ABSTRACT

The growth of tea demand in Indonesia increased, while the national production was not sufficient. Therefore, import is increasing since Asean Free Trade Agreement (AFTA) enforced with 0% tariff import. The cheapness of imported tea causing domestic producers must increase their competitiveness, including XYZ Company as the biggest green tea producers in Indonesia. The objectives of this study are to: (1) to evaluate the internal and external environmental condition that affect value chain development of XYZ Co.; (2) to formulate alternative strategy for improve production efficiency and value chain effectiveness of XYZ Co.; (3) to determine priority strategy which can be implemented by XYZ Co., for value chain of tea development. The method of the study used was by using observation, in depth interviews and questionnaires to analyze company’s value chain, internal and external industry analysis, SWOT analysis, AHP-SWOT for priority strategic and implication managerial. The result of the study shows that the priority strategy are as follow: (1) enhancement capacity production of green tea; (2) build strategically partnerships; (3) production development; (4) product and marketing development; (5) enhancement operational standard; (6) enhancement publication of business.

Keyword: Value Chain Analysis, AHP-SWOT, Strategic Development, Competitiveness, XYZ Company
HARRIS DARMAWAN. Strategic Development of Green Tea Processing at PT. XYZ. Supervised by ARIEF DARYANTO and SUKARDI.

The growth of tea demand in Indonesia increased, while the national production was not sufficient. Its caused the area of tea farm is decreased every year. Therefore, import is increasing from year to year, especially since Asean Free Trade Agreement (AFTA) enforced with 0% tariff import increasingly easier access for tea import to entering Indonesia. The cheapness of imported tea causing domestic producers must increase their competitiveness, including XYZ Co., as the biggest green tea producers in Indonesia. The company efficiency is less, that’s be marked with the magnitude significance of the declines in sales in 2011 but not comparable with the declines Cost of Goods Sold (COGS). Less of efficiency of the company brings the financial condition into deficit. The company needs a strategic development on focus to efficiency production and enhancement effectiveness of company’s value chain that companies can further improve its competitiveness in the national and international tea industry.

The purpose of this study were: (1) to evaluate the internal and external environmental condition that affect value chain development of XYZ Co.; (2) to formulate alternative strategy for improve production efficiency and value chain effectiveness of XYZ Co.; (3) to determine priority strategy which can be implemented by XYZ Co., for value chain of tea development.

This study was conducted from January 2013 until June 2013 in tea farm owned by XYZ Co., West Sumatera. The method of study used in this research was descriptive research method with case study approach. Determination of respondent was by purposive sampling technique that is based on consideration of skills, knowledge and experience of the respondents. The types of data used in this study are primary data and secondary data. The analytical tools used in this study are value chain analysis, the analysis of internal and external factors, SWOT analysis and AHP-SWOT analysis.

Value chain analysis used to identify patterns of activity and also the actor which involved in value chain of tea development in companies. The main activities are divided into six stages, such as starting phase supply (input), wet leaf production phase, the production phase of bulk green tea, green tea bulk marketing stage, the production of green tea product and the last is the finished product stage. Phase supply (input) are all actors and activities that occur in the process of procurement and maintenance of tea plants in the farm that have a role in the sustainability of the production process. These suppliers are external parties, such as seeds, fertilizers, pesticides, herbicides, wood, oil’s palm shell and diesel gasoline. Phase production of wet leaf tea is produced entirely from tea farm. The production phase of bulk green tea is done in the factory of companies. The production of green tea plant’s production capacity currently amounts to 48 tons of dry tea in every day. All the results of bulk green tea products sold to customers among others traders, blenders and industrial manufacturing. The system of logistics cooperation companies divided into two logistics companies namely CV Genta Perdana and CV Maju Bersama. At the marketing bulk green tea phase is done by third parties namely traders actor. Trader bulk green tea
The manufacture produces Ready to Drink (RTD) tea, either in bottles and cans, and also producing tea bags. Meanwhile, in general, actors in a blender only produce tea powder packing because of lack of capital and technology mastery tea downstream industries. The finished tea products are marketed through retail agents are distributed by a distributor who worked with blender and manufacturing industry. The customers as end-users of products buy downstream tea products in store, supermarket and shop.

At the analysis business environment, it’s can be identified some internal factors and external factors which influencing development processing business green tea companies. Factors of internal which owned by companies consists from strengths and weaknesses. The strength of the company’s are financial condition is strong because it is supported by the holding company, companies as the largest green tea producer in Indonesia, have an assets of leasehold tea farm are extensive and the conditions that support as the tea plantations, the productive life of the tea plant which contains high tannin levels and easy access to follow the exhibition as delegation of state. Meanwhile, the weaknesses of the company such as energy costs are still quite large, smoke nuisance of wood burning, Drying II processing time is still too long, numbers of wet leaf queues in WT still long enough, and Research and Development empowerment is not yet optimal. External factors that influence the development of the green tea processing consist of opportunities and threats. Opportunities include: the demand of tea in the manufacturing industry continues to increase, the number of Indonesian population the 4th largest in the world, Indonesia’s middle class population continues to increased, and business opportunities green tea extraction technology. Threats that need to be considered by companies such as Indonesian tea imports continued to increase, the rehabilitation program of smallholders tea plantation, Indonesian people’s appreciation of the quality tea is quite low, and application of mandatory SNI certification for tea.

Based on the value chain analysis, analysis of internal and external environment, it can be formulated several alternative strategies that can be undertaken by companies, namely: SO strategy consists of enhancement capacity production of green tea and product and marketing development, WO strategy consists of build strategically partnerships and production development, ST strategy consists of enhancement publication of business and WT strategy consists of enhancement operational standard.

Further analysis to determine the strategic priorities obtained from the magnitude order of the value weighted global through AHP-SWOT analysis technique. The resulting strategic priorities include: (1) enhancement capacity production of green tea; (2) build strategically partnerships; (3) production development; (4) product and marketing development; (5) enhancement operational standard; (6) enhancement publication of business.

Keyword: AHP-SWOT, value chain analysis, strategic development, green tea.