Boosting the Performance of Convection Creative Industry Through Supply Chain Management and Brand Image Enhancement

Rabiatul Adwiyah, Cici Cintyawati*, Firly
Firmansyah, Febby Mustikawati, Siti Fatimah
Faculty of Economics and Business
Universitas Islam Bandung
Bandung, Indonesia
*cici.cintyawati94@gmail.com

Vina Islami
Faculty of Economics and Business
Universitas Bina Sarana Informatika
Bandung, Indonesia

Abstract—**In this 21st century era, creative industry has been recognizing as a new Indonesian economic driver, especially textile industry that are forecasted to give positive trend in the future. Bandung, where is known as Creative City with great number of textile companies, has gathered more intention since many SMEs in textile industries try to develop their business in this city. This paper attempts to bring a better economic development for SMEs business in Bandung by revealing Supply Chain Management (SCM) application and Brand Image as crucial factors that brings big impacts to the textile SMEs' performance. Quantitative analysis has been performed, supported by the literature review process to give better understanding about the causal relationship among those variables. The Partial Least Square result then exposes that among the SCM practices in textile SMEs' companies, quality of information sharing emerges as the most influential factor that enhances the SMEs' performance, followed by customer relationship, information sharing, quality information exchange' and 'lean production'. Besides of SCM, brand image also has impact to the textile SMEs' performance in Bandung.**

Keywords: brand image, supply chain management, creative industry, SMEs' performance

I. INTRODUCTION

Creative industry is one of the fastest growing industries in Indonesia. This industry was experiencing high growth in the last decades. As reported by the Indonesia Creative Industry Study, in the period of 2013-2018, the average contribution of Indonesia's creative industries GDP reached 7.38 percent of the total National GDP. The value of exports of creative industries contributing 9.71 percent to the total value of national exports with employment reaching 5.4 million workers [1].

Bandung as one of the creative cities in Indonesia has a great contribution to the growth of creative industry in Indonesia. The creative industry in Bandung is estimated to grow up to 30% until the end of 2018. This fact then makes Bandung becomes a barometer of the creative industry, especially in the convection industry. Based on the results of SE2018 listing, convection business occupies 5 from 28 processing industry products with high potential and competitiveness. Beside of that, the number of clothing convection businesses in Bandung is the most, reaching 10,109 businesses [2].

Considering those convection industry facts, today's convection businesses have become extremely complex. This condition then is followed by the other fact that today's consumers have become more selective in choosing the product [3]. These conditions become big obstacles for the SMEs in the creative convention industry in Bandung who still has limited brand image and supply chain management practice. Meanwhile, strengthens the brand image [4] and SCM practice [3] in the convection company becomes an important step since it can help in bringing a great performance of the company.

To improve that brand image and SCM Practices, management is needed, both internally and externally. The relationship between suppliers, customers, and company itself must be managed properly. The highlight points that need to be managed properly are including how can suppliers be responsible for product quality, good and long-term relationships with suppliers and customers, and for product distribution from upstream to downstream in time to the end user. Both brand image and SCM practices have essential impact to the performance of the creative industry players, so it may accelerate the growth of the industry [3].

By bringing the issues above, the aim of this research is to optimize the performance of creative industry by analyzing the impact of SCM practice and brand image on the convection firm's performance.

II. LITERATURE REVIEW

This research was strengthened from several previous studies which suggested that SCM has influence on the company performance. Instead of SCM practice, brand image also is predicted can be one of factors with has positive impact on the company performance.

A. Supply Chain Management

Supply Chain Management is an activity of processing raw materials into semi-finished or finished goods then deliver the products to the customers through a distribution system. This activity covers the purchasing function related to suppliers and distributors [5]. Supply Chain Management or integrated supply chains consist of following indicators [6]:

1) Strategic Supplier Partnership (SSP): Strategic supplier partnership is defined as a long-term relationship between a company and its suppliers. It aims to improve the strategy and operational capabilities of the company to achieve expected goals [7].

2) Customer Relationship (CR): Customer relationship is a collection of practices aimed at managing customer complaints, building good long-term relationships with customers, and increasing customer satisfaction [7].

3) Information Sharing (IS): Information sharing refers to how far important information is communicated with business partners [7]. Sharing information between business partners can be in form of strategic tactics, general market conditions, and information about customers. By exchanging information between members in the supply chain, so that information can be used as a source of competitive advantage.

4) Quality of Information Sharing (QIS): Quality of Information Sharing includes the accuracy, frequency, adequacy, and reliability of information exchanges among company and its suppliers. The right information is very important in decision making since it will determine how successful the company is in the future [7].

By reviewing literature about SCM practice, the researchers found that each SCM indicators has positive impact on the company performance as summarize in the figure above.

Fig. 1. Literature review on selected SCM practices (3).

From the literature review above, the researchers take hypotheses as below:

H1: SCM which is measured by SSP, CR, IS, and QIS have positive impact on the company performance (CP).

B. Brand Image

Brand Image refers to schematic memory of a brand. It contains the target market's interpretation of the product's attributes, benefits, usage situations, users, and manufacturer / marketer characteristics. It is what people think of bloomers and fees when they hear or see a brand name [8]. Based on the theory, companies must maximize their efforts to create a good brand image. It will relate to what people think and feel, not only about the benefits of the product, but also the characteristics of producers or marketers.

Some indicators used to measure Brand Image are recognition (how far the customers are recognizing the brand), reputation (track record of the brand), and affinity (an emotional relationship that arises between a brand and its consumers) [9]. The higher the value of those indicators, the higher the brand performance of the company. Then, the good result of brand performance is expected impact on the good result of the firm performance [10].

C. Company (Firm) Performance

Company performance (CP) refers to how a firm achieve their objectives [10]. Indicators of company performance are including market share, return on assets or capital, average selling price compared to competitors, overall product quality, overall competitive position, and overall level of customer service [11]. The CP in this study is measured using indicators of financial performance like profit, growth rate and market share [3].

III. RESEARCH METHOD

The design of this study is a cross-sectional study using closed-ended questionnaire. The 19 indicators of SCM [6] and 4 indicators of brand image [9] were identified as independent variables. A review of numerous constructs in relation to companies' performance have been used as dependent variable. The correlate variable was assessed by adapting a comprehensive, generic, and short questionnaire using Likert Scale. This construct integrates essential attributes of companies' performance mentioned above to be linked in with SCM practice and brand image of companies studied.

A. Sampling and Population

The selection of the sample is deliberate by using purposive sampling using several criteria as below.

- Convection companies in Bandung with at least have five years business license from 2013-2018.

- Has distribution channels in more than two modes (patterns).

Here is the equation to determine the number of samples using Slovin formula:

$$n = N / (1 + (N \times e^2))$$

Notes:

N = population = 409
e = limit of error = 0.05

So, here is the result for the sampling calculation"

n = 409/ (1+ (409x 0,05²))
  = 9,7 or 10 companies

Participation was voluntary and respondents were anonymous. A letter of introduction, informed consent, and purpose of the study accompanied the survey.

B. Research Tools

In this research, Partial Least Square (PLS) approach is used as a tool of analysis to bring more predictive approach and can also be used to explain the presence or absence of relationships between latent variables [12].

C. Data Analysis

Data analysis methods in this study are divided into two types which are descriptive statistics and inferential statistical analysis. By using descriptive analysis, the data comes from the answers given by respondents to the items contained in the questionnaire. Furthermore, researchers will process existing data by grouped and tabulated and then given an explanation. Then, in accordance with the hypotheses that have been formulated, in this study inferential statistical data analysis is measured using SmartPLS software (Partial Least Square) starting from the measurement model (outer model), structure model (inner model) and hypothesis testing.

D. Structural Model of the Research

By using data from the 10 convection companies in Bandung, researchers will make a structural model that will be used to determine the effect of Supply Chain Management and Brand Image on the performance of the ten convection companies as explain in the figure below.
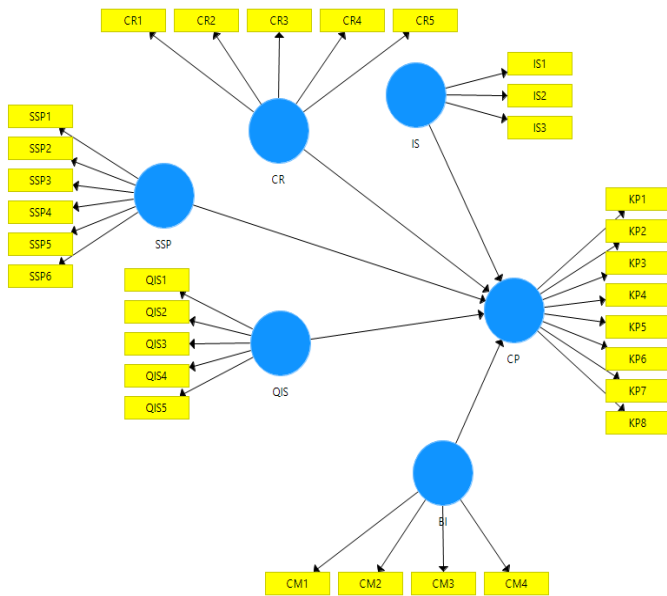

Fig. 2. Structural model.

The structural model consists of 3 latent variables, namely Supply Chain Management which has 4 dimensions (Strategic Supplier Partnership, Customer Relationship, Information Sharing, and Quality of Information Sharing) and 19 indicators, Brand Image which has 2 main dimensions (Customer Awareness about the Brand and Brand Quality Image) and 4 indicators. The five dimensions are the variable X which is predicted to have positive impact on the variable Y (Company Performance) which consists of two dimensions (Financial Performance and Operational Performance) and 8 indicators.

IV. RESULTS AND DISCUSSION

By using the structural model that has been made previously, the following figure explain the results of PLS and it shows the value of factor loadings of each indicator used in the study.
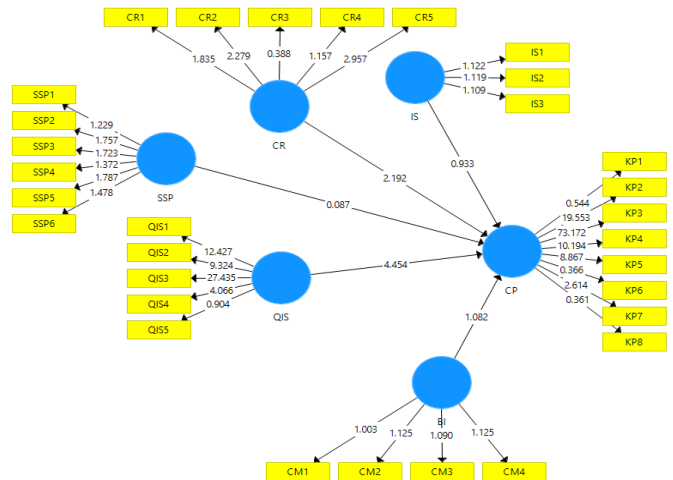

Fig. 3. The first PLS result.

The first PLS result shows, there are several indicators that have factor loadings of less than 0.7, including CR3, KP1, KP6, and KP8 indicators. To provide an optimal PLS results, indicators with factor loadings less than 0.7 must be removed from the model one by one, starting from the factor loadings that have the lowest values. This step is doned continuously until no indicators with factor loadings less than 0.7. After removing those indicators, here is the final result of PLS with factor loadings more than 0.7.
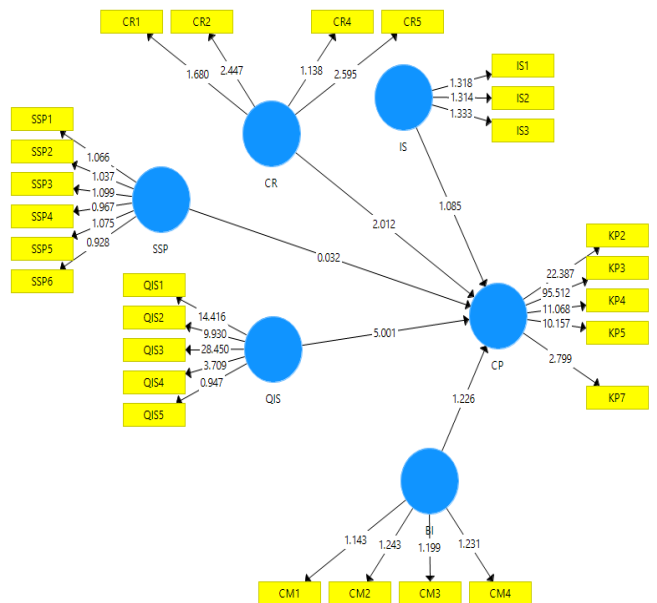

Fig. 4. The final resulf of PLS.

In the final results of the PLS model above, it appears that there are no indicators with factor loadings less than 0.7. It means, all indicators studied are valid, so the next step is to look at the relationships or correlations between the X and Y variables. In PLS, the correlation between the variables studied can be determined by looking at the following total effects figure.

	Original Sampl...	Sample Mean (...	P Values
Brand Image - ...	0.391	0.240	0.020
Customers' Rel...	0.279	0.252	0.031
Information Sh...	0.256	0.137	0.029
Quality of Infor...	0.341	0.352	0.000
Strategic Suppl...	0.203	0.100	0.017

Source: Data Processing Result

Fig. 5. Total effects.

The results of this study suggest that SCMs have positive impact on the CP.

A. Correlation Among Variables

The table above shows the correlation values between the following variables.

1) Strategic Supplier Partnership (SSP): The relationship among Strategic Supplier Partnership (SSP) and Company Performance (CP) shows significant results and the original sample estimate value is positive at 0.203. This result was supported by the fact that most of the studied companies have long-term partnerships with their suppliers to get better price from the supplier. This result was supported by the previous researches state that good partnership among company and its suppliers can increase company's competitive advantages to enhance its performance [13].

2) Customer Relationship (CR): CR has significant result with original sample estimate value is positive at 0.279 with positive impact on the CP. If we see at the path coefficient result in the table above, CR seems has a very strong impact on the CM. The reason could be that for convection companies that are in the SME class or even MSMEs like companies that are the object of this research, maintaining relationships with consumers has a great influence in improving company performance. To attract many consumers, they must be more able to establish good relationships with consumers in order to increase consumer trust and loyalty. Loyal consumers will affect the company's sales level which will indirectly improve financial performance (profit) and company operations (market share).

The result above is in line with researches conducted by Ranjan in 2010 and [3] and other researchers that strengthen the prove about the positive impact of CR on the company performance (CP). CR is enabling companies to fulfill their customers satisfaction which leads to the development of its performance [3,14].

3) Information Sharing (IS): Correlation results between Information Sharing with Company Performance shows significant results. The direction of its relationship is positive with value is 0.256. One of the possible reasons for this result might be that coordination among company and its partners in terms of providing information needed can makes the supply chain process becomes more faster, so they can make a better decision that at the end can increase their performance [3].

4) Quality of Information Sharing (QIS): Figure 5 above shows that on the significant influence between Quality of Information Sharing and Company Performance. The T-statistic result is significant, and the original sample estimate is positive, which is 0.341 and shows a very strong and positive relationship. The quality of information provided to business partners has a significant impact on company performance, both in terms of financial performance and operational performance. Good cooperation will arise from mutual trust between the parties that partner.

Convection business is a business that requires accurate data exchange since the products sold are still based on customer demand (custom). If there is misinformation or a misunderstanding in receiving information, errors can occur in the production process that results in a decline in company performance. In addition, reliable information is also needed by the company's partners since there are still not many business partners who know more about companies that are mostly still small scale so that to establish cooperation with partners, the convection companies must first build the trust of partners in collaboration with companies [7].

5) Brand image: The last variable discussed in this study is the correlation between brand image and company performance. T-Statistics Results show significant results with the original sample value only at 0.391. Compared to the SCM dimensions, BI has the strongest correlation with the CM. The main reason for this result could be caused by there are so many convections SMEs in Bandung. Brand Image has a great impact in gathering the customers' buying intention so it is predicted can increase the number of customers since most of customers prefer to choose the most famous brand instead of the least one. This result is also in line with results of some previous researches about the impact of brand performance towards firm's financial performance [15].

B. Evaluation of the Structural Model and Hyopthesis Testing

The following table represents output of the evaluation of PLS-SEM structural model. All the result clearly indicated the existence of the significant and positive relationship between Supply Chain Management and Brand Image on the Company Performance. Hence, this result implied the hypothesis allotted in this study is supported.

TABLE I.   SUMMARY OF MODEL ASSESSMENT

Assessment	Criterion	Result
Size and significance of path coefficients	value close to+ 1 represent strong positive relationships [12]	(0.617); t > 1.96 significant at 5%; strong positive relationship
Coefficient of determination (R^2)	≤ 0.25 (weak); 0.26 - 0.5 (moderate)>0.5 (substantial) [12]	(0.439); Moderate

Source: Data Processing Result

The table shows evidence of internal consistency and construct reliability of the construct and provide sound answer that there is a positive and significant relationship between SCM and BI with CP. This result is strengthened with the result conducted by the other researchers that show positive relationship among those variables [15].

V.   CONCLUSIONS AND RECOMMENDATIONS

This research empirically tested the relationship between SCM, BI, and CP in Convections SMEs in Bandung, Indonesia. The result indicates that each variable has positive impact on the company performance. In SCM, all of dimensions (SSP, CR, IS, and QIS) have a positive impact on the CP. These results are consistent with extant supply chain management literature [3]. Beside of SCM aspect, this research also tested the impact of BI on the CP. The result indicates significant and positive impact. This result also can support the previous research conducted by several researchers that show the same result [15].

The result of this study suggests that SCM and BI play important role in enhancing the company performance. This result is expected could bring information for SMEs to give more intention in optimizing their SCM practices and more concern in enhancing their brand image in the future. This research also is expected to give more contribution to the SCM and BI literatures.

We realize that this research still has limitation regarding to some error might be found in the questionnaire design. The data of this research also are limited to the convection SMEs in Bandung. So, for the future research, we should expand our site location and might add more variables since CP may be affected by other variables.

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