

THE IMPLEMENTATION OF SUPPLY CHAIN MANAGEMENT (Case Study: PT. LAO CHOW INDONESIA, Cirebon, West Java)

Arsy Yusa Ramadhan¹, Himawan Aditya Pratama^{2*}, Ningrum Astriawati³, Slamet Pamujianto⁴, Devi Triyani⁵

¹Program Studi Manajemen Transportasi Laut, Sekolah Tinggi Maritim Yogyakarta, Jl. Magelang Km. 4,4, Yogyakarta, Indonesia

^{2, 5}Program Studi Transportasi, Sekolah Tinggi Maritim Yogyakarta, Jl. Magelang Km. 4,4, Yogyakarta, Indonesia

³Program Studi Permesinan Kapal, Sekolah Tinggi Maritim Yogyakarta, Jl. Magelang Km. 4,4, Yogyakarta, Indonesia

⁴Program Studi Bisnis Maritim, Sekolah Tinggi Maritim Yogyakarta, , Jl. Magelang Km. 4,4, Yogyakarta, Indonesia

*himawan.aditya.pratama@gmail.com

abstract

Supply Chain Management is a management activity to obtain raw materials into goods in the process, which are then processed into finished goods and delivered through a distribution system to customers. PT. As a company in the industrial sector, Lao Chow Indonesia uses a supply chain management system to run the production process. This study aims to find out how supply chain management is applied in PT. Lao Chow, Indonesia, Cirebon, and West Java. This research is qualitative, using three methods for obtaining data: observation methods, interview methods, and documentation methods. The results showed the application of supply chain management in the company PT. Lao Chow Indonesia Cirebon West Java, the enterprise resource planning system PT uses, has run very well. Lao Chow Indonesia is good enough to make ordering goods easier. In the process of producing goods, it is fast because it has used adequate tools. In exporting goods, procedures have been carried out well with several stages so that the goods produced can reach the buyer.

Keywords: *Deployment, Supply Chain, Management.*

INTRODUCTION

Supply chain management has been known since a few years ago and is integrated with logistics (Purwatmini, 2015). This is related to supply chain activities indirectly controlled by logistics activities (Oktalia et al., 2022). Supply chain management is a management activity to obtain raw materials into goods, which are then processed into finished goods and delivered to customers through a distribution system (Heizer & Render, 2004). Supply Chain Management is one of the management sciences that discusses a lot of calm about the company's efforts to position its suppliers as part of its production process (Siagian, 2007). Supply Chain Management is run by various companies engaged in manufacturing or service industries. The manufacturing industry is an industry that processes inputs into outputs in the form of tangible or tangible physical products (Ambarwati & Rumah, 2021). The shipping industry includes transporting and distributing various goods worldwide (Pratama

et al., 2023). According to Danang Sunyoto et al. (2015), a company's success cannot occur without its suppliers' support, meaning that suppliers and companies are inseparable. If the manufacturing company successfully sells goods to its customers, the supplier company will also feel its success by increasing the demand for raw materials (Kwek, 2022). Suppliers' quality of raw materials can only increase the company's competitiveness, which is intensive for supplier companies in managing supply chain management activities (Arif, 2018). In this case, companies must build cooperative relationships with suppliers in developing quality improvement programs jointly and over a long period to enable them to make more significant commitments to improve product quality (Dekanawati et al., 2023).

PT. Lao Chow Indonesia is one of the companies engaged in manufacturing that implements a Supply Chain Management system by producing furniture products from wood whose results will be exported abroad

because the Supply Chain Management system can provide maximum results to companies with a level of time effectiveness, guaranteed raw materials, minimizing expenses, and quality production results. Supply Chain Management is a perfect system when applied by every company. However, the reality in Indonesia is that there are still many companies that do not implement Supply Chain Management, even though it is miserable if they do not implement a Supply Chain Management system because the company will produce less time effectiveness, raw materials that are not guaranteed, maximize expenses, and less quality production results. Based on the background above, this study aims to learn more about the application of Supply Chain Management in the company PT. Lao Chow, Indonesia, Cirebon, West Java.

THEORETICAL BASIS

Supply Chain Management is a network of companies that work together to create and deliver a product to end users (Sucahyowati, 2011). These companies usually include suppliers, factories, distributors, stores, or retailers, as well as companies such as logistics service companies. Supply Chain Management (SCM) is a method, tool, or approach to managing the supply chain. The term was first coined by Oliver and Weber in 1982 (Wigaringtyas, 2013).

Supply Chain Management is oriented to a company's internal and external affairs concerning relationships with partner companies. The reason for the need for coordination and collaboration between companies in the supply chain is that companies that, at the core, want to satisfy the same end consumer must work together to make cheap products and deliver them on time and with good quality. This goal can be achieved only with cooperation between the supply chain elements.

The spirit of collaboration and coordination is also based on the awareness that the strength of a supply chain depends on the strength of all elements in it (Croxtton et al., 2001). A healthy and efficient factory will only mean a little if its suppliers can produce quality raw materials or meet delivery on time. So, in the supply chain, factories need to provide technical and managerial assistance to their suppliers because, in the end, this will create the overall competitive ability of the supply chain.

According to Indrajit and Djokopranoto in Widyarto (2013), Supply Chain Management has undergone many evolutions that can be described in 4 (four) stages. In stage 1, there is a kind of solitude and interdependence of the production function and the logistics function. They run their programs that are in complete isolation.

In phase 2, the company has begun to realize the importance of planning integration even in areas that are still limited, namely among the most adjacent internal functions, such as production with inventory control and other functional integration; in stage 3, integration of planning and supervision of all related functions in one company (internal integration). Stage 4 describes the actual stage of sustainable chain integration, namely total integration in the planning, implementation, and supervision (management) achieved in stage 3 and passed on to upstreams, namely suppliers, and downstream to customers.

The evolution of Supply Chain Management, which has reached the fourth stage, shows a complete integration among all related components that demands transparency of information flows. The partnership strategy can be used to realize the smooth flow of material supply from suppliers to distributors to consumers. With the partnership strategy, it is necessary to develop communication between all related parties so that the communication of information and data flows will be smoother.

METHOD

This research is qualitative. According to Moleong in Supartini et al. (2022), Qualitative research can be understood as a research method that uses descriptive data from observable actors in the form of written or spoken language. The types and sources of data researchers use to facilitate data retrieval are primary and secondary data (Situmorang et al., 2010). Primary data is data obtained from interviews with parties who are considered to understand the topic or have authority or problems. At the same time, secondary data is data obtained by utilizing all information that has been collected by various parties in the form of presented data, such as books or reports, tables, graphs, statistics, and others, for data needed in secondary data, including the history of PT Lao Chow Indonesia, vision and mission and company values of pt lao chow Indonesia, facilities owned by PT Lao Chow

Indonesia, organizational structure of PT Lao Chow Indonesia. Researchers use observation, interview, and documentation methods to obtain the necessary data while conducting the research. Hasanah in Fattah et al. (2022) The Observation method results from the active and attentive action of the soul to be aware of certain desired stimuli or a deliberate and systematic study of social conditions or phenomena and psychic symptoms by observing and recording. The interview method is a data collection technique used by researchers to obtain oral information through conversations and face-to-face with people who can provide information to the researcher. Documentation Method is data obtained from relevant people or institutions related to the research object and is ready-made data. How to analyze data in research activities using descriptive analysis methods. Descriptive analysis aims to describe what is currently applicable.

There are efforts to describe, record, analyze, and interpret conditions that currently occur or exist. In other words, descriptive analysis aims to obtain information about the current situation and see the relationship between existing variables. This analysis does not test hypotheses or does not use hypotheses but only describes information as it is according to the variables studied.

RESULT AND DISCUSSION

As a company in the industrial sector, Lao Chow Indonesia uses a supply chain management system to run the production process. PT. Lao Chow, Indonesia, offers attractive products at competitive prices and tries to reduce or reduce all costs without reducing product quality or standards that have been set. One of the efforts to reduce these costs is optimizing material distribution from suppliers, material flow in the production process, and product distribution to consumers. Optimal distribution, in this case, can be achieved by applying the concept of supply chain management. The various components of the supply chain are: (1) Upstream Supply Chain The upstream part of the supply chain includes activities from PT. Lao Chow with its dealers and connections to dealers. The supplier relationship can be extended to several levels, from the origin of the material (e.g., wood used, supporting materials for production). In the upstream supply chain, the main activity is

procurement. (2) Internal Supply Chain Management, part of the internal supply chain, includes entering goods into warehouses to transform input from suppliers into PT. Lao Chow Indonesia. This extends from the time the input enters the production process. In the internal supply chain, PT Lao Chow Indonesia's main concerns are production management, manufacturing, and inventory control. (3) Downstream supply chain segment: The supply chain covers all activities at PT. Lao Chow Indonesia involves sending products to buyers. In the downstream supply chain, attention is directed to distribution, warehousing, transportation, and after-sales service.

To improve the supply chain strategy so that PT. Lao Chow Indonesia runs smoothly. The strategy used in improving the supply chain (Supply Chain Strategy) is to use Enterprise Resource Planning (ERP) software to increase profits and business efficiency. In addition, the use of ERP can reduce costs and waste of company costs; these strategies include (1) using ERP systems with automated features and functionality. Supply Chain Management (SCM). The system is automatically programmed to place orders with vendors when inventory levels decline or are at a certain level. This is because the essential part of a supply chain strategy is the ability to maintain inventory levels preventively. An ERP system will allow employees to do other things because the inventory purchasing system is automated from ERP. (2) Using Standardization of ERP is one of the keys to the success of PT. Lao Chow Indonesia is a standardization process. Standardization of ERP can simplify employee work, increase accuracy, boost team performance, save time and costs, and reduce the possibility of miscommunication. (3) Increased transparency and various problems that occur at PT. Chow Indonesia's permanent supply chain activities, such as waste, errors, and even fraud, Lao Chow Indonesia can be overcome by reconciling. PT devices. Lao Chow Indonesia constantly Improves internal SCM transparency, essential to reduce inventory and unexplained financial losses. (4) improved data insights. In making decisions in supply chain strategies, PT. Lao Chow Indonesia always considers accurate and timely information. ERP software allows users and management to quickly access inventory, purchasing, and production data for important decision-making purposes. (5) Provision of Real-Time Inventory management in inventory inventory management at PT. Lao Chow

Indonesia's ERP software uses inventory features that provide more precise real-time visibility according to inventory levels. This certainly makes work more accessible than using traditional inventory management. (6) monitor Vendor Performance, PT. Lao Chow Indonesia Always supervises vendor performance periodically. This monitoring is equipped with a rating through a powerful matrix and is available on ERP systems. The monitoring system of ERP will provide convenience for PT. Lao Chow Indonesia in reviewing vendor cycle times and error rates that occur. (7) Raising awareness about expenditure in improving the stability of PT. Lao Chow Indonesia has centralized financial data to maintain expenditure stability. Maintaining expenditure in the supply of inventory is also a factor and variable that cannot be controlled in supply chain management. This will encourage cost-related communication and strategies to consolidate expenses and streamline processes. (8) Improve return management by executing every solid supply chain strategy. PT. Lao Chow Indonesia uses efficient return management. This is needed to speed up the process of recycling or re-producing returned products/units. PT. Lao Chow Indonesia can manage returns to reduce waste and identify consistent product problem factors. (9) Conducting the Just-in-time (JIT) method, PT. Lao Chow Indonesia uses an ERP system, which works well with prompt manufacturing. This method will reduce inventory costs and increase inventory turnover. (10) Doing Streamline accounting, ERP systems will be integrated with various businesses such as HR, management, and finance. Of course, this helps PT. Lao Chow Indonesia in reducing administrative errors and invoicing affairs. This ERP system is automatically integrated with Electronic Data Interchange (EDI) and Electronic Funds Transfer (EFT), which will drastically reduce payment processing administration and associated waiting time. With the ten strategies above, it can be a preference for PT. Lao Chow Indonesia uses Enterprise Resource Planning (ERP) system software applied to companies. In addition, these strategies can be a way for companies to improve supply chain management.

Activities classified in SCM area when referring to a Lao Chow Indonesia company that manufactures, the main activities included in the classification of Supply Chain Management are: In the product designing

activities of PT. Lao Chow Indonesia, in making new products, constantly carries out basic designs, including:

a. Making an item image design

The first step in making a product is to design the goods to be produced—new product development activities.

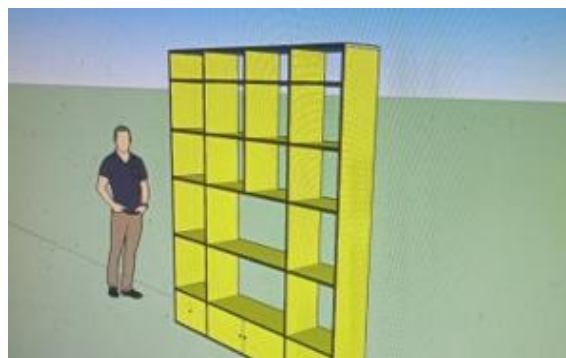


Figure 1. Examples of Product Design

b. Preparation of production equipment

The steps taken after the design process are the Preparation of tools and checking or cleaning so that they are ready for production, including Glue preparation, Hot Press, and Cool Press. *Glue Preparation* is a tool used to apply glue to plywood sheets, while a hot plate holds together sheets of wood that have been glued. *Excellent Press* is a tool used to cool wood after a hot press. To carry out Supply Management activities and maintain and increase customer trust, PT. Lao Chow Indonesia needs to maintain a positive image of its products and companies in the eyes of customers or the general public. This image can be built through product quality, service quality, and safety assurance. Customer service (CS) functions that must be carried out at all times are as follows: (1) As a receptionist, PT. Lao Chow Indonesia has a CS who serves as a receptionist who comes to the company. Guests here can be anyone, whether customers, prospective customers, suppliers, or parties interested in the company. (2) As a deskman, CS at PT. Lao Chow Indonesia is a person who serves various kinds of applications (applications) submitted by customers or prospective customers. The application starts with filling out the form. (3) As a salesman, CS is a person who sells products to customers or prospective customers. In this case, the CS must be able to explain everything related to the product. (4) As a customer relations officer, CS functions as a person who fosters good relations with all customers, including seducing or

persuading customers to stay afloat, not running away from the company concerned if they encounter problems. (5) As a communicator, CS is a liaison between the company and customers or other parties interested in the company. In this case, the function of CS is to contact the customer and provide information about everything that has to do between the company and the customer.

Demand management is an effort to make demand more easily fulfilled by PT. Lao Chow Indonesia. More specifically, demand management is an effort to actively ensure that customer demand profiles have smooth patterns that are easy and efficient patterns to fulfil. The following methods will only be effective if the company understands the behaviour of buyers/customers well enough to implement each of these methods. These methods include Promotion, pricing, shelf management, and deal structure—promotional activities carried out by the company. Through electronics and brochures, Lao Chow Indonesia has tested promotional activities for their effectiveness in increasing sales volume during a specific period. Promotions at certain times increase the volume of requests either immediately after the Promotion is carried out or slowly and occur sometime after the promotion period starts. For supply chains, promotional activities can make demand patterns easier or harder to meet, and the company implements the pricing policy. Lao Chow Indonesia has a broader goal than just Promotion. For example, higher telephone rates during the day than at night can move some busy network load from day to night. Shelf Management, namely the position and way of placing an item in the market, often affects the item's sale. This deal structure includes sale and purchase agreements such as whether or not the product can be returned, payment terms, price protection, warranty, etc. Whether or not the product can be returned if it does not follow the wishes of consumers will increase the volume of sales, but the seller will bear higher return costs.

PT. Lao Chow Indonesia carries out a product differentiation business strategy demanding innovation to create and develop products per market demand. Product innovation will arise if the company has an operating mission per market demand. Decisions taken during the product development stage will affect the entire organization in the long run. Product development can cause customer dissatisfaction

and ultimately can result in decreased sales. In today's era, several trends may occur in the field of product development, namely: 1. The process of developing products is better, more sophisticated, higher quality, and cheaper than the previous product as a result of such rapid changes in technology. 2. Product development in today's era is required to be a superior competitiveness. Several factors encourage companies to carry out product development strategies in facing the era of globalization, namely:

1. Changes in consumer tastes
2. Desire to reduce costs (efficiency)
3. Desire to improve product quality
4. Deterioration in company performance (decreased sales turnover and underdeveloped product market)
5. Weakening bargaining position in the face of raw material suppliers
6. Competitors are getting stronger

In developing this product development strategy, PT. Lao Chow Indonesia is faced with various challenges such as:

1. The increasingly limited ideas about new products due to the rapid change in market demands cannot always be balanced with the emergence of new product ideas.
2. The market is increasingly fragmented (fragmentation markets) because competition is getting sharper, resulting in a narrower market. Companies are generally only able to direct their new products to certain market segments.
3. Social barriers and government regulations due to new products are required to better meet consumer safety requirements and environmental pollution.
4. The cost of developing a product may be getting higher.
5. The age of the product is getting shorter because usually if a product is successful in the market, the competitor's market is competing to imitate and offer a cheaper price.

Despite these challenges, new product development is still overshadowed by the risk of failure during production and when products are introduced to the market.

The failure of most new products is caused by, among others, forced desires, lack of market research, errors in predicting market absorption, lack of promotion, prices too high, or even caused by the actions of competitors who carry out illegal practices by imitating products. To overcome these challenges and prevent failure,

new product development strategies must be straightened out in line with the company's long-term marketing strategy, not sudden decisions.

In determining product development strategies, four kinds of approaches can be taken, namely: modification of product mix in one line, line expansion or line addition, improving product image and benefits, for example, by publishing a recipe book so that product benefits increase for consumers, creating new products or other consumer-class products, for example, a lower level or a higher level. The product development procedure consists of the following stages: idea development, idea screening so that it can be realized, concept development and test, business analysis, product development and testing, product marketing strategy, market test, and market introduction.

From the results of research carried out by researchers, we can find out some obstacles that occur when in the field directly; these obstacles are not weaknesses but need to be used as material for correction and learning so that they can be better in the future and what needs to be improved. The obstacles that usually occur during the Supply Chain Management process are as follows: During the process of making goods, there are often problems in the tool due to damaged machines, so it needs repair first so that it can take time. The time of making the initial design is long because the customer asks for a custom design, so the design-making process takes a long time. ERP system errors can hinder ordering raw materials from the place of purchase.

CONCLUSION

Application of Supply Chain Management at PT. Lao Chow Indonesia Cirebon West Java has been going very well. PT Lao Chow uses the Enterprise Resource Planning System, which is good enough to make ordering goods easier. In the process of making goods, it is fast because it has used adequate tools. In exporting goods, procedures have been carried out well with several stages so that the goods produced can reach the buyer.

REFERENCES

- Ambarwati, R., & Rumah, P. P. (2021). *Manajemen Operasional Dan Implementasi Dalam Industri*. Penerbit Pustaka Rumah C1nta.
- Arif, M. (2018). *Supply Chain Management*.

Deeppublish.

- Croxtan, K. L., Garcia-Dastugue, S. J., Lambert, D. M., & Rogers, D. S. (2001). The Supply Chain Management Processes. *The International Journal Of Logistics Management*, 12(2), 13–36.
- Danang Sunyoto, S. H., Se, M. M., & Fathonah Eka Susanti, S. E. (2015). *Manajemen Pemasaran Jasa*. Media Pressindo.
- Dekanawati, V., Astriawati, N., Setiyantara, Y., Subekti, J., & Kirana, A. F. (2023). Analisis Pengaruh Kualitas Pelayanan Diklat Kepabeanan Terhadap Kepuasan Peserta Pelatihan. *Jurnal Sains Dan Teknologi Maritim*, 23(2), 159–176.
- Fattah, B. F. B., Iswanto, I., Astriawati, N., & Widyanto, H. (2022). Prosedur Clearance In Dan Clearance Out Kapal Milik Pt. Salam Pacific Indonesia Lines. *Majalah Ilmiah Bahari Jogja*, 20(1), 87–96.
- Heizer, J. H., & Render, B. (2004). *Principles Of Operations Management*. Pearson Educación.
- Kwek, K. (2022). Analisis Penerapan Erp Dan Scm Pada Pt Indofood Sukses Makmur Tbk. *Jurnal Inovasi Penelitian*, 3(1), 4403–4414.
- Oktalia, A., Agriffina, J., Ella, M., Cuandra, F., & Laulita, N. B. (2022). Analisis Rantai Pasok Serta Sistem Erp Dalam Kinerja Operasional Pt Nestle Indonesia. *Transekonomika: Akuntansi, Bisnis Dan Keuangan*, 2(3), 127–144.
- Pratama, W., Wibowo, W., Astriawati, N., & Sahudiyono, S. (2023). Online Seminar On The Protection Of Indonesian Seafarers In The National Shipping Industry. *Ijcs: International Journal Of Community Service*, 2(2), 160–173.
- Purwatmini, N. (2015). Peran Manajemen Rantai Pasokan (“Supply Chain Management”) Bagi Industri Kreatif Berbasis Industri Keramik. *Jurnal Administrasi Kantor*, 3(2), 525–538.
- Siagian, Y. M. (2007). *Aplikasi Supply Chain Management...* Grasindo.
- Situmorang, S. H., Muda, I., Doli, M., & Fadli, F. S. (2010). *Analisis Data Untuk Riset Manajemen Dan Bisnis*. Usupress.
- Sucahyowati, H. (2011). Manajemen Rantai Pasokan (Supply Chain Management). *Majalah Ilmiah Gema Maritim*, 13(1), 20–

28.

Supartini, S., Iswanto, I., Astriawati, N., Dekanawati, V., & Alfanzi, N. K. H. (2022). Pelayanan Jasa Impor Barang Dalam Masa Pandemi. *Dinamika Bahari*, 3(2), 114–123.

Widyarto, A. (2013). Peran Supply Chain Management Dalam Sistem Produksi Dan Operasi Perusahaan. *Benefit: Jurnal Manajemen Dan Bisnis*, 16(2), 91–98.

Wigaringtyas, L. D. (2013). Pengukuran Kinerja Supply Chain Management Dengan Pendekatan Supply Chain Operation Reference (Scor). *Skripsi. Jurusan Teknik Industri Universitas Muhammadiyah Surakarta*.