Differentiation Analysis of Profitability & Efficiency: Case Study at Luhve.id as MSMEs in Fashion Industry

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Abstract

This research aims to conduct a comparative analysis of the performance between MSME Luhve.id and the broader fashion industry MSME, focusing on profitability and efficiency aspects. The research method employed is quantitative descriptive analysis, with data collection through observation, interviews, and literature review. The sample utilized comprises profitability and efficiency data from Luhve.id's sales over a 36-month period from 2021 to 2023, as well as the average percentage of profitability and efficiency of the fashion industry MSME from previous studies. Data analysis techniques include normality tests and Mann-Whitney U tests. The findings reveal significant differences between MSME Luhve.id and the fashion industry in terms of profitability and efficiency. MSME Luhve.id demonstrates lower average profitability and efficiency performance compared to the fashion industry MSME. Factors influencing these differences include the relatively new age of MSME Luhve.id and the digital sales strategy that may require further development. Nonetheless, the digital strategy shows potential for long-term growth.

Keywords: MSME, Luhve.id, fashion industry, profitability, efficiency, descriptive analysis, Mann-Whitney U test

Introduction

Luhve.id, is a home fashion business based in Tangerang, Banten which began to develop in early 2021. Interestingly, this business started from the initiative of a business owner who has a deep love for the world of fashion and a desire to create high quality products at affordable prices. Located in a densely populated residential area, Luhve.id understands how important it is to provide fashion choices that suit the tastes of consumers in the surrounding environment. The founders of Luhve.id not only see this business as an economic opportunity, but also as a response to people's high awareness of clothing and fashion trends.

Even though it was established in the midst of a pandemic facing restrictions on mobility and activities, the owner of Luhve.id took creative initiatives to expand the market. By utilizing online facilities and social media, companies are trying to reach a wider audience. Collaboration with several Instagram celebrities has become an integral part of the marketing strategy, helping Luhve.id build a strong presence in the digital realm and gain more customers.

Apart from offering various types of women's clothing with superior quality, Luhve.id also continues to adapt to the dynamics of the fashion market. The owners of these businesses are actively involved in researching the latest trends and customer needs, ensuring that their collections are always up-to-date and relevant. By understanding that fashion trends can change quickly, Luhve.id continues to innovate in their clothing designs and models, ensuring that every product released reflects the latest styles.

Micro, Small and Medium Enterprises (MSMEs) have become a fundamental support in the global economic structure, especially in countries with dynamic economic development such as Indonesia. In facing the increasingly rampant digital era, MSMEs consistently strive to utilize various online platforms to expand market reach, increase product visibility and optimize their business performance. The industrial revolution 4.0 has also provided a significant boost to economic activity related to efficiency and technological sophistication. Changes occurring in the industrial sector, driven by technological developments, have resulted in the emergence of what is known as the creative industry.

The creative industry is an industry that originates from the development of individual creativity, skills and talents in order to exploit creative power so that it can create prosperity and expand employment opportunities. The creative industry is also an industry that produces an impact that can be measured in money or an impact that cannot be measured in money, where the creative industry has economic value through the exploration of cultural values based on technology and science. Through the development of creativity in each local product mix, the creative industry contributes significantly to the growth of the Indonesian economy through job creation, increased productivity and income.

Reporting from BPS 2015, the contribution of the creative industry according to the Culinary subsector ranks first with a percentage of 41.69% and followed by the Fashion sector at 18.15%. This indicates that the development of fashion in Indonesia is quite large which can be seen from the significant growth in the last few years which reflects positive dynamics in consumption trends, economic development and increased awareness of local design. This growth is not only reflected in the increase in the number of fashion brands and stores, but also in various other aspects that form the fashion industry ecosystem in Indonesia.

The fashion industry, as part of the creative economy sector, has experienced significant growth in recent years. Apart from dominating the domestic market, many industry players are also pursuing export opportunities abroad. Based on data from Katadata, the growth of the apparel and textile industry from 2010 to 2021 shows a positive trend. The peak of growth was recorded in 2019, where the growth percentage of Gross Domestic Product (GDP) in the apparel and textile industry reached the highest level. According to the Ministry of Tourism and Creative Economy, before the pandemic, in 2019, the creative economy sub-sector,

including the fashion industry, contributed around IDR 1,153.4 trillion or 7.3% to the total National GDP. The fashion industry is even the second largest sub-sector after culinary, contributing around 17.26% or IDR 115 trillion.

MSMEs themselves are independent productive business units, which are run by individuals or business entities in all economic sectors. The presence of MSMEs in Indonesia has had a significant impact on the Indonesian economy, where in 2021 Indonesian MSMEs were recorded as being able to absorb 97% of the workforce, contribute 60.3% to Gross Domestic Product (GDP), and contribute 14.4% to national exports. Micro, small and medium enterprises themselves have also been regulated in Law No. 20 of 2008 concerning MSMEs. Through the enactment of the MSME Law, micro, small and medium enterprises receive business justice as well as guarantees from the government. With great hope, this can increase the role and potential of MSMEs in realizing economic improvement, equality, increased income, and job creation.

The presence of MSMEs is also the main key in achieving the SDGs goals. SDGs (Sustainable Development Goals) itself is a sustainable development program in which there are 17 goals with 169 measurable targets with specified deadlines. MSMEs can be a source of livelihood for disadvantaged or marginalized groups in society. By providing business and employment opportunities, MSMEs can help reduce levels of poverty and socio-economic inequality. MSMEs are also a forum for high levels of innovation and creativity where business actors can develop new solutions.

The potential for the development of MSMEs in Indonesia is quite large, MSMEs can play a role in economic equality because they tend to be spread across various regions, including in areas that may not have been reached by large companies. This can help reduce economic disparities between regions. MSMEs are very flexible and are considered capable of adapting to all economic conditions in the country as well as the ups and downs of market demand. MSME players rely on high levels of creativity and innovation to create a business that is well received by the local community. One of them is that in the fashion sector, currently many fashion MSMEs are emerging, the high appeal of fashion to society is the main point in the spread of these fashion MSMEs.

The MSME fashion industry in Indonesia plays an important role as a bright market potential and is one of the leading sectors in efforts to gain foreign exchange. Products from the creative industry, especially in the fashion and accessories sector, are considered to have quality that can compete with international standards, creating great opportunities for global market expansion. According to the Minister of Cooperatives and SMEs, the custom fashion trend that offers products according to consumer orders is a valuable opportunity for MSMEs in the fashion sector. This reflects the diversity and flexibility of MSME products to meet consumers' individual needs and tastes, providing additional attractiveness in market competition. With the emergence of various new brands, the Indonesian fashion industry is becoming increasingly competitive. Nevertheless, huge market opportunities are still wide open. The diversity of products and creativity of MSME players is a special attraction, creating space for innovation and differentiation to attract consumer attention.

Of the many MSMEs operating in the fashion sector, Luhve.id is one of the MSMEs in the fashion industry that has been established since 2020. As a business unit that has not been established for long enough, Luhve.id is a fashion business located in Tangerang, Banten that focuses its efforts on women's clothing with various models that can be used both formally and informally. Considering that it was founded in the midst of the Covid-19 pandemic and had to operate amidst social restrictions and a decline in economic activity, Luhve.id relies on social media as their main platform to attract customers and build their brand effectively.

A deep understanding of the dynamics of the fashion market as a whole is the key for Luhve.id MSMEs. This includes monitoring changes in consumer trends, shifts in preferences, and product innovations made by competitors. By observing the percentage of efficiency and profitability of MSMEs in the fashion industry, Luhve.id MSMEs can gain deeper insight into their position in the context of this industry. In this way, the strategic steps taken can be more informed and targeted, helping Luhve.id MSMEs to continue to compete better in a dynamic and competitive market.

By comparing current profitability and operational efficiency levels with similar MSMEs in the fashion industry, this research aims to identify gaps that need to be corrected and potential advantages that can be exploited. In addition, a deep understanding of the dynamics of the fashion market. By comprehensively understanding market dynamics, Luhve.id MSMEs will be able to make more timely and data-based decisions, thereby increasing their chances of remaining established and developing amidst intense competition.

Literature Review

Fashion Industry

The fashion industry is an economic sector that is growing rapidly and has a significant impact at the global level. In general, this industry includes the processes of designing, producing, consulting and distributing various fashion products, such as clothing, shoes and accessories. Creative and strong design plays a major role in establishing the identity of a particular brand or style. The influence of fashion is not limited to aesthetic aspects alone, but also reflects a close relationship with everyday life and social dynamics. Fashion trends and styles develop over time, creating a cycle that continues to revolve and enriches the creativity of this industry. The fashion industry not only creates products that consumers want, but also has an important role in the economy and sustainability, considering aspects such as ethics in production, use of environmentally friendly materials, and response to global market needs. Through events such as fashion week and other industry events, the fashion industry continues to be at the center of attention, creating business opportunities, enhancing brand image, and promoting innovation in style and design. (Indonesia, 2018)

The rise of the fashion industry became evident in 2008 with the holding of Jakarta Fashion Week by Femina Group. This event is an annual platform that aims to bring Indonesia to the global fashion stage. Jakarta Fashion Week has succeeded in attracting attention not only from Indonesian people but also from abroad, especially Southeast Asia. In response to this

success, the Indonesian Fashion Designers Entrepreneurs Association held Indonesia Fashion Week in 2012 with a different vision and mission, namely gathering all stakeholders in the fashion industry and creating an event as an icon or benchmark. This event succeeded in attracting attention on a global scale and became one of the annual agendas sought after by tourists, supporting Visit Indonesia's efforts to promote tourism. (Ananta, 2018)

MSMEs

Micro, Small and Medium Enterprises (MSMEs) function as business activities that have a significant impact in expanding employment opportunities, play an important role in efforts to equalize and increase people's income, as well as being a driver of economic growth and supporting national economic stability. In accordance with Law Number 20 of 2008, the general definition of MSMEs includes:

Micro Business, which refers to productive business activities owned by individuals or individual business entities and that meet the criteria set out in this law.

Small businesses, which are productive economic activities that exist independently, are carried out by individuals or business entities that are not subsidiaries or branches of medium or large businesses, and meet the requirements for small businesses in accordance with the provisions of the law.

Medium Enterprises, which include stand-alone productive economic activities, carried out by individuals or business entities that are not directly related as subsidiaries or branches of Small Businesses or Large Businesses, with the amount of net assets or annual sales proceeds in accordance with the provisions regulated in the Law -Invite this. (Halim. 2020)

Business Profitability

Profitability reflects a company's ability to earn profits, which is related to sales, total assets and own capital (Santoso and Priatinah, 2016). This is the level of net profit that a company can achieve during its operations. Santoso and Priatinah (2016) stated that profitability also shows the ability of capital invested in overall assets to generate profits for investors. Ambarsari and Hermanto (2017) describe that profitability is the ability to generate profits.

Danang added that profitability assessment is a process to determine how well business activities are implemented to achieve strategic goals, reduce waste, and provide timely information to make continuous improvements. Simamora revealed that long-term investors are very interested in profitability analysis. Sofyan Syafri Harahap stated that profitability reflects the success of a business entity in generating returns to its owners. To assess a company's ability to earn profits, profitability ratios can be used. Profitability ratios are a tool for evaluating a company's ability to make a profit. Hery stated that profitability ratios are used to measure a company's ability to generate profits from normal business activities.

Business Efficiency

Efficiency is defined as an indicator of the success of a person or organization in running its business, measured by how efficiently the resources are used to achieve activity results. The

concept of efficiency can also be understood as a comparison between input and output (Novendra, 2014). Efficiency can also be used as a benchmark to compare the extent to which input can produce output. The meaning of efficiency can vary depending on the purpose for which the benchmark is used. Although there are various elements in determining efficiency, value savings can be one significant indicator of efficiency.

Business efficiency refers to the ability of an organization or company to use its resources optimally to achieve the desired goals. Business efficiency can be measured by how well a company manages the inputs it has, such as labor, capital and technology, to produce maximum output. (Adedeji, 2019)

Mann Whitney Difference Test Method

The Mann Whitney difference test method, or also known as the Mann-Whitney U Test, is a non-parametric statistical technique used to compare two independent groups that do not have a normal distribution or parametric assumptions are not met. This method is suitable for ordinal or interval data that does not meet the requirements of parametric assumptions such as normality distribution.

The Mann Whitney difference test process involves ranking the data from the two groups being compared, and these rankings are then used to calculate the test value. This statistical test states the extent to which the differences between two groups are considered significant. If the test value reaches the specified level of significance, we can reject the null hypothesis which states there is no significant difference between the two groups.

The advantages of the Mann Whitney method involve its ability to deal with non-normalities in the data, and therefore, it is a good choice when the data does not meet the assumptions of a normal distribution. This makes it relevant in research where data characteristics cannot be assumed parametrically, such as in research comparing the profitability and efficiency of Luhve.id MSMEs with fashion MSMEs in Indonesia. (Rifqi Rizaldi, 2022)

Research Method

This research uses a type of quantitative descriptive analysis approach which is generally used to describe and explain the characteristics of a particular phenomenon or population using quantitative data by presenting explanations obtained based on research results. As according to Sugiyono (2018:20) "Quantitative descriptive research analysis is used to analyze data by describing or illustrating the collected data as it is without intending to make general conclusions or generalizations."

In this research, the author uses a quantitative descriptive method that is explanatory in nature, namely highlighting the differences between two groups of independent data and testing hypotheses that have been previously formulated, by testing the difference between the performance of Luhve.id MSMEs and the average of fashion industry MSMEs. According to V. Wiratna Sujarweni (2014:39) quantitative research is a type of research that produces

discoveries that can be achieved (obtained) using statistical procedures or other means of quantification (measurement). Through the following type of research, the aim is to determine the analysis of differences in profitability and efficiency between Luhve.id MSMEs and fashion industry MSMEs in Indonesia through previously obtained data.

Population is a general area formed from objects and subjects that have certain quantities and characteristics determined by researchers with the aim of being able to observe them and then draw conclusions as explained by Sugiyono (2019: 126). In this study, the population observed was the entire product mix offered by Luhve.id, including top and bottom products with various models provided, also covering all MSMEs in the fashion industry at the same level in their field.

According to Sugiyono, (2017:81) the sample is part of the population which is the source of data in research, where the population is part of the number of characteristics possessed by the population. The sampling technique according to Sugiyono, (2016:81) is a sampling technique, to determine the sample to be used. This research uses a purposive sampling technique in determining the sample, where the sample is one that meets certain criteria desired by the researcher and is then selected based on certain considerations in accordance with the research objectives.

In this study, the sample used was profitability and efficiency results obtained from Luhve.id's sales volume for the past 36 months for the 2021-2023 period as well as the average percentage of profitability and efficiency of MSMEs in the fashion industry that had been obtained through previous research. Researchers took samples in the form of profitability and efficiency percentages because a good understanding of profitability is very important for management and investors to make the right decisions in managing and assessing company performance (Nugraha, 2020). High profitability can also contribute to increasing the efficiency of a company.

In conducting an analysis of Luhve.id MSMEs, researchers used several data collection techniques. First, they conduct library research, which involves reading and checking various sources in the library to gather data. Second, they conducted field research, namely collecting primary data through direct observation of the research object. In this case, the observation method is used to highlight the special characteristics of the research object, such as sales activities and the sales process of MSME Luhve.id. Apart from that, direct interviews were also conducted with related parties to obtain relevant and specific information related to the research topic. The primary data was then processed statistically using the Mann-Whitney method. This approach was chosen to identify and analyze significant differences between two groups or observed variables, thereby providing in-depth insight related to the aspects examined in this research. Apart from that, documentation is also used by searching, viewing and studying notes or documents related to the research object to collect relevant written data.

Result/Findings

Descriptive Analysis

Table 1.1 Descriptive Analysis

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Profitability	36	2.10	83.20	31.67	29.38
Efficiency	36	17.33	39.35	28.98	6.02
Valid N (listwise)	36				

Source: Author's Process (2024)

Through the "Descriptive Statistics" table, we can see a descriptive statistical picture of the two main variables in this research, namely profitability and efficiency. There are 36 valid observations for these two variables. The range of profitability values ranges from 2.10 to 83.20, with an average of 31.67. The high standard deviation, namely 29.38, indicates significant variation in profitability data. Meanwhile, the range of efficiency values is between 17.33 to 39.35, with an average of 28.98 and a standard deviation of 6.02, indicating lower variation compared to profitability. Valid N (listwise) indicates that all 36 observations have been used in the analysis. This table provides a deeper understanding of the distribution and statistical characteristics of profitability and efficiency, which are important elements in understanding company performance.

Normality test

Table 1.2 Normality Test

Tests of Normality

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistics	df	Sig.	Statistics	Df	Sig.
Profitability	,225	36	,000	,830	36	,000
Efficiency	,219	36	,000	,906	36	,005

a. Lilliefors Significance Correction

Source: Author's Process (2024)

Analysis of the Shapiro-Wilk normality test from the table shows that the two variables, namely Profitability and Efficiency, produce statistically significant test statistical values ($p < 0.05$). For the Profitability variable, the significant value is 0.000 with 36 degrees of freedom, while for the Efficiency variable, the significant value is 0.005 with the same degrees of freedom. This shows that the two variables are not normally distributed at the specified significance level. In the context of data analysis, the normality test shows low statistical significance so that it is not normally distributed, so hypothesis testing will be carried out using the Mann Whitney test with a non-parametric method which is used to compare two independent groups in the event that the distribution is not normal or if the assumption of homogeneity of variance is not fulfilled.

Hypothesis testing

Table 1.3 Hypothesis

H0	There is no significant difference between the average efficiency and profitability of Luhve.id MSMEs and the Indonesian MSME fashion industry
H1	There is a significant difference between the average profitability of Luhve.id MSMEs and the average profitability of the Indonesian MSME fashion industry.
H2	There is a significant difference between the average efficiency of Luhve.id MSMEs and the average efficiency of the Indonesian MSME fashion industry

The Mann Whitney test is evaluated based on a comparison between the calculated Z-statistical value and the critical value from the Z distribution table. If the calculated Z-value exceeds the critical value at the significance level $\alpha = 0.05$, then the null hypothesis is rejected and the alternative hypothesis is accepted, and vice versa . Apart from that, the analysis was also carried out by paying attention to the p-value, which shows the level of significance of the test results. If the p-value is less than $\alpha = 0.05$, the null hypothesis is rejected and the alternative hypothesis is accepted; conversely, if the p-value is greater than or equal to $\alpha = 0.05$, then the null hypothesis is accepted and the alternative hypothesis is rejected.

Table 1.4 Mann Whitney Profitability Test

Ranks

	MSMEs	N	Mean Rank	Sum of Ranks
Profitability	Luhve.id	36	20.50	738.00
	Fashion Industry	36	52.50	1890.00
	Total	72		

Test Statistics

	Profitability
Mann-Whitney U	72,000
Wilcoxon W	738,000
Z	-6,935
Asymp . Sig. (2-tailed)	,000

a. Grouping Variable: MSMEs

Source: Author's Process (2024)

It can be seen from the table above the Asymp Value. Sig. (2-tailed) is .000, which is clearly smaller than the common significance level (.05). This shows that there is a significant difference between Luhve.id MSMEs and the fashion industry in terms of profitability. Therefore, the null hypothesis is rejected and H1 is not rejected in terms of the significant differences between Luhve.id MSMEs and the fashion industry in terms of profitability. Thus, these results indicate that Luhve.id MSMEs and the fashion industry have significant

differences in terms of profitability, with Luhve.id MSMEs having lower profitability performance than the fashion industry.

Table 1.5 Mann Whitney Efficiency Test

Ranks

	MSMEs	N	Mean Rank	Sum of Ranks
Efficiency	Luhve.id	36	31.50	1134.00
	Fashion Industry	36	41.50	1494.00
	Total	72		

Test Statistics

	Efficiency
Mann-Whitney U	468,000
Wilcoxon W	1134,000
Z	-2,167
Asymp. Sig. (2-tailed)	,030

a. Grouping Variable: MSMEs

Source: Author's Process (2024)

Asymp value. Sig. (2-tailed) is 0.030, which is less than the general significance level of 0.05. This indicates that there is a significant difference in efficiency between the two groups at the 0.05 significance level. In other words, the null hypothesis is rejected and the alternative hypothesis is not rejected, indicating that Luhve.id MSMEs and the fashion industry have significant differences in efficiency. Thus, these results indicate that there is a significant difference in efficiency between Luhve.id MSMEs and the fashion industry, with the fashion industry tending to be more efficient compared to Luhve.id MSMEs.

Discussion

Differences in Efficiency and Profitability of Luhve.id MSMEs and the Fashion Industry

Based on the results of the research and hypothesis testing carried out, it appears that Luhve.id MSMEs have quite significant differences from the fashion industry in terms of efficiency and profitability. In terms of profitability, Luhve.id MSMEs have lower performance compared to the fashion industry. This is demonstrated by statistical analysis which shows that the average profitability of Luhve.id MSMEs is 20.50, while the average for the fashion industry is 52.50. In addition, the high standard deviation in Luhve.id MSME profitability data shows that there is significant variation in the data.

In terms of efficiency, although there is not a significant difference as in profitability, there are quite striking differences between Luhve.id MSMEs and the fashion industry. The analysis results show that the fashion industry tends to be more efficient compared to Luhve.id MSMEs. This is reflected in the average efficiency value of Luhve.id MSMEs which is 31.50, while the fashion industry has an average efficiency of 41.50. Although this difference is not as great as in profitability, the value of Asymp. Sig. (2-tailed) which is less than the general

significance level indicates that the difference in efficiency between the two groups remains significant.

Efficiency in a business context refers to the ability to achieve high levels of production or sales at low costs. UMKM Luhve.id uses a digital sales strategy through social media platforms and e-commerce, which is considered an efficient and effective way to reach the market. By using digital platforms, this business can facilitate consumer access to products and services more practically and quickly, which in turn can reduce promotional costs. On the other hand, fashion industries operating in the physical commerce sector may face higher costs in an effort to attract consumers to physical stores, such as space rental costs or commission payments to retailers. (Nurlinda, 2022)

Profitability reflects the success or failure of a company in generating profits or profits. The higher the profitability, the greater the profits obtained by the company. To measure profitability, financial ratios are used by comparing various components contained in financial reports, especially the balance sheet and profit and loss financial statements. The aim is to evaluate the company's development, whether there has been an increase or decrease, and find out the causes of these changes. According to Sofyan Syafri Harahap (2011), profitability reflects the company's ability to earn profits through all the resources it has, such as sales, cash, capital, number of employees and number of branches. Thus, profitability ratios play an important role in showing how successful a company is in making a profit. Interested investors will closely monitor a company's progress and opportunities for profit.

Thus, it can be concluded that Luhve.id MSMEs have lower performance both in terms of profitability and efficiency when compared to the fashion industry. Certain factors such as scale of operations, marketing strategy, and financial management are the causes of this difference and need to be considered to improve the performance of MSMEs in this very dynamic fashion industry.

Causes of Differences in Efficiency and Profitability of Luhve.id MSMEs and the Fashion Industry

The difference between efficiency and profitability arises due to different factors. Efficiency refers to a company's ability to control costs and obtain net profits, while profitability describes the company's ability to obtain overall net profits. Efficiency can be measured using various ratios such as gross profit margin, net profit margin, and operating profit, while profitability can be measured through return on investment (ROI), return on equity (ROE), and return on assets (ROA) ratios.

Factor-Factors that influence efficiency and profitability between companies differ, including company size, ownership structure, efficiency ratios, and market conditions. A company's size, for example, can influence its profitability, as shown in research examining the relationship between company size and return on equity and assets. Apart from that, ownership and efficiency ratios also have a simultaneous influence on profitability, as found in research that shows an increase in company value of up to 70.9%. (Princess, 2018)

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The significant differences in profitability and efficiency between Luhve.id MSMEs and the fashion industry can be caused by several factors that need to be considered. Firstly, Luhve.id is still relatively new in the industry, having only been established for three years, while several MSMEs in the fashion industry have been established and developing for years. In the first three years, MSMEs often face challenges in building brands, expanding distribution networks, and adapting to changing market tastes. Thus, this may affect their level of profitability as they are still in a continuous learning and adjustment stage. (Aghnitama, 2021)

In addition, the scale of operation factor also plays an important role. Larger fashion industries tend to have larger scales of operation, allowing them to take advantage of economies of scale and higher efficiencies in production, distribution, and marketing processes. Meanwhile, MSMEs such as Luhve.id are still limited in their scale of operation, making it difficult to achieve the same level of efficiency as the larger fashion industry.

Furthermore, marketing strategy and market penetration can also be factors that influence the differences in profitability and efficiency between Luhve.id MSMEs and fashion industry MSMEs. Larger MSMEs in the fashion industry have better access to markets and resources to carry out larger and more effective marketing campaigns. On the other hand, MSMEs like Luhve.id are limited in their marketing budgets and rely on more cost-effective marketing strategies, which are not as effective as the larger fashion industry.

Lastly, efficient financial management is also an important factor in determining the profitability and efficiency of a company. The larger fashion industry has a financial management team that is trained and experienced in managing company finances efficiently, while MSMEs such as Luhve.id are still in the process of learning and developing in terms of financial management. Mistakes in financial management, such as inefficient spending or lack of cash flow management, can significantly affect the profitability and efficiency of a company.

Thus, the differences in profitability and efficiency between Luhve.id MSMEs and the fashion industry can be caused by a combination of these factors, including the company's development stage, operating scale, marketing strategy, and financial management. It is important for MSMEs like Luhve.id to pay attention to these factors and continuously improve their strategies and operations to achieve higher levels of profitability and efficiency in this highly competitive industry.

Factors that Influence Efficiency and Profitability in a Company

The efficiency and profitability of a company is influenced by a number of complex and interrelated factors. First of all, internal company factors, such as human resource management and the technology used, can have a significant impact on efficiency and profitability. Effective management of HR, including talent management, employee training, and motivation, can increase productivity and operational efficiency. Apart from that, adopting and applying the right technology can also help increase the efficiency of production, distribution and marketing processes, which in turn can increase profitability.

External factors also play an important role, the economic climate and market conditions can broadly influence a company's profitability and efficiency. As economic conditions

improve, market demand increases, which can increase a company's sales and profitability. On the other hand, as economic conditions worsen, companies face pressure to reduce costs and increase operational efficiency to remain competitive. In addition, changes in government policies, such as tax rules and industry regulations, can also affect a company's efficiency and profitability by affecting operational costs and market structure.

Marketing strategy and market penetration are also key factors. Effective marketing can help companies reach more customers and increase their market share, which in turn can increase revenue and profitability. Additionally, product differentiation and innovation can help companies differentiate themselves from competitors and attract new customers, which can increase long-term profitability.

Management performance plays a key role in determining the level of success and sustainability of a company. Effective and quality management is able to identify opportunities, manage risks, and allocate resources wisely to achieve company goals. With the right strategy and smart decision making, management can improve operational efficiency, minimize costs, and optimize revenue, ultimately contributing to increasing company profits. In addition, management that is proactive in facing challenges and implementing adaptation strategies can help companies to remain competitive and adapt to changes in the business environment. Therefore, good management performance is a crucial factor in determining how high or low the profits generated by a company are. (Henny, 2019)

Good financial management also plays an important role in determining a company's efficiency and profitability. Careful management of cash flow, expenses and financing can help companies optimize the use of capital and reduce financial risk. Sound financial decisions, such as smart investment allocation and effective risk management, can help increase a company's long-term profitability. Thus, the efficiency and profitability of a company is influenced by a combination of internal and external factors, including human resource management, technology, economic and market conditions, marketing strategy, and financial management. It is important for companies to pay attention to and manage these factors effectively to achieve optimal performance in a competitive and changing business environment.

Conclusion

From the research results that have been described, there are significant differences between Luhve.id MSMEs and the wider fashion industry in terms of profitability and efficiency. Through descriptive analysis, it was found that Luhve.id MSMEs have a lower average profitability than the fashion industry. This shows that Luhve.id MSMEs face challenges in generating significant profits. On the other hand, in terms of efficiency, Luhve.id MSMEs also show lower efficiency performance compared to fashion industry MSMEs. This indicates that luhve.id MSMEs are not as efficient as the fashion industry in managing operational costs and achieving high levels of production or sales. The results of the hypothesis test also validate this difference, by showing that there are significant differences between Luhve.id MSMEs and the fashion industry in these two aspects.

There are also factors that influence this difference, including that Luhve.id MSMEs are still in a relatively new stage of growth and development, so they require more time and effort to achieve higher levels of profitability and efficiency. In addition, the digital sales strategy used by MSME Luhve.id, although considered efficient and effective, may require further adjustments or development to optimize performance. On the other hand, the more established fashion industry has greater infrastructure and market reach, which can support higher levels of profitability and efficiency.

These findings provide an important understanding of the challenges and opportunities faced by Luhve.id MSMEs in the fashion industry in the current digital era. Although Luhve.id. MSMEs face several obstacles in achieving high profitability and efficiency, their digital strategy shows potential for long-term growth and success. Therefore, efforts to continue to develop strategies and improve operational performance will be the key for Luhve.id MSMEs and similar MSMEs in competing in this dynamic fashion industry.

Declaration of conflicting interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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