

Balancing Economic Growth and Environmental Sustainability in Digital Governance on Zalora Online Shop Application in Indonesia

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Abstract. This research aims to analyze how Zalora's digital governance balances economic growth and environmental sustainability in Indonesia. This exploratory and analytical study uses content analysis with a qualitative approach based on post-positivism philosophy. The study will analyze data and policy documents, as well as Zalora's implementations related to economic growth and environmental sustainability in Indonesia. The analysis results indicate that Zalora has played a significant role in balancing economic growth and environmental sustainability in Indonesia, even as public interest as economic actors (customers and influencers in the fashion industry) continues to rise and Zalora's efforts to maintain and enhance the quality of its platform persist.

1 Introduction

Economic growth and environmental sustainability both have an important role in a country. Economic growth and ecological sustainability are things that are often referred to as things that cannot be done at the same time (Ghifary et al, 2022). This is because economic activities often hurt the environment. Considering that the value of environmental damage is not taken into account by economic actors in carrying out their activities, this kind of condition will result in continuous environmental damage (Howe, 1976). To build an efficient and environmentally friendly economic system, every economic activity needs to pay attention to the balance between economic growth and environmental sustainability, especially through digital governance implemented by Zalora. Therefore, the relationship between economic growth and environmental sustainability is that both are interconnected and support each other to realize sustainable economic activities (Sukendar, 2013).

Zalora strives to show that economic growth and environmental sustainability do not have to be mutually antagonistic, but can support each other through innovative and responsible business practices. The various programs and collaborations carried out by Zalora ensure that the Indonesian economy can improve from year to year and can continue to develop without damaging the environment which will ultimately bring losses to future generations.

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Zalora as an e-commerce platform really helps economic growth in Indonesia by expanding marketing reach and providing various programs and solutions for local economic actors so that local products can attract customers both domestically and abroad, which in the end can advance economic growth in Indonesia. Apart from that, Zalora, in its digital governance, prioritizes environmentally friendly products, so as to create a sustainable economy and environment for the future.

This research will explain how Zalora in its digital governance can ensure economic growth and environmental sustainability can run in balance. The author will explore the various efforts implemented, as well as the challenges faced by Zalora.

2 Literature Review

2.1 Economic Growth

According to Sukirno (2012), economic growth is a process over time that consistently increases national income, as indicated by the annual real increase in a country's national income. Further, Sukirno (2000) mentions that economic growth is a country's economic transition to a better state each year, as indicated by the continuous increase in produced goods and services.

According to Simon Kuznets (2000), economic growth is characterized by a long-term increase in capacity to provide various economic goods to society, manifested through continuous national output increases accompanied by technological advancements (Febriana, Diartho, & Istiyani, 2019).

Based on Sukirno and Kuznets' statements, they emphasize that economic growth needs to involve income increases and sustainable economic growth. Sukirno sees it from the perspective of increasing more efficient and environmentally friendly goods and services, while Kuznets focuses on production capacity and technological advancements in increasing economic capacity and the potential for environmental improvement, which the author will later explain how Zalora's digital governance addresses this.

The classical economic growth theory is one of the most famous economic growth theories. Adam Smith, David Ricardo, Malthus, and John Stuart Mill proposed their economic growth theory, stating that four factors underlie economic growth: population size, capital goods quantity, land and natural resources area, and technology used. This classical theory emphasizes that increasing a country's population size can affect its economic growth, just like land and natural resources. According to this theory, per capita income increases can result from the relationship between economic growth and economic development. In this study, the author will focus more on one of the underlying factors of economic growth, namely the technology used, specifically software technology, that is Zalora as an e-commerce platform regulated by its digital policies (Syahputra, 2017).

2.2 Environmental Sustainability

Leonardo Boff mentions three principles in environmental sustainability: the sustainability principle, which utilizes the environment without damaging it for the continuity of existing organisms; the respect and care principle for the environment, which makes us appreciate God's creation; and the responsibility principle, which trains us to treat existing organisms properly and appropriately.

All efforts in environmental sustainability aim to meet current and future societal needs. In this regard, society as a whole is the key to the success of environmental sustainability.

Therefore, as civilized beings, we must wisely utilize and preserve the environment for sustainable growth and ensure its use by future generations.

Efforts to preserve the environment, including the use of safe and environmentally friendly products, are crucial in maintaining environmental sustainability, which also impacts human survival. Without such efforts, environmental sustainability will not last long. Therefore, Zalora's contribution to its digital governance is essential in addressing two things simultaneously: economic growth and environmental sustainability. The involvement of society in its implementation is crucial to maintaining and improving environmental sustainability for the benefit of future generations.

2.3 Digital Governance

According to Erkut (2019), digital governance is a process that enables fundamental changes in business and democratic governance. It aims to encourage public participation and increase their trust in the government to ensure that digital governance is transparent. The OECD Comparative Study (2016) states that digital governance can improve public service quality, government productivity, transparency, and accountability, public participation, E-Government supporting policies, and changes in knowledge and public governance (Luna & Abel, 2015).

The implementation of digital governance significantly influences the improvement of public service quality. This improvement includes better product design, transition, and services from public participation in a country. Public participation is key to advancing service innovations that meet individual criteria. The author will explain how Zalora's digital governance regulates its platform and maintains its platform quality, so the balance between economic growth and environmental sustainability is achieved.

2.4 Correlation Between Economic Growth and Environmental Sustainability

According to Drews & Bergh (2017), an essential issue in economic development is how to deal with the trade-off between development and environmental conservation efforts. Since the 1990s, there has been development in the literature referring to the Environmental Kuznets Curve (EKC). The theory suggests that the relationship between economic growth and environmental quality is not always negative; therefore, growth is a prerequisite for environmental recovery. Kuznets Curve concludes that in the early stages of economic growth, environmental damage may increase. However, over time, with more advanced governance and further economic growth, society will become aware and invest in environmental protection (Armayani, Lubis, & Sari, 2022).

In this study, the author will examine how the Zalora application in its digital governance influences and plays a role in balancing economic growth and environmental sustainability in Indonesia, as well as the challenges faced by Zalora. Thus, the results of this study are expected to provide valuable recommendations to the public in supporting the digital economy and environmental sustainability in Indonesia.

3 Research Methodology

This research was conducted with a qualitative approach based on post-positivism philosophy with an understanding process based on methodologies that explore social or human issues. Qualitative research based on the post-positivism philosophy is naturalistic qualitative research with an inductive process where the obtained data are qualitative and still need interpretation to be understood. Post-positivism allows the author to explore data

in the form of documents and interview transcripts as sources of perspectives that need to be interpreted regarding Zalora's business practices in balancing economic growth and environmental sustainability. The author analyzes words, describes information views in detail, and explains how Zalora's digital governance works in balancing economic growth and environmental sustainability in Indonesia. This research focuses on using data in the form of the meaning of an event. This meaning is obtained from the delivery of language and the treatment of actions depicted in words. The collected data are organized, interpreted, and presented exploratively and analytically. The method used is qualitative content analysis, contextually defined as describing messages in the form of communication or news so that the content can be analyzed or described as the core of the existing discussion (Sugiyono, 2017).

4 Discussion

This discussion will refer to three aspects: how Zalora's digital policies can balance economic growth in Indonesia through various partnerships and programs with local economic actors, Zalora's initiatives towards environmental sustainability in Indonesia, and the challenges faced by Zalora itself in achieving a balance between the two. Below are some actions taken by Zalora over the years.

4.1 Zalora's Contribution to Balancing Economic Growth in Indonesia

4.1.1 Zalora Enhances Indonesia's Muslim Fashion Industry

Zalora is offering opportunities for Indonesian Muslim fashion to become the centre of global Muslim fashion. In collaboration with the Ministry of Tourism and Creative Economy as well as the Indonesian Fashion Entrepreneurs Association (APPMI), they aim to demonstrate their role in advancing Muslim fashion. According to data from the Ministry of Industry and Creative Economy, the Muslim fashion market is growing, with transactions in Muslim fashion in Europe reaching 15 billion dollars per year. This highlights significant opportunities for Indonesia's Muslim fashion industry to become a global Muslim fashion hub.

By opening these opportunities, Zalora can give the majority Muslim country of Indonesia the chance to become the world's Muslim fashion hub. Consequently, increasing the export of Muslim fashion products from Indonesia to various countries will boost the country's foreign exchange earnings. Moreover, over time, with the increase in demand from consumers, the textile industry and SMEs operating in the fashion sector, particularly Muslim fashion, will continue to grow and develop, creating new job opportunities that will benefit Indonesia. (Zalora, 2024)

4.1.2 Zalora's Collaboration with Billy Tjong

Zalora collaborated with Billy Tjong to showcase a ready-to-wear fashion collection. This collaboration makes Zalora proud and cements its position as the leading online fashion shopping platform in Indonesia. Zalora has an edge over other platforms, especially with a broader market reach. Billy Tjong (2014a) explained that they have become a well-known design hub in Jakarta.

"Zalora has a larger audience and market share compared to other online fashion platforms. Our collaboration with Billy Tjong helps us tap into a larger market. And of course, this will also benefit our customers outside Jakarta by allowing them to access designer fashion online," said Anthony Fung, Buyer Managing Director of Buying at Zalora Indonesia.

Customers can also purchase Billy Tjong's ready-to-wear collection online starting Thursday, September 25, 2014. "The design concept is inspired by Jason Pollock's painting titled Autumn Rhythm, which features modern and contemporary nuances with somewhat melancholic colours that invite people to explore the true meaning of the painting," said Billy Tjong.

The collaboration between Zalora and Billy Tjong shows that the products produced by Zalora through the renowned designer Billy Tjong are not to be underestimated, and its superiority over other applications has a different level of quality. This also motivates other designers and local economic players in the fashion sector to develop styles and create interesting design ideas from their products. Over time, Indonesia will have more talented designers like Billy Tjong, who will bring fame to Indonesia in the fashion sector. This could positively impact Indonesia's economy due to the increase in export demand. (Zalora, 2014)

4.1.3 Zalora Introduces Indonesia's First Digital Pop-Up Store

Zalora officially launched its first digital pop-up store in Kota Kasablanka, Jakarta, Indonesia, on December 4, 2014. Using the click-and-mortar concept, customers can not only order online but also touch, feel, see, and try selected collections from exclusive labels available at Zalora. This makes it easier for customers who previously could only visit physical pop-up stores in person. Fredrik Thomassen, Managing Director of Zalora Indonesia, also stated, "After shopping, customers do not need to carry shopping bags when leaving the store because all purchases will be sent directly to their homes." With this different concept, Thomassen hopes that it will be well received by the public and gain customer trust, changing their perception that online shopping at Zalora is reliable.

The Digital Pop-Up Store by Zalora in Indonesia will undoubtedly have a significant impact on the development of technology in Indonesia itself. With this, the Digital Pop-Up Store can attract public attention related to technological developments that have advanced up to this point. Moreover, besides the convenience provided by the Digital Pop-Up Store to customers, it is also related to technological developments in the current era that can motivate students to understand more about the convenience of the Digital Pop-Up Store, which may later be developed even further and more widely in Indonesia. This will certainly require a workforce, and in this case, Zalora has once again played a role in creating job opportunities. Additionally, it can increase tax revenue for both local and central governments. (Zalora, 2014)

4.1.4 Zalora Collaborates with PT Pos Indonesia for Customer Service

Zalora became the first marketplace in Indonesia to collaborate with PT Pos Indonesia. This collaboration aims to improve the accessibility of the marketplace for Zalora customers across the country, from Aceh to Papua. This service is available to all Zalora customers during the 12.12 Online Fever celebration in December 2015.

This collaboration can provide convenience to customers in shipping to various regions, including remote areas from Aceh to Papua. Over time, if customer demand increases, PT Pos Indonesia will require more workforce, which could create job opportunities for local communities.

4.1.5 Zalora Present COTTONINK Group Collection

Zalora introduced a fashion collection from the COTTONINK Group, a local brand offering high-quality fashion products that are now available on Zalora. Brands from the

COTTONINK Group available on Zalora include COTTONINK, COTTONINK Mini, Studio ASA, The Life Of, and Syaline Hijab. To celebrate this partnership, COTTONINK Group products were offered with an additional 20% discount from March 2-15, 2021, exclusively on Zalora. Bimo Darmoyo, Marketing Director of Zalora Indonesia, said, "We are very excited about this partnership and the fashion collection from COTTONINK Group, which is known for its quality and creativity. The presence of the COTTONINK Group adds to the collection of hundreds of local brands available on Zalora. This collaboration reflects our commitment to expanding and embracing local brands in Indonesia, providing a safe and enjoyable shopping experience for families exclusively on Zalora."

This partnership provides convenience for customers who want to purchase high-quality products from local brands without having to search elsewhere, ultimately helping to drive the growth of the local fashion industry, which in turn can contribute to the national economy. (Zalora, 2015)

4.2 Digital Governance by Zalora for Environmental Sustainability

4.2.1 Zalora Collaborates with TENCEL™ in July 2020

Zalora Basics made from TENCEL™ fibres features 44 style options, including tops, bottoms, dresses, jumpsuits, hijabs, and turbans. TENCEL™ fibres come from renewable wood sources, are biodegradable, and are certified to fully return to nature. These fibres originate from sustainably managed industrial forests with a closed-loop production process that maximizes resource efficiency and minimizes environmental impact. Mariam Tania, Marketing and Branding Manager for the Lenzing Group in Southeast Asia and Oceania (the producer of TENCEL™ fibres), said, "The fashion ecosystem in Southeast Asia is growing rapidly thanks to digital technology and e-commerce platforms. We are pleased to collaborate with Zalora to start a greener future for the fashion industry, meeting customer demand for environmentally friendly fashion products."

Giulio Xiloyannis, Chief Commercial Officer of Zalora, added, "At Zalora, we are committed to promoting sustainability in our region and creating a sustainable fashion ecosystem. As part of our sustainability strategy, we strive to offer customers a variety of sustainable fashion items, starting with our private label, Zalora Basics. This collection, made from TENCEL™ fibres, aims to educate and inspire customers to be more thoughtful and sensitive in choosing their products." TENCEL™ fibres in Zalora Basics provide softness, good air circulation, long-lasting colour, and effective moisture management that prevents bacterial growth. TENCEL™ fibres, including Lyocell and Modal, offer comfort and softness with bright and shiny colour options.

TENCEL™ fibres are known for their softness and effective moisture management, which prevents bacterial growth and maintains all-day comfort. This enhances the quality of Zalora Basics products, making them a comfortable and hygienic choice for customers. The use of TENCEL™ fibres sourced from sustainably managed and regulated industrial forests strongly supports sustainable forest management. This can help maintain the balance of forest ecosystems while protecting biodiversity. (Zalora, 2020)

4.2.2 In 2024, Zalora Held an Eco-Friendly Fashion Event

Zalora is committed to creating a responsible, environmentally friendly, and sustainable fashion ecosystem. Zalora recognizes its position in influencing the fashion industry in Indonesia and aims to motivate customers by offering a variety of sustainable fashion choices and promoting circular fashion. To demonstrate this, Zalora launched the "Earth

Edit” category in October 2020, a category offering eco-fashion products that meet several criteria. These criteria include products made from one or a combination of organic materials, responsibly sourced materials, animal-friendly materials, lower-impact production processes, preloved items, and environmentally friendly and natural materials, including recycled ones. Zalora's efforts in this regard are part of the ‘Good Forestry Governance’ (GFG) 2030 sustainability strategy, operationalized through three strategic pillars: climate action, circularity and conscious consumption, and fair and ethical resources.

Zalora's “Earth Edit” category has provided a strong push for the fashion industry to shift towards more environmentally friendly practices. It shows that Zalora is not only focused on short-term profits but also on the long-term impact on the planet where humans live. By marketing eco-fashion products, Zalora motivates other brands to follow in their footsteps. This could create a domino effect that influences and expands the adoption of sustainable policies across the industry.

4.2.3 Zalora Partners with Fair Trade

This partnership aims to label products on the Zalora platform that have received FairTrade certification, meaning fashion products that meet FairTrade standards or products that are produced and traded with principles of fairness, sustainability, and transparency. There are several types of Fair Trade labels based on the level of certification: final manufacturing processes, raw material production, or both. FairTrade also ensures that workers within the supply chain are paid appropriately and work in environments that meet high standards. With this partnership, Zalora can promote fair and sustainable trade and educate customers about the importance of fair trade and the positive impact of choosing FairTrade-certified products.

4.2.4 Zalora Partners with Bluesign®

This partnership aims to label products on the Zalora platform that have received Bluesign® certification, meaning fashion products that meet Bluesign® standards or products that are produced and traded with materials that comply with environmental, occupational safety, and customer health standards. With Bluesign® certification, Zalora can transparently inform customers about the origin and environmental impact of the products they choose. Additionally, Bluesign® certification can help Zalora ensure that products meet high environmental standards, reducing waste and emissions produced during the production process.

4.3 Challenges in Balancing Economic Growth and Environmental Sustainability in Digital Governance on Zalora's Platform in Indonesia

In realizing a good reciprocal balance in efforts to balance economic growth and environmental sustainability in digital governance on Zalora's platform in Indonesia, challenges in this effort will undoubtedly exist and cannot be avoided to ensure that the application can be used by its customers for a long time while continuing to enhance economic growth and maintain environmental sustainability in the digital governance of Zalora's application.

4.3.1 Maintaining Product Quality

The quality of goods is crucial in the effort to balance these aspects. Emerging fashion trends must continue to align with the quality of the items that will be sold, especially for brands or new brands joining the Zalora platform. This poses a challenge for Zalora to maintain the existing quality so that customers can continue to trust Zalora as a platform that prioritizes environmentally friendly materials while staying current with fashion trends without worrying about the impact of these trends on environmental sustainability. To this end, Zalora needs to continue improving the quality of production goods with environmentally friendly standards to maintain its "Brand Image" and environmental sustainability.

4.3.2 Enhancing Features and Human Resource Quality

The development of technology is a challenge that will undoubtedly continue to be a focus for customers who will use the Zalora application because, in the current digital era, it is undeniable that technological development will help facilitate and make time spent by customers more efficient. By applying digital features or filters to provide an interesting and different shopping experience from other platforms, Zalora needs to keep innovating. Additionally, by improving the quality of human resources behind the development of existing digital governance, the Zalora application will continue to adapt to the evolving times and can enhance economic growth in Indonesia itself with better-quality human resources.

5 Conclusion

From the discussion above, it can be seen that Zalora has done many things that have had a positive impact on Indonesia's economic growth and played a substantial and influential role in supporting the recovery of economic growth in Indonesia. Through various partnerships with local companies and brands, Zalora has helped expand the marketing ecosystem and provided programs to support local economic actors in collaborating with Zalora. Concrete examples include collaboration with COTTONINK Group, and famous Indonesian designer Billy Tjong.

Apart from that, Zalora is also active in implementing programs that support environmental sustainability and the skills of the Indonesian people. For example, the collaboration with TENCEL™ in presenting the first environmentally friendly fashion series shows Zalora's concern for the environment. Zalora also launched an "Earth Edit" category featuring products made from one or a combination of organic materials, responsibly sourced elements, animal-friendly materials, lower impact production processes, pre-loved items, and environmentally friendly and natural materials that are recycled. The scholarship and internship program for students is also a form of Zalora's efforts to empower local communities. Apart from that, Zalora also collaborates with well-known certification institutions such as: FairTrade and Bluesign®.

Zalora, in realizing a balance between economic growth and environmental sustainability, also has challenges that Zalora will face in the future, such as: maintaining product quality and prioritizing safe and environmentally friendly ingredients, especially for brands and brands that join Zalora. Apart from that, improving features on Zalora is also important to adapt to current developments so that Zalora continues to look more attractive than other e-commerce platforms. This also needs to be considered by improving the quality of human resources behind the management of existing digital governance.

Overall, Zalora not only acts as an e-commerce platform that benefits itself, but through its initiatives, actions and innovations, it, directly and indirectly, influences economic growth and environmental sustainability in Indonesia, to this day. Zalora functions as an

agent of change that helps inclusive, conducive and sustainable economic growth, while still emphasizing the importance of environmental conservation in Indonesia.

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