

Indonesian Leather Handicraft Trade in the International Market: SWOT Analysis Approach

Donald Crestofel Lantu¹, Mia Rosmiati², Rendra Chaerudin³, Sri Herliana⁴, Nur Lawiyah⁵

Institut Teknologi Bandung^{1,2,3,4,5}

Jl. Ganesa No.10, Lb. Siliwangi, Kecamatan Coblong, Bandung, Jawa Barat, Indonesia
40132

Correspondence Email: sri.herliana@sbm-itb.ac.id

ORCID ID: 0000-0002-4896-4833

ARTICLE INFORMATION

Publication information

Research article

HOW TO CITE

Lantu, D. C., Rosmiati, M., Chaerudin, R., Herliana, S., & Lawiyah, N. (2022). Indonesian leather handicraft trade in the international market: SWOT analysis approach. *Journal of International Conference Proceedings*, 5(3), 206-214.

DOI:

<https://doi.org/10.32535/jicp.v5i3.1867>

Copyright©2022 owned by Author(s).
Published by JICP



This is an open-access article.

License: Attribution-Noncommercial-Share Alike (CC BY-NC-SA)

Received: 13 August 2022

Accepted: 25 August 2022

Published: 20 September 2022

ABSTRACT

The leather craft industry is one of the growing industries in Indonesia and is one of the export commodities of the creative industry. The creative industry is an industry that is one of the mainstays in the country's economy. The abundance of animal skin waste is used as a variety of commodities that have a selling value. The focus of this research is to analyze the potential of international trade in leather craft commodities by using a SWOT analysis approach. The purpose of this study is to map the internal and external factors of the international trade in leather crafts, which can be one of the preliminary research and sources of future research. From the results of the desk study and SWOT analysis, it was concluded that the leather craft creative industry has an opportunity in the international market with a market share of 4.4% and is in the 6th position as a leather craft exporter in 2021. Internal and external factors for this leather craft shows that the advantages and disadvantages of this creative leather craft industry can be combined to improve business strategies and studies in future research.

Keywords: Export, International Trade, Leather Craft, MSMEs, SWOT Analysis.

INTRODUCTION

Indonesia is a country where one of the pillars of the economy is Small and Medium Enterprises or MSMEs. Referring to data from the Ministry of Small and Medium Enterprises Cooperatives in March 2021, there were 64.2 million MSMEs in Indonesia. Among them, 61.07 percent contributed to Gross Domestic Product (Kementerian Keuangan Republik Indonesia, 2021). This is in line with their contribution to the Gross Domestic Product which reached 1,211 trillion in 2019. The score is the third largest in the world after the United States and South Korea. Uniquely, Indonesia is actually superior to the United States in terms of labor absorption in the creative economy sector, which absorbs up to 17 million workers (Kementerian Pariwisata dan Ekonomi Kreatif Republik Indonesia, 2021).

Speaking of MSMEs in Indonesia, there will be no end, due to the solidity of the MSMEs in their geographical location. One of the characteristics of MSMEs in Indonesia can be found in areas that form creative industry clusters, such as Cibaduyut as a center for shoe craft (Dhewanto, Herliana, Lantu, & Lawiyah, 2018), Garut as a center for leather craft (Ratnaningtyas & Lawiyah, 2016), Cirebon as a center for rattan crafts (Hartono & Sobari, 2016), Kalinganyar as a center for bamboo craft (Rahman & Mutmainah, 2015), and many more creative industry clusters in Indonesia. The formation of these creative industry clusters cannot be separated from the potential of local resources, such as easy-to-find sources of raw materials, craftsmanship skills that have been passed down from generation to generation, and market potential in the surrounding area (Gunawan, Jacob, & Duysters, 2015).

Indonesia, with one of the largest populations in the world, absorbs large food needs as well. One of them is the need for red meat, such as beef. It was recorded that more than 18 million cattle were slaughtered in 2021. This number increased compared to the previous 2 years, such as in 2019 as many as 16.9 million beef cattle and in 2020 as many as 17.4 million beef cattle. This means that as much as the amount of cowhide waste in Indonesia (Badan Pusat Statistik Indonesia, 2022), some are processed into various foods and some are processed into various creative industry products.

Leather craft is one that attracts the author's attention to be studied more deeply. This animal leather waste is processed into various kinds of crafts by the hands of craftsmen, including bags, belts, wallets, chairs, shoes, key chains, and other forms of crafts. The animal leathers referred to in this study are leathers derived from the consumption of red meat. Given the Indonesian government regulations on Permendag No 19 Year 2021 that prohibit the export of products made from snake, crocodiles, and monitor lizards (Kementerian Perdagangan Republik Indonesia, 2021).

One of the biggest challenges for MSMEs is dealing with Covid-19. In 2020 is marked as the beginning of the outbreak of Covid-19, which is a world pandemic (Welfens, 2020). This also has an impact on the survival of MSMEs, based on data from the Ministry of Small and Medium Enterprises Cooperatives, there are at least 39.92% of MSMEs experiencing difficulties with capital during the Covid-19 pandemic, especially when it is difficult to sell offline due to restrictions on human traffic. suppress the spread of the Covid-19 virus (Kementerian Keuangan Republik Indonesia, 2021; Pemprov DKI Jakarta, 2020). Therefore, MSMEs must change their business strategy following the rapid changes that have occurred due to the Covid-19 pandemic.

The magnitude of the potential for leather crafts in Indonesia, as well as the economic condition that is trying to recover in the era of the Covid-19 pandemic, is the main concern

of the authors in this study. This research will focus on analyzing the potential of leather crafts in Indonesia in the era of the Covid-19 pandemic.

LITERATURE REVIEW

Creativity is a competitive advantage that provides a lot of potential for developing new methods, markets, and opportunities that identify competitiveness in a business (Hatammimi & Andini, 2022). Broadly speaking, the creative industry is an industry that encourages creativity, skills, and talents of both individuals and groups through the exploitation of intellectual property that has more value in business. Thus, the creative industry is a commercialization industry that can generate sustainable wealth and can create jobs so that it can contribute to the country's economy (Zuhdi, 2015).

The creative industry is a representation of the increasing significance of culture, recreation, and pleasure by involving creativity, technology, talent, and other attributes that can develop this industry. Therefore, the creative industry can be an indicator of national competitiveness in economic growth (Seok & Nam, 2022).

Indonesia as an agricultural country rich in product quality, has obstacles in balancing imported finished goods. MSMEs as a driver of the country's economy have a very vital role in this regard. Ironically, the level of productivity and competitiveness of SMEs against the onslaught of imported goods is still low. This is due to, among others, lack of training, lack of entrepreneurial competence, limited access to capital, limited access to information technology, and the impact of changes in the foreign economic climate (Sarma, Septiani, & Nanere, 2022).

The characteristics of the creative industry in Indonesia are the spread of various creative industry-based MSME clusters in various regions in Indonesia. The characteristics of the creative industry cluster include having the same type of business, the availability of raw materials, and skilled human resources (Dhewanto, Herliana, Lantu, & Lawiyah, 2019; Morgulis-Yakushev & Sölvell, 2017). It turns out to become Cultural and Creative Industries (CCI). Cultural and Creative Industries grows because of the positive impact on innovation, regional competitiveness, regional identity, and regional resilience. Globally, UNESCO defines CCI as a sector of organized activities that have the objective of commercializing related cultural or heritage products (Gerlitz & Prause, 2021) and it affects the city itself that become creative city. Creative cities have played a role as a new paradigm in adopting culture-based policy texts in the last forty years. Where creative cities take advantage of the combined potential of culture and creativity that empowers the community, thereby triggering innovation in the economy as a whole (Montalto, Sacco, & Saisana, 2022).

The key component for the company is the business strategy which includes the business plans and tactics that the company must develop. The business strategy is defined as a business performance process, setting business targets, and business plans on a regular basis (Anton, Muzakan, Muhammad, Syamsudin, & Sidiq, 2015). International trade is carried out by conducting preliminary research which is usually via the internet. Through the official website, SMEs can get a lot of information and easy access to expand trading potential through the internet (Akman & Dagdeviren, 2018).

RESEARCH METHOD

The method in this study uses a qualitative method with a desk study approach. The desk study approach was chosen as a preliminary-research so that it is expected to reach broad and objective information. Credible sources in this study include both international and national journal articles, electronic news, books, and other secondary data that support this research.

As mentioned in the introduction, this research will focus on the potential of the leather creative industry in Indonesia with a focus on SMEs, how they can compete in the global market. Therefore, the analysis tools used in this study are SWOT analysis.

RESULTS

Indonesia as a country whose economy is supported by the creative industry, makes Indonesia rich in the diversity of creative industry products produced (Ministry of Industry of the Republic of Indonesia, 2016). From the results of the desk study conducted, in the creative leather industry sector exported to Indonesia, the value of exports compared to imports was for the HS Code 4106 category or "tanned or crust hides and leathers of other animals, without wool or hair on, whether or not split But not further prepared" is greater than the import value (International Trade Centre, 2021).

The export value tends to increase every year, the decline occurred in 2021 by 40%, one of the conditions causing it was Covid-19 which hampered international trade in addition to restrictions on activities including domestic production activities, but again increased by 40% in 2021. Based on According to data, the 5 biggest importing countries for this category are Singapore, Italy, Mexico, Turkey, and Japan. The five countries consistently conduct international trade in leather industry products from Indonesia. Meanwhile, in the leather product import sector for similar HS Codes, it can be seen that the country that is the destination for importing leather products comes from Thailand, although in terms of the value of imports, the value fluctuates every year.

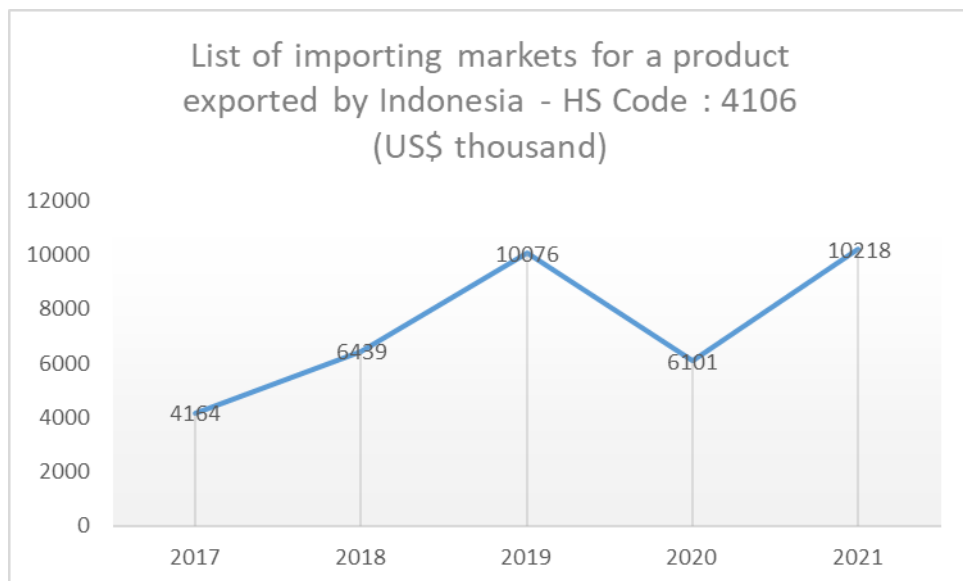


Figure 1. List of Importing Markets for a Product Exported by Indonesia – HS Code : 4106

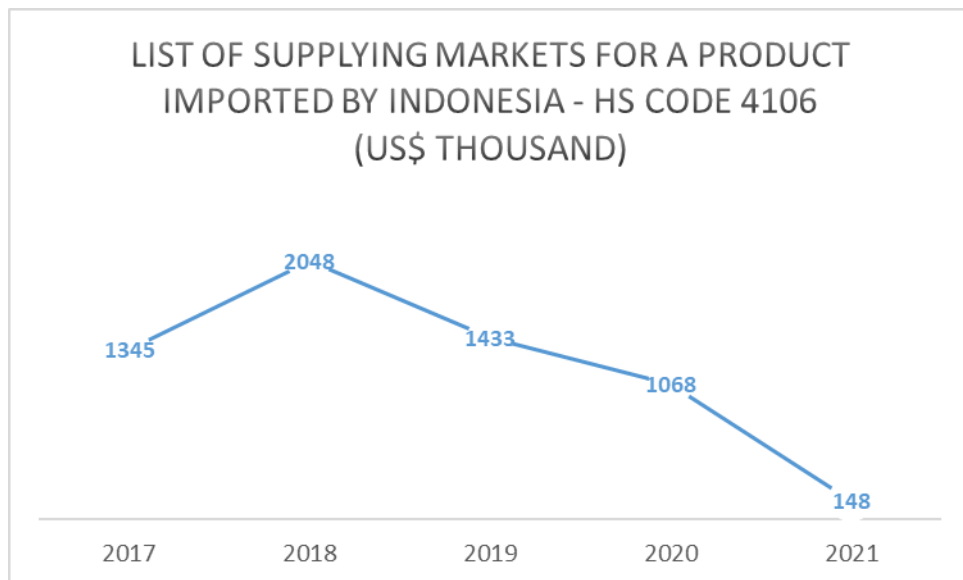


Figure 2. List of Supplying Markets for a Product Imported by Indonesia – HS Code : 4106

From the data on the value of exports and imports carried out by Indonesia for the category of leather creative industry products, it shows that Indonesia has great potential in the international market. Globally, Indonesia ranks 6th as an exporting country for leather industry products after Thailand, France, Taipei, Italy, and China with a market share of 4.4% (International Trade Centre, 2021). This potential is inseparable from the abundance of raw material resources and the expertise of Indonesian craftsmen in processing animal leathers into valuable leather crafts.

In Indonesia itself, this leather craft can be found in various MSME clusters in Indonesia, one of which is the Garut leather industry cluster. In this cluster there are many types of handicrafts derived from processing animal leather waste. Creative industry handicraft products made from leather produced by Indonesia, include bags, wallets, shoes, belts, name tags, vests, motorcycle seats, car seats, bicycle seats, sandals, watch straps, and various other products. The variety of leather crafts produced by MSMEs in Indonesia makes these leather craft products have opportunities in foreign markets. The positioning of this craft product is needed to capture market opportunities.

DISCUSSION

Based on the results of international trade data both exports and imports and the results of other desk studies, an analysis was carried out using a SWOT approach, the following is a SWOT analysis related to the leather creative industry in Indonesia:

Table 1. SWOT Analysis in the Creative Leather Craft Industry

Strength	Weakness
<ol style="list-style-type: none"> 1. Sources of raw materials are available and easy to find 2. Craftsmanship skills passed down from generation to generation 3. Affordable raw material prices 4. Creative industry cluster ecosystem 	<ol style="list-style-type: none"> 1. Product design is underdeveloped 2. Limited foreign market control 3. Language barrier
Opportunity	Threat

<ol style="list-style-type: none">1. The development of e-commerce technology2. Ease of foreign transactions3. Opening potential for venture capital funding	<ol style="list-style-type: none">1. Force Majeure (Global pandemic, war, ets)2. Demurrage
--	---

Internal Factor (Strength and Weakness)

The leather craft creative industry is one of the creative industries that is developing in Indonesia, its development has even formed a separate cluster ecosystem, where upstream-downstream activities are organized in one geographical bond. This strength makes creative industry clusters, especially the leather craft industry, have their own expertise in processing leather waste raw materials into valuable crafts. One of the creative industry clusters that is famous for its leather crafts is Garut (Republika.co.id, 2022). The advantages of the existence of this creative industry cluster foster a positive ecosystem for business actors in the cluster, including the ease of obtaining raw materials at affordable prices, the availability of human resources in managing these raw materials, to the opening of wide market potential within the cluster itself. opening up trade opportunities to penetrate the international market. On the export side, Indonesian leather crafts have a competitive advantage in terms of quality and price, so they can compete at the international level. However, on the other hand the craftsmen are accustomed to comfortable patterns in producing and designing the products they produce. This causes the production of leather handicrafts to stagnate in design improvisation. In addition, limited knowledge of foreign markets causes these craftsmen or MSMEs to rely more on brokers or other parties in carrying out their export or international trade activities. Another factor that becomes an obstacle in this creative industry is the limitation in language, language differences are a challenge for MSMEs engaged in international trade to be able to understand the products demanded by the market.

External Factor (Opportunity and Threat)

International market opportunities are open since the development of e-commerce technology (Jeansson et al., 2017). This condition opens wide access to information for MSMEs to reach international markets in new ways. This ease of access to e-commerce globally increases the opportunity to penetrate foreign markets, as can be found leather craft products from Indonesia in various e-commerce applications. The ease of current payment traffic transactions has also opened the doors of international trade to wider open. Moreover, both the government and the private sector also support the progress of MSMEs to go global by providing funding and easy access to participate in various foreign exhibitions both offline and online (Directorate General for National Export Development, 2011; Farida, Siregar, Nuryartono, & Intan, 2015). The biggest challenge for MSMEs today is the threat of activities beyond their control or plans, such as the current force merger, one of which is the impact of the Covid-19 pandemic which has limited foreign trade traffic due to policy restrictions to prevent the spread of the Covid-19 virus. In addition, the economic and political climate conditions also affect the flow of foreign trade traffic. The threat of product demurrage at the port is also a concern for MSMEs in maintaining the rhythm of goods leaning at the port so as not to demurrage, if demurrage occurs, it will cause costs that can erode profit margins. Therefore, document documentation in foreign trade activities is something that needs to be considered in detail and carefully.

From the results of the desk study and SWOT analysis, it was concluded that the leather craft creative industry has an opportunity in the international market with a market share of 4.4% and is in the 6th position as a leather craft exporter in 2021. Internal and external factors for this leather craft shows that the advantages and disadvantages of this creative

leather craft industry can be combined to improve business strategies and studies in future research.

CONCLUSION

This strength makes creative industry clusters, especially the leather craft industry, have their own expertise in processing leather waste raw materials into valuable crafts. The advantages of the existence of this creative industry cluster foster a positive ecosystem for business actors in the cluster, including the ease of obtaining raw materials at affordable prices, the availability of human resources in managing these raw materials, to the opening of wide market potential within the cluster itself. However, on the other hand the craftsmen are accustomed to comfortable patterns in producing and designing the products they produce. This causes the production of leather handicrafts to stagnate in design improvisation. In addition, limited knowledge of foreign markets causes these craftsmen or MSMEs to rely more on brokers or other parties in carrying out their export or international trade activities.

From the results of the desk study and SWOT analysis, it was concluded that the leather craft creative industry has an opportunity in the international market with a market share of 4.4% and is in the 6th position as a leather craft exporter in 2021. Internal and external factors for this leather craft shows that the advantages and disadvantages of this creative leather craft industry can be combined to improve business strategies and studies in future research.

ACKNOWLEDGMENT

This research has the full support of Ministry of Education, Culture, Research, and Technology, Republic of Indonesia; the School of Business and Management, Bandung Institute of Technology; and Institute for Research and Community Services, Bandung Institute of Technology. We are grateful for the support provided, as this research can run as it should.

DECLARATION OF CONFLICTING INTERESTS

This paper is the work of researchers and has no conflict of interest.

REFERENCES

- Anton, S., Muzakan, I., Muhammad, W. F., Syamsudin, & Sidiq, N. P. (2015). An Assessment of SME Competitiveness in Indonesia. *Journal of Competitiveness*, 7(2), 60–74. doi:10.7441/joc.2015.02.04
- Akman, E., & Dagdeviren, M. (2018). Discovering what makes a sme website good for international trade. *Technological and Economic Development of Economy*, 24(3), 1063–1079. doi:10.3846/20294913.2016.1266709
- Badan Pusat Statistik Indonesia. (2022). *Populasi sapi potong menurut provinsi (ekor), 2019-2021*. Retrieved from <https://www.bps.go.id/indicator/24/469/1/populasi-sapi-potong-menurut-provinsi.html>
- Dhewanto, W., Herliana, S., Lantu, D. C., & Lawiyah, N. (2018). Internal factors that affect SMEs to export: A case study of footwear cluster. *MATEC Web of Conferences*, 215. doi:10.1051/mateconf/201821502007
- Dhewanto, W., Herliana, S., Lantu, D. C., & Lawiyah, N. (2019). SME informal export model in Cibaduyut SME cluster in Indonesia. *International Journal of Public Sector Performance Management*, 7(1), 98-115.
- Directorate General for National Export Development. (2011). *Pameran dagang internasional*. Retrieved from http://djpen.kemendag.go.id/app_frontend/links/75-p

Exhibition-dagang-internasional

- Farida, F., Siregar, H., Nuryartono, N., & Intan K. P., E. (2015). Micro enterprises' access to people business credit program in Indonesia: Credit rationed or non-credit rationed?. *International Journal of Economic Perspectives*, 9(2), 57–70.
- Gerlitz, L., & Prause, G. K. (2021). Cultural and creative industries as innovation and sustainable transition brokers in the baltic sea region: A strong tribute to sustainable macro-regional development. *Sustainability (Switzerland)*, 13(17). doi:10.3390/su13179742
- Gunawan, T., Jacob, J., & Duysters, G. (2015). Network ties and entrepreneurial orientation: Innovative performance of SMEs in a developing country. *International Entrepreneurship and Management Journal*, 12(2), 575–599. doi:10.1007/s11365-014-0355-y
- Hartono, S., & Sobari, A. (2016). The role of cluster cycle and pattern of interaction to competition strategy. *Problems and Perspectives in Management*, 14(2). doi:10.21511/ppm.14(2).2016.08
- Hatammimi, J., & Andini, S. (2022). Business Ecosystem & Strategy Measuring the implementation of the design thinking concept in the creative industry : Study on the Culinary Subsector in Bandung City. *International Journal of Business Ecosystem and Strategy*, 4(2), 20–27.
- International Trade Centre. (2021). *List of importing markets for a product exported by Indonesia, Product 4106*. Retrieved from http://www.trademap.org/tradestat/Country_SelProductCountry_TS_Graph.aspx
- Jeansson, J., Nikou, S., Lundqvist, S., Marcusson, L., Sell, A., & Walden, P. (2017). SMEs' online channel expansion: value creating activities. *Electronic Markets*, 27(1), 49–66. doi:10.1007/s12525-016-0234-1
- Kementerian Keuangan Republik Indonesia. (2021). *Pemerintah terus perkuat UMKM melalui berbagai bentuk bantuan*. Retrieved from <https://pen.kemenkeu.go.id/in/post/pemerintah-terus-perkuat-umkm-melalui-berbagai-bentuk-bantuan>
- Kementerian Pariwisata dan Ekonomi Kreatif Republik Indonesia. (2021). *Indonesia menjadi inisiator tahun internasional ekonomi kreatif dunia*. Retrieved from <http://www.kememparekraf.go.id/ragam-ekonomi-kreatif/Indonesia->
- Kementerian Perdagangan Republik Indonesia. (2021). *Peraturan Menteri Perdagangan Republik Indonesia No 19 Tahun 2021 tentang Kebijakan dan Pengaturan Ekspor*.
- Montalto, V., Sacco, P. L., & Saisana, M. (2022). Cultural, creative, and sustainable cities: assessing progress and measurement perspectives. *Sustainability (Switzerland)*, 14(7), 1–8. doi:10.3390/su14074246
- Morgulis-Yakushev, S., & Sölvell, Ö. (2017). Enhancing dynamism in clusters: A model for evaluating cluster organizations' bridge-building activities across cluster gaps. *Competitiveness Review*, 27(2), 98–112. doi:10.1108/CR-02-2016-0015
- Pemprov DKI Jakarta. (2020). *Hal-hal yang harus diperhatikan selama PSBB (Pembatasan Sosial Berskala Besar)*. Retrieved from <https://corona.jakarta.go.id/storage/documents/panduan-psbb-dki-jakarta-5e987e5bc4702.pdf>
- Rahman, K., & Mutmainah, S. (2015). Pengembangan desain kerajinan anyam bambu Desa Kalinganyar Pulau Kangean. *Jurnal Pendidikan Seni Rupa*, 3(3), 111–117.
- Ratnaningtyas, S., & Lawiyah, N. (2016). The growth of leather-based creative industry SMEs in Garut District, West Java Province, Indonesia. *The Journal of Developing Areas*, 50(5), 171-183.
- Republika.co.id. (2022). *Aneka kerajinan kulit ala Sukaregang Garut*. Retrieved from <https://diplomasi.republika.co.id/posts/61554/kerajinan-kulit-ala-sukaregang-garut>
- Sarma, M., Septiani, S., & Nanere, M. (2022). The Role of Entrepreneurial Marketing in the Indonesian Agro-Based Industry Cluster to Face the ASEAN Economic Community. *Sustainability*, 14(10), 6163.

- Seok, H., & Nam, Y. (2022). A social network analysis of international creative goods flow. *Sustainability (Switzerland)*, 14(8), 4463. doi:10.3390/su14084463
- Welfens, P. J. J. (2020). Macroeconomic and health care aspects of the coronavirus epidemic: EU, US and global perspectives. *International Economics and Economic Policy*, 17(2), 295–362. doi:10.1007/s10368-020-00465-3
- Zuhdi, U. (2015). The dynamics of Indonesian creative industry sectors: An analysis using input–output approach. *Journal of the Knowledge Economy*, 6(4), 1177–1190. doi:10.1007/s13132-014-0203-x