

GAP ANALYSIS OF THE WOOD FURNITURE VALUE CHAIN:

A CASE STUDY OF CENTRAL JAVA AND YOGYAKARTA



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FOREWORD

The wood furniture sub-sector has a significant role in the Indonesian economy. For several decades, this sub-sector has contributed to exports, but that role declined after 2008 as a result of the global financial crisis, so that the competitiveness of this sub-sector fell in the international market. In Central Java and Yogyakarta, the wood furniture industry involves small and medium enterprises, and it absorbs a lot of workers. That means the decline in the role of the wood furniture sector has an impact on the existence of small and medium enterprises in this sub-sector, which in turn causes many people to lose their jobs. To understand the causes of the declining competitiveness in the wood furniture sub-sector, it is necessary to do a gap analysis. By following the reasons, efforts to improve the competitiveness of this sub-sector can be proposed.

This book is the result of research conducted to understand the causes of the declining role of the wood furniture sub-sector. This research is a collaboration between CEMSED (The Center for Micro and Small Enterprise Dynamics) FEB UKSW and SIPPO Sweden. SIPPO, which stands for The Swiss Import Promotion Programme, is a well-established mandate of the State Secretariat for Economic Affairs (SECO), within the framework of its economic development cooperation. SIPPO works directly with business support organisations (BSOs), including promotion boards and sector-wide associations, to support the expansion and quality of their export promotion services to their members and clients. Through the BSOs, export-ready companies gain access to customized export services, such as market intelligence, capacity-building, networking, and matchmaking.

Indonesia has an abundance of natural and human resources, giving it great potential to become an exporting country for global and regional markets. The production and marketing of sustainable agricultural, forestry, and marine products can make Indonesia a highly

competitive producer country in the worldwide marketplace. However, many Indonesian entrepreneurs currently export raw materials with no added value. Also, many BSOs require capacity building to increase their expertise in international business, including trade exhibition management procedures, trade missions, and study tours.

SIPPO Indonesia aims to raise the value of national exports through (1) increasing the capacity of BSO to help entrepreneurs conduct international trade promotions such as trade shows, trade missions, sales and buying missions, and study tours in a more efficient and effective manner; (2) encouraging and assisting the promotion of value-added products that match with global market trends and requirements.

Although the research was conducted in 2009, the findings of this research need to be studied by related parties that are concerned with the development of SMEs and the government. We would like to thank SIPPO Indonesia and FEB UKSW for enabling this research to occur. We recognize that there are still deficiencies in this book for which criticism and suggestions for improvement of this book are desirable. Hopefully, this book can be beneficial for various parties in need.

Salatiga, Februari 2018

Chairperson of the research project,
Roos Kities Andadari

LIST OF ABBREVIATIONS

ABDSI	Association on Indonesian Business Development Services
ASMINDO	Furniture and Handicraft Association
BDS	Business Development Services BI The Central Bank of Indonesia BPR People's Credit Bank
BPS	Indonesian Bureau of Statistic
BRI	Indonesian People Bank
CEFED	Center for Furniture Design and Development
CEMSED	Center for Micro and Small Scale Dynamics
DETRO	Business Development Service located in Jepara
FPESD	Forum for Economic and Resource Development in Central Java
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
ILO	International Labor Organization
INHUTANI	State-Owned company that has duties and responsibilities of forest management in the region outside Java.
JICA	Japan International Cooperation Agency
KKMB	Financial Partners Bank Consultant
LSM	Local NGO
NBFI	Non-Bank Financial Institution
NGO	Non-Government Organization
PERHUTANI	A State-Owned company that has duties and responsibilities of forest management in Java covers regions province of Central Java, East Java province and West Java and Banten
PIKA	School for wood furniture manufacturing
PNM	State Owned Venture Capital
SENADA	Competitiveness project funded by USAID SIPPO Swiss Import Promotion Program
SKSHH	Certificate of Forest Product Legality
SME	Small and Medium Enterprises
UPT	Technical Services Unit
VC	Value Chain
VLO	Verification of Legal Origin

TABLE OF CONTENTS

FOREWORD	iii
LIST OF ABBREVIATIONS	v
TABLE OF CONTENTS	vii
TABLE OF TABLES	viii
TABLE OF FIGURES	ix
APPENDIX	x
EXECUTIVE SUMMARY	xi
Chapter I Background	1
Chapter II Research Objectives and Methodology	8
2.1 Research Objectives	8
2.2 Methodology	8
Chapter III Findings	10
Chapter IV Constraint and Intervention	20
4.1 Constraint and Intervention of Marketing	2
4.2 Constraint and Intervention of Design	27
4.3 Constraint and Intervention of Production & Technology	33
4.4 Constraint and Intervention of Raw Materials	39
REFERENCES	47

TABLE OF TABLES

Table 1	Central Java and Yogyakarta's Main Exports (in Millions of US\$)	6
Table 2	List of findings	10
Table 3.1	List of constraint and opportunity for intervention in marketing	
Table 3.2	List of constraint and opportunity for intervention in design	28
Table 3.3	List of constraint and opportunity for intervention in production process & technology	34
Table 3.4	List of constraint and opportunity for intervention in raw materials and supply management	40
Table 3.1.1	Relevant actors in micro level of wooden furniture VC	53
Table 3.1.2	Relevant actors in meso and macro level of wooden furniture VC	55
Table 3.1.3	Export value of Indonesia and Central Java, and the number of firms and workers in Central Java and Yogyakarta	57
Table 3.1.4	Types of wooden furniture product in Central Java	65
Table 3.1.5	Inefficiency problems of operation/production process ^{*)}	68
Table 3.1.6	Source of inefficiency problems of operation/production process	70
Table 3.1.7	Skills of human resources	71
Table 3.1.8	Commitment of company on human resource development	73
Table 3.2.1	Number of firms used services	85

TABLE OF FIGURES

Figure 1	Indonesian export value of wood furniture from 2000-2007 (in Millions of US\$)	1
Figure 2	Indonesia wood furniture exports by destination country in 2007	2
Figure 3	Some Asian countries wood furniture exports (in Millions of US\$)	4
Figure 4	Distribution of wood furniture firms in Indonesia	5
Figure 5	The development of wood furniture exports in Indonesia and Vietnam (in Millions of US\$)	7
Figure 6	Rule of thumb to rank the intervention	9
Figure 7	Fishbone constraint and intervention	47
Figure 3.1	General model of furniture value chain	50
Figure 3.2	Value chain of integrated producers-exporters of wood furniture	51
Figure 3.3	Value chain of two layers producers-exporters of wood furniture	51
Figure 3.4	Value chain of three layers producers-exporters of wood furniture	52
Figure 3.5	Value interaction along the chain of wood furniture	63
Figure 3.6	Export volume of furniture product in Central Java	77
Figure 3.7	The development of wood furniture price in international market from 1986 to 2005.	90

APPENDIX	49
APPENDIX 1	49
3.1 Detail Model of Production and Export Value Chains in the Furniture Sector	49
3.1.1 The Relevant Actors in the Value Chain	52
3.1.2 Characteristic of the Actors	
3.1.3 The Key Regulatory and Coordinating Agencies in the Sector	56 70
3.1.4 The Value Added Along the Chain	61
3.1.5 The Main Factor/Players Driving in the Sector	64
3.1.6 The Most Critical Constraints SME Must Overcome to Take an Advantage of Export Opportunities	67
APPENDIX 2	74
3.2 Interaction in Value Chain of Wood Furniture	74
3.2.1 Specific Marketing Strategy	74
3.2.2 The Difficulties to Replicate the Successful Sub-sectors Products or Services	75
3.2.3 The Sector Access to a Diverse Set of Markets or Market Segment	76
3.2.4 The Significant Way of Sector Contribution to Customers' Perceived Value of the Product or Service Offered	76
APPENDIX 3	78
3.3 Types of Service	78
APPENDIX 4	87
4.4 Woods as furniture raw materials	87