development of	Facilitating center for multimedia content design and center for

Program	Action Plan
infrastructure	software development
5.Creating of a conducive business climate	1.Preparing government regulation/policy in enhancing of using of domestic game and animation products 2. Implementing IPR on creative work of game and content 3. Conducting business meetings, forums, and socializations
6.Promotion and marketing	1.Conducting exhibitions of software and multimedia contents in Indonesia and abroad 2. Conducting competitions of software and multimedia contents

b. Fashion Industry

Medium Term

- Developing strategic alliances in order to develop the fashion industry
- Revitalizing and enhancing the ability of the fashion industry
- Encouraging the growth of fashion industry that is capable to support the acceleration of textile and textile products
- Increasing implementation of IPRs
- Enhancing HR competency
- Growing new entrepreneurs

Long Term

- Establishing the fashion product market information network
- Creating a conducive business climate
- Creating fashion products that match consumer demands simultaneously competitive
- Conducting exhibitions and dissemination of fashion products Asia, Europe, and America market
- Realizing fashion industry which is tough, independent, becoming a force of development, highly competitive, and able to make a major contribution to national economy
- Expanding sales distribution networks to commercial business centers (department stores)

Program	Action Plan
1.Preparing a manual which contains trend information	1.Collecting information of international fashion trends and local phenomenon trends 2. Integrating international trends with local ethnic inspiration into

Program	Action Plan
	the guideline books
2. Increasing awareness of brand-based fashion products	1. Increasing fashion products that implement logos and brands (branding) 2. Opening the fashion market information network
3. Improving quality of human resources in developing a creative fashion	1. Training/developing of SMEs' human resources, training/coaching of production technical skills, training/development of business management and production 2. Enhancing the role of fashion designers in developing a product that has strength from local inspiration, based on international trends
4. Developing production process technology, raw material, and marketing	1. Developing basic raw materials/local resource-based materials 2. Improving production technology and marketing
5. Creating a conducive business climate	Consulting assistance and facilitating the process for handling/obtaining IPRs

c. Crafts and Arts Goods Industry

Medium Term

- Developing crafts and art products based on cultural heritage, such as batik, traditional weaving, and embroidery
- Securing raw material supply of wood, rattan, metal, pandanus, mendong, and thread
- Increasing the use of raw materials and auxiliary materials that are environmentally friendly/ecolabeling
- Improving product quality, design, and diversification by strengthening and utilizing of SMEs direct assistance unit

Long Term

- Developing the ready-made packaging for craft products
- Modernizing machinery, equipment, and production processes

Program	Action Plan
1. Development of technology, standard, product quality	1. Design training, equipment modernization, and improvement of product quality 2. Facilitation and implementation of standard (ISO 9000, CE Mark, etc.)
2. Development of access of raw material	Facilitating partnerships with relevant agencies in order to guarantee the availability of raw materials
3. Increasing competence of human resources	Training on production, management, marketing, etc.

Program	Action Plan
4. Development of institutional and business climate	1. Developing OVOP and cluster 2. Facilitating of implementation of IPRs 3. Development of technology, design, and cooperation with universities 4. Facilitating of access to financing
5. Development of promotion and marketing	1. Facilitating exhibitions in Indonesia and abroad 2. Facilitating the positioning and branding for creative industries' products

Instruction of President of the Republic of Indonesia No. 6 of 2009 regarding Development of Creative Economy

This instructions is the basis for the development of creative economy, which regulates action plans to be implemented by 27 ministries and local governments. Some important things contained in this instruction (depkeu.go.id, 2009) are as follows:

- The president declared 2009 as the Year of Creative Indonesia (Tahun Indonesia Kreatif) characterized by organizing Exhibition of Creative Virus (involving 14 subsectors of creative industries) and Nusa Food Exhibition 2009, which includes SMEs' creativity in the food industry
- Development of Indonesia Creative Economy Portal; development of data of exporter, importer, companies, associations, and the creative industries players; and development of formal/informal educational institutions
- Blueprint of "National Creative Industry Development Plan 2025", which contains a development plan of 14 creative industry subsectors from 2009 to 2015
- Priorities set in 7 areas during the period of 2009-2014: architecture, fashion, crafts, computer services and software, advertising, interactive games, and research and development
- Encouraging creative ideas and activities such as displaying creative figures (i.e. fashion designers), developing blog # indonesiaunite, and releasing 100% Love Indonesia song to promote love and pride of Indonesia products.

4. Discussion

4.1. Games and Animation

An analysis was conducted based on SWOT of data gained from interviews and secondary data collection. The analysis produces the things that have to be developed:

a. Providing Education and Training

Today more and more young people jump into the business of digital content. One possible reason that attracts them to the digital content is the cutting-edge technology. In addition, starting cooperation with parties from abroad could be the reason that stimulates their interest to seriously pursue this business. In fact, this industry is the fastest developing industry although it still has a weakness, such as in the availability of skilled laborers that have good innovation capabilities. People who move towards the digital content industry should therefore always up-date the technology they have, and this definitely requires the expertise of innovation and creativity.

The potential of domestic market, which is very large and still growing, internet penetration, and outsourcing are stirring up excitement of small developers. The large potential market and its growth match with customer's unique character. Talent transfer has been taking place between foreign and domestic developers. The success of one product is able to cover losses on other failed investment products (one hit out many). Adequate and cheap telecommunication, electricity, energy, and the existence of community associations will help the small developers to be leaders of the industry.

The choice of the level of technology is directly related to labor. In this context if there is a lot of energy and the explosion of the number of labor force, labor-intensive policy developments are considered. Creative industries is an industry that actually reduces the application of technology—in this sense big industrial machineries—and jobs that can not be replaced by machines. The development of various skills competencies is important in order to develop the business capabilities to compete in an open environment. In general there are two groups of competencies that are important. First is managerial competence, such as skills and ability to manage finances, marketing and production of goods and services. Second, entrepreneurial attitudes are necessary for an entrepreneur.

This problem could be addressed by providing education and training. A system of low-cost education and training should be provided by the government in response to the shortage of skilled workers. In addition to increasing the capacity of human resources, graduates of educational institutions and training is expected to be new designer and entrepreneurs. As such, we recommend building an infrastructure for creative activity and related incubators for creative industries that have a profit circulating structure. At the stage in which the company works or starts to generate a profit, they are sent out into the market, and the profit generated is reinvested in other creative activities.

b. Government Support

Creative businesses can be started with little capital as a home industry. The role of entrepreneurs in this start-up is crucial to nurture the business to even higher scale. One of the key successes is of marketing. Marketing in many cases is a big problem for start-ups and small scale buysinesses because many creative workers are very much able to make products but has big difficulties to market the product. Moreover, sluggish national economy condition caused declining domestic purchasing power. At this time, overseas marketing opportunities have to be catered more seriously. When many local businesses have not been able to perform to its capabailities, the government should be able to assist with trainings such as the use of internet media.

The discourse of policies development to ensure sustained economic growth has various result including national systems of innovation and learning regions. Investments shoud be constructed as a function of a national economic development plan, where some industries may have been prioritized in the purpose to build foundation for macro oriented support programs. Two approaches are especially crucial to be enacted for the industry which is development of the distribution infrastructure and promotion of competition environment. The first set of policies includes the development of a system necessary to expand distribution, the establishment of copy protection technology, and the eradication of piracy to enable expansion to overseas markets, grant incentives for startup, tax holiday, and academic Support to create talent. The second set of policies entails safeguarding fair competition by amending anti-monopoly law and instituting contracts law, building an atmosphere that simplifies

financing, and developing good human resources. We would also like to recommend efforts for joint marketing and nurturing the market together among ASEAN nations for mutual benefits.

c. Encouraging the Relationship between Departments to Enhance Responsibility for the Digital Content Industry Development

Technology is an important factor in the development of the industry. The selection of technologies for the industry requires precision, because mistakes in choosing the type and level of sophistication can complicate the management of industry and requirement for labor. In developing countries with high population, industrial development is expected to absorb the labor force, thereby reducing the problem of unemployment. Contradictory situation in applying technology-intensive as well as labor-intensive industry complicate the strategy development.

In addition, there is no an ideal link and match the between industry and higher education, in terms of competency and applied research design. Rapid technological change (disruptive technology) can be detrimental to investment.

Being a mix of a product and a service, the products are subject for service oriented operations in the element of the business that involves the services and product oriented operations in the element that involves the product. This means that companies must have experts in the requirements for both services and product operations. In service operations companies have to address external efficiency and quality perception. However, when it comes to the product operations, the companies have to address economies of scale, internal efficiency and cost focus issues. Firms require ability to deliver services, linkages and relationships, knowledge transfer and general enterprise management to be able to operate. Furthermore, the issue of international market in a volatile market is quite a challenge.

The cost of development and marketing campaigns for the products are expensive. Besides, the distribution and commercialization channels are still limited. These cause the local players difficult to reach economies of scale. Access to utilize the cross-cutting relationship between agencies and users is still limited. In addition, rules of distribution in cyberspace through the internet have not yet been stable. Also softwares and computing equipment are expensive. On the product side, there are still many

products which are vulnerable to piracy. In the supporting parts, the manufacturers do not have a center for developments and associations, and not to mention that this subsector is not contained in national development plan.

Another obstacle is the inadequate infrastructure and illegal levies that cause high cost economy. For example, lengthy processes in licensing arrangements have led entrepreneurs to spend more expenses. Questions on ownership have surfaced in many occasions. As consequence it nurtures new sectors in relation to the industry which is legal services, both for companies and for customers.

Without a formal industry standard, change and differences are the rules; even as the market continues to develop grow at dramatic rates. This will add to the volatility of the industry. The industry has begun to enter into the mainstream. As such, researches into all aspects of the industry are important. Academics have a part to understand the industry, assisting in policy making, and providing intermediaries between the government, the public, and the industry. Sound policy should be cautiously developed to build the infrastructure, develop creative professional workforce and new technology, enhanced the distribution environment, systemize new policies for convergent environment, schemes for government support, develop investment funds for the industry, for industry, and hopefully expand to global market share

d. Liasion or Hub (Networking)

Innovation serves to help the creative industry to identify and utilize innovative processes and technologies for creative industries. Accordingly connection should be made between universities and creative industries to create networks and cooperation to nurture discovery, development, and distribution of innovative products. To develop the local economic drivers of the creative industries it is necessary to drive the local economy to grow so that the macro economic climate will be conducive for its own development. The cluster approach is needed to focus the creative industry development strategy. Economic infrastructure cluster can only grow in an area where they can ensure the economic advantages of the inputs required in the competition. Strategic focus of the cluster is the creation and improvement of the economic advantages of the inputs required in the competition such as innovation, skills, finance, physical infrastructure, as well as the business climate and marketing. The performance

of economic collaboration is demonstrated by the great competitive ability, nationally and globally.

e. Establishing Technopark and Special Incubator

Some product, especially part of the digital content, have short life cycle. However, this is actually a strength because every new products released will open up opportunities for a new business as well. In order to compete in a highly competitive climate, digital content industry actors must have the quality technology and equipment. The problem is entrepreneurs have limitations in terms of capital to buy the software licenses. Banks and venture capitalists consider the entrepreneurs not bankable, so they do not want to finance it. Limited funds will complicate the development of digital content players.

Technopark and incubators should have economy value. More often than not, the economic value seems not easy to be understood. However, it indirectly contributes to economic growth in the region by generating and supporting new companies. There are several goals of technopark and incubators:

- Improve the business competitiveness. Local companies can use facilities to conduct R&D activities. Many local companies are not capable or have the necessary assets to do its own R&D because of limited of funds, human resources, and equipment.
- Venue to develop and commercialize creative ideas or findings from the researches. Indstitutions are interested in obtaining financial benefit from research that has been developed.
- Means to develop technology intensive companies. The theory of entrepreneurship or business has no laboratory. Technopark and incubator can be used as a laboratory not only to breed companies but also to learn from the experience.

f. Shaping Professional Careers

It all starts from the hobby. Digital content industry actors usually come from people who like computers and games. Because the essence of the hobby, the actors of this industry has a very strong understanding of the products or services that they develop. Because they are completely aware of the advantages and drawbacks of their products, they always try to improve their knowledge and abilities.

They also usually gather in communities. Some of the projects they are doing are obtained from events-together, including also information on technological developments. They do not want to succumb to their limitations in the technology. They always look for creative ways to develop their technology, including conducting R&D alone. This indicates that the perpetrators of the digital content industry work based on passion. Many people usually begin to finance their work as soon as their work is starting to bring results.

Companies must employ high-skilled, but also creative employees. The product development process includes work from designers, programmers, artists, quality assurance personnel and managers. Employees with many experiences are important as the process is complex. Technological difficulties, financial constraint, capabilities of worker and other factors add to challenges on what is possible to be created.

Creative economic value chain development requires a set of policies, not only be tailor to its specific character and condition but also recognition for the artistic skills professions. Creative industries should be able to manage the worker as an artist and an artist as a profession. Governments need to distinguish this profession in the structure order of employment and educate the customer. Public should not be carried away by creative heritage of the past, but also to preserve and make new creative products as a source of inspiration to be able to create economic value.

The government should facilitate the excitement of this positive trend. One of the ways is by standardizing and certifying the work of the digital content industries actors. This will likely increase their productivity. Another way is by establishing a techno park and a special incubator to further strengthen their business resources.

g. Provide Special Incentives: Special Financing Scheme

Concrete steps are needed. The steps should not only be limited to the issuance of regulations and policies. Special incentives should also be given to the actors of digital content industries, such as special financing scheme different to the system running currently. The same thing needs to be done in the relationship among departments that are responsible for the development of the digital content industry. The last concrete step concerns the strategies since there has been no strategic move shared among stakeholders.

One more thing that needs to be taken seriously is the rules and policies that are vague and not well targeted. National and regional governments should have the same vision and mission towards the development of the fashion industry. In addition, there are some rules and policies that must be addressed, such as the revision of labor legislation, cutting red tape of business administration, capital, and law enforcement on the implementation of legislation and policy in the field.

The absence of legal institutional framework is one of the main challenges in developing the local creative industry. For example, fashion design industry in this country is not regulated by any institution trigger the absence of careful development planning. While the issue of enforcement, monitoring and coordination between agencies is also one issue that keeps coming up. Among other issues that are often dealt with by the creative industry players is the lack of coordination of the government departments and other stakeholders such as financial institutions.

The products of the industry are expensive to create and development costs rise as the hardware development and product complexity becomes more and more expensive. As such financial industry needs to be linked to the industry and make acces to fund across the industry. Financial institutions have to understand the business model, where development, distribution, marketing and service skills are all important. And that it is also important for companies to develop the specific expertise needed in these fields. The interrelation of product and service require a clear strategy and expertise in the area of product development and customer services in order to develop, launch and operate a successful business.

The financing support for creative business can be delivered through governmental budgetary program (national and regional branch), local and foreign donors, corporate social responsibility programs, R&D fund from established businesses, or the allocation of research funds. There are other nonfinancial supports such as quick, efficient and cheap public bureaucracy, good education system to prepare creative workers, or mentoring program for startups businesses.

h. Regular Festival and Awards

Festival is expected to spur the creativity of artists, establish a knowledge space for the creative industries. It creates a medium of exchange of information, knowledge,

skill, technology, experience, preferences and location of the market, as well as other information. What important about festivals is the intersection of institutions and individuals and of economic, social and symbolic activities. It offers venues for participants to go in into business negotiations, to expand knowledge through market information exchanges, and to initiate and sustain social relations.

4.2. Fashion

An analysis was conducted based on SWOT of data gained from interviews and secondary data collection. The analysis produces the things that have to be developed:

a. Exploration of Local Content

Indonesia has very rich cultural treasures, one of which is batik. Consumers abroad prefer unique motives found on the Indonesian fashion. Another advantage of Indonesia in the field of fashion is its moslem fashion. Indonesian moslem fashion has gained high appreciation at the international level. This is the direct impact of increased demand for Indonesian products. Domestic and international markets are excellent opportunities to be targeted by the Indonesian fashion industry. The international transactions of moslem fashion in 2010 amounted to USD 96 billion (Purwoko & Pristine, 2010). This shows that, the Indonesian moslem fashion has a promising prospect.

Innovation of design and the types of products and exploration of local content will further strengthen the position of Indonesia in the eyes of the fashion world.

b. Directory of Ethnic Design and Patterns: Ethnic and Cultural Properties

Ethnic design and patterns in Indonesia is very varied. Each design or pattern has a design and its inherent meaning. These variations should be optimized to enrich the cultural heritage in Indonesia.

Abundant of design and pattern are sometimes makes us forget that we have resources. It is necessary to make a special directory that contains the design and pattern in Indonesia, including derivative that can be created from those. The directory can be used as a source of data and information for designers to work. In addition, the

directory can be used as a valid reference when there are foreign parties who claim ownership of a specific design or pattern.

c. Industrialization (Institutional Development)

Exhibition—such as Indonesia Fashion Weeks, Jakarta Fashion Weeks, and Indonesia Islamic Fashion Fair—is an inappropriate way to develop fashion industry. It is not just to show new designs, but to internationalize Indonesian fashion and to facilitate a networking for various parties such as suppliers, retailers, designers, media, and models to deal with future demand. The problem is that exhibition in Indonesia has not yet been able to make fashion an industry. No matter how good the design is generated, it will not sustain if fashion does not lead to industrial level.

Institutional development should be done to lift fashion into an industry, including policy making and infrastructure development. Designers are provided by academic institution, which provides skills and knowledge of design and business. Financial incentives and procurement of raw materials are provided to the designers. The fashion sector should open to information in responding to market signals so that the designers can penetrate domestic market should be sufficient and then gradually enter international markets. Other incentive is to support on-main stream fashion such as private labels and designer makers.

d. Incentives for Collaboration: Government Has to Combine the Efforts of Stakeholders

The government has a vital role to develop the fashion industry. It should be able to facilitate all the potential strengths from stakeholders, so that the fashion industry can grow and on global level. The role of government is making policies and providing special incentives to empower association as a place to socialize and to work for the fashion industry actors. Establishment of the association is expected to facilitate the ideas and suggestions from industry players, so the policies issued by the government are not only a top-down, but also bottom-up one. It is necessary, because the industry players are the parties who have understanding and experiencing the real conditions of real fashion industry.

e. Promotion of Made-in-Indonesia (100% Indonesia)

The government should ensure that robust domestic market to be known to international markets, e.g. batik furniture, batik shoes, etc. If the domestic market appreciates “made-in-Indonesia” then the successful stories will be known by the world. A system needs to be created to enable the world recognize the sign of creative identity. So, the government needs to interfere in terms of policies, subsidies, co-production, and investment in technological frontiers (e.g. French movie industry, Japanese animation industry).

f. Bilateral and Multilateral Cooperation (Liaison)

Indonesia should conduct fashion shows overseas to get a good appreciation. The addition of frequency of exhibitions abroad will increase the awareness of people in foreign countries towards Indonesian fashion products. The opening store abroad is a step that must be taken seriously, as this will facilitate foreign consumers obtaining the fashion products they want. In bilateral and multilateral cooperations with other countries, providing of ease and special rates of export and import for the foreign partners will help Indonesia’ fashion industry to expand overseas.

g. Easy Doing for Fashion Business: Government Permission and Market Development

Foreign products, particularly from China and South Korea, are increasingly flooding Indonesia. Since China liberalized its economies, its industries and trade has increased rapidly. This condition can be a serious threat to the economy of another country. Therefore, the government should take serious measures on this, for example the government issues the policies that regulate the quantity of imported goods. Otherwise, this will upset the local products.

The problem is that the local entrepreneurs have difficulty to increase their production capacity due to the declining productive capacity of the machines used by the industry that supports the fashion industry. Productivity can be restored or enhanced by replacing parts of the machinery or buying new machinery. However, the machines and its spare parts are imported goods, which of course require substantial funds to procure. On the other hand, the local entrepreneurs do not have adequate knowledge and ability to innovate the production technology.

This could be addressed by the government by providing special incentives to industries that want to develop their own technology and other technologies that can support the development of the fashion industry. Another thing that can be done is developing appropriate technologies. There is no need of too sophisticated technology, but the one that suits the needs of the fashion industry.

Although, the government has established rules and policies regarding the development of creative industries such as those contained in the Regulation of President of the Republic of Indonesia No. 28 of 2008 regarding the National Policy of Industry and Instruction of President of the Republic of Indonesia No. 6 of 2009 regarding Development of Creative Economy, the following regulation and policies under it, until recently the fashion industry is still very difficult to access credit from banks. This situation not only becomes the weakness of the fashion industry, but also a threat to it.

Without sufficient capital funds, it will be difficult for them to expand their business. When they get higher orders in quantity and quality, they will have difficulty fulfilling the order, because their technology is low and their production capacity is small. This leads to opportunity loss, and worse the buyer could no longer wants to buy from them.

A concrete steps are needed, not only to the issuance of regulations and policies. Special incentives should be given to the actors of the fashion industry, such as special financing scheme different to the current system. The same thing needs to be done in the relationship between departments that are responsible for the development of the fashion industry. There has been no strategic move shared among stakeholders. For example, the banks have not been able to provide funding for creative industries. They argue that the Central Bank of Indonesia has not included creative industry in its list to receive financial assistance. Based on this policy, they cannot provide special financing scheme for the creative industries even though the government has issued regulations and policies as well as their action plans to provide financing schemes for any government agency.

This is of course harmful to efforts of developing the fashion industry. If this situation lasts for a long time, it can definitely paralyze the fashion industry, especially when the free market is implemented.

Another thing that needs to be taken seriously is the rules and policies that are vague and not well targeted. National and regional governments should have the same vision and mission towards the development of the fashion industry. In addition, there are some rules and policies that must be addressed, such as the revision of labor regulation and cutting red tape of business administration, capital, and law enforcement on the implementation of regulations and policies in these fields.

h. Development of Local Content-based Fashion Schools

Most of the lecturers in fashion school are graduated from developed countries. They provide teaching materials based on what they had learned, which tends to not be adapted to the real situation in Indonesia. Appropriate knowledge has to be developed based on the needs and prediction of the future.

The strength of Indonesia basic potential of cultural property will be a tremendous asset of idea. The world design trend is shifting toward uniqueness and exclusivity of design. Development of local content-based fashion schools are expected to build awareness of young men toward the basic competitive advantages they have, so they do not repeat the western design flaws that became so cold, functional, and less emotional touch.

i. Mass Customization: Provide Special Incentives in Terms of Procurement of Raw Materials

The raw materials for fashion industry are available in the market. This condition benefits the actors of the fashion industry to produce because of the availability of raw materials will ensure the continuity of their production. Furthermore, there are many intermediaries who dare to invest and to import the raw materials to meet the demands of fashion entrepreneurs.

Unfortunately, the manufacturers of raw materials have some bargaining positions. They will only produce the raw materials that provide the greatest benefits. This will complicate the entrepreneurs and designers because they will have difficulty to innovate due to the limited choice of raw materials. Another bargaining position the manufacturers have is that they can adjust the price of products on the market. When

demand is high, the raw materials will shrink in the market. Therefore, they could raise the prices of their products, and yet the fashion industry actors will still buy them, although this would incriminate their finances.

The government should play a major role in providing special incentives in terms of procurement of raw materials for the fashion industry. Another measure that the government should take is facilitating the innovation and development of alternative raw materials by utilizing the abundantly available local raw materials.

Fashion industry can evolve, as we see today, because it has gained the support from the supporting industries, for example they can outsource garments. This happens because if the designers transform their good designs into product designs, this will not be economically feasible. Consequently, they outsource garments which have better technology and are available in a larger quantity. In other words, having supporting industries and maintaining a good cooperation with them will certainly foster the fashion industry.

j. Providing a System of Low-cost Education and Training

The number of skilled workers is limited, but they are the backbone of the fashion industry sustainability. Since they have special skills and are independent in their work, the designers and entrepreneurs can entrust the production processes to them. Actually, this obstacle can be resolved by providing education and training to the unskilled labors. However, because of the financial difficulty the the fashion industry has, this training program cannot be implemented.

Fortunately, Indonesia will enjoy a demographic bonus in 20 years' time. Demographic bonus can be used as collateral for the availability of skilled workers, because the demographic bonus also means that workforce is available with a better education. Another thing that can be gained from the demographic bonus is the reduction of dependency ratio, which means that the productive age population will increase, thus allowing Indonesian fashion industry to employ these productive age people in their business.

A system of low-cost education and training should be provided by the government in response to the shortage of skilled workers. In addition to increasing the capacity of

human resources, graduates of educational institutions and training is expected to be able to produce new designers and entrepreneurs.

k. Collaboration with other ASEAN Countries

Thailand has a specialized agency to manage creative industries, Thailand Creative and Design Center (TCDC), which was established in 2003 (tcdc.or.th). Through innovative services, TCDC does (Pasong, 2008 in Ministry of Trade of the Republic of Indonesia, 2008):

- Establish creative and design infrastructure and human development
- Link with world centers and trends in creative and design industry
- Connect creativity and design with Thai uniqueness, local knowledge, SMEs, and the markets

TCDC plays a role to develop Thailand creative industries, including marketing the products and services. Within the ASEAN framework, TCDC experience can be used by other ASEAN countries. They can collaborate with TCDC to use its export destinations—especially the European market—as entry points for fashion products.

On the production side, Indonesia can cooperate with Malaysia and Vietnam. Indonesia and Malaysia have a long tradition relationship. Many Malaysia citizens came from Java—as the rightful owner of batik. Meanwhile, Vietnam experienced tremendous growth in textile production. Those great potentials should be used to develop ASEAN batik.

4.3. Design

An analysis was conducted based on SWOT of data gained from interviews and secondary data collection. The analysis produces the things that have to be developed:

a. National Design Policy

Policy is the most important thing to develop national design industry. Therefore, a policy should be created as an umbrella for the development of design that apply nationally. Recent condition is there are many programs and policies that are partial and do not able to facilitate the excitement in design industry. Sometimes, the policies

even become counter-productive to the development. For example, the Department of Commerce issued “wrong policy” that allowed exporting rattan raw materials to China. It stultified furniture industry in Cirebon and Majalengka.

Actually, the government tried to play an active role to develop the design industry, which is currently based on the Instruction of President of the Republic of Indonesia No. 6 of 2009 regarding Development of Creative Economy. Its derivatives can be seen in the declaration of 2009 as the Year of Creative Indonesia and issuance of a blueprint of “National Creative Industry Development Plan 2025”, which contains a development plan of 14 creative industry subsectors from 2009 to 2015.

Indonesia government also has issued Law of the Republic of Indonesia No. 31 of 2000 regarding Industrial Designs, Law of the Republic of Indonesia No. 15 of 2001 regarding Brands, Law of the Republic of Indonesia No. 19 of 2002 regarding Copyrights, Regulation of President of the Republic of Indonesia No. 28 of 2008 regarding Policy of National Industry, and the other policies to accelerate national industrial development and to provide a foundation for effective protection against various forms of plagiarism, piracy, or imitation of industrial design that has been widely known. Legal protection afforded to industrial designs rights is intended to stimulate creative activities and to create a climate that encourages designers to continually create new.

However, the issuance of the policies has not been able to provide significant support to the design industry development, because those policies have not been revealed to be specific action plans. Law enforcement should be formulated and implemented prior to Indonesia and the ASEAN market is completely open to the global market.

The government has to rearrange the bureaucratic system, so that its human resources are the people who truly have the competence and passion to develop design industry. National design industry needs strong figures who capable in nurturing, supporting, maintaining, and promoting the design industry as one of the national asset. The government should have the human resources who coming from successful entrepreneurs in creative industries, who enabled to perform a variety of training related to the increasing of design industry’s added value from upstream to downstream, including management of copyright and coaching to seek and to expand the production market. Furthermore, the government should have integrated and measurable cross-

linked program among departments in managing the design industry as part of a national creative industries.

b. National Standardization (SNI): Implement Standardization and Certification

Recent weakness of government to anticipate ACFTA is in integrating coordination. The government should establish a creative forum which is able to proactively bridge the interests of the government (policymakers), academics (producing HR), and industry (business people). Thus, it can build a synergy that can spur development of design industry, for example, by arranging the pro-local design SNI. This action can fortify domestic industry from the rush of cheap China product in local market. Of course, it has to fix entire system of quality from the beginning in order to deliver the final product output which is appropriate to SNI criteria. It is directly related to the improvement of national design industries competitiveness in the future.

For the designers, the basic standard is technical certificate or education. What we need in the design industry is the integrator such as a trading cooperative that determine quality control and the association to lobby and contribute to improve productivity and market access.

c. Provincial and National Design Awards

From within the country itself, there are still a very small number of people who can appreciate local designers' creations. These people regard their job and work merely as a hobby. They have not been able to properly appreciate the creative process. This could be because they have not got enough understanding about the creative process behind each design. They also may not know that there are only certain people who have the ability to transform a design into a product or services that has a selling value. This lack of appreciation caused some designers choose to work abroad the developed countries provide a better appreciation to the designers and designs.

This condition should get serious attention from all parties. There are several steps that can be implemented as a solution, such as giving awards for high-quality design and good designers; giving appropriate assessment for the products that are created by local designers; and facilitating the exhibitions and festivals where designers show their creations.

d. Collaboration among ASEAN Countries for Creating ASEAN Hub

Each of ASEAN country must have economic development plan—including the creative industries), both in its capacity as a nation, as well as member of ASEAN, especially in facing the AEC by 2015. They have tradition and culture, as a potential source for developing creative industries respectively.

Tradition and culture, coupled with the creativity of the designers will produce high quality designs and products. However, the development of design industry cannot stop on production. At a later stage, marketing should be the main focus, so the design as the industry can give value added to the designer and the customer.

AEC Blueprint can be used to form collaboration among ASEAN countries for creating the ASEAN hub. Blueprint should be ratified by each country and translated into policies that can support the creation of the hub.

e. Directory of Indonesian Design (Artifact of Cultural Design)

Artifact of cultural design is very varied. Each design has inherent meaning. These variations should be optimized to enrich the cultural heritage in Indonesia.

It is necessary to make a special directory that contains artifact of cultural design, including derivative that can be created from those. The directory can be used as a source of data and information for designers to work. In addition, the directory can be used as a valid reference when there are foreign parties who claim ownership of a specific design.

f. International Exhibition

Indonesia should conduct fashion shows overseas to get a good appreciation. The addition of frequency of exhibitions abroad will increase the awareness of people in foreign countries towards Indonesian design products. The opening store abroad is a step that must be taken seriously, as this will facilitate foreign consumers obtaining the fashion products they want. The government should use its networking that established in foreign countries to introduce and to market the potential of design industry. In bilateral and multilateral cooperations with other countries, providing of ease and

special rates of export and import for the foreign partners will help Indonesia's design industry to expand overseas.

g. Formal Education for Design and Entrepreneurial Skills

Managing and doing business in design industry are still largely limited to applying basic management knowledge. Many actors in design industry are may not even be able to implement management principles in running their business. Although they have exceptional design skills, they have not yet or even have never gained knowledge about how to run the business well and correctly.

Overall, the problems associated with human resources can be overcome through education and training. The curriculum that includes a combination of design and business aspects are expected to increase the number of entrepreneurs in the design industry. Schools or educational institutions that run the education on design industry must be tightly supervised. Here, we give an emphasis on mentoring because a good and right mentoring will be able to enhance the ability of the graduates in creative industries.

Certifying the designers will provide a positive impact to the design industry. This will likely make the actors in this industry to feel equal with those from the other mainstream industries. In short, certification will demonstrate the competence and capability of a designer.

h. The Role of Design Association

The people who are engaged in the design industry are the ones who do not like restriction in doing their job. They tend to dislike the too rigid organization as it will restrict their movements. Most of them come from communities that are fluid and open. In their communities, they share ideas, knowledge, experience, and projects. From the conversations with the members of these communities, brilliant ideas or even international caliber designs are often generated. They also tend to see government as the party who gain political advantages of the explosion of creative industries phenomenon in Indonesia.

This condition can be corrected through the association which acts as a bridge between designers, government, and other stakeholders. The existence of the association is expected to contribute thoughts and actions towards the design industry

development. Up to now, there are many designer associations, but they have not been able to contribute significantly, because they do not have strong legitimacy. The government should recognize the associations, by involving them in any decision-making that aims to advance the national design industry.

j. Implementation of Law Enforcement

Piracy and plagiarism are a very significant threat to the development of the design industry. Piracy and plagiarism of designs and products will damage the markets and businesses run by real design entrepreneurs. Unfortunately, many design industry players do not understand the importance of IPRs. Some of them are still in the process of learning how to make good design and how to market the design they create. In fact, others have never been explained about IPRs.

Design industry is still very difficult to access credit from banks. Without sufficient capital funds, it will be difficult for them to expand their business. This leads to opportunity loss, and worse the buyer could no longer wants to buy from them.

A concrete steps are needed, not only to the issuance of regulations and policies. Special incentives should be given to the actors of the design industry, such as special financing scheme different to the current system. The same thing needs to be done in the relationship between departments that are responsible for the development of the design industry. There has been no strategic move shared among stakeholders. For example, the banks have not been able to provide funding for creative industries. They argue that the Central Bank of Indonesia has not included creative industry in its list to receive financial assistance. Based on this policy, they cannot provide special financing scheme for the creative industries even though the government has issued regulations and policies as well as their action plans to provide financing schemes for any government agency.

Another thing that needs to be taken seriously is the rules and policies that are vague and not well targeted. National and regional governments should have the same vision and mission towards the development of the design industry. In addition, there are some rules and policies that must be addressed cutting red tape of business administration, capital, and piracy and plagiarism; as well as law enforcement on the implementation of regulations and policies in these fields.

k. Implementation of Technology Transfer Policy and Creating the Supporting Industries to Guarantee Availability of Raw Materials and Production Tools

As it grows, the design industry faces problems in the availability of skilled workers. In the medium and long term, this could lead to the stagnance of industrial growth or even could lead to the decline of the the industrial growth. If this happens entrepreneurs will have difficulty to expand their business, and their business may even be taken over by companies coming from overseas.

One solution to the above-mentioned problems is by technology transfer. Implementing policy in which it requires any foreign company operating inIndonesia to transfer technology to their Indonesian partners is what the design industry would like the government does.

The government is aware of the potentials contained in the design industry. Because of its awareness and obligations and responsibilities, the government has issued regulations and policies to support the development of industrial design. Among them are the Law of the Republic of Indonesia No. 31 of 2000 regarding Industrial Designs, Law of the Republic of Indonesia No. 15 of 2001 regarding Brands, and Law of the Republic of Indonesia No. 19 of 2002 regarding Copyrights.

These strengths and opportunities can be further developed if the supporting industries for the industrial design are established. With the establishment of the supporting industries, the availability of raw materials and production tools for the design industry will likely be guaranteed. Also, the implementation of law enforcement will ensure the survival of industrial design and will provide legal certainty for the design perpetrators to continue working. Furthermore, opening the tap of export will facilitate the overseas expansion of the actors of creative industries.

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Appendix Interviewee-based SWOT

Fashion

Interviewee	Strength	Weakness	Opportunity	Threat
Laksono K. Adi (Oink!)	<ul style="list-style-type: none"> - Entrepreneurs guarantee their continuity of production. - Supporting industries (outsourcing garments) are able to increase the production capacity. - Selling point is not only in one place, but it is spread across Java, Bali, and Medan. - Tecnology of production technology does not affect the growth of business. - Entrepreneurs use credit from banks to finance their business. - Entrepreneurs form informal community to support their business. - Entrepreneurs collaborate with other industries, such as music and sports. - The business has loyal customers. - Low-end market always absorbs the new designs. - Raw materials are easily obtained because there are a big number of suppliers. - Adequate telecommunication, electricity, and energy are available and their prices are low. 	<ul style="list-style-type: none"> - The fashion sector is facing the problem in the availability of skilled workers - Managerial and business ability of entrepreneurs are low - Turnover of laborers and sales forces is relatively high - Interest rate of credit is high - Association has not provided significant action for business development - Many entrepreneurs are followers and they do not have a clear business concept - The market has been saturated because it has received “massive attack” in last 5 years 	<ul style="list-style-type: none"> - Sales trend has been shifted to smaller cities and other areas outside the two major cities of clothing: Bandung and Jakarta. - Direct competition with foreign products increases the product price and profits. - Events give positive impact to increase sales. - Online marketing provides a significant increase of sales. - Imports of goods from China help the production process. - Some players have franchised their product to Malaysia and have opened selling point in Singapore and Australia. 	<ul style="list-style-type: none"> - Entrepreneurs face difficulty in import custom - The government has not provided capital access for entrepreneurs.
Ben Wirawan (Mahanagari)	<ul style="list-style-type: none"> - Entrepreneurs have a strong desire to give added value and brand to their products. - Creative designers always give birth to ideas, concepts, products, and prototypes of new designs continuously. - The designs are easily obtained from freelance contributors and students. - Entrepreneurs use royalties system to pay the designs. - Industry players are independent and autodidactic learner. - Some industry players have had a good network and have been running the B2B. - Entrepreneurs form informal community to support their business. - Industry players have great skills in design, production techniques and software mastering for designing. - Adequate telecommunication, electricity, energy are available and their prices are low. - The cities that have developed the industry have a strong culture and good atmosphere to protect the industries. - Indonesia has a great number of culture “fuels” to compete overseas, such as the curved shape. 	<ul style="list-style-type: none"> - It is difficult to access credit from banks. - Many entrepreneurs are followers and do not have a clear business concept. - Many entrepreneurs do not have the capital, ability, and motivation to run their businesses. - Many entrepreneurs oversimplify the designs by directly imitating them from the internet. - Many entrepreneurs give big discounts to pursue a sale, but at the end it paralyzes its own products. - Managerial and business ability of entrepreneurs are low. - The government provides inappropriate training - Entrepreneurs have not been confident to reach high-end market and to compete in global markets. - Entrepreneurs have not explored the local content as a source of inspiration to improve their competitive advantage. - Raw material has not been evenly distributed, only in Java. 	<ul style="list-style-type: none"> - Trends are always changing - Good infrastructure will be a place for a fair competition and good learning process, and it will bring investment - Foreign investors are looking at creative industry actors, since the development of creative industries will provide economy and social impact - Global trend (and free trade) makes industry players to market its products - The local market is very large - ICT, networking, and connectivity are getting better. - There is a different tax rate between the local and foreign products. 	<ul style="list-style-type: none"> - Direct competition with big companies and multinational companies lead to differences in the remuneration. - Some equipment and raw materials are imported. - Dishonest bureaucrats are hampering development of creative industry. - Conflicts among state agencies have impact on the lack of attention to industry development. - The city government has not provided assistance to the creative industries. - Tax holiday is only for big industries, though most of creative industries are SMEs. - Piracy and plagiarism have occurred, since industry players did not have quite understanding of IPR. - Raw material suppliers’ bargaining power is great.

Interviewee	Strength	Weakness	Opportunity	Threat
	<ul style="list-style-type: none"> - Mixing innovation has already started to enrich the design and technological innovation to develop raw materials. - The non-mass production industry does not require major funding. - The need for IPR is not too important, so piracy is not regarded as a threat. 			
Arifin Mas (Asosiasi Perancang Pengusaha Mode Indonesia-Indonesia Fashion Designers Association)	<ul style="list-style-type: none"> - The association is officially under the Chamber of Commerce. - Indonesia has the design advantages to penetrate the Middle East market. - International community has recognized Indonesian moslem fashion. - Designer creativity and originality of the work have affected the increasing demand from international market for Indonesian products. - Some designers have been expanding overseas. - The qualified designers, which are powerful icons and have a big number of production workers, would be able to increase production. - Adequate telecommunication, electricity, and energy are available, and their prices are low. - Indonesia has a diversity of cultural products, such as batik, lurik, and bagonjong. 	<ul style="list-style-type: none"> - The associations do not have any cooperation with the government. - Interest rate of credit is high. - Managerial and business ability of entrepreneurs are low. - Education to improve the ability of the designer is lacked. - Entrepreneurs need capital and human resources development. - Technology and machines are still expensive. - Designers do not have the sophisticated concept. - Production capacity of machines in mass production has been declining, innovation and technology of textile raw materials is still problematic, and technology of leather (tanning industry) has not been developed. - Relationship between businessmen, centers, and business clusters has not been going well. 	<ul style="list-style-type: none"> - Indonesian is the mecca of moslem fashion. - Indonesia has the largest moslem population in the world. - Middle East is a promising moslem fashion market. - Designers come from the young and their numbers has always been increasing in recent years. 	<ul style="list-style-type: none"> - Chinese products can threaten the survival of local entrepreneurs. - Many raw materials are imported, and the delivery time for importing the materials takes a long time. - Globalization and market liberalization weakens the competitiveness of local entrepreneurs. - Designers copy each other's work. - Appreciation to fashion is still low since customers prefer price and function as a primary consideration.
Elitua Simarmata (Indonesia Kreatif)	<ul style="list-style-type: none"> - Some designers have been expanding their business overseas. 	<ul style="list-style-type: none"> - Production is expensive, and the labors do not have good skills. - Managerial and business abilities of fashion entrepreneurs are low. - Banks do not have a trust to finance the creative industries. 		<ul style="list-style-type: none"> - Raw materials, such as fabrics and dyes, are imported.

Design

Interviewee	Strength	Weakness	Opportunity	Threat
Rachmad Imron (Iris Desain)	<ul style="list-style-type: none"> - People in design industry are autodidactic learner. - Entrepreneurs held in-house trainings. - Designers often use self-assembled computers. - Entrepreneurs form community to support their business. 	<ul style="list-style-type: none"> - Legal software is expensive. - It is difficult to access credit from banks. - The design sector is facing issues of the availability of skilled workers. - Relationship with other industry sectors has not been established. 	<ul style="list-style-type: none"> - Designers begin to realize and want to develop the IPR. - Overseas studios like to work with Indonesia designers. 	<ul style="list-style-type: none"> - Skilled workers prefer to work abroad. - The government has not provided assistance and has not yet ready to develop the design industry. - Appreciation to the design industry is still low.
Elitua Simarmata (Indonesia Kreatif)	<ul style="list-style-type: none"> - Some designers have been expanding overseas. - Software for designing is available. - The design is required by all industry sectors, then it becomes a strength to the designers to develop their businesses. 	<ul style="list-style-type: none"> - Designers have lack of knowledge and capacity in business and management as well as having low confidence. - Entrepreneurs are lack of financial resources. On the other hand, banks do not have a trust to finance the creative industries. 	<ul style="list-style-type: none"> - The needs of designs are raised to support the design process, so is the use of technology. - Technology transfer from foreign companies is an opportunity to enhance the technological 	<ul style="list-style-type: none"> - Piracy and plagiarism occurs since industry players do not have enough understanding on IPR - There is no terminology of creative industry in central bank policy so that the banking cannot provide any particular

Interviewee	Strength	Weakness	Opportunity	Threat
		<ul style="list-style-type: none"> - R&D for product design is still limited. - Entrepreneurs cannot utilize brand for their design. - Design is an internally part of big companies. 	<ul style="list-style-type: none"> capabilities of local designers. - Standardization and certification of skills for design practitioners are necessary. - Ratio of export to import is almost 10:1. - Ministry of Education starts to design the curriculum of creative (education) for basic level. 	<ul style="list-style-type: none"> funding schemes. - Oligopoly in internet tariff hampers the development of design. - Main problems that have obstructed the development of creative industry: financing, human resources, technology, IPR, and regulation.
Yannes Martinus Pasaribu (Fakultas Seni Rupa dan Desain-Faculty of Art and Design)	<ul style="list-style-type: none"> - Designers have skill and integrity in the work. - Designers have ability to translate the symbolic value preference of domestic market. - Sleek structure of SMEs make the entrepreneurs are flexible to produce new designs and even to build a new trend. 	<ul style="list-style-type: none"> - Access to financial resources is lack. - It is hard to run sustainable fashion business, if it does not lead to industrial level. - Entrepreneurs cannot utilize brand for their design. - Individual characteristic of designers is standing out. It is difficult to work together among them. - Lack of concrete support from government hampers the development of program which is able to synergize the various potential designs. 	<ul style="list-style-type: none"> - Rich of cultural assets is authentic creative resources that can be developed the industry design. - The tradition of storytelling (rather than written one) that is passed from generation to generation has built the ability to think methaphorically. 	<ul style="list-style-type: none"> - Government policies often change and there is no synergy between departments. - Entrepreneurs face the limited access to effective and efficient production technology. - Unpreparedness of the government to build protection system and to enhance value added is still serious problems. - Legal licensed software and ICT tools are still expensive for the begginers in design industry.