# SUPPLY CHAIN MANAGEMENT INDUSTRY TANNERY IN GARUT

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## ABSTRACT

This research was conducted in the Tannery Industry in Garut, Indonesia, about supply chain management, research methods using qualitative method, with a single case study. In this case study researchers collecting data through observation, interviews and in-depth interviews with entrepreneurs, academics and expert tannery. Supply Chain Management, in this case, describe the process of delivery of the goods from the supplier, and then processed by the industry, the result posted by the distributor to the subscriber. The Supply Chain Management must provide a level of efficiency in the process of delivering customer value, so that customers can be more satisfied, or in other words from the center (supplier), Company, Channels (distribution) and Customer (4C). Supply Chain Management will be effective in improving the competitiveness of the industry, either by the supplier of the raw material leather, leather chemicals, leather production machinery, spare parts, and also any other relevant parties if able to improve cooperation between the core industry, supporting industry, and related industry is strong, so each other's corroborate (linkage), as well as the distribution of goods to the customer must be of high quality and on time.

Keywords: center (supplier), company, channel (distribution), customer

**Introduction**

In an effort to improve economic development nationwide, the Government do not rely solely on the development in the agricultural sector alone, but the industrial sector needs to be developed, including the development sector of the leather industry. " According to Tambunan (2012): "high economic growth and sustainable is the primary condition or a necessity for the survival of the economic development and increased prosperity."

The leather industry is one of the industry's considerable role in supporting national development because it had a specific industry is labor intensive with the orientation of the domestic market and export, so that it can absorb a large enough workforce and the acquisition foreign exchange for the country from the export results. The success of the construction in the autonomous region now it will depend on the ability in understanding and identifying the major economic potential of in an area, as in a macro, the economic potential of an area is one indicator of the competitiveness of the area.

As for the region's most developed industrial tanning and tanning leather industry centers represent in Indonesia is, one of them, in Garut, West Java province. Therefore, Garut continues strive to develop industrial tannery, the following table 1.1 Tannery industrial centers in Garut, as follows:

Table 1: Tannery Industry in Garut

| No. | Industrial Centers | The Number Of Industrial | Years |
|---|---|---|---|
| 1. | Garut : | | |
| | 1.1 Who owns the machines production | 55 | |
| | 1.2 Which do not have production machines | 332 | 2016 |

Source: UPT Garut 2016

Leather industry in Garut, divided into two groups, namely a small tannery industry and small craft industries goods from leather. The results showed that the tanning industry in Garut, still compete with the leather industry from overseas, whereas Industry tannery in Garut could already manufacture top-quality leather, which became a problem because are tanning in Garut yet the existence of the grouping which has a high quality, and which don't have a quality. In developing the industry of leather tanning is need for instrument used value chain supported by Supply Chain. According to Porter, (2000), that an increase in the value chain of an industrial tanning process, from raw materials, production process, the resulting goods, marketing and sales, as well as services to all the processes provide added value.

In the leather industry center, there are micro, small and medium enterprises, in the supply of raw materials, auxiliary materials, production machinery often experience delays in sending the goods (delivery), thereby disrupting the process of distribution further to the end consumer. Routine activities carried out at the tannery Industry materials ranging from leather, leather of cow, sheep and goat, sent parties supplier, and then processed into semi-finished goods to finished goods, and distributed to consumers. Supply Chain Management is a critical factor in making the routine activities in leather industry, because supply chain illustrates the process of delivery of the goods from the supplier, and then processed by the industry, the result posted by the distributor to the subscriber. Supply Chain Management in this regard, should provide

the level of efficiency in the process of delivering customer value, so that customers can be more satisfied.

Supply chain management into one set of production process which should get full support from the supplier, distributors, and consumers, and the presence of a saving of time and costs of production, supply chain management if this is good then it will increase the added value. Supply chain Industry tannery in Garut, as follows:
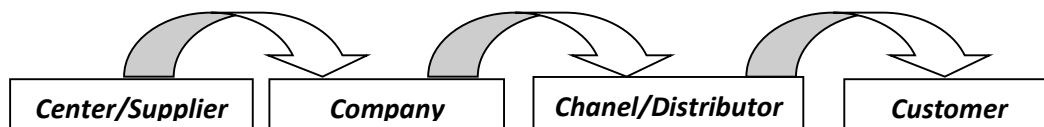


Figure 1. Supply Chain industry tannery in Garut

From the explanation above it can be concluded that the supply chain is composed of:
1. Some employers (companies, distributors, suppliers with a variety of levels, and customer both individual and group) who can't stand on their own, so they are intertwined and dependent and runs from the upper reaches to the end of establishing a business networking.
2. Distributing goods and services, from the supplier to the end user.
3. Serves to control, manage, and improve the distribution of information and materials from suppliers to consumers.

**Review of The Literature**
Supply Chain Management was first propounded by Oliver and Weber in (1982). Supply Chain "is a physical network, i.e. companies – companies involved in the supply of raw materials, manufacture goods, or deliver it to the end user," while according Said (2006:6), Supply Chain Management is the management of information, goods and services ranging from the earliest suppliers up to the final consumer by using an integrated systems approach with a common purpose, and According to Levi, et.al (2000), Supply Chain Management (supply chain management) as an approach that is used to achieve an efficient integration of the supplier, manufacturer, distributor, retailer, and customer. This means that goods produced in the right amount, at the right time and in the right place with the aim of achieving an overall system cost from a minimum and also achieve the desired service level.

Reinforced by the according of Nyoman and Mahendrawati, (2010:8), "Supply chain management is not only oriented to the internal affairs of a company, but also external affairs that concern the relationship with partner companies. Why the necessary coordination and collaboration among companies in the supply chain? Because the companies that are in essence want to satisfy the consumers the same end, they must work together to make a cheap product, deliver it on time, with good quality.

Further Indrajit and Djokopranoto, (2003), says one of the key factors to optimize the supply chain is to create a flow of information that moves easily and accurately between the chain or chain, and movement effective and efficient goods that produce the maximum satisfaction of the customers. In the Supply Chain there are some major players that are the companies that have an interest in the flow of goods, the main players are: supplier, manufacturer, distributor/wholesaler, retail outlet, customers.

According to Turban et al. (2004), a component of Supply Chain Management consists of three major components:

1. Upstream Supply Chain. The upstream section supply chain covering activities of a manufacturing company with the retailer (which may be manufacturers, assemblers, or both) and their connection to the retailer (the second-tier supplier). The supplier relationship can be extended to multiple strata, all the way from the origin of the material (e.g., ore mines, plant growth). In the upstream supply chain, the main activity is procurement.

2. Internal Supply Chain. Part of the internal supply chain encompasses all process inhouse used in transforming input from the retailer into the output of the organization. It extends from the time of input into the organization. In the internal supply chain, the main concern is the management of the production, fabrication and inventory control.

3. Downstream Supply Chain. Downstream supply chain encompasses all activities that involve product delivery to the customer end. In the downstream supply chain, attention is directed to the transport, warehousing and distribution before and after-sale service.

**Research Methods**

Research methods using qualitative methods, with the aim of finding the depth of data through observation, interview, openly and documentation of data by party managers, academics, practitioners and leather figure. While the research industry tannery Garut, researching on supply chain management. Researchers try to do an analysis of a number of phenomena of supply chain management. It is expected to be a guide for entrepreneurs, and the tannery as well as input for the Government in setting policy in the development of leather industry in the regions. The results of the research and analysis is described in the discussion, so the conclusion and suggestions.

**Discussion**

Based on observations, research documents and an open and in-depth interview retrieved some information related to the tannery Industry in Garut. The tannery industry entrepreneurs no longer have difficulties in obtaining leather raw material, because the Government now has opened a leather import semi-finished policy such as wet blue and pickle. In fact, to pickle affected incoming customs tariff to 0%. Import of wet blue and pickle now many done from some African countries such as Ethiopia, Kenya, and Nigeria, but it is still limited to imports of sheep and goat skin, whereas for raw material cow leather is still difficult to obtain, even that became the raw material cowhide Java a lot on exports to foreign countries because of hard-selling abroad. Some of the obstacles faced in Garut Tannery Industry supply chain management as follows:

Table. 2: Obstacles faced by the leather tanning industry Garut

| Center/Supllier | Cow leather raw material supply is still difficult to obtain, chemicals to the leat directly, the second production machines, still imports, and very minimal financial institutions assistance, transfer of technology from the Government less effective. |
| --- | --- |
| Company | Constraints faced by entrepreneurs in an industrial tanning in Garut is the suspension of the extension and the making of license-business license. This resulted in the freezing of business license of the difficulty entrepreneurs get help with venture capital from the bank, and some entrepreneurs who have difficulty doing the exporting and importing. In addition, it is often the presence of a demo done by any citizen affected by the waste, this disrupting the comfort and security in the conduct of business activities. |
| Channel/Distriutor | From tannery industry in Garut distribute goods not directly to customers, but through agents, so the price difference tannery and delay in payment |
| Customer | Middle-class consumers up more confidence using raw materials from abroad, while the raw materials of the Interior quality is considered to be low. Consumers lower class number is declining. |

The results of the above research reinforced with SWOT analysis results shows that the Tanning Industry in Garut, as follows:

Table 3. SWOT Analysis

| INTERNAL FACTOR ANALYSIS SUMMARY | Weights | Rating | Score |
| --- | --- | --- | --- |
| **Strength** | | | |
| The quality of Garut sheep, Javanese goats, and Javanese cows (Java Box) leather is good | 11% | 4 | 0,429 |
| Sufficient human resources are available, and the costs are relatively cheap | 11% | 4 | 0,429 |
| The existence of the Center for Leather, Rubber and Plastics in Yogyakarta | 11% | 3 | 0,321 |
| The existence of Technical Implementation Unit (UPT), APKI, and KIKGA (Garut Leather Industry Cooperative) | 7% | 4 | 0,286 |
| The existence of industrial centers | 7% | 3 | 0,214 |
| **Weakness** | | | |
| Industrial location is located in the middle of the city | 7% | 3 | 0,214 |
| Raw material supply is lacking | 7% | 3 | 0,214 |
| Technology and production machines have been left behind (old fashioned) | 7% | 3 | 0,214 |
| Not yet functioning of WWTP facilities | 6% | 2 | 0,143 |
| Marketing through agents (intermediaries) | 6% | 2 | 0,143 |
| The marketing communication mix facilities are still lacking | 4% | 2 | 0,071 |
| Less optimal government support (Licensing) | 4% | 2 | 0,071 |
| There are no educational institutions that provide human resources, so there is a lack of experts | 4% | 2 | 0,071 |
| Management has not been managed properly | 4% | 2 | 0,071 |
| Cooperation between entrepreneurs has not been synergistic | 4% | 2 | 0,071 |

| | 100% | 41 | 2,893 |
|---|---|---|---|
| *EXTERNAL FACTOR ANALYSIS SUMMARY* | | | |
| **OPPORTUNITIES** | | | |
| The need for a growing domestic market | 10% | 3 | 0,300 |
| The policies of developed countries that limit their tannery | 10% | 3 | 0,300 |
| The large number of large tanneries in Indonesia has stopped. | 10% | 2 | 0,200 |
| The needs of the world market are increasing | 10% | 3 | 0,300 |
| There is an opportunity to use non-conventional / alternative skins. | 5% | 3 | 0,150 |
| Globalization and MEA | 5% | 3 | 0,150 |
| **THREAT** | | | |
| Environmental products (eco labeling), clean production, ISO 14000. | 10% | 4 | 0,400 |
| Number of competitors | 10% | 3 | 0,300 |
| The existence of substitution products | 15% | 3 | 0,450 |
| Indonesia as a supplier of world finished goods is shifted by China and Vietnam | 15% | 2 | 0,300 |
| | 100% | 29 | 2,850 |

Source: Processed by researcher
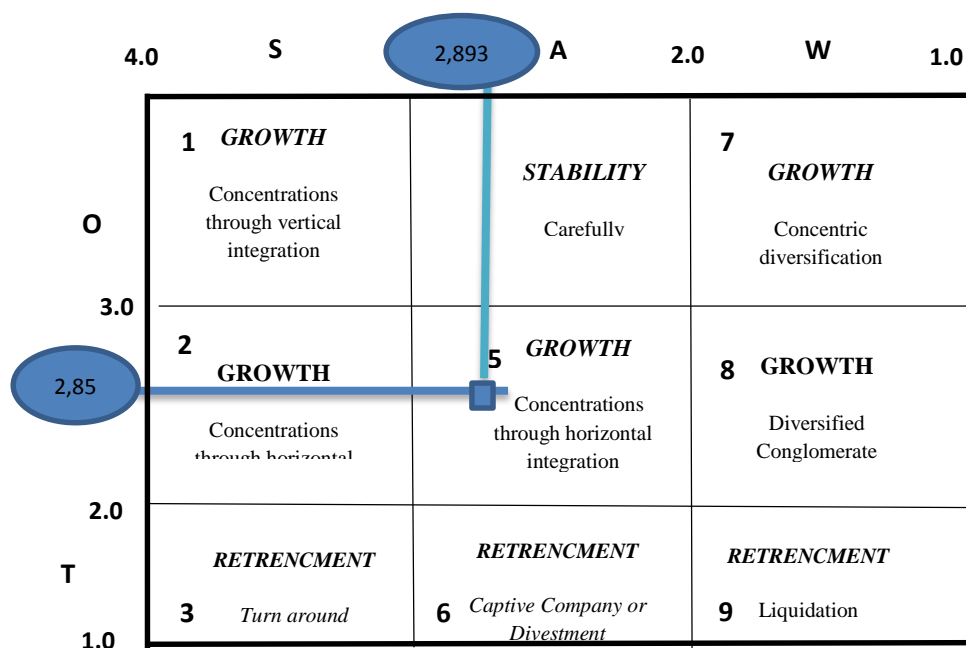


Source: Processed by researcher

Figure 2. SWOT Industry Tannery in Garut

Based on the above tables tanning industry of various aspects of the strengths, weaknesses, opportunities, and threats, indicated that the tanning industry: has a high chance to be able to carry on its business, through the power of the owned, and is expected to capitalize on market opportunities both in national, regional and global.

Supply chain management Industry tannery in Garut have not been implemented properly, in terms of supply good leather raw materials, production machinery, chemical peels and skilled

labor is very low and limited, as well as the freezing of business license by the Government, resulting in employers hard to develop her business let alone had to deal with domestic or foreign competitors who are already more advanced, so that the quality of tanning produced by employers have less power competitiveness. In terms of the company's own existing entrepreneurs' average industrial centers surroundings Tannery in Garut, developing hereditary and difficult to adapt to environmental change, besides the businessman less average have knowledge is high, so in doing the production process still uses the old way, so that produce low quality and cheap prices.

In terms of channel/distribution, the average entrepreneur sell his leather to traditional markets, with the quality of goods produced is low and low price, to sell to the secondary market because of the difficulty of obtaining quality consumer peresepsi goods low. This is in accordance with the results of interviews with academics and practitioners that leather figures, "the development of maximum tanning industry yet, because it is less able to compete with the industry's more advanced tannery, where quality and price are considered by consumers as cheap products and the quality is low ". In improving the industry's tannery in Indonesia, it should be emphasized in the implementation of the supply chain, to acquire raw materials by using the horizontal and vertical strategy. Supply Chain Management will be effective in improving the competitiveness of the industry, if the supplier of the raw material leather, leather chemicals, leather production machinery, spare parts, machines and also other related parties and are able to collaborate to improve cooperation between the core industry, supporting industry, and related industry is strong, and corroborate one another (linkage), as well as goods industries to the customer must be of high quality and on time.

**Conclusion**

The existing conditions on the ground have not showed a synergy various parties: entrepreneurs with entrepreneur, entrepreneur with suppliers, entrepreneur with distributors, entrepreneur with consumers, and entrepreneurs with government, entrepreneur with the other party. The strategy that needs to be done in developing industrial centers supply chain management need to be improved. where industry needs to have a concept that the development of an industry based on the development of value added and need to be made to the series of the directional ranging from upstream to the end, from input to output should even be able to make learning outcomes.

Supply chain management need to be implemented, in order to get the raw material by using horizontal and vertical strategy. The supply of raw materials, companies must collaborate with suppliers, through a mechanism of cooperation which is proportional, clear payment mechanism, thereby also the consumers get the supply of raw materials, quality and timely delivery. The formation of cooperation like this can increase added value for the company.

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