

## **ANALYSING LOGISTIC MANAGEMENT OF CULINARY SMALL AND MEDIUM ENTERPRISE IN THE COASTAL AREA IN MANADO (STUDY CASE OF DABU-DABU LEMONG RESTAURANT)**

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### **ABSTRACT**

*Small and Medium Enterprises have significant roles in developing the economy. Therefore developing SMEs is crucial to do including empowering the core business process of SMEs especially in culinary sector. The culinary sector is important because it might help to promote Manado through the food they provide. The culinary SMEs that lately became famous in Manado are the grilled fish restaurants especially those located in the coastal area of Manado that have high potential in attracting consumers due to their restaurant's location that built in the coast area which also help to add business competitiveness. In culinary SMEs, providing the food is the most critical aspect to do. Logistic management became crucial as a business activity that supports the Production and Operation Management. Logistic Management key activities considered as the indicators in determining the current logistic management performance and strategies applied by Dabu-Dabu Lemong restaurant to reach the satisfying level of logistic management performance. Using Qualitative research methodology, the owner of Dabu-Dabu Lemong restaurant was being interviewed and the result showed the logistic management performance of Dabu-Dabu Lemong culinary SME in Manado is in proper condition and there are total of 8 logistic management strategies that generated from this research.*

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**Keywords:** Logistic Management, Small and Medium Enterprises

### **INTRODUCTION**

#### **Research Background**

Indonesia is a developing country which has many sectors to develop and one of those is economic sector. Talking about economic sector in Indonesia, one sector that absolutely attached and has big efforts in Indonesia's economy is SMEs or Small Medium Enterprises according to Tambunan (2005) in journal of Agus Setyaningrum (2016) SME is the prior key to the development of a country. From the data served by Department of Cooperation and SMEs in 2016 retrieved from Cnnindonesia.com, SMEs have important roles in national economic structure which held 99,9% contribution from the total business unit and held 97,2% contribution in absorbing the workforce in Indonesia, SMEs also contributed 60,3% in the GDP not only the contribution of SMEs that are important but also the fact that in Indonesia the total unit of SMEs are rapidly growing in early 2016 data showed by the Central Bank of Indonesia there are total of 56.539.560 units of business in Indonesia are



SMEs. These reasons concluded SMEs position in this country as vital including in Manado which Trading and Services Sector hold the biggest part. SMEs in Manado role an important part as economic motorcycle for the development of the city and data showed that SMEs are rapidly growing based on the total of units, in 2016 the total units of SMEs in Manado are 16.689 (Sixteen thousand and six hundred eighty nine).

Culinary business sector might not be the biggest sector of SMEs in Manado, but the government tend to pay serious attention towards this sector shown by how the government and Lion Group develop the *Windows of Indonesia* as *Kawasan Wisata UKM*. One culinary business that lately became famous in Manado is the grilled fish restaurant that obviously served grilled fish and other seafood dishes to the customer, what makes this restaurant unique is how they let the customer pick the raw food that customer wants to eat and let the customer see how they grilled the fish. The grilled fish culinary business showed a rapid growth by how the grilled fish restaurants are open and can be found easily on every corner of Manado, the most unique fact about the grilled fish restaurant is that they tend to be located at the coastal coast area in Manado. The logic reasons behind this statement are understandable which because Manado is a city that located at the bay of Manado and famously known worldwide with the coastal area. Therefore, the coastal area often became the area of business center including the grilled fish culinary business. The current position of Manado geographically has become an opportunity to Manado's culinary SMEs to promote their main product in this case the grilled fish and the government took this opportunity properly by conducted the international agenda in 2015 known as AEC (ASEAN Economic Community) which also becoming an intermediary of Manado's SMEs and the world to gain the world's attention by showing the main product of Manado And Dabu-Dabu Lemong present as the culinary SME that located right at the coastline of the coastal area of Manado.

In culinary SMEs including grilled fish restaurant, providing the food is the most critical aspect to do. This is where the logistic management became crucial as a business activity that supports the Production and Operation Management. The logistic management becomes connector of every part of the business, from the procurement of goods and services until connecting the enterprise with its supplier to the consumer and inside the logistic management all of the business activities happened. All the activities inside the logistic management must be done properly in order to maximize the function of logistic management, since the function of logistic management not only ensuring the logistic



activities done properly but also ensuring that all the logistic functions are integrated with other functions in a business, like the marketing, human resources, financial, sales manufacturing, information technology. Overall, in order to minimize the issues appear in business activities and developing the business, maximizing the logistic management performance is critical to SMEs especially in culinary sector, because we realized that in culinary sector the important of products (foods and beverages) or services quality are the main priority and this is why if the logistic of the product and material flow failed, it might impact the whole business of the SMEs in culinary sector.

Therefore, logistic management has proven to become the critical aspect in maintaining the SMEs development which led to an understanding that by noticing the logistic management in business process in this case Small Medium Enterprises also important to elevate the economic growth and this becomes the foundation of establishing the title of this journal which is “Analysing Logistic Management Of Culinary Small And Medium Enterprises In The Coastal Area In Manado (Study Case of DABU-DABU LEMONG Restaurant) ”.

### **Research Objectives**

From the previous explanation we concluded that the research problems are:

1. How is the current Logistic Management Performance of Culinary Small and Medium Enterprises at Dabu-Dabu Lemong Restaurant?
2. What are the strategies of culinary Small and Medium Enterprises in Manado to reach satisfying level of Logistic Management Performance at Dabu-Dabu Lemong Restaurant?

## **THEORETICAL FRAMEWORK**

### **Logistics Management**

Logistic is a continuously developing science. The Council of Logistics Management defines logistics as the process of planning, implementing, and storage of raw materials, in-process inventory, finished goods and related information from point of origin to point of consumption for the purpose of confirming the customer requirements. Logistic management consists of five key activities as follows:

- a. **Facility Network Design:** Plant, warehouse, depot location, cross-dock operations, and retail stores.



The facility network creates a structure from which logistical operations are performed, it is also specify the work tasks related to processing customer orders, warehousing inventory, and materials handling.

- b. **Inventory Management:** Procurement and storage of raw material, components, work-in-progress, and finished goods. The objective in inventory strategy is to achieve desired customer service with the minimum inventory commitment.
- c. **Order Processing:** Information management and exchange, communication, data transmission, and data processing, import/export documentations. In most supply chains, customer requirements are transmitted in the form of orders and the processing of these orders involves all aspects of managing customer requirements from initial order receipt, delivery, invoicing and collection.
- d. **Warehousing, Material Handling and Packaging:** storage, cargo handling equipment, loading and unloading, containerization. Also include break-bulking, repackaging and quality inspection.

This functionality of logistics also represent and integral part of a logistics operating solution.

- e. **Transportation:** Physical movements of inventory from one place to another uses various type of carriers, cost of delivery. Three factors are fundamental to transportation performance:
  - 1. **Cost.** The cost of transport is the payment for shipment between two geographical locations and the expenses related to maintaining in-transit inventory.
  - 2. **Speed.** Speed of transportation is the time required to complete a specific movement.
  - 3. **Consistency.** Consistency of transportation refers to variations in time required to perform a specific movement for over a number of shipments. Consistency reflects the dependability of transportation.

### **Small and Medium Enterprises**

There are several definitions of small and medium enterprises (SMEs) which commonly used in Indonesia prior to the enactment of Law no. 20 of 2008. While the Ministry of Cooperatives, Small and Medium Business Enterprises, defines an SME based merely on annual sales, the Central Statistics Agency uses number of employees as the main criterion to define an SME. The Central Bank employs different criteria to define SMEs, which



include not only the value of assets and annual sales, but also the amount of loan funding they have received. The 1995 Small Enterprise Act No. 9 is due to be amended in 2008 as the “Micro, Small and Medium Enterprise Act” The proposed definitions under this revision as of February 2008 were as follows:

1. A micro enterprise is based in a traditional industry and is managed privately, and has net assets of no more than 50 million rupiah (not including land or buildings) and annual sales of no more than 300 million rupiah.
2. Small enterprises are managed privately or by a corporate entity, but are independent from and are not the subsidiary or branch office of a medium or large enterprise. They have net assets of at least 50 million rupiah, and no more than 500 million rupiah (not including land or buildings), and they have annual sales of between 300 million and 2.5 billion rupiah.
3. Medium enterprises have net assets of between 500 million and 10 billion rupiah (not including land or buildings), and have annual sales of between 2.5 billion and 50 billion rupiah. Note that the net asset and annual sales figures defined herein are subject to change according to conditions by directive from the President.

### **Previous Research**

Seung-Kuk Paik, Ph.D (2011) has conducted a research about Supply Management in Small and Medium-Sized Enterprises Role of SME Size and the result showed that there are different results between the Small and Medium-Sized Enterprises regarding with the purchase development and performance. This study had correlation in current research to strengthen the background which is the logistic management not only important to big industry but also important to SMEs, and also became benchmark in analyzing the result of current research. Nik Ab Halim Nik Abdullah, Sabariah Yaakub and Muhammad Subhan (2016) used qualitative method and conducted a study about Logistics and Supply Chain Related Issues Faced by Malaysian SMEs: A Case Study and the result showed that the most common issues identified are customer service issues and inventory management issues. There are theories and findings in this study, that have correlation to help current research to explain more about logistic management especially variables of logistic management activities that becoming reference for questions to the informants, and this is also conducting the same method with the current research which is qualitative method. Parinya Pattanawanporn (2014) done the research in Thailand with the title Logistic and Supply Chain Management Approach to SMEs in Noodle Factory Industry – Lean and Six



Sigma Tool, the researcher found out that Logistic and Supply Chain Management are very important in business process especially in noodle factory, the good logistic and Supply Chain Management massively became a key to compete in the market since it affect all the business and manufacturing process for SMEs in Thailand and the overall process turned out to affecting the customers through the quality of the services that can be controlled and improve by improving the logistic and supply chain management. Six Sigma Method can apply thought the organization for solving problem and decrease defect and control of variation, Lean Method can identify problem and current state process, eliminate delay, and reduce waste such as reduce defect and reduce of deviation.

## **RESEARCH METHOD**

### **Type of Research**

This research used qualitative research methodology According to Punch (1998) Qualitative Research is empirical research where the data are not in the form of numbers. The type of this research is descriptive According to Burns and Grove (2003:201), descriptive research is designed to provide a picture of a situation as it naturally happens.

### **Place and Time of Research**

The place chosen as research location is at the Dabu-Dabu Lemong restaurant, where the interviews conducted. The time of the research were conducted during April 2017.

### **Research Procedure**

The procedure of this research in order to analyze the logistic management of Dabu-Dabu Lemong culinary SME in Manado are as follows:

1. Explore the theory about logistic management.
2. Do the observation towards Dabu-Dabu Lemong restaurant.
3. Arranging the questions for the interviewing process.
4. Execute the interview.
5. Analyzing and comparing the result.
6. Presenting the result.

### **Population and Sample**

According to Sekaran and Bougie (2010) Population is the entire group of people, events, or things which a researcher desire to research. While Sugiyono (2007) stated that in qualitative research does not use form population instead using term “social situation” which consist of three elements: place, actors and activity. The social situation in this



research is all elements related to logistic management of Dabu-Dabu Lemong restaurant as Culinary Small and Medium Enterprises in Manado. According to Sugiyono (2007) sample in qualitative research is not called as respondent but instead a source, participant or informant.

### **Data Collection Method**

Data collection method that used in this research are primary data and secondary data. The primary data are taken from unstructured one-to-one interview with the informants and the secondary data taken from books, journal, and relevant literature from library and internet to gain more of supportive information regarding with this research.

### **Data Analysis Method**

According to Bogdan and Biklen (1982) Data analysis is the process of systematically searching and arranging the interview transcripts, fieldnotes, and other material that you accumulate to increase your own understanding of them and to enable you to present what you have discovered to others.

## **RESULT AND DISCUSSION**

### **Result**

Dabu-Dabu Lemong is one of the famous grilled fish restaurant in district Tuminting in Manado. The restaurant is located right at the coastal area of Karang Ria and built right in front of the coastline of Karang Ria beach. The owner named Ko Paolo has been interviewed regarding with the current logistic management performance and strategies regarding with their logistical management performance of Dabu-Dabu Lemong and the result are as follows:

#### **Dabu-Dabu Lemong Restaurant's owner**

Ko Paolo as the owner was talking clearly about their logistic activities inside their restaurant. He stated that inventory and storing are the most crucial keys in their grilled fish restaurant business and that happened because in order to assure their quality that later will be serve to customer, they had to make sure about their raw material's quality which is the fish. KoPao explained that they had more than one fresh fish supplier that supplied daily right to their restaurant, and not only the food's raw material but another equipment or components in order to support their main product also be controlled by them. He explained that procuring fresh fish every day is quite difficult and if there are issues regarding with the procurement of fish that will definitely influence the whole business. Similar condition also



occur in their storing activities, they stated that there are two kinds of storing fish which are storage in ice box and in the fridge and if they do any mistakes in storage that also will influence the whole business.

Another important aspect in their logistic activities is also the order processing, they explained that every indicators are important to them started from their information exchanging management between the owner and his wife to the supplier and also between the employee. Ko Pao explained that he as the owner had to control anything regarding with their stock, he had to control the information of raw materials that sold out and what are the raw materials that are in-stock. He also gave information that their restaurant has already apply the e-system in recording orders or e-note that conducted by his employee and this new system create an easier and more effective way of noting or recording customer's order that later become literally useful for their restaurant's record of sales.

Another important activity that they claimed to have is regarding with the supply's transportation. Ko Pao said that the cost he spent in transportation of raw materials procurement do not influence their business at all and even he thought that the cost is not a problem at all, he said that the main problem that might influence the whole business is the consistency of his supplier in procuring the raw materials. To avoid the issues Ko Pao stated that he had to order in a large number of fish supply to assure that their order give their suppliers more benefits than other restaurants, it does not matter the cost because as long as their fish stock is available they assure that the income will be equitable.

## **Discussion**

### **Logistic Management Performance of Dabu-Dabu Lemong as the Culinary SME in the Coastal Area of Manado**

Gulenc and Karagoz (2008) stated the general description of logistic is in 7R's which the ability to deliver the Right products to the Right customer in the Right quantity, in the Right condition, at the Right place and the Right time, at the Right cost. This becoming the standard in analyzing the logistic management performance of Dabu-Dabu Lemong culinary SME and based on interview that had been conducted. The most important key of logistic management activities of a restaurant is the inventory management which stated by the owner. Ensure the procurement of raw materials are enough for daily requirement becoming a prior to them, all because if any failure occurs in this activities might become failure in actualizing the purpose of logistic management according to the definition above in the previous chapter which define the purpose of logistic management is to fulfill the





customer's requirement. The answers that stated by Ko Paolo shows a similarity with the previous research on the theoretical framework by Abdullah, Yaakub and Subhan (2016) the result from this research stated that the main problem that occurred in SMEs logistical activities are came from customer's service and inventory management, the customer's service that we discussed here aimed to the terms of customer's requirement as the demand to their product/services.

The important aspect of activities in logistic management that prominent is how they maintain the component of their cooking and grilled process which are the equipment . The component must be observed all the time to avoid defect in providing the food. The fact that occurred also proved that the key activities that Bowersox, Vloss and Cooper (2013) stated in the previous research is supposed to be implemented properly to pursue the maximal performance in logistic management. Pattanawasanporn (2014)'s theory that elaborated in the previous research which is about the storage of raw material that becoming the important key in logistic management also proved by what Ko Paolo has been stated, storing the raw material is crucial in the business because if not properly applied the impact will be significant to their business, differentiate storages for different raw materials are even needed in the purpose of ensure the quality of their product is well maintained.

The theory about order processing as key activities in logistic management by Bowersox, Vloss and Cooper (2013) also implemented in Dabu-Dabu Lemong Restaurant. Ensure to note their order from customer and all the notes regarding with their stock are well controlled by Ko Paolo all because failing in recording the logistic process, might resulted in failing to provide customer's need and if happened often, the whole business will be impacted. The Journal in the previous research from Abdullah, Yakuub and Subhan (2016) which stated the inventory management issues is one of the common most issues appeared in the research, similar situation also appeared in the logistic activities of Dabu-Dabu Lemong since the product of them is supposed to be served fresh and delicious. The result of conducting the interview with Dabu-Dabu Lemong culinary SME owners showed the logistic process from the procurement of the raw materials regarding with the transportation and inventory until the exchanging information and communication process that becoming the key activities (Bowersox, Vloss and Cooper 2013) indicators in current research that validated in this restaurants have met their point of satisfying level.

**Culinary Small and Medium Enterprises Strategies to Reach Satisfying Level of Logistic Management Performance**



There are three logistic management keys activities according to Bowersox, Vloss, and Cooper (2013) that becoming the indicators in evaluating the logistic management performance of Dabu-Dabu Lemong culinary SME in Manado which are the Inventory Management, Order Processing and the Transportation. The result from interviewing Dabu-Dabu Lemong Culinary SME generated 8 strategies to reach the satisfying level of logistic management performance as follows:

1. Cooperate with more than one supplier.
2. Control and monitoring the supplier (including remind the supplier through calls or texts)
3. Be consistent in supplying raw material (regarding with the quality of product and time needed to prepare the product)
4. Differentiate the raw material storing (to avoid damaged in stock of raw material; rotten)
5. Keep the equipment clean and in good condition
6. Thoroughly noted the orders from customers (to avoid mistakes in serving food and as the sale's record)
7. Accurately note the stock of raw material (in and out stock)
8. Owner had to accurately control the process of logistics (including with the goods and services and also with the employee).

## **CONCLUSION AND RECOMMENDATION**

### **Conclusion**

Based on the result and discussion that has been elaborated in the previous chapter, there are several things can be concluded regarding with the logistic management of Dabu-Dabu Lemong Culinary SME in Manado:

1. Reviewing the Current Logistic Management Performance of Dabu-Dabu Lemong restaurant which categorized as Small and Medium Enterprise in Manado that previously has been observed using interviewing method, showing that Dabu-Dabu Lemong culinary SME logistical management performance on present day are in the satisfying level.
2. The Strategies that used to reach the Logistic Management Performance derived from the three indicators of logistic management key activities which anytime issues came up and interrupt the activities of logistic management, the Dabu-Dabu Lemong



restaurant always learn from their mistakes and level up their logistic management performance.

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