

## SUPPLY CHAIN MANAGEMENT STRATEGY IN SMALL AND MEDIUM ENTERPRISES (SMEs) IN THE CITY OF BANDUNG, WEST JAVA

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### Abstract

This research aims to analyze the SCM strategies that have been implemented by SMEs in Bandung, analyze the SCM strategies used by SMEs and examine various problems and factors that support the success of their implementation. This research uses a qualitative approach, which describes the research problem in a complete and rational manner in accordance with the actual facts and data. The focus of this research is the SCM Strategy, namely determining the SCM strategy for SMEs in Bandung. The results of this research prove that the SCM strategy used by SMEs in the city of Bandung in determining suppliers is with a few strategies and many suppliers strategies. The strategy of few suppliers with one supplier is the most widely used strategy by SMEs in Bandung City, while the strategy of using many suppliers is the least strategy carried out by SMEs in Bandung City. In the supply of raw materials for their products, almost all SMEs in the city of Bandung buy their own raw materials. SMEs obtain their raw materials from markets, shops and stalls around their homes. The supply chain management strategy for SMEs in Bandung City is that similar SMEs form cooperatives and will obtain raw materials directly from the company then carry out the manufacturing process (production process) by making products and selling them directly to consumers or selling them to distributors, agents, then to retailers. new retailer to the final consumer.

**Keywords:** Strategy, SCM, SMEs, SCM Strategy.

### 1. Introduction

SMEs have a major contribution in developing the Indonesian economy. Apart from being an alternative to create new jobs, SMEs also play a role in boosting the pace of economic growth after the 1998 monetary crisis when large companies experienced difficulties in developing their businesses. Currently, SMEs have had a large share in regional and national

income. SMEs must be recognized as a strategic and important force to accelerate regional development, so that the growth of SMEs is increasing every year. The SME sector contributes a lot to economic growth in the city of Bandung. This sector creates many jobs and reduces poverty. The following is the presence of SMEs in the city of Bandung from 2016-2019 as shown in table 1.

Table 1  
Data on SMEs in Bandung City for the last 5 years

Year	Number of SMEs
2016	410
2017	431
2018	454
2019	477

Source: Department of Cooperatives and SMEs, 2019

The hallmark of good economic dynamics and performance with high rates of economic growth and strengthening in East Asian

countries and such as Taiwan, Singapore and South Korea is the performance of their SMEs which have very high productivity, efficiency

and competitiveness. SMEs in these countries are very responsive to their government policies in private sector development and increasing export-oriented economic growth (Dawanto, 2015).

The problems that are often faced by SMEs in general are: (1) difficulties in product marketing, (2) lack of limited capital and funding, (3) lack of product innovation and limited information and information technology, (4) use of raw materials that inefficient, (5) what production equipment is, (6) inefficient absorption and empowerment of workers, (7) not knowing how to plan a good business development, and (8) unpreparedness to face the challenges of the external environment (Ariani & Utomo, 2017). With the problems faced by SMEs, a strategy is needed to overcome these problems. To develop and empower SMEs is not only burdened by SMEs themselves, but must be supported by all stakeholders. Support is expected to come from entrepreneurs, universities, related agencies or agencies within the district or city government and provincial government. In addition, a central government policy is needed that encourages the development and economic empowerment of SMEs (Ndu et al., 2014).

The era of globalization and the era of information and communication technology in the 21st century has gone so fast. Indonesia as one of the major countries in Southeast Asia, which is flanked by two continents, namely the continent of Asia and the continent of Australia, and is located in two oceans, namely the Indian Ocean and the Pacific Ocean, which are the entrances for trade and transit points across the continents. Thus, Indonesia is a country that is experiencing the impact of all changes in the world (Kuswanto, 2013).

Currently, SMEs have to face global competition in order to survive in the market. One strategy that can be applied is supply chain management (Gamage et al., 2020). In the business world, supply chains are defined as a series of value-adding activities found between raw material supply side companies and demand for end products. (Jamaludin et al., 2021). This concept is a key business process in integrating from suppliers to end customers. In

the implementation of supply chain management, the supply chain plays an important role in improving company performance (Jamaludin, 2021). SCM practices in SMEs are expected to be able to increase productivity and have competitiveness (Muhfiatun & Rudi Nugraha, 2019). Competitive SMEs are SMEs that can survive and thrive in a global competitive market.

The main problems of SMEs in Bandung today are the unpreparedness of SMEs in facing business competition, not getting much attention to be developed and managed by the government, poor quality human resources, lack of innovation in product development, limited business capital, lack of clear goals that SMEs players will achieve, as well as a lack of expertise and knowledge to develop businesses, consumptive nature, causing the underdevelopment of SMEs because they cannot compete with foreign products (Sedyastuti, 2018).

Based on the problems above, it is necessary to conduct research on SCM strategies in SMEs in Bandung, so that in dealing with all problems in SMEs in Bandung, such as the readiness of SMEs in facing competition in free trade, readiness in facing global competition in order to survive in the market. One strategy that can be applied to SMEs in Bandung is the SCM strategy.

#### **Supply Chain Management Concept.**

The SCM concept is able to unite various management functions in a relationship between organizations to form an integrated and mutually supportive system. According to (Jamaludin, 2021), "Supply Chain Management is a means of optimizing company activities in company operations to minimize costs and achieve customer satisfaction which is realized by creating good relationships with suppliers, good production and relationships with good customers ". "The interaction of companies with suppliers to get raw materials used for production is one of the activities that are closely related to the supply chain or Supply Chain Management, (Jamaludin, 2021)".

The purpose of SCM is to achieve minimum costs and maximum service levels, meet consumer needs and generate profits, be able to win market competition, maximize the overall value generated to meet customer needs and demands and minimize overall costs such as ordering, storage, and transportation costs. In the supply chain there are several main players which are companies that have an interest in the flow of goods, the main players are suppliers, manufacturers, distributors / wholesalers, retail outlets, customers (Richardus et al., 2015).

SCM also has the meaning of a set of approaches that are applied to achieve efficient integration of suppliers, manufacturing, warehouses, and storage, so that goods can be produced and distributed at the right time, in the right quantity, at the right location, to reduce costs and provide satisfactory service to customer needs. end consumers (David, 2018).

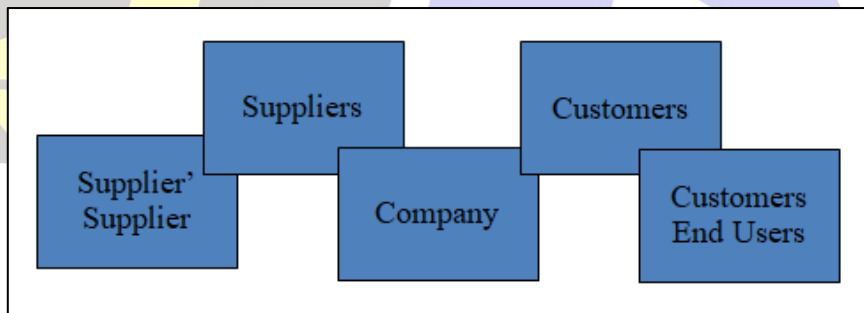
According to (Heizer et al., 2014), “SCM is the integration of material and service procurement activities, conversion into semi-finished goods and final products and delivery to customers through the distribution system”. (Richardus et

al., 2015), "revealed that SCM is a system in which an organization distributes its production goods and services to its customers". The supply chain is also a network of various organizations that are interconnected and have the same goal, namely as best as possible to organize the procurement of goods, the term supply chain management includes the process of changing these goods, for example from raw goods to finished goods (Siagian, 2005).

SCM is the network management of all business processes and activities involving the procurement of raw materials, manufacturing and distribution management of finished goods (Heizer et al., 2014). Supply chain management is also called the art of management providing the right product, on time, in the right place at the right price and at the right price for consumers (Saroha & Yadav, 2013).

Based on the concepts of SCM according to several experts, it can be concluded that SCM is all activities related to the flow of material, information and money along the supply chain path.

**The main character in SCM**  
The main characters in SCM are:



Picture 1  
Main Actors In Supply Chain Management  
(Source: (Heizer et al., 2014).

The main character with an interest in the flow of goods can develop an SCM strategy, namely regarding the linkages of these actors which can be shaped like links that are connected to one another (Fink, 2011). Suppliers have been incorporated by a number of companies or

business organizations that together collect, source, convert, and distribute goods and services to final customers. The key factor for optimizing supply SCM is to create an information flowchart that is able to move easily and accurately between the network link

and the effective and efficient movement of goods to produce maximum customer satisfaction (Richardus et al., 2015).

### **SCM Strategy Concept**

Strategy is the process by which plans are formulated to position the company to achieve its objectives. Strategy begins with a clear statement of the company's goals. Every company that wants to win or survive in the competition must have the right strategy. Strategy will direct the organization to the long-term goals to be achieved. Strategy is needed by an operating unit within a company, by a company as a whole, or by a supply chain. Strategy is not a single decision or action, but rather a collection of decisions and actions taken by an organization or by several organizations together. These decisions and actions are taken to achieve the long-term goals that have been determined. In the context of the supply chain, this decision can be in the form of establishing a new factory, increasing production capacity, designing new products, transferring inventory management responsibilities to suppliers, reducing the number of suppliers, implementing a new quality control system and so on. SCM strategy is a series of strategic tasks and actions along the supply chain path that creates coordination between what end customers need and the capabilities of existing resources along the supply chain path (Heizer et al., 2014).

### **Supply Chain Strategy Goals**

The emergence of SCM is motivated by two main things, namely traditional logistics management practices that are no longer relevant and changes in the business environment. The facts prove that, for now, it is no longer relevant to practice traditional logistics management because it cannot create a competitive advantage. In addition, the changes in the business environment that are getting faster with increasingly fierce competition require a new strategy so that production needs are immediately met with the right supply chain.

The development of the industrial environment in the current global era is very dynamic so that it becomes a factor that encourages every company to explore and maximize its potential. Companies must be able to identify the key

factors for success and win the increasingly competitive competition. Technology that is also developing rapidly has become a force that is also being seeded in a competitive climate. Each company continues to be different and strives to be able to provide the best products to the target market that tends to be the same.

### **SCM for Distribution Optimization**

The context of the products offered by the company to consumers in production and operations management is a combination of products that have interest and provide satisfaction to customers. Thus, presenting a product is a major challenge for the company although from another point of view it can also be an opportunity for the production system. In an effort to fulfill these products, companies must immediately start from identifying consumer tastes, seeking all input needs from suppliers to produce, and distribute products according to consumer tastes or the targeted market. The general character of consumers is to expect to get products that have superior benefits at an affordable price level.

Each company strives optimally in utilizing all its assets and resources to provide value to consumer expectations. The implementation of these efforts certainly has different cost consequences for each company. In order for companies to be able to offer attractive products at competitive prices, related companies are required to be able to reduce all costs without reducing product quality. One way is to reduce these costs through optimizing the distribution of materials from suppliers. Distribution optimization can be achieved through the application of SCM concepts and strategies. The following are 5 SCM strategies that companies need to do in order to create products that are in accordance with consumer demand by optimizing all available resources (Heizer et al., 2014).

#### **1. Negotiating with Multiple Suppliers**

The first SCM strategy is to negotiate with multiple suppliers. Companies can search for many suppliers and choose one or several of those that have the most attractive offerings for the company. Generally, the company will choose a supplier who provides a low offer. The company may also decide to negotiate with

multiple suppliers. This action is for prevention if one day there is a problem with one of the suppliers and to keep the supply chain uninterrupted. This action is also useful so that the company can continue production activities

## **2. Negotiate with few suppliers**

In this strategy, the company maintains long-term relationships with committed suppliers. Because in this way, suppliers tend to better understand the broad goals of the company and end consumers. Using only a few suppliers can create value by allowing suppliers to have economies of scale and a learning curve that results in lower transaction and manufacturing costs. With few suppliers, the cost of changing partners is high, so both suppliers and buyers run the risk of becoming the captives of others. Poor supplier performance is one of the risks faced by buyers so that buyers must pay attention to the trade secrets of suppliers who do business outside the joint business.

## **3. Perform Vertical Integration**

The third SCM strategy, can be done by means of vertical integration to develop the company's ability to produce goods that have been obtained from suppliers. There are two kinds of vertical integration that can be done, namely backward integration and forward integration. Reverse integration can be done by companies to buy raw materials from suppliers so that they can make goods according to consumer desires. Forward integration requires manufacturers or companies to buy components in the form of finished products. Reverse integration can be dangerous for companies because if you invest the wrong money, it will be difficult to deal with the next wave of business. Likewise with advanced integration, if the company is negligent in reading market trends, the losses that will be experienced will certainly be very large.

If the two types of vertical integration can facilitate communication and healthy business relationships because several companies can do business collaboratively to serve end consumers. Vertical integration will encourage the collaboration of the companies involved to determine common goals and the suitability of goals is well defined. In addition, there are lower transaction costs and a commitment to creating high quality goods. These two vertical

integration options may not be feasible for many companies. Some suppliers prefer to do business independently because they have significant capacity and the ability to enjoy greater economies of scale.

## **4. Build a Virtual Company**

The fourth strategy, by having a virtual company, the company can build extensive relationships with various suppliers to provide the desired raw materials. If the virtual company must be equipped with good corporate management so that it can provide low costs, operate efficiently, create quality, be fast, flexible, and innovative. Virtual companies can rely on various relationships with suppliers to provide services when needed. Virtual Company will make it easier for companies to establish relationships with several services such as payroll, hiring, product design, distribution channels, and supply chain. Relationships can also be short term or long term with various forms of partnership such as true partners, collaborations, suppliers, subcontractors, and so on. Whatever the form of the relationship is expected to result in a more optimal performance in SCM.

## **5. Building the Keiretsu Network**

The fifth strategy, the term keiretsu network was originally used for a group or group of companies that supported the Japanese economy in the 20th century. With the concept of a keiretsu network, companies in Japan take raw materials from their own group of companies, thus supporting SCM to continuously increase company profits. Thus, it can be said that every company involved in the keiretsu network has carried out the right collaboration, namely at the strategic alliance level. However, this strategy is very difficult to implement in the just in time (JIT) concept, especially if there is no common interest and collaboration for the level of production. The Keiretsu network is also still hampered by difficulties in finding a common system with all suppliers.

## **Small and Medium Enterprise (SME) Concept**

SME is a type of business that is run on a small and medium scale and is not a subsidiary or branch of any company. So indirectly the notion of SMEs is a small business that has an

income of under 300 million with a number of workers under 20 people. Meanwhile, medium-sized businesses with income below 500 million with the number of employees under 30 people.

In addition, UNIDO (1983) also defines SMEs based on the number of workers by providing different classifications for industrialized and developing countries. In industrialized countries, the criteria for SMEs are defined as follows:

1. Large Companies: businesses with more than 500 employees.
2. Medium Company: a business with 100-499 employees.
3. Small Enterprises: businesses with fewer than 99 workers.

Meanwhile, the classification of SMEs for developing countries is:

1. Large Companies: businesses with more than 100 employees.
2. Medium company: business with 20-99 workers.
3. Small Enterprises: businesses with 5-19 employees.
4. Micro Enterprises: businesses with less than 5 employees.

Based on this, it is clear that a wide variety of definitions have evolved, there is no general agreement on the basis of SMEs, and definitions vary widely across industries and countries.

### **The role of SMEs**

SMEs have become the backbone of economic growth. SMEs as actors in economic growth are described as creators of jobs that are efficient and easy to develop, the seeds of big business and the driving force of the national economy (Kader, 2018). The development of small and medium enterprises can develop inter-regional and intra-regional decentralization processes as well as a cushion against the economic power of large companies (Putra, 2018). In addition, the potential of SMEs to increase domestic market growth in existing and new industries and increase economic resilience in a competitive situation. Overall the development of SMEs can be seen as a means of accelerating performance in the broader economy and

including poverty reduction. Moreover, the contribution of SMEs in ASEAN is to create 80-90% of business, provide more than 60% of individual sector jobs, absorb 50-80% of the workforce, contribute about 50% of sales and value addition, and 30% of total exports (Badar Alam Iqbal & Mohd Nayyer Rahman, 2015).

Seeing the importance of SMEs in developed and developing countries, it encourages governments in all countries to take initiatives in promoting the growth of SMEs (Bayraktar et al., 2019). The SME strategic development process carried out by the government is aimed at all SME sectors through the adoption of standard definitions and specifications of SMEs based on activities, creation and maintenance of a national SME database, as well as support for programs and facilities to improve financial access and export markets.

SCM in SMEs has an important role in empowering the economy and industry of a country (Wajdi et al., 2020); (Fajarwati; Fauziyah, 2016). SCM in SMEs is important to study because it has a very important role in economic growth and strengthening on a regional and national scale (Muhfiatun & Rudi Nugraha, 2019). Nearly 90% of the number of businesses in the world are contributions from SMEs (Fajarwati; Fauziyah, 2016). In addition, SMEs have a contribution to employment (Sudarno, 2011). Empirical studies show that SMEs on an international scale are a source of job creation (Hafni & Rozali, 2017). The contribution of SMEs to employment, both in developed and developing countries such as Indonesia, has a very important contribution to the solution to overcome unemployment (P. Eko Prasetyo, 2009).

## **2. Method**

### **Research Objects and Subjects**

The object of this research is SMEs in the city of Bandung. While the subjects in this study are the owners of SMEs in the city of Bandung. This research method uses a qualitative method, which is to reveal the research problem in its entirety and objectively in accordance with the actual facts and data. With this method, it has more depth and sharpness of analysis in revealing an event, fact and meaning or addressing hidden phenomena about

determining SCM in SMEs in Bandung City so that the objectives of this research can be achieved. The nature of this research is descriptive analysis method, which is to explore the phenomenon of this research and interpret the findings or facts that occur in the form of descriptive data in a complete and objective manner.

#### **Research focus**

The focus in this study is the SCM Strategy in this case the determination of supply chain strategies for SMEs in the city of Bandung.

#### **Data Type**

The types of data in this research are primary data and secondary data. Primary data is data directly obtained from the field through in-depth interviews with a number of research informants and obtained through observations and in-depth interviews conducted by the researchers themselves. Meanwhile, secondary data is data obtained from (a). Literature Study, as a source of data in the form of books, accredited scientific journals with international reputation, bulletins related to theories or data on SCM strategies. (b).

Documents, as a source for researchers taking data or materials from several official sources, including national and regional laws and regulations related to the SCM strategy

#### **Data collection technique**

Data collection techniques in research are (a). Documentation Studies; (b). Observation; (c). deep interview.

#### **Key Informants (Key Informants)**

This research uses key informants, namely the owners of SMEs in the city of Bandung.

#### **Data Validity Test**

The validity test in qualitative research is based on the certainty of whether the research results are accurate from the point of view of the researcher, the participant, or the reader in general. The validity tests used in this research are:

a. Triangulation, which is a technique of checking the validity of the data by checking or comparing the data obtained with the source or other criteria outside the data, to

increase the validity of the data. In this research, the triangulation carried out are:

(i). Triangulation of sources, namely by comparing what the subject said with what the informant said with the intention that the data obtained can be trusted because it is not only obtained from one source, namely the research subject, but the data is also obtained from several other sources such as neighbors or fellow SME owners (who are the research subjects).

(ii). Triangulation method, which is comparing the observational data with the interview data and comparing the observational data with the interview results with the contents of the related documents. In this case the researchers tried to re-check the data obtained through interviews.

b. Using reference materials, is a supporting tool to prove the data found by researchers. For example, data from interviews via telephone need to be supported by recordings of interview results. In this study, researchers used a tape recorder to record the results of telephone interviews with informants. Then in this research, in making a report, the researcher must provide a detailed, clear, systematic, and reliable description. Thus the reader becomes clear on the results of this research, so that researchers can decide whether or not the results of this research can be applied elsewhere.

### **3. Results and Discussion**

#### **The results achieved.**

In connection with the Covid-19 pandemic, in-depth interviews were conducted by telephone with 108 SME owners in the city of Bandung. As a result, most of the SME owners in Bandung responded quickly to the researcher's answers.

Based on the results of interviews with SME owners in the city of Bandung, researchers identified that SMEs that have implemented SCM to streamline the integration of suppliers, manufacturing (production processes), warehouses, and storage of goods produced and distributed in the right time, in the right amount, to minimize costs and providing service

satisfaction to consumers is the largest percentage of SMEs in the city of Bandung which only uses 1 supplier/supplier for 1 raw material. While the smallest suppliers/suppliers used by SMEs are 10 suppliers. The next activity carried out by SMEs in SCM is to carry out the production process (manufacturing) from raw materials to finished products. The next chain in SCM is to carry out marketing activities by distributing or distributing goods to consumers or customers. Product marketing carried out by SMEs in the city of Bandung through various distribution channels including direct distribution channels to consumers. This is the largest distribution channel carried out by SMEs in the city of Bandung. The next distribution channel is from producers to retailers and then to consumers. This is the second order distribution channel. The third order distribution channel is from producers to agents then to retailers and then to consumers. The fourth order is the distribution channel directly to consumers then to producers then to retailers and to consumers. The distribution channels in the next order are from producers to retailers then to consumers then to producers then to agents and to retailers and to consumers. There is also a direct distribution channel to the manufacturer then to the distributor then to the retailer and to the final consumer. There are also distribution channels from producers to retailers to consumers. Or distribution channels from producers to distributors to retailers and to consumers. Of the many distribution channels carried out by SMEs in Bandung, the largest in marketing their products is to use one direct distribution channel, namely direct distribution channels to consumers. Meanwhile, SMEs that market their products use four direct distribution channels, namely from producers to distributors then to retailers and then consumers. And this is the smallest distribution channel carried out by SMEs in the city of Bandung.

Based on the results of interviews with other SME owners in the city of Bandung, it can be identified that the supply chain management strategies that have been implemented by SMEs in the city of Bandung are:

**1. Strategy 1 Supplier – Manufacturing – Consumer**

This means that the first supply chain management strategy is that SMEs only use 1 supplier and then carry out the manufacturing process by making products and selling them directly to consumers.

**2. Strategy 2 Suppliers – Manufacturing – Retailers – Consumers**

The meaning of the second supply chain management strategy is that SMEs use 2 suppliers and then carry out the manufacturing process by making products and selling them directly to consumers or selling them to new retailers to end consumers.

**3. Strategy 3 Suppliers – Manufacturers – Distributor - Retailers – Consumers**

This means that the third supply chain management strategy is that SMEs use 3 suppliers and then carry out the manufacturing process by making products and selling them directly to consumers or selling them to agents, then to new retailers to final consumers.

**4. Strategy 4 Suppliers – Manufacturers - Agents - Retailers – Consumers**

This means that the fourth supply chain management strategy is that SMEs use 4 suppliers and then carry out the manufacturing process by making products and directly selling them to consumers or selling them to distributors, agents, then to new retailers to consumers.

**5. Strategy 5 Suppliers – Manufacturers - Distributors - Agents - Retailers – Consumers**

This means that the fifth supply chain management strategy is that SMEs use 5 suppliers and then carry out the manufacturing process by making products and selling them directly to consumers or selling them to distributors, agents, then to new retailers and then to final consumers.

**Supply chain management strategy for SMEs in Bandung  
SCM Strategy for SMEs in Bandung**

SCM is actually an integrated and clear process. Its function is to help provide information to management regarding the procurement of goods. Not only that, this system also contains information about relationships with outside parties such as vendors or suppliers.



So that SMEs can reduce costs, one way that can be done is to get raw materials directly from the company as a supplier without going through agents or traders. Therefore, to establish a partnership with a direct company, similar SMEs must form a group by establishing a cooperative. With the establishment of partnerships with direct companies, it is expected that obtaining raw materials will be shorter. Thus, SCM for SMEs in the city of Bandung is similar SMEs forming cooperatives and will obtain raw materials directly from the company then carry out the manufacturing process (production process) by making products and directly selling them to consumers or selling them to distributors, agents, then to new retailers to final consumers.

Economic empowerment of SMEs through mentoring is a strategic step to promote SMEs to grow and develop well. There is not a single SME that does not experience obstacles in its growth. However, every obstacle should be used as a challenge to make improvements in all aspects of management in it. So to solve these problems, there are several things that need to be done:

1. The government through the Office related to the economic empowerment of SMEs, namely the Office of Cooperatives and SMEs, should provide reliable assistants who have the capacity to handle and resolve any problems that arise in SMEs, as well as increase the capacity of SMEs mentors through continuous training and guidance. Because over time, there will be more and more different levels of difficulty and problems that will be faced in the field.
2. Support from the government is urgently needed to provide a special program for the economic empowerment of SMEs by preparing a special budget to promote SMEs,
3. In each region, it is necessary to provide a maximum service platform to help SMEs to develop better. A forum better known as SENTRA SERVICES UKM as a center for SME consultation and assistance, which aims to facilitate SMEs who have difficulty in marketing their products, as well as an integrated center for capacity building and empowerment of SMEs.

#### 4. Conclusion

1. The supply chain management strategy used by SMEs in the city of Bandung in determining suppliers or suppliers is the strategy of few and many suppliers. The strategy of few suppliers with 1 supplier is the most widely used strategy by SMEs in Bandung City, while the strategy of using many suppliers is the least strategy carried out by SMEs in Bandung City.
2. Supply chain management strategies that have been implemented by MSEs in Bandung City are using the following strategies:

##### 1) Strategy 1 Supplier – Manufacturing – Consumer

The meaning of this strategy is that SMEs only have 1 supplier and then carry out the production process (manufacturing) by making products and directly marketing them to end consumers.

##### 2) Strategy 2 Suppliers – Manufacturers – Retailers – Consumers

The meaning of this strategy is that SMEs only have 2 suppliers and then carry out the production process (manufacturing) by making products and directly selling them/marketing them to consumers or selling them to retailers.

##### 3) Strategy 3 Suppliers – Manufacturing – Consumers/Agents – Retailers – Consumers.

The meaning of this strategy is that SMEs only have 3 suppliers and then carry out the manufacturing process/production process by making products and directly marketing them to consumers or agents, then to retailers and then to final consumers.

##### 4) Strategy 4 Suppliers – Manufacturers - Distributors - Agents - Retailers - Consumers.

The meaning of this strategy is that SMEs only have 4 suppliers and then carry out the manufacturing process/production process by making products and directly marketing/selling them to consumers or distributors, then to agents, then to retailers and then to final consumers.

##### 5) Strategy 5 Suppliers - Manufacturers - Distributors - Agents - Retailers - Consumers.

The meaning of this strategy is that SMEs only have 5 suppliers and then carry out the manufacturing process by making products and selling them directly to consumers or selling

them to distributors then to agents, then to retailers and then to final consumers.

3. The problems faced by SMEs in the city of Bandung to be able to survive and be competitive cannot be separated from the access of SMEs to sources related to their business ventures. Based on the results of research aimed at interested parties (stakeholders) such as the Regional Government, Cooperatives and SMEs Office, there are several strengths, weaknesses, opportunities and challenges that must be owned by SMEs in the city of Bandung, namely:
  - a. Strength, Innovation in technology that easily occurs in product development; close human relations within SMEs; Flexibility and ability to adapt to dynamic market conditions quickly compared to large-scale companies which are usually too bureaucratic;
  - b. Weaknesses, marketing difficulties, financial limitations, raw material problems and technology limitations.
  - c. Opportunities, access to markets, sources of funds, sources of raw materials, technology and information and management are important for SMEs; cooperation among business groups can increase the competitiveness of SMEs; open access to sources of raw materials and markets is one of the determining factors for product success; business communication center is one of the facilities that can be used to conduct transactions and expand its network.
  - d. Threats, prices of raw materials that continue to increase, the size of the target market who likes certain products that make competitors will continue to increase; massive promotion by competitors of similar products.
4. Supply chain management strategy for SMEs, namely similar SMEs to form cooperatives and will obtain raw materials directly from the company then carry out the manufacturing process (production process) by making products and selling them directly to consumers or selling them to distributors, agents, then to retailers new to consumers.

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