

Chapter IV. Constraint and Intervention

4.1 Constraint and Intervention of Marketing

Survey finds that Indonesian furniture industry is experiencing some constraints in the aspect of marketing and export activities

Table 3.1 List of constraint and opportunity for intervention in marketing

No.	Constraints	Importance (L / M / H)	Opportunity	Note/ Reference
1.1	limited knowledge on how to conduct market research to get information on price, trend, what marketing activities competitors have been doing, etc	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project
1.2	limited knowledge on how to develop a comprehensive marketing export plan	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project
1.3	limited knowledge on payment in international business especially in using L/C	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project

No.	Constraints	Importance (L / M / H)	Opportunity	Note/ Reference
1.4	Limited knowledge of export policies and procedure as well as import regulation at importing countries	M	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project
1.5	Limited knowledge on preparation to participate at the international trade show	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project
1.6	Limited knowledge to develop pricing policy	M	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project
1.7	Limited knowledge on marketing communication (sales and distribution, sales promotion, advertising, public relations)	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project

No.	Constraints	Importance (L / M / H)	Opportunity	Note/ Reference
1.8	Limited knowledge on logistic (packaging design, labeling, shipping, customer service)	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDS and group of furniture producers in SIPPO's pilot project

Specific issues and questions of Marketing

Q : a) Which competitiveness issues are the most important ones for short term exports growth, what benefits are going to happen and who will benefit of that?

A1 : The most important competitiveness issues on marketing Poor in marketing aspects included planning, market research, how to transaction international payment, trade show preparation, marketing communication and logistic leads to poor sales and losing opportunity to develop new market and maintain existing buyers.

Q : b) Offer the short list of possible intervention areas

Intervention Program

In order to overcome the aforementioned constraints, the intervention program is designed to be conducted through BDSs that obviously have competencies in developing comprehensive marketing plan included hands on experience in export activities

included logistic, term of payment in international business and international trade show.

Technically, there are 8 intervention program related to improving marketing

Improving marketing strategy for Indonesia furniture

- (1) Training and technical assistance on how to develop a comprehensive marketing export plan
- (2) Training and technical assistance on how to conduct market research
- (3) Training and technical assistance on how to transaction with international payment
- (4) Training and technical assistance on export procedure and how to get information on import regulation at importing countries
- (5) Training and technical assistance how to successfully participate at the international trade show
- (6) Training and technical assistance on how to develop export price policy
- (7) Training and technical assistance on marketing communication
- (8) Training and technical assistance on logistic for export

Q : c.) what benefits are going to happen

By giving training and technical assistance refer to the aforementioned intervention will give the furniture producers a guidance to conduct marketing and export activities which will

improve the business process in marketing and ultimately will generate sales.

Q : d) Who is likely to benefit most from these?

Obviously the first beneficiary who will get benefit of this intervention is BDS's and furniture companies selected in SIPPO pilot project. Once this model or program successfully then the other companies will join or replicate the program. The second beneficiary who can get benefit is actor along the furniture value chain such as supplier, sawn mill, community forest, freight forwarder, and trader since the more order obtain by the furniture producer will impact also to other actor along the value chain. Consequently, the whole economic along the furniture value chain will increase which is ultimately will contribute to the economic of Indonesia.

Q : e) Why this change has not happened earlier?

There is not a comprehensive and integrated program in marketing activities that assist from the development of comprehensive marketing export planning included logistic, term of payment in international business, export activities as well as monitor closely the implementation of its assistance and finally the most important thing is participate at the international trade show and has a representative office in Europe.

Q : f) What would be the most efficient SIPPO role in the proposed interventions?

- Developing an integrated BDS (business Development Service) that enables Indonesian Furniture Industry to improve their marketing activities included logistic, term of payment in international business and international trade show
- Providing technical assistance to improve BDS's service performance as well as selected group of furniture in SIPPO pilot project
- Assist group of furniture in SIPPO pilot project to participate at least three times in international trade show such as IMM and SPOGA.
- Arrange a meeting schedule with potential buyer during the trade show
- Develop a representative office or warehouse in Europe (Swiss) which will be used as
- a show room to display prime products from selected group of furniture in SIPPO pilot project. The objective of this activity is to continue promote product to the European buyers. The idea of this representative office or warehouse in Europe is to make the producer close to the potential buyer. Consequently, buyer will easier to contact producer as well as to see, touch and feel the product.

Q : g) Budget to conduct the intervention activities

The proposed annual budgets are follows:

No	Activity	Budget	Notes
1	Training on Marketing included export package activities	USD 20,000	
2	Technical assistance on Marketing and export from International expatriate	Tbd	Since the expert will be provided by SIPPO so the budget will be supplied by SIPPO
3	Participate at three International trade show included arrange meeting with potential buyer during the show	USD 180, 000	Assume per company requires cost USD 6,000 per show. Hence, total 3 times show and 10 companies would be around USD 180,000
4	Develop representative office in Europe	USD 20,000	Warehouse rental, electricity, furniture, computers, printers, phone, and fax

4.2 Constraint and Intervention of Design

Survey finds that Indonesian furniture industry is experiencing some constraints in the aspect of design

Table 3.2 List of constraint and opportunity for intervention in design

No.	Constraints	Importance (L/M/H)	Opportunity	Note/ Reference
1.1	Poor design capabilities that make furniture producers difficult to develop a new market and maintain existing buyer	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDSs and group of furniture producers in SIPPO's pilot
1.2	Limited access to information of product updated of new design & trends	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDSs and group of furniture producers in SIPPO's pilot
1.3	Most of furniture companies do not have in house designer	M	Yes	A SIPPO project opportunity
1.4	Indonesia does not have a design community or BDS who can supply good design to home accessories and hospitality market	H	Yes	A SIPPO project opportunity in the form of training and technical assistance to BDSs and group of furniture producers in SIPPO's pilot

Specific issues and questions of Design

Q : a) Which competitiveness issues are the most important ones for short term exports growth, what benefits are going to happen and who will benefit of that?

A1 : The most important competitiveness issues on design Poor in the capability for new design development leads to the weak competitiveness of Indonesia furniture producer in the global market which is ultimately leads to unable to develop a new market and maintain existing buyer.

Q : b) Offer the short list of possible intervention areas

Intervention Program

In order to overcome the aforementioned constraints, the intervention program is designed to be conducted through BDSs or design communities that obviously have competencies on how to develop good design with the structured way included hands on experience in develop good design for home accessories and hospitality market segment.

Technically, there are 5 intervention program related to improve design

Improving design for Indonesia furniture

1. Invite and gather selected potential Indonesian designers who have hands on experiences and have been working in international or leading furniture companies.

The objective of this activity is to develop a comprehensive design community or BDS in Indonesia who can give valuable contribution to furniture producer by providing many alternatives good design and services related to design issue

2. Facilitate the design community or BDS with:
 - Place for workshop to enable them develop new design and discuss regarding the new design trend in several targeted imported countries
 - Develop network with market in Europe to keep updated the new design development
 - Books and other materials or literature related with design to enable them keep updated with the new design development and trends
 - Incentive income for the coordinator in the design community
3. Develop a business mechanism to the design community or BDS to promote and or sell their design to furniture companies. One of the forms of business mechanism is based on royalty.
4. Give guidance, support and training from international designer to the design community or BDS regarding how to get update for the new trend of design, how to design product in the structured way to win the global competition.
5. The design community or BDS should develop new innovation in design by combining wood with abundant raw materials in Indonesia such as natural fibers, bamboo, rattan and metal.

Q : c.) What benefits are going to happen

By giving training and technical assistance refer to the aforementioned intervention will make design communities or BDSs are able to give a valuable service to furniture producers such as source of good designs, consultation on design especially for project based such as for hospitality market and training to the in house designer within the furniture company. If this model can be successfully then the design community or BDS will be sustained and financially independent.

Q : d) Who is likely to benefit most from these?

Obviously the first beneficiary who will get benefit of this intervention is design communities or BDSs and furniture companies selected in SIPPO pilot project. Once this model or program successfully then the other companies will join or replicate the program. The second beneficiary who can get benefit is actor along the furniture value chain such as supplier, sawn mill, community forest, freight forwarder, and trader since the more order obtain by the furniture producer will impact also to other actor along the value chain. Consequently, the whole economic along the furniture value chain will increase which is ultimately will contribute to the economic of Indonesia.

Q : e) Why this change has not happened earlier?

There is not a comprehensive and integrated program to address design issue. There were several donors project have tried to

address this issue by only sending two or three times an international designer to give training to the furniture producer. This kind of model unfortunately will not work since there is not an institution or community as an umbrella that will work on commercial basis to keep developed and updated regarding the new design development.

Q : f) What would be the most efficient SIPPO role in the proposed interventions?

- Assist in developing an integrated design community or BDS that enables Indonesian
- Furniture Industry rely on and purchase service from them
- Providing technical assistance by sending international designer to improve design community or BDS's service performance
- Provide market intelligent to keep updated about the new design development
- Provide infrastructure to the design community to enable them produce a good design and service

Q : g) Budget to conduct the intervention activities

The proposed annual budgets are follows:

No	Activity	Budget	Notes
1	Technical assistance from International designer	Tbd	Since the expert will be provided by SIPPO so the budget will be supplied by SIPPO
2	Training to in house designer within furniture producers	USD 20,000	
3	Provide materials and access to keep updated the new design development	USD 15,000	
4	Provide infrastructure and business mechanism	USD 10,000	
5	Opportunity to visit one of the international trade show to get the sense of the new design development	USD 8,000	
6	Conduct workshop on how to develop good design	USD 8,000	

4.3 Constraint and Intervention of Production & Technology

Survey finds that Indonesian furniture industry is experiencing some constraints in the aspect of production process & technology.

Table 3.3 List of constraint and opportunity for intervention in production process & technology

No.	Constraints	Importance (L/M/H)	Opportunity	Note/ Reference
1.1	Industry uses low technology-rely more on manual or basic production equipments. It causes delivery time and product standard problems.	H	Yes	SIPPO would be able to assist BDS and industry by providing information on new technology, how to access it as well as possibly to provide grants to stimulate industries creativity in inventing new technology & production process.
1.2	Majority of furniture companies experience in Inefficiency on their production system.	H	Yes	SIPPO would be able to provide BDS and industry with training and technical assistance on standard production system e.g. procurement system, production line management system, and subcontractors management system.
1.3	Poor technical skills to combine wood with other materials.	M	Yes	SIPPO would be able to provide training and information on materials techniques

No.	Constraints	Importance (L/M/H)	Opportunity	Note/ Reference
1.4	Poor technical skills on handling waste, chemical materials as well as managing working environment. It causes serious consideration from buyers that seeking "green" products.	H	Yes	SIPPO would be able to assist BDS and industry by giving technical assistance on international best practices of sustainable production practices
1.5	Poor technical skills on packaging system. It causes significant number of rejection cases from buyers	H	Yes	SIPPO would be able to provide BDS and industry with training and technical assistance on managing packaging system.
1.6	Poor drying system. It causes rejection due to fungus and cracking	H	Yes	SIPPO would be able to provide BDS and industry with effective drying system

Specific issues and questions

Q : a) Which competitiveness issues are the most important ones for short term exports growth, what benefits are going to happen and who will benefit of that?

A1 : The most important competitiveness issues on production are to improve production technology and production techniques used by industry. Efficient production system knowledge as well as access to new product technology need to be assisted to industry.

Q : b) Offer the short list of possible intervention areas

Intervention Program

In order to overcome the aforementioned constraints, the intervention program is designed to be conducted through BDSs that obviously have competencies in developing comprehensive production management system included technology and moreover hands on experience in daily activities comprises procurement system, production line management, and product quality standard.

Technically, there are 5 intervention program related to improving production

Improving Production Performance of Indonesian furniture Industry

1. Provide technical assistance on new technology & wood processing for industry
2. Promote a new technology for industry
3. Provide training in quality production & management
4. Provide incentives/grants to stimulate technology innovation in the industry

5. Provide training and technical assistance on how to manage subcontractors and suppliers

Q : c.) what benefits are going to happen

By giving training, technical assistance and possibly grants refer to the aforementioned intervention will give the furniture producers a guidance to conduct efficient production, rejuvenate and improve production technology which will improve the production process and ultimately will increase competitiveness.

Q : d) Who is likely to benefit most from these?

Obviously the first beneficiary who will get benefit of this intervention is BDS's and furniture companies selected in SIPPO pilot project. Once this model or program successfully then the other companies will join or replicate the program. The second beneficiary who can get benefit is actor along the furniture value chain such as supplier, sawn mill, community forest, freight forwarder, and trader since the more order obtain by the furniture producer will impact also to other actor along the value chain. Consequently, the whole economic along the furniture value chain will increase which is ultimately will contribute to the economic of Indonesia.

Q : e) Why this change has not happened earlier?

Industry has limited access to information and incentives of efficient production and technology that enable industry to improve their production performance. There's no integrated

guidance available yet, in fact industry should learn from their daily business.

Q : f) What would be the most efficient SIPPO role in the proposed interventions?

- Developing an integrated BDS (Business Development Service) that enables Indonesian Furniture Industry to access knowledge, information, technical skills, technology, quality standard & international certification as well as grants.
- Providing technical assistance to improve BDS's service performance
- Promoting Indonesian Sustainable Furniture Industry in the international market

Q : g) Budget to conduct the intervention activities

The proposed annual budgets are as follows:

No	Activity	Budget	Notes
1	Provide technical assistance on new technology & wood processing for industry	USD 60,000	USD 20000 per year
2	Promote a new technology for industry	Tbd	Since the expert will be provided by SIPPO so the budget will be supplied by SIPPO
3	Provide training in quality production & management	USD 60, 000	USD 20000 per year
4	Provide incentives / grants to stimulate technology innovation in the industry	USD 100,000	Technically will be design together with SIPPO
5	Provide training and technical assistance on how to manage subcontractors and suppliers	USD 30000	USD 10000 per year

4.4 Constraint and Intervention of Raw Materials

Survey finds that Indonesian furniture industry is experiencing some constraints in the aspect of Raw Materials and Supply Management.

Table 3.4 List of constraint and opportunity for intervention in raw materials and supply management

No.	Constraints	Importance (L/M/H)	Opportunity	Note/ Reference
1.1	Limited sources of certified woods locally. Industry is facing difficulties to access certified woods sources. If they could, the price is quite expensive.	H	Yes	SIPPO would be able to assist BDS and industry by providing technical assistance on managing community forest management and provide training on wood pricing system.
1.2	Limited promotion to international market about the variety of Indonesian soft woods. It causes dependency on teak & mahogany woods usage.	H	Yes	SIPPO would be able to provide BDS and industry with training and technical assistance on developing and promoting alternative woods that abundant in Indonesia to the international market.
1.3	A tightly restriction on logging and distribution bureaucracy problem have a significant impact on the availability of raw materials	M	Yes	SIPPO would be able to provide assistance on developing resource terminal through BDS. The function is to provide buffer stock for the members.

No.	Constraints	Importance (L/M/H)	Opportunity	Note/ Reference
1.4	Limited skills and knowledge on managing community forest management	H	Yes	SIPPO would be able to assist and provide technical skills to community on managing community forest management that complies with international standard system. While SIPPO could also stimulate industry to have replanting mechanism program by providing incentives or grants based on competition.

Specific issues and questions

Q : a) Which competitiveness issues are the most important ones for short term exports growth, what benefits are going to happen and who will benefit of that?

A1 : The most important competitiveness issues on raw materials and supply management are to improve the performance of supply management of wood used by industry. It needs integrated ways to solve the problem, start from improving forest management system, empowering community to handle forest management system, promoting variety of soft woods that abundant locally as an alternative of teak and mahogany and also

develop resource terminal in order to ensure the stocks of woods as well as stability of prices.

Q : b) Offer the short list of possible intervention areas

Intervention Program

In order to overcome the aforementioned constraints, the intervention program is designed to be conducted through BDSs as well as directly to community in order to be able to manage community forest in appropriate and sustainable ways based on international standard best practices and promoting the variety of Indonesian soft woods products to international market. It is going to have a significant impact on the supply of raw materials availability. Another possibly interventions are providing technical skills & upgrading to Perhutani about pricing management & information system of woods data source.

Technically, there are 4 intervention program related to improving production

Improving Production Performance of Indonesian furniture Industry

1. Provide technical assistance on managing community forest that comply with international best practices standard.
2. Promote variety and the beauty of Indonesian soft woods products in market both locally and internationally.
3. Provide technical assistance in developing resource terminal (buffer stocks of woods) in certain places.

4. Provide incentives / grants to stimulate industry to have replanting mechanism program as part of their CSR activities.

Q : c.) What benefits are going to happen

By giving training, technical assistance and possibly grants refer to the aforementioned intervention will improve the raw materials availability significantly and technically the price of raw materials will decrease.

Q : d) Who is likely to benefit most from these?

Obviously the first beneficiary who will get benefit of this intervention is BDS's and furniture companies selected in SIPPO pilot project. Once this model or program successfully then the other companies will join or replicate the program. The second beneficiary who can get benefit is actor along the furniture value chain such as supplier, sawn mill, community forest, freight forwarder, and trader since the more order obtain by the furniture producer will impact also to other actor along the value chain. Consequently, the whole economic along the furniture value chain will increase which is ultimately will contribute to the economic of Indonesia.

Q : e) Why this change has not happened earlier?

Industry has limited capabilities, knowledge and financial support to manage raw materials in an integrated ways. Most of them are working individually therefore it's rather difficult to change the condition.

Q : f) What would be the most efficient SIPPO role in the proposed interventions?

- Developing an integrated BDS (Business Development Service) that enables Indonesian Furniture Industry to access knowledge, information, technical skills, technology, quality standard & international certification as well as grants.
- Providing technical assistance to improve BDS's service performance
- Promoting Indonesian Sustainable Woods in the international market
- Developing buffer stocks of woods that will ensure the availability of woods sources.
- Stimulating industry to conduct replanting program.

Q : g) Budget to conduct the intervention activities

The proposed annual budgets are as follows:

No	Activity	Budget	Notes
1	Provide technical assistance on managing community forest that comply with international best practices standard.	USD 120000	USD 40000 per year
2	Promote variety and the beauty of Indonesian soft woods products in market both locally and internationally.	USD 40000	SIPPO might have scheme and techniques to promote it
3	Provide technical assistance in developing resource terminal (buffer stocks of woods) in certain places.	USD 120000	Technically will be design together with SIPPO
4	Provide incentives / grants to stimulate industry to have replanting mechanism program as part of their CSR activities.	USD 100,000	Technically will be design together with SIPPO

The constraints, opportunities, interventions and the goals are integrated in the Fishbone Diagram (Figure 7).

Figure 7 Fishbone constraint and intervention

