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Supply Chain Management in SMEs, Pandeglang Regency, Banten

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Abstract

This study aims to implement supply chain management and market expansion in the marketing of SMEs products in Pandeglang Regency, Banten. The data analysis technique used in this study is a descriptive qualitative approach with qualitative methods. Information was obtained from SMEs and coop-mart managers in Pandeglang Regency. Discussion of the results of the above research will be discussed independently from each side of the supply chain and the marketing side. Therefore, the results obtained are the SMEs in the Pandeglang region have not considered supply chain activities seriously enough to obtain the raw material. Most SMEs in Pandeglang region employ local workers, each of them carries out the production process at home and after that, the finished product is submitted.

The SMEs in the Pandeglang do not have specific storage warehouses, there are no distribution/communication/promotion channels regarding supply chains conducted by SMEs in and the majority of SMEs do not have an understanding of marketing activities that enable them to improve their performance in working.

Keywords: *Supply Chain Management; Market Expansion; Product Marketing; SMEs; Pandeglang; Banten*

Introduction

Indonesian business life is currently facing severe challenges, because the business sector is an integral part of the global economy. The consequences of the globalization process cause the development of the business environment will always be colored by changes that are increasingly open, complex and competitive, both from the internal and external environment of the company. The socio-economic changes like these then produce obstacles and challenges that must be faced. The government continues to encourage the empowerment of Micro, Small and Medium Enterprises (MSMEs) to strengthen the fundamentals of the Indonesian economy. This sector can absorb a large enough workforce and provide opportunities for MSMEs to develop and compete with companies that tend to require significant amount of capital.

The empowerment of SMEs in the globalization and the high level of competition make SMEs should be able to face global challenges, such as the increasing product and service innovation,

developing human and technological resources and expanding marketing areas. This needs to be done to increase the selling value of the SMEs itself, to compete with foreign products in the industrial and manufacturing centers in Indonesia.

Small and medium industry is a sector that plays a strategic role in encouraging national economic growth. This can be seen from the number of SMEs industry in Indonesia which around 4.59 million business units spread throughout the region. The SME industry can contribute to the value of non-oil and gas industrial output up to 20.26 percent. This performance makes SME industry included in the 10 national priorities in the initiative making Indonesia 4.0, "(Head of the Industrial Research and Development Agency (BPPI) of the Ministry of Industry, Ngakan Timur Antara in Press Release, detikfinance, Tuesday (07/31/2018). This cannot be separated from the government's commitment and efforts to encourage the development of SMEs industry because as a majority sector of the industrial population in the country and make a major contribution to the national economy. "For example, the export value of jewelry commodities in 2017 reached USD 2.6 billion. In addition, the export value of the batik sector of the IKM also showed a positive figure of USD 58 million in 2017," (Director General of the Ministry of Industry and Industry Gati Wibawaningsih Gati Wibawaningsih in an official statement, Sindonews .com), Sunday (11/3/2018). It is inevitable that so far SME industry has helped to realize economic independence, people's productivity, and competitiveness in international markets as well as developing regions and villages. The government is currently stepping up efforts to develop national industries to be more competitive globally through various instruments, both in the form of policies and the support of industrial facilities and infrastructure. To overcome this, the strategy of the Ministry of Research, Technology and Higher Education in 2014-2019 is to establish overall development by emphasizing the development of economic competitive advantages based on available natural resources, qualified human resources and the skills of science and technology.

Pandeglang is a regency in Banten Province, Indonesia. The capital of Pandeglang. This regency is bordered by North Serang Regency, Lebak Regency in the East and Indonesian Ocean in the West and South. (Wikipedia). Pandeglang Regency consists of 35 districts, 13 villages 326 villages with a population of 2017 estimated at 1,175,148 inhabitants and an area of 2,746.89 Km² with a density of 428 inhabitants / km²

In this region, as is the case in Indonesia in general, the existence of SMEs has proven to be able to survive and become the driving wheel of the Indonesian economy when the Indonesian economy is hit by an economic crisis, SMEs can continue to survive. For this reason, the Cooperative department and SMEs Office of Pandeglang have trained thousands of SME actors, so, by 2020 the cooperative department is targeting to have a new icon produced by SME actors. According to data from Cooperative department, currently there are around 6,000 SMEs under the guidance of Cooperative department, Pandeglang, but not all SMEs can be trained regularly due to the limitedness of cooperative department of pandeglang.

Efforts to create a series of processes are not immediate targets, but are dynamic, in the sense that they should always be pursued regularly and continuously. To the extent that an effort can still improve its performance, so far, they also tend to be able to survive in the high competition (Indrajit and Djokopranoto, 2002). The series of processes in the description above, generally in a business /company the term is more applied to physical products that must be handled, assembled or products that need to be physically processed. This process is known as supply chain management (Ganeshan and Harrison, 1995).

However, it must be realized that besides physical products, a service business also requires logistical activities starting from the stages of handling, assembly and processing before it can be utilized by consumers (supply chain processes). Based on this definition, supply chain management broadly covers also the basic elements of marketing such as products, prices, location / distribution, and

communication / promotion (e.g. Cooper and Ellram 1993, Ellram 1994, Kranz 1996). However, almost the entire description of how supply chain management works includes key characteristics of the buying and selling process such as transportation and distribution channels (Monczka, Trent, and Handfield, 1998). Thus, supply chain management and marketing concepts look similar. This is what underlies the emergence of the term of marketing supply chain.

However, based on data obtained from the Office of Cooperatives and SMEs it is known that most MSMEs in the Pandeglang region have not been able to carry out the stages of product handling, assembly / processing and marketing elements such as product analysis, pricing and distribution channel strategies and communication / promotion well. This causes the age of MSMEs in this region to be still young, and only a few are more than five years old. The team has not found references and / or research in any form that describes the ability of MSMEs in the Pandeglang region to carry out the stages of product handling, assembly / processing and marketing elements such as product analysis, pricing and distribution channel strategy and communication / promotion (marketing supply chain). Yet by running a good marketing supply chain, it tends to help businesses survive in very highcompetition (Indrajit and Djokopranoto, 2002)

Methodology

This type of research used in this research is descriptive qualitative research. This study was conducted to be able to identify problems related to marketing supply chain in Pandeglang, Banten. The object of this research is SMEs located in Pandeglang Regency. The research object used is a natural research object, that is, as it is under the conditions in the field so that the condition of SMEs in Pandeglang when researchers enter the object, after being in the object, and after leaving the object is relatively unchanged. The population used in this study was the members of the SMEs in Pandeglang, Banten. The sampling technique that was originally planned to use saturated sampling becomes convenience sampling. Data collection methods used in this study is observation, interviews and questionnaires and data analysis techniques used are descriptive qualitative approaches. This descriptive qualitative approach is carried out by describing factual information obtained directly or indirectly. Information was obtained from SMEs and coop-mart managers in Pandeglang Regency.

Companies must consider both expressed needs and latent needs, for both current, existing customers as well as future potential customers, so as not to be trapped into the “tyranny of the served market” (Bower & Christensen, 1995; Hamel & Prahalad, 1994; Slater & Narver, 1998). It responds to not only the known existing needs but also hidden needs through foresight planning of design information (Park et al., 2012a; Park & Hong, 2012). It also identifies the key processes in terms of design information streams. In particular, integration model of demand and supply chain needs to be linked with externally related supply chain. Figure 2 shows integration model of demand and supply chain based on streams of customer needs.

Result and Discussion

Side of the Supply Chain Raw Materials and Suppliers

In general, the supply of raw materials for SMEs who are members of the Coop-Mart Pandeglang Guidelines still purchase their own to a source where the raw materials are available because of the worries of getting bad raw materials. The choice of raw materials is carried out by SMEs because they

want to choose raw materials by following the characteristics of each business and want to get a fair price, maintain the quality of their products, so as not to disappoint their consumers.

The selected raw materials will be sent by suppliers to the SME production sites. The results of the study are in line with the theory that today the assumption has changed greatly, because purchasing is increasingly considered strategic by many large and small companies. This is because this section has the potential to create competitiveness of the company or supply chain, not only from its role in getting raw materials at low prices but also to increase time to market (in designing new products), improve product quality by working with suppliers to produce quality products, and increase responsiveness by choosing suppliers who are not only cheap but also responsive (Pujawan & Mahendrawathi, 2017).

The SMEs in the Pandeglang region have not considered supply chain activities to obtain raw materials. Ordering most of the raw materials is carried out directly/personally because they worry that the quality of raw material could be bad if they do not visit it directly.

Labor and Operations/ Production

The management of SMEs was initially carried out by the nuclear family, meaning that the superior personnel of the SME actors were the nuclear family or the closest people. In line with the development of the business carried out by SMEs, the labor needs are also increasing. The first step taken to meet the needs of the labour is taken from people around the location of SMEs. The SMEs who join Coop-Mart Guidelines carry out the production process in the traditional way, but SME actors continue to strive to improve their performance with better technology by attending training and education conducted by the government or searching for information via the internet.

Most SMEs in the Pandeglang employ local employees, the initial skills that these workers have tend to be very low at the beginning, but the SME actors choose to train them instead of looking for skilled workers due to cost factors. Skills training from the department greatly helps the quality of this supply chain element, because one of the businesses of SMEs receives quite a large number of skilled workers because of the training provided by the Department.

The production process carried out by most SMEs is not due to efficiency or professionalism, but rather because it is easier (laborers carry out the production process at their own home, and the finished product is submitted). This results in a low-quality standard of the product. However, Deallova SME has implemented a fairly efficient production process due to the results of the training and certification that the owner personally participated (following the certification of shoemaking at personal expense)

Warehouse/ Storage and Distribution

The procurement of raw materials carried out by SMEs is not yet in a large party, therefore according to SME actors they do not need warehouses to supply raw materials, it is enough to be stored in production houses, as well as finished goods. Finished products or goods in general do not have to wait longer at the production house to be distributed to consumers, even some SMEs produce according to orders.

The SMEs in the Pandeglang region do not have a storage warehouse specifically prepared for business activities. This is due to the low production capacity and lack of knowledge about the importance of a good quality storage process. Furthermore, almost no distribution /communication /promotion channels carried out by SMEs in the Pandeglang regarding supply chains. Most do not have long supply chains, more than supplier-manufacturing-consumer. Mostly due to lack of knowledge,

another reason is the low confidence of SMEs. However, coop-mart can maintain the confidence of SMEs in the Pandeglang region as a distribution outlet.

The Marketing Side

Products

In the process of choosing the honest products, the SMEs actor stated that they do not do it based on of consumer trends, or not because of seeing market demand, but rather because of their competence who was able to make these products. Therefore, with their skills, they were decided to sell the products they could make. This is in line with the research of Isa (2016) related to marketing research in supporting business sustainability. It was stated that not all scales and types of businesses carry out market research to adjust the products they make. Most of them are fundamental to the abilities they have so that the capital spent is not as much as if the business owner conducted market research and learned to make a product based on the request (even though at the beginning they could not make the product)

Price

The price-setting process carried out by the SMEs in the Pandeglang has never take the cost of production seriously enough, so that sometimes there is almost no profits. Especially, the cost of labor in production process never becomes a consideration in the price-setting process. Furthermore, SMEs that use residential houses as business locations also do not take into account the place component as a cost. This is in line with Hindar Tika's research (2015) which states that businesses in the lower middle scale often do not have good knowledge of price management and often do not take into account important cost components such as labor and business capital.

However, from of all research respondents, Deallova SME said that the last few years, with the help of a wife who had knowledge and work experience in management and marketing, had reconsidered the calculation of the price of her shoes, so now they used the HPP calculation as the basis for setting the prices by adding projections a profit of 50% from COGS. All HPP components including labor, even the cost of a place that is considered as a rental fee (even in residential homes) and marketing costs have also been taken into consideration in determining the price of shoes sold.

Communication/ Promotion

Most SMEs in the Pandeglang have rarely considered promotional activities in running their businesses. As stated by SME of Melati and Pecak Bandeng that without promotion, orders /buyers must be available. It is different from the Pandan's Craft Banten SME, which carry out promotional activities by participating in exhibitions, social media promotions and e-commerce. Likewise, Deallova's SME promoted their product by participating in exhibitions and through social media as well. They stated that their turnover and profits could increase up to 500% every time they took part in exhibitions and through social media and /or e-commerce, regular orders were always available so that operational costs could be covered and even profit, even if they were not participating in the exhibition. Deallova's SME stated that they chose not to promote through e-commerce facilities, especially shopee, because since the beginning of 2019 where the Asean Economic Community (MEA) was officially run, every time shoe products were included in the e-commerce search column, which would certainly top Chinese products with unbelievably sloping prices. For SMEs in the Pandeglang, which manufacture more handmade shoes, they are unable to compete with the prices given by the Chinese shoe products. However, it is conveyed that social media is still quite effective in communicating their shoe products and the latest designs to consumers and customers

Location/ Distribution Channels

As previously discussed regarding distribution channels in the supply chain domain, most SMEs do not have an integrated product distribution system. Most of the business locations are the private houses of SME actors. This was conveyed by the SMEs carried out to minimize costs. Related to the location of the business which is also a residence, in line with the research which states that the use of a residential house as a business space is a common practice carried out by entrepreneurs because as occupants /owners, the space inside the residence can be accessed flexibly at any time and without limits (Arisngatiasih and Muktiali , 2015).

Among the research respondents, Deallova's SME that looks the most professional in terms of management still uses its residential house as a business location, in fact there is one room specifically used as a display room, one room as a production room, and another room as a warehouse. The remaining space is still used for daily household activities. By the owner's wife, this is done so that the business can continue to run, without the need to sacrifice daily obligations to the family. The statement of the owner of the Deallova UMKM is also in line with research (Arisngatiasih and Muktiali, 2015) where businesses decide to use their homes to facilitate business activities without ignoring other daily activities.

Product Marketing

Most of SMEs do not have a comprehension of marketing activities that can improve their business performance, ranging from product elements, prices, to how to communicate/promote products. The selection of product is not due to changes in market needs, and it does not even follow the trend, but rather because of the lack of competency of SMEs. Most SMEs do not understand the cost of goods manufactured and the determination of the basic sales price for their products. Most also do not know the promotional tool and even do not understand how to use current technological developments for marketing their products.

Conclusion

In this study, the practices of supply chain management at SMEs in Pandeglang Banten are necessary (1) further research by adding the number of respondents to get more definitive results, and/or research with quantitative methods as well as to obtain more definitive results. (2) Training related to supply chain management is required for SMEs in the Pandeglang region (3) Training related to marketing management and digital marketing for SMEs in the Pandeglang region is needed.

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