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SENADA
INDONESIA COMPETITIVENESS PROGRAM

SENADA SUCCESS STORIES

SUCCESS STORIES 01 to 23 (Aug 2006 – Jan 2009)

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SUCCESS STORY

SENADA CLIENT BAGS EXPORT DEALS

Participation in a recent exhibition in Hong Kong has proven to be an effective means of increasing sales, finding contacts, and tapping into current product trends.



For SENADA client UD. Duta Kulit, participation in a recent exhibition in Hong Kong has proven to be an effective means of increasing sales, finding contacts, and tapping into current product trends. Located in Malang, East Java, UD. Duta Kulit produces leather shoes, bags, and jackets. The firm also supplies leather material to other producers in the region.

UD. Duta Kulit took part in the international exhibition “Hong Kong Fashion Week” from July 11-14, 2006. Because of its unique and ethnic-specific product designs, the Indonesian Ministry of Cooperatives and SMEs endorsed the firm to participate in the exhibition. The exhibition in Hong Kong was the first international exhibition the firm attended.

This firm has received technical assistance from SENADA since early June 2006. Prior to attending the exhibition, SENADA specialists provided assistance to the client in best practices in marketing and advantage, positioning of the product, and how to calculate FOB price for overseas buyers.

The firm’s owner, Umar Bagazi, said that SENADA’s assistance in shaping the firm’s vision through the development of a S.A.P (Strategic Action Plan) was critical. “The Strategic Action Plan helped our firm focus efforts on penetrating long sought after new markets in Europe,” he said. “We have a unique product, and better understanding the demands of the European market forced us to ensure our designs and quality were the best they could be.”

Participation in the trade show, and the hard work with SENADA advisors prior to attending, have paid off for UD. Duta Kulit. During the exhibition, the firm received two large orders from Germany and the U.S. for its unique leather bags, with a total estimated value of over USD75.000. It is expected that the firm will deliver the orders to these customers within the next two months.

In mid September 2006 two additional SENADA clients will participate in GDF, one of the most prestigious trade exhibitions in Düsseldorf, Germany. At the moment, SENADA is working with these firms to maximize the benefit of participation in the exhibition.

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To learn more about SENADA, visit <http://www.senada.or.id>.

SUCCESS STORY

DANARTA COLLECTION RUNS AHEAD OF THE COMPETITION

“We realize that SENADA’s role has been invaluable in helping us reach the position we are in now.”



Sri Astutik

Danarta Collection is a footwear manufacturer in Mojokerto, East Java, specializing in the production of men’s and women’s leather shoes and sandals. Since beginning operations in 2003, Danarta Collection has grown steadily and built a reputation for producing high-quality, affordable footwear. However, due to a recent increase in competition, Mr. Kasmudi, the owner of Danarta Collection, recognized the need for assistance in strategically analyzing his business to identify potential improvements.

After being contacted in May 2006 by Sri Astutik, a SENADA Relationship Manager in Surabaya, Mr. Kasmudi agreed to meet to discuss potential collaboration. Based on this initial meeting, Mr. Kasmudi signed a Memorandum of Understanding (MOU) to become a SENADA client. Following an assessment of Danarta Collection, Ms. Astutik proceeded with Strategic Action Planning to identify the firms’ vision, objectives and strategic issues. Based on input from the client, Ms. Astutik recommended Danarta Collection should expand its geographic reach into Eastern Indonesia. By doing so, Danarta Collection would have an excellent opportunity to add new customers, resulting in an increase in sales and profitability.

Based on Ms. Astutik’s recommendations, Danarta Collection contacted several buyers in Sulawesi and Kalimantan. Following negotiation, Danarta Collection successfully won a purchase order from a Sulawesi-based trading company. As a result, sales increased 37%, from Rp 103 million in June to Rp 142 million in July. As Mr. Kasmudi noted, “We realize that SENADA’s role has been invaluable in helping us reach the position we are in now. By implementing actions recommended by the SENADA team, the results have been beyond expectation.”

In addition, a second purchase order to Danarta Collection, this time from a footwear distributor in Kalimantan, is expected to be formalized in October. With these breakthroughs and other positive prospects, Danarta is poised to expand further as a direct result of a market expansion strategy developed by a SENADA consultant.

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SUCCESS STORY

SCALING UP THE FOOTWEAR WORKFORCE

USAID supports market-driven initiatives to cultivate a qualified workforce in footwear



Photo: RCC Surabaya

The training of trainers program for footwear stitchers is in session. It is the first joint initiative by USAID/SENADA, the Government, Aprisindo and IFSC towards building a stronger workforce

Despite pressure from China, Indonesia's footwear industry has significant potential to return to being a competitive global player. Some 18 foreign companies have announced plans to invest around US\$60 million in the footwear industry in Java alone.

Unfortunately, the lack of skilled workers trained in the latest international standards is hampering the industry's ability to meet its full potential. Most critical is the lack of investment in labor skills in the line-sewing sector. Ensuring manufactures have access to these skilled workers is vital to the future development of the industry.

In response to this need, USAID/SENADA, the Government of Indonesia, Indonesian Footwear Association (Aprisindo) East Java and Indonesian Footwear Service Center (IFSC) conducted a 20-day training-of-trainers certification program for 100 stitchers in internationally recognized SATRA UK standards.

These trainers will join various manufacturers throughout East Java and the expected multiplier effect is to train up to 6,000 line-sewers by the end of 2007.

This initial activity is a targeted short-term intervention to help relieve the labor shortage facing many SMEs. The training also has built awareness among SMEs about the benefits of workforce training, thus fostering possible future private sector investment in skills development and technical certification programs. These programs are vital to increasing the productivity, profitability, and quality of footwear producers.

SENADA's long-term objective is to support the development of a market-driven manufacturing technical training support industry, fully vetted in all national and international standards. Initially, SENADA will work with IFSC Sidoarjo, East Java to support its transition to a state-of-the-art, commercially sustainable footwear training institution.

SENADA provides technical assistance to the program. SENADA will also actively work with the National KADIN and the Ministry of Industry in developing and enforcing minimum standards for technical training provision throughout Indonesia.

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SUCCESS STORY

INCLUSIVE SALES STRATEGY BOOST FINANCIAL PERFORMANCE

USAID assists Reksa Motor Group in creating growth-oriented work environment



Photo: RCC Surabaya

Technicians from Reksa Motor Group working. Reksa Motor Group managed to increase its financial performance by creating growth-oriented work environment and acknowledging employee's contribution to the success of the company.

To learn more about SENADA, visit <http://www.senada.or.id>.

Reksa Motor Group has been working in industries ranging from automotive to ICT services business since 1999. The Gresik-based Group started out as a humble car and motorcycle service center with eight employees and has grown into a group of companies with 85 permanent employees.

The company's owner, M. Aminuddin, was confronted with growing difficulties in managing a large number of employees with different backgrounds and goals. He felt this was constraining the company's growth. In fact, the company had experienced a 10 percent decrease in sales since 2005.

With support from SENADA that began in June 2006, Reksa Motor Group analyzed the problems and boiled them down to one major challenge: how to create a growth-oriented work environment and to motivate employees to contribute to it.

SENADA consultants worked with the client to develop a new corporate vision centered on employee empowerment and recognition. The new vision of Reksa Motor Group is "to be recognized as a car and motorcycle service centre with highly skilled employees and excellent customer service by its middle income corporate and non-corporate clients in Gresik, Lamongan and Tuban" and "to become a working place that promotes technical skill and entrepreneurship for the employees." In support of the vision, SENADA worked with Reksa to develop a sales reward system that is coupled with stronger control mechanisms to monitor employee productivity.

The reward system has been highly effective in boosting its sales force's motivation and performance in the areas of sales and collection. Two months after implementing the new system, Reksa Motor Group has seen an increase in its financial performance, including a decrease in bad debt from 11.52 percent to 1.36 percent and a decrease in its working capital days from 45 to 29 days.

SENADA will continue to support the Reksa Motor Group to grow its company even further. SENADA plans to provide technical assistance in inventory management, cash management and budgeting systems. These activities are expected to optimize inventory levels and transactions control, and to result in greater profits and financial solvency.

Reksa Motor Group is one of more than 125 small and medium size firms that have benefited from direct technical assistance to date. SENADA aims to have assisted 600 firms by end of its project's term in 2009.

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SUCCESS STORY

TUNING UP THE BUSINESS PROCESS

USAID helps Mada Wikri Tunggal work on its productivity and efficiency to increase sales



Photo by: RCC-Jakarta/SENADA

Technicians from Mada Wikri Tunggal are building motorcycle components. More rigorous implementation of production standards has positively impacted the quality of products and promoted greater efficiency in production.

Both parties are committed to continue the process in 2007. Activities will be carried out to increase the company's profit margin by at least 10 percent by reducing overhead and administrative costs.

To learn more about SENADA, visit <http://www.senada.or.id>.

While increased fuel prices in Indonesia have reduced the demand for cars and car components, the motorcycle manufacturing industry of Indonesia is on the upsurge. Sales of motorcycles in Indonesia have more than tripled during the last 10 years (*source: A/SI*). The mix of opportunities and challenges suggests that only the smart industry players—whose emphasis is on efficiency, productivity and professionalism—can thrive in the market.

As an engine component producer supplying to branded motorcycle manufacturers, PT Mada Wikri Tunggal felt this pressure and was determined to take advantage of market opportunities. In April 2006, the company, which operates in Jakarta and Bandung, signed a Memorandum of Understanding with SENADA to improve the company's business.

After conducting a comprehensive assessment of PT Mada Wikri Tunggal, the SENADA team assisted the motorcycle parts company in developing an action plan to focus on priority areas of the business, including: (1) better client services and improved marketing to increase sales; (2) implementation of rigorous production standards to promote efficiency; and (3) Better understanding and utilization of financial data in making strategic decisions.

By implementing these plans and benefiting from strong markets, PT Mada Wikri Tunggal has increased its sales 37 percent, from IDR900m (USD100,000) in May 2006 to Rp.1.235b (USD 137,220) in Nov 2006. Notably, the productivity rate has also risen by 40% per month. The company's expansion has resulted in an increase in the number of employees from 131 to 145 during the six month period.

The collaboration between Mada Wikri Tunggal and SENADA does not stop there. Both parties are committed to continue the process in 2007. Activities will be carried out to increase the company's profit margin by at least 10 percent by reducing overhead and administrative costs.

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SUCCESS STORY

COMPETITIVENESS FOSTERED THROUGH PUBLIC-PRIVATE SECTOR DIALOGUE AND COOPERATION

USAID initiated West Java Regional Competitiveness Forum to address competitiveness issues in the Province



Photo: RCC Bandung

SENADA facilitated one of the workshops held by the West Java Regional Competitiveness Forum. Currently the Forum has over 150 members of various industry stakeholders.

“SENADA’s support to this forum has eased our efforts in improving competitiveness because many people have expressed their commitment to working together.”
Mrs. Tetty Kadi
Chairperson of FPDSR/Member of West Java House of Representatives

To learn more about SENADA, visit <http://www.senada.or.id>.

USAID/SENADA launched the *Forum Peningkatan Daya Saing Regional (FPDSR) Jawa Barat* (or West Java Regional Competitiveness Forum) in June 2006 to serve as a public-private sector alliance to exchange information, insights and ideas on how to best address industry-related competitiveness issues in West Java.

Currently, FPDSR is chaired by Mrs. Tetty Kadi—a parliament member of West Java House of Representatives—and has over 150 members representing industry companies and associations, government, NGOs and university professionals. SENADA supports the forum both through technical assistance and facilitation of some of the forum’s meetings.

FPDSR’s early achievements include the publication of a survey on West Java Competitiveness—endorsed by both SBM-ITB and West Java Provincial Office of Industry and Trade. Released to the public in October 2006, this survey outlined constraints and opportunities affecting core competitiveness in West Java.

FPDSR also worked with the British Chamber (BritCham) to co-host the *Singapore–West Java Business Forum*, which resulted in three West Javan garment companies receiving favorable interest from potential Singaporean buyers.

Most importantly, the FPDSR’s auto parts and footwear industry working groups have collaborated with SENADA in identifying core industry issues negatively affecting competitiveness throughout West Java. In December 2007, SENADA and FPDSR launched its first major intervention to expand access, penetration, and value of goods sold of small and medium West Javan automotive component manufacturers to both original equipment manufacturers (OEM) and the aftermarket.

As a result of SENADA’s initiative, the FPDSR has become a dynamic forum for business development in the region. The forum has raised awareness of its members of how important partnership is in fostering sustainable competitiveness. As expressed by Mrs. Tetty Kadi, *“SENADA support to this forum has eased our efforts in improving competitiveness because many people have expressed their commitment to working together.”*

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SUCCESS STORY

FOCUSED MARKETING EFFORTS RESULT IN NEW CLIENT CONTRACTS

SENADA helped Immedia Visi Solusi increase sales and reduce costs through aggressive marketing actions and optimizing its' supplier partnership.



Photo by: RCC Surabaya, SENADA

IVS is in the process of finalizing a website (www.sentraukm.com) to support local small and medium enterprises.

"I am impressed with the interactive approach of SENADA's strategic action planning process. It allowed my team to share their perspectives and utilized their input in developing solutions."

Atet Sugiharto
President Director

Immedia Visi Solusi (IVS) is an Internet Service Provider in Malang, East Java that has been in operation since 1997. Although the company attained early growth, heightened competition from new entrants resulted in difficulties in securing new client contracts and an increase of 35% unutilized bandwidth since 2006.

IVS's initial strategy to resolve this situation was to expand service coverage by building seven new Base Transceiver Stations. However, after meeting with SENADA in October 2006 to develop a Strategic Action Plan, IVS decided not to pursue this high-investment strategy and instead followed SENADA's recommendations to: 1). Enhance marketing activities throughout their current coverage areas; and 2). Utilize a local rather than an international network access provider.

To help IVS implement these changes, SENADA assisted in developing a marketing plan, trained its' sales force in effective selling techniques and provided guidance on creating more professional promotional materials.

Additionally, with SENADA's assistance, IVS is in the process of finalizing a website (www.sentraukm.com) to support local small and medium enterprises in their marketing efforts while at the same time promoting IVS's services.

Through these participatory efforts, IVS signed six new client contracts in January 2007, resulting in a much needed revenue boost of IDR 35 million per month.

In the next few months, IVS will begin transitioning towards sole utilization of locally provided bandwidth, which will substantially reduce its operating costs by at least 20% or IDR 20-30 million per month.

Immedia Visi Solusi is one of the 154 small and medium enterprises that have benefited from direct technical assistance to date.

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SS07e - March 2007



SUCCESS STORY

SENADA HELPS HALIMJAYA SAKTI STEP TOWARDS SUCCESS

SENADA’s technical assistance has helped Halimjaya Sakti strengthen its export marketing strategy to obtain a new buyer.



PT Halimjaya Sakti participated in the International Footwear Exhibition in Dusseldorf, Germany, last September.

“SENADA provided extremely valuable insight to ensure our firm was well-prepared to capitalize on participation in the 2006 GDS exhibition”
Mr. Handoko Halim
Marketing Director

Halimjaya Sakti is a footwear manufacturer in Surabaya, specializing in the production and sale of branded non-leather sport shoes, sandals and slippers under the name ANDO (Andalan Indonesia).

In August 2006, Halimjaya Sakti contacted SENADA to gain assistance in increasing sales, which had been declining since 2004. Through completion of a strategic action plan, SENADA identified a pressing need for Halimjaya Sakti to adopt a more proactive approach in marketing its products to potential international buyers.

This recommendation was well received and timely when Halimjaya Sakti received an invitation to participate in the International Footwear Exhibition (GDS) in Dusseldorf, Germany in September 2006. To help prepare for this event, SENADA worked closely with Mr. Handoko Halim, Halimjaya Sakti’s Marketing Director, by providing training on the use of promotional materials, display of product samples, development of an export buyer database and reviewing a letter of credit.

Through participation in this exhibition, Halimjaya Sakti returned to Indonesia with a request to send product samples to a potential Bulgarian-based buyer. Upon receipt of these samples, the buyer was satisfied with both the price and quality and agreed in December 2006 to purchase 33,840 pairs of men’s, ladies and children’s slippers worth USD \$43,591. On March 5th, Halimjaya Sakti shipped the order to the buyer and will receive the payment in full by the end of March.

These activities are part of SENADA’s on-going strategy to expand its breadth of assistance to strengthen the competitiveness of small and medium enterprises through training in trade fair preparation and export planning, policies and procedures.

Halimjaya Sakti is one of the 154 small and medium enterprises that have benefited from direct technical assistance to date.

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SUCCESS STORY

GETTING BUSINESS OUT OF THE INFORMAL ECONOMY

SENADA's business licensing initiative in Sidoarjo resulted in the district's dramatic increase in business registrations.



Photo: RCC Surabaya

Officials from the Office of Licensing and Investment, Sidoarjo, assisting business people in formalizing their businesses.

“This is a significant result. Previously, we issued on average 30 business licenses a day, but after the village-level socialization, the number has significantly increased. Now we issue around 100 business licenses a day”
Didiek Setyono.
Head of the Office of Licensing and Investment, Sidoarjo District.

To learn more about SENADA, visit <http://www.senada.or.id>.

The development of one-stop licensing services in Indonesia is an important on-going effort to improve the enabling environment for small and medium enterprises. Up to now, much of the effort has been focused on simplifying and rationalizing government processes. Despite such improvements, the vast majority of small businesses remain unregistered, and hence constrained to the informal economy.

SENADA has successfully addressed this problem by working with small businesses to understand the benefits and processes of formalization and to directly assist them with their business license applications.

The pilot program for this initiative is in Sidoarjo, the industrial district adjacent to Surabaya with an operational one-stop shop (OSS).

Working closely with the local government and a local business association, SENADA has used a variety of mechanisms to increase small business registrations in the district. Initially the media has been used to raise awareness through public service announcements, radio-talk shows and a cartoon-poster campaign.

This is followed by visits to small and medium enterprises households at the village level at night, and also a training workshop to highlight the benefits of registration and to directly assist businesses with their applications. Finally officials from OSS-Sidoarjo setup a one-day clinic at the sub-district level where the local businesses were registered on the spot.

So far the program has been completed in just one sub-district, Taman – the second largest sub-district of Sidoarjo. During the one-day licensing clinic in March, 192 business licenses were issued, more than the sub-district's total annual license issuance for 2006 (191 licenses), and more than half the monthly average for 2006 for the entire district of Sidoarjo (305 licenses).

As SENADA and its partners roll out their business licensing promotion activities across nine other sub-districts, Sidoarjo will see a dramatic increase in business registrations, which will flow through to improved formal investment and employment in the district.

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SS09e – March 2007

SUCCESS STORY

SENADA HELPS CV MULIA ENTER A NEW MARKET WITH A NEW PRODUCT LINE

SENADA's technical assistance has helped CV Mulia diversify products and customers, resulting in greater profit.



Photo: RCC-Jakarta, SENADA

A worker in CV Mulia is working on one of the military shoes produced by the company.

“We are pleased with SENADA's assistance. Now there have been a lot of changes in CV Mulia, in terms of mind set and the way we view our business. With SENADA, we have a reliable counterpart with whom we can discuss our efforts to improve our company.”

Mr. Muhammad Rifqi Alam
Marketing Manager

To learn more about SENADA, visit <http://www.senada.or.id>.

When CV Mulia, a footwear producer in Bogor, began cooperation with SENADA last May, the company was struggling with narrow margins and a shortage of high-quality leather.

CV Mulia's weak bargaining position with the Indonesian military, which accounted for 75% of sales, did not allow the company to incorporate the rising cost of high-quality leather into its sale price, shrinking profits.

In addition, the supply of high-quality leather demanded by the client became increasingly erratic as various producers competed for supply.

SENADA counseled the company to expand their client base to include consumers of fashion shoes. This would relieve their dependency on their increasingly low-margin military products, as well as provide opportunity to use different materials and diversify suppliers.

SENADA laid out a plan of action that detailed the steps the company would need to take to accomplish this market shift, as well as strengthen internal operations and financial systems for longer term health.

SENADA also worked with CV Mulia to create a Marketing Plan and assisted in developing a brand for the new fashion shoe line, called Gazzale.

The company has now implemented much of the Strategic Action Plan and Marketing Plan developed with SENADA assistance, and made entry into this competitive marketplace. It has sold 2,500 pairs of Gazzale “fashion” shoes, valued at approximately USD 22,000.

In doing so, the company has found an initial market for their new product lines, which uses more stable and margin friendly materials, such as synthetic leather.

CV Mulia is one of the 154 small and medium enterprises that have benefited from SENADA direct technical assistance to date.

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SUCCESS STORY

BUILDING A MORE COMPETITIVE POSITION THROUGH NEW PRODUCT DEVELOPMENT

SENADA helped Amico increase sales and reduce cost of goods sold through production of wood floor tiling.



Workers of Amico take the extra effort to ensure that all products meet the requirement from local and international buyers.

“SENADA’s assistance was very useful in helping our firm convert previously unused materials into a new product that has increased sales.”

Mr. Muslichin
Director of Amico

Amico, a furniture export company in Semarang, has specialized in the production and sale of teakwood dining tables, cabinets, and chairs since 1997.

Although Amico has continued to position itself successfully as a provider of high-quality, individually crafted household furniture, it faced increasing competition from other local manufacturers throughout 2006.

This situation culminated in an unproductive “price war” between many furniture producers in the region and resulted in a decline in Amico’s sales and gross profit margin.

To help improve their market competitiveness, Amico contacted SENADA in September 2006. Through an analysis of the firm’s operations and finances, SENADA identified that the firm’s cost of goods sold was high due to a large percentage of raw materials being discarded as scrap.

To resolve this, SENADA recommended expanding their product portfolio by using scrap materials. After discussions with Mr. Muslichin, Director of Amico, a decision was made to produce wood floor tiling.

Following production trials, Amico began soliciting clients and received a USD40,000 order in December 2006 for a container of wood floor tiling from an Italian buyer. Upon receipt, this buyer was satisfied with both the quality and price and agreed to purchase a container of the same value every two months.

In response to this sales increase, Mr. Muslichin stated “I am very grateful to both USAID and SENADA for providing us with valuable strategic advice. I found the SENADA consultants that worked with me to be smart, energetic and able to identify applicable business solutions. I hope my sales and profit will continue to increase by implementing their recommendations and I can re-hire the employees I had to previously lay off.”

Amico is one of the 154 small and medium enterprises that have benefited from SENADA direct technical assistance to date.

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SUCCESS STORY

SENADA FOOTWEAR CLIENT DELIVERS BIG PRODUCTIVITY GAINS

SENADA helped Kharisma Indonesia to improve efficiency and decrease quality rejects while reducing average production time from 3 weeks to 7 days.



Photo by: RCC Surabaya, SENADA

“SENADA’s assistance was instrumental in helping our firm to increase its productivity and decreasing the number of shoes that were rejected for quality reasons. Our staff have benefited and we are continually experimenting with new ideas as a result of the guidance SENADA provided.”

Amin Salim
Owner

Footwear manufacturer PT. Kharisma Indonesia was faced with many problems common to manufacturers in Indonesia when SENADA began working with them in the summer of 2006. Sales were stagnant or declining and profit margins were less than forecasted.

The full capacity of the firm was not being utilized and quality of products was suffering. The company’s production cycle was less competitive than its competitors’, resulting in missed opportunities for sales to clients that demanded quick turnaround and delivery.

With extensive assistance from SENADA experts, owner Amin Salim was able to introduce a wide range of improvements to his business that helped turn this negative scenario around.

While SENADA interventions focused on improving overall productivity, working with SENADA Mr. Salim and his senior management team also learned to communicate with one another more openly and to think more strategically about how the various elements of their production process were linked together.

In the eleven months that PT. Kharisma Indonesia worked with SENADA, dramatic results have occurred, and Mr. Salim testifies to continued and ongoing improvements to the business. The entire production cycle was reduced from nearly three weeks to only seven days, through improvements to production processes, efficiency gains, and better utilization of the workforce.

This quicker production time has resulted in more sales to clients that need quick turnaround time, and has increased PT. Kharisma’s profit margin compared to last year. More effective teamwork and communication among PT. Kharisma’s management team has resulted in more efficient utilization of labor and has helped to reduce the rejection rate on finished products for quality reasons, resulting in overall cost savings to the firm.

In addition, SENADA introduced Kharisma to several new European buyers and helped prepare the firm for participation in the GDS International Footwear Exhibition in Germany.

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SUCCESS STORY

SENADA CLIENTS SEE TRADE FAIR SALES TAKE OFF



Photo: Wisanka

Thanks to SENADA's help we were better prepared than ever before for the spoga International Trade Fair, and were able to negotiate a letter of credit for a sale worth millions."

Wisnu Broto

Owner

Rimba Sentosa

Indonesian furniture manufacturers hoping to increase their export sales face daunting barriers. Securing opportunities to participate in trade shows can be a lengthy process, with disappointing results for exhibitors who fail to engage buyers' interest. Manufacturers from other countries offer stiff competition for Indonesian-made products.

To assist manufacturers to surmount these difficulties, SENADA signed an MOU with SIPPO (the Swiss Import Promotion Programme) to facilitate the participation of three furniture producers in the 2007 spoga International Trade Fair in Cologne, Germany.

SENADA selected three wood furniture producers able to meet "green" and regulatory requirements on wood sourcing. Thanks to SENADA's assistance, the companies were approved by SIPPO to participate in spoga 2007; had the companies gone directly to SIPPO themselves it would have taken at least a year to qualify for the opportunity.

SENADA helped the manufacturers to prepare by providing guidance on booth and sample preparation, promotional planning, pricing strategy, relations with buyers, shipping practicalities, L/Cs, and more.

All three companies achieved dramatically improved results over their past trade fair experiences, with almost US\$3 million worth of new orders. Surya Gemilar, which had previously attended a show in Shenzhen, China but gotten no orders, obtained an order from a German buyer for four containers with a value of USD 40,000. Rimba Sentosa not only nearly quintupled their previous record for trade fair sales (USD 500,000 at spoga 1997, compared to euro 1.5 million at spoga 2007), but also reached price agreements for future orders with buyers from Greece and Germany. Wisanka had last participated in spoga in 1998, obtaining USD 72,000 in orders from buyers in three countries; during spoga 2007 Wisanka achieved USD 150,000 in orders from buyers in three countries: France, Belgium, and the US.

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SUCCESS STORY

COMPANIES EAGER TO IMPROVE QUALITY SIGN UP FOR SENADA'S QSEAL INITIATIVE



“QSEAL protects consumers and OEM buyers alike by separating high-quality, low-priced, locally produced parts from poor quality imitation component manufacturers that have little or no appreciation of quality.”

— *Yayat Ruhiyat*
President, ASBEKINDO

The term “competitiveness” may seem synonymous with “increasing exports,” but in the Indonesian automotive parts industry, the battle to increase competitiveness is being fought right at home in the domestic market. Indonesia has experienced rapid growth in the production and sales of two- and four-wheeled vehicles, and as a result more vehicles on the road have exceeded their original warranties. This in turn has increased demand for non-original auto parts — a market that foreign suppliers are ready to supply with cheap, low-quality parts. To lure consumers away from these imports, domestic auto parts manufacturers need a strategy to convince them that their best choice for quality and affordability is a made-in-Indonesia product.

SENADA worked with Indonesia’s key players in the auto parts aftermarket to meet this need by developing QSEAL, Indonesia’s first national seal of quality for domestic automotive component producers. QSEAL is the result of collaboration among the Indonesia Automotive Center (SOI), the Indonesian Automotive Engineers Association (IATO), and the Indonesian Service Station Association (ASBEKINDO).

Under the QSEAL program, SOI and IATO experts have developed a set of quality standards that fulfill a realistic subset of OEM (original equipment manufacturer) standards. Companies that wish to participate in QSEAL must pass independently verified product and process certification tests before their products receive the QSEAL label.

QSEAL was launched on 7 May with three firms immediately signing up (PT Fuboru Indonesia, PT Cipta Kreasi Prima Muda, and PT Indta Pratamajaya). Following independently provided technical assistance designed to bring them up to standard, SOI will audit and certify their products and processes for QSEAL certification. As an added benefit, these firms will be better positioned to take the additional steps needed to fulfill OEM requirements. They may also use ASBEKINDO as a marketing channel for their QSEAL products, which will appeal to consumers by offering a combination of quality, price, availability, and safety.

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SUCCESS STORY

GREEN CERTIFICATION PRODUCES DRAMATIC RESULTS



“VLO certification has opened a wider market for us. We’ve already acquired a better reputation and appreciation from many parties, including buyers. We’ve been given more opportunities to work on projects and we’ve raised prices with one buyer by 3 to 5 percent.”

*— Jajag Suryoputro
Owner/Manager, Jawa Furni
Lestari*

When SENADA began assisting Indonesian wood furniture companies to achieve green certifications, many participating firms were focused on a simple outcome: more sales at higher prices. But if Jawa Furni Lestari – the first Indonesian furniture company to secure Verification of Legal Origin (VLO) certification with help from SENADA – is a guide, companies stand to achieve this goal and much more.

Recognizing that Indonesian firms that hope to compete internationally must “go green,” SENADA has been facilitating the efforts of 40 wood furniture firms in Central and East Java and Yogyakarta to obtain VLO certification (and ultimately full green certifications from the Forest Stewardship Council) based on the standards accepted in major target markets such as the US and EU. TUV Rheinland, the Rainforest Alliance/ SmartWood and SGS are collaborating with SENADA to provide the technical assistance companies require and to serve as third-party certifiers.

The Central Java firm Jawa Furni Lestari was the first company to obtain VLO certification, beginning work with SENADA in Fall 2007. With its own funds, it hired TUV to conduct an audit in February, becoming certified in time to incorporate the certification into its preparations for Jakarta’s International Furniture and Craft Fair (IFFINA) in March.

Results were dramatic. Jawa Furni Lestari drew a far more rewarding response from buyers than it had at comparable exhibitions in 2006 and 2007. The company obtained 48 appointments with buyers (compared to its previous record of 31), US\$ 560,000 worth of orders filling an estimated forty 40’ containers (cf US\$ 216,000 and 17 40’ containers) and a minimum of 24 repeat orders (cf 10). Moreover, buyer interest in the past was based partly on low prices; at IFFINA buyers identified certification as a draw, instead of low price.

Jawa Furni Lestari also reports that preparing for the certification audit spurred them to improve management and production efficiency, management knowledge and marketing strategy – traits that will serve Jawa Furni Lestari well as it grows its business.

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SUCCESS STORY

FIRMS USE SENADA'S SOFTWARE TO REWARD THE BEST AND HELP THEIR WORST SUBCONTRACTORS



“The prototype software made it possible for us to reward good performance with more orders and provide constructive feedback to poorly performing subcontractors with advice on how to improve.”

*—Bapak Heru
Owner/Manager, Golfer*

A manufacturing firm's productivity is constrained by the performance of its subcontractors. The manufacturer will be stymied if intermediate goods and materials fail to arrive on time, are of less than the specified quality, or contain an unacceptably high level of defects.

But when working with multiple subcontractors, keeping track of who is performing best and whose performance quality is trending up or down is not a simple matter. Lead firm managers are awash in data that they cannot use if they have no way to record and analyze it.

SENADA's Knowledge Development and IT experts worked together with lead firms representing several light manufacturing industries to create a solution to this problem, by developing prototype software and accompanying training materials/protocols that enable lead firms to manage data on subcontractor performance and use it to modify their business operations accordingly. (The application was developed by a local software company, and the software will ultimately be included in their flagship Enterprise Resource Planning suite that will be commercially available for the Indonesian SME market.)

One firm involved in the prototype testing was footwear company Golfer, which used the software to identify and correct its subcontractor problems. After inputting all the data, the company discovered which of its subcontracting firms had the best performance record, and transferred more orders to this manufacturer. At the same time, PT Golfer identified the worst-performing subcontractor, reduced its orders with this firm, and provided detailed feedback on the problems so that the firm managers knew what they needed to do to improve and win back more business.

Ultimately, the poorly performing firm reduced its defect rate and improved its delivery time, bringing its performance to acceptable levels and ensuring that PT Golfer maintained a range of subcontractors to rely on.

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SUCCESS STORY

SENADA TASK FORCE PROFESSIONALIZES 12 COMPANY WEBSITES IN RECORD TIME



“This website is now able to highlight the quality of our products and helps companies to achieve, in the eyes of buyers, a respected position in the industry.”

— Budi Virgono

Owner, PT Lunar Mulia Kreasi

There is only one thing worse than a company without a website that has aspirations to export its products: a firm with a poorly designed, badly presented site. An unprofessional website sends the message to potential overseas customers “this company is not ready to meet international standards.”

With this in mind, SENADA assisted a group of home furnishings companies from Yogyakarta and Central Java, banded together under the “Eco Exotic” initiative, prepare for international scrutiny as they launched Eco Exotic at the Las Vegas World Market from 28 July to 1 August. A review of the company websites six weeks in advance revealed that none of the companies had sites that were ready for the attention Eco Exotic would generate from international buyers.

The short timeframe called for aggressive action. Typically, a company should allot two or three months to website design. With only half that time available, SENADA mobilized a task force and set an ambitious goal of quickly bringing the websites of 12 home furnishings companies to international standards (the firms included nine Eco Exotic members and three additional companies in the same value chain that were poised to benefit from an immediate website upgrade).

Using a tightly focused, carefully scheduled approach, the task force evaluated the effectiveness of existing sites, invited and assessed bids from the best web designers in Yogya, and chose the top two designers. The task force established common standards and features for each website and divided the work between the two designers to maximize the speed and quality of results. Simultaneously, the task force educated executives from the home furnishings companies on the importance of internet promotion and marketing.

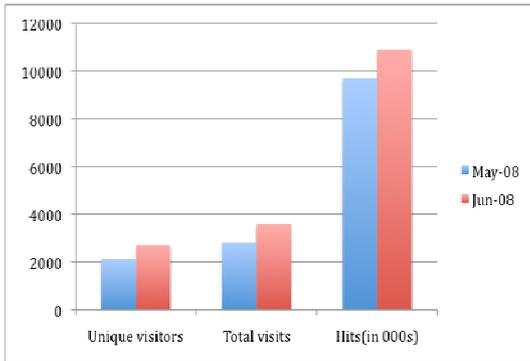
The effort was a success, with twelve appealing websites up and running in time for the Eco Exotic launch. The sites were designed using a content management system that allows the companies to easily update their websites as needed. Planned follow-on activities will train companies on search engine optimization, viral marketing, and other aspects of internet promotion, thus ensuring that the newly designed sites become an integral feature of the companies’ future marketing efforts.

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SUCCESS STORY

SENADA OVERCOMES BARRIERS TO CREATING A SUSTAINABLE WEB-BASED TRADE PORTAL



Utilization of the website jumped immediately upon launch of the new content on 3 June, 2008.

In the exceptionally competitive global market for garment and textile products, Indonesian producers cannot afford to overlook any tool that will bring them into closer, faster contact with potential buyers. A web portal that provides knowledge and also acts as a marketplace where buyers and producers can interact is essential.

But until earlier this year, Indonesia's textile and garment industry was without such a trade portal. The barriers were not technical ones, but rather related to obtaining the resources for designing a web portal and creating a self-sustaining business model.

SENADA teamed with dedicated industry leader Mr. Redma, director of the company Gaindo Pratama and an industry and trade analyst for the Indonesian Textile Producers Association (API), to overcome these barriers and launch a trade portal that not only features up-to-the-moment leads for buyers and sellers alike, but sustains itself through member fees and advertising revenue.

SENADA supplied the needed technical assistance to develop Mr. Redma's existing self-financed textile news site, www.indotextiles.com, into a full-fledged, economically viable trade resource. The web development company Pisang Raja was hired to complete the technical design of the site, and SENADA provided project management assistance to help Mr. Redma and API create a sustainable business model.

The result is a comprehensive site launched on 3 June, 2008. It has 636 members and has quickly built up a database of over 1,300 companies. The home page features buying and selling leads as well as advertisements from a range of industry players. Users report that, aside from news, the most helpful features are the "Featured Company" and "Product Development" sections. For example, one firm, PT Fransputratex, has used the site to launch their new "Quick-Dry" fabric technology. Within three months of the launch, 620 products were added and the buying and selling leads posted valued more than US\$ 100 million in potential transactions.

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SUCCESS STORY

WOOD FURNITURE INDUSTRY EXCEEDS SENADA'S CERTIFICATION TARGET AND SHOWCASES BENEFITS



“Not only are companies better managed through the VLO or COC-FSC programs, they also benefit from the market incentives that will drive certification in Indonesia. And as more companies become certified, this will show the world that the Indonesian furniture industry does not contribute to illegal logging.”

*— Johannes Sumarno
Head of ASMINDO East Java
(Indonesian Furniture and Handicrafts Association)*

To learn more about SENADA, visit <http://www.senada.or.id>.

When SENADA launched its Wood Certification Program in July 2007, stakeholders were optimistic about the program's potential. SENADA's efforts to educate Indonesian wood furniture manufacturers about the need to “go green” in order to tap lucrative international markets had already begun to generate enthusiasm among producers. After a year of operation, SENADA has significantly surpassed its original goal of enabling 12 firms to obtain Verification of Legal Origin (VLO) or Forest Stewardship Council (FSC) certification by September 2008.

The success of the program owes to SENADA's involvement with various key actors linked to the sustainable furniture value chain. The program has centered on 40 wood furniture companies in Central and East Java and Yogyakarta to implement a “timber progression program” required for certification. SENADA also assisted five internationally recognized certification bodies, including Smartwood, SGS, TUV, BM Trada and BVQI, in better serving the potential growth market of furniture firms here in Indonesia (certification programs tend to focus more on the upstream timber industry). Finally, SENADA has partnered with Indonesia's wood furniture association, ASMINDO, in educating the sector on the benefits of wood certification.

Eleven of the firms have secured VLO certification while six have obtained FSC, and the results have been immediate. The firms are experiencing direct benefits through increased sales at higher prices, but they also note that the audit process helped them to make their production processes more efficient, leading to unintended direct positive impacts on their operations and bottom lines. Moreover, these companies are now models that are inspiring other companies to redouble their efforts so they can reap similar rewards and avoid being left behind.

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SUCCESS STORY

DEMAND FOR NEW FABRIC HANDBOOK OUTSTRIPS EXPECTATIONS



“This book will strengthen the foundations of the garment industry and will create communication between upstream and downstream actors, so that using locally produced materials is not just a slogan but is truly applied, helping Indonesia to improve its competitiveness and its share of world markets.”

*– Ade Sudrajat
Vice Chairman,
Assosiasi Pertekstilan Indonesia
(API)*

A major challenge to Indonesia’s garment industry is to provide international buyers with a fuller package of integrated services. Among the most important of these services is sourcing fabrics that meet exacting international standards. The SENADA-assisted Garment Partnership Indonesia (GPI), working with Sekolah Tinggi Teknologi Textil (STTT), took the first step in meeting this challenge by creating a complete fabric handbook.

The *Fabric Sourcing Handbook* was compiled by STTT experts as a training tool to be used in GPI’s Executive Development Training program. It contains comprehensive fabric information, including explanations of materials, weaves, and yarns, along with the processes used to create them and evaluations of relative quality. Fabric swatches bring the text to life, while a glossary of technical terms ensures readers will understand the content. The goal of the book – the first of its kind in Indonesia – is to make it easier for the garment industry to source fabric knowledgeably and quickly, at the same time it encourages the use of locally supplied fabric (80 percent of the fabric currently used by Indonesian garment makers is imported). To that end, the book includes a complete vendor database of Indonesian fabric suppliers.

Demand for the book was instantaneous and went beyond the original target market. Eighteen copies were sold at the launching event at STTT in Bandung, and queries quickly began to pour in from other sources, such as the buying agent Linmark (which requested a copy for their Thailand office) and even the American retail giant Wal-Mart. The book was initially published in Bahasa Indonesia but due to the diverse demand, GPI now plans to produce and sell an English version which will be ready in April 2009 and which has already been advance ordered by several eager purchasers.

STTT has also reaped rewards from their role in producing the handbook. Representatives of the school note that thanks to their participation, they have strengthened ties with Indonesian garment manufacturers, which is helping their placement efforts for new school graduates.

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SUCCESS STORY

WINNERS OF iMULAI COMPETITION PROVE THAT INNOVATION IS GOOD BUSINESS



TOP TO BOTTOM: An advertisement for ITS's Consload software; an employee demonstrates PT Sentra Solusi's mobile inventory application; and a display of PT Dycode's PortMAP software on CD with collateral materials.

When SENADA, Microsoft Indonesia and USAID launched the iMULAI competition in November 2007, the goal was much broader than simply selecting and funding three worthy proposals for innovative business solutions. The larger vision was not only to help the winners bring their ideas to fruition, but to provide evidence to the business community at large that innovation is key to Indonesia's future economic development.

Now that the three winners have received their awards and completed their grant activities, this proof is in place. The three new products that the winners are bringing to market will not only benefit the customers that purchase them, they will also contribute to the healthy business operations of the winning companies.

Each of the companies used technological innovations to solve a different business problem. Winner PT Dycode developed an application called PortMAP that manages a wide variety of port activities, including docking schedules, cargo loading, berthing times and departure dates so Indonesian ports can raise their performance to international standards. The Batam Port Authority is now implementing PortMAP in six ports. Heri Kafianto, head of the Batam Port Office's Commercial Unit, has announced that if this process is successful the Port Authority is committed to instituting PortMAP at all 111 ports on Batam Island.

The Laboratory of Logistics and Supply Chain Management at ITS (Institut Teknologi Sepuluh Nopember), also an iMULAI winner, used its grant to create software that allows shipping and logistics services providers to consolidate and ship the products of small firms more efficiently, resulting in cost savings for SMEs. This software, called Consload, has just been introduced to logistics services providers and is now available for sale.

The third winner, PT Sentra Solusi, developed a mobile application using RFID (radio frequency identification) technology to allow companies to conduct up-to-the-minute inventories. The application is now commercially available, and the companies that field-tested it have both opted to fully install all the modules that the application offers.

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