

# The Supply Chain Management Practices of the Fine Jewelry Industry in Cagayan De Oro City

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**Abstract**—This study is about the Supply Chain Management Practices of the Fine jewellery Industry in Cagayan de Oro City. The fine jewellery industry is facing rough times from tough government policies on gold mining to change of customer buying preferences. Such disruptions to a firm's operations and supply chain can be costly to the firm and its investors especially if it is not responsive and has not strengthened its competitive advantage. Thus, by addressing supply chain management practices that contribute to supply chain responsiveness will help the researcher better understand the scope and activities related to supply chain management that create enhanced level of supply chain responsiveness in competitive business marketplace of the Fine Jewellery Industry in Cagayan de Oro.

The theoretical framework of this study is anchored on the supply chain theory by applying the systems theory and the resource-based view theory of firms to the supply chain, this study attempted to demonstrate that by implementing proper supply chain practices to support and execute supply chain strategy, this enhanced the responsiveness of the supply chain and its competitiveness. The concepts of this study are (1) supply chain management practices that encompasses supplier partnership, customer relationship and information sharing, (2) supply chain responsiveness that includes operation system responsiveness, logistic process responsiveness, and supplier network responsiveness, (3) competitive advantage of the Fine jewelry Industry in Cagayan de Oro.

The methodology of the study is a descriptive, evaluation, and quantitative research. A purposive sampling design is used by the researcher in choosing the respondents, as it deals with jewelry store owners, jewelers and apprentices, and supply chains with a total population of twenty-six (26) individuals. The researcher utilized a Questionnaire that was developed and tested for reliability by Sukati, Bakar, Hamid, Baharun and Tat (2011). The study shows that on the average, the Supply Chain management Practices of the Fine Jewelry Industry is Low, and that it can be improved by strengthening the supply chain responsiveness and competitive advantage

**Keywords**— Supply Chain Management Practices, Supply Chain, Responsiveness, Competitive Advantage, Fine jewelry Industry

## I. INTRODUCTION

THE best firms around the globe are discovering a powerful new source of competitive advantage. It's called supply-chain management (SCM) and it encompasses all of those integrated activities that bring product to market and create satisfied customers (Zigiaris, 2000). In the current competitive scenario, SCM assumes a significant importance and calls for

serious research attention, as companies are challenged with finding ways to meet ever-rising customer expectations at a manageable cost. To do so, businesses must seek out which portion of their supply-chain process are not competitive, know which customer needs are not being offered, establish improvement targets, and quickly implement the needed change. (Bala, 2014).

One of the most important paradigm shifts of modern business management is that sole businesses no longer compete as individual autonomous entities, but rather as supply chains. Business management has entered the day of inter-network competition. In this emerging competitive environment, the ultimate success of the single business will depend on management's ability to integrate the company's intricate network of business relationships (Lambert and Pagh, 1997; Lambert, Cooper, and Pagh, 1998; Croxton, García-Dastugue, Lambert, and Rogers, 2001).

The jewelry supply chain can be thought of as a series of handling and processing stages that begin with raw materials and end with final jewelry products sold to the consumer. The supply chain for the jewelry industry is complex and fragmented. Raw materials may originate from many different types of sources in many different countries; they may be sold several times, assembled, and made into new products before being sold to the end consumer. The market for gold is much bigger and more geographically diversified than diamonds. The fine gold jewelry market is five times greater than diamonds at first cost (before any trade margins) and has major volume markets in USA, Middle East, India and China. In addition, the role that gold has as a de facto currency mean that the supply chain is usually more complicated than diamonds (Solomon, 2010).

At the micro level, supply chains for different jewellery products can vary considerably in scale, diversity, integration and potential drivers. The products of multiple supply chains, such as precious metals and gemstones, combine, transform and converge into a single (but highly diversified) product – a jewellery item for consumer sale. This creates a quite different chain of custody prospect than that of a single provenance product (however processed) such as fish, paper or coffee (Ibid).

Recently, the fine jewellery industry is facing rough times from tough government policies on gold mining to change of customer buying preferences. Such disruptions to a firm's operations and supply chain can be costly to the firm

and its investors (Hendricks and Singhal 2003, 2005a) especially if it is not responsive and has not strengthened its competitive advantage (Schmidt, 2012).

Thus, by addressing supply chain management practices that contribute to supply chain responsiveness will help the researcher better understand the scope and activities related to supply chain management that create enhanced level of supply chain responsiveness in competitive business marketplace of the Fine jewelry Industry in Cagayan de Oro.

## II. METHODS

The methodology used in this article to investigate the Supply Chain Management Practices of Fine Jewelry Industry in Cagayan De Oro City began with the design of the study, and the discussion on the location of the research and the respondents, the instrumentation, the survey and interview administration, the variables, the data collection procedures, and finally the data analysis procedures. (Calderon and Gonzales, 2015).

The research area is Cagayan de Oro City, the fourth largest metropolitan area in the Philippines and the capital of the Province of Misamis Oriental in the Philippines.

A purposive sampling design was used by the researcher in choosing the respondents, as it deals with jewelry store owners, jewelers and apprentices, and supply chains with a total population of twenty-six (26) individuals. The researcher interviewed ten (10) fine jewelry craftsmen, ten (10) suppliers of precious metals, pearl and precious stones and six (6) fine jewelry industry managers or owners.

## III. DISCUSSION

The findings related to the research questions that guided the study. Data were analyzed to identify, describe and explore the supply chain management practices of the fine jewelry Industry of Cagayan de Oro. Data were obtained from self-administered questionnaires, completed by 26 Jewelers. In this article, the data gathered is presumed to be the observed supply chain practices of the fine jewelry industry of Cagayan de Oro.

Ness is 15 years from 6 to 30 years.

### A. Strategic Supplier Partnership.

Study shows that a low level of supply chain management practice by the respondents. This implies that the jewelers are inclined to practice sole proprietorship over having alliances in the fine jewelry industry. A sole proprietorship is the simplest and most common structure chosen to start a business (SBA, 2016). He is entitled to all profits and is responsible for all their business's debts, losses and liabilities (Beesley, 2013). As discussed regarding the educational attainment of fine jewelry craftsmen, most jewelers have the money but not the formal education to fully enjoy the benefits of a partnership much more of a corporation. In sole proprietorship, no formal education is required; a jeweler can open up a shop and automatically becomes its owner (Ibid).

### B. Information Sharing

The study shows that there is a Low Level of Supply Chain Management Practice among the respondents. Trade secrecy is known among the fine chain industry practitioners all over the world and it clearly reflects on the behavior of the respondents here in Cagayan de Oro. The belief that more data or information automatically leads to better decisions is probably one of the most unfortunate mistakes of the information society (Woods and Hollnagel 2006), and like most business men in the fine jeweler industry would like to guard information tightly. Trade secrets, too, is strictly guarded by jewelers for fear that their style of doing things will only be copied by their partner, who will eventually become a competitor in the industry (Florencios, 2015).

### C. Logistics Process Responsiveness

The study shows that there is a Very Low Level of Supply Chain Management Practice. Logistics management is the part of supply chain management that plans, implements, and controls the efficient, effective forward, and reverses flow and storage of goods, services, and related information between point of origin and the point of consumption in order to meet customer's requirements (Lambert, 2008).

### D. Supplier Network Responsiveness

A jewelry supply network is a pattern of process used by the industry that adds value to customers by improving the delivery and manufacture of the products (Krajewski, 2013)

Jewelers often stock up on equipment, jewelry supplies and raw materials because they know it will take them days or weeks to have them delivered and their time to market delivery will be affected causing harm or disruption to their internal supply chain. The recent government clampdown on illegal open pit gold mining, though small, is constricting the supply of raw gold to the fine jewelry craftsmen and are considered as a supply chain disruption. Supply chain disruptions are unplanned and unanticipated events that disrupt the normal flow of goods and materials within a supply chain (Svensson, 2000; Hendricks & Singhal, 2003; Kleindorfer & Saad, 2005) and, as a consequence, expose firms within the supply chain to operational and financial risks (Stauffer, 2003).

### E. Competitive Advantage

The total mean score for Items on competitive advantage totaled to 3.23 that places it in the very high supply chain management practice. The Price and Quality of the goods manufactured by the fine jewelry industry of Cagayan de Oro is comparable to that of Meycauayan, Bulacan. Meycauayan is the fine jewelry industry capital (Florencios, 2015) of the Philippines where most of the fine jewelry craftsmen of Cagayan de Oro hails from.

Perhaps one of the advantage of the local fine jewelry industry is that there is a constant supply of raw gold from mines near the city. To quote Ms. Florencios, the President of the Philippine Confederation of Jewelers, Inc. "The Philippines' gold deposits are estimated to be the fifth largest

in the world, with a figure pegged at 203 million metric tons. At current prices of \$1,100 per troy ounce, this translates to approximately \$9 trillion.” That is a lot of Gold. Delivery of goods however, may be hampered because of economic and political restraints concerning on ecological issues. This problem will also affect time to market delivery of the finished products (Florencios, 2015).

A good strategic plan can be developed by first conducting a SWOT analysis basing on the information gathered in the study. A SWOT analysis is a study undertaken by an organization to identify its internal strengths and weaknesses, as well as its external opportunities and threats.

The identified strengths of the fine jewelry industry are: (1) Sole proprietorship requires low capital outlay for equipment and set-up abundant supply of gold in Cagayan de Oro; (2) Growing affluence of local market and high earning potential for not highly educated craftsmen; and, (3) Jewels are near cash items (Florencios, 2015), while the recognized weaknesses are: (1) Government perception of jewelry as a luxury (Ibid.); (2) No sustained support for export marketing services; (3) Small number of fine jewelry enterprises, including those engaged in exports; (4) High working capital requirements for raw materials; and, (5) Lack of formal training for the fine jewelry craftsman (Ibid).

For opportunities, there is a growing demand for luxury good in the global market craftsman (Muller-Stewens & Berghaus, 2014), and for threats: (1) Declining export market due to global recession; (2) Low awareness regarding the Fine Jewelry Industry in Cagayan de Oro especially in the international market; (3) Increased government red tape and permits (Lorenciana, 2016); (4) Exports from Thailand, Vietnam and other countries (Florencios, 2015); (5) Competition from gadgets such as mobile telephones, etc.; and (6) Internet and online sales of unknown origin and quality (Ibid).

#### IV. CONCLUSION

The study shows that on average, the Supply Chain management practices of the Fine Jewelry Industry is Low, and that it can be improved by strengthening the supply chain responsiveness (Gunasekarana, Laib, and Chengb, 2007) and competitive advantage (Fisher, 1997; Christopher, 2000, 2005).

While the Fine Jewelry Industry continues to differentiate their products from others in the market, it will have to take several steps in order to continue to grow. The focus and goals should include increasing revenue, increasing market share, introducing new products, maintaining or increasing prices and increasing brand awareness through social media platforms (Dauriz, et al, 2014).

Based on the SWOT analysis, it is evident that the Fine Jewelry Industry has many strengths as well as threats. The current economy is not only a weakness, but also a threat to their sales; however, this is a factor that is affecting the entire industry (Ibid). In order to achieve sustainable Supply Chain

Management Practices in the Fine Jewelry Industry in Cagayan de Oro, there are several strategies that need to be implemented. Prices of products must be increased or remain the same; no discounting should be used. Awareness needs to be increased, new channels should be found and new products should be developed. Product differentiation and innovation are of the utmost importance to set the brand apart from its competitors (Fawcett, 2001; Cook, 2005). Strategic alliances will allow the company to grow into avenues that it has not previously experimented with. Limiting availability is also another tactic to increase demand (Lee, 2004). Finally, maintaining brand integrity allows to continue on the path to success (Storey et al., 2006).

The steps that are proposed are in line with the Fine Jewelry Industry and facilitate growth. It must implement these strategies in a timely manner, continue to create innovation and continually measure/reevaluate the strategies and actions to see if changes or adjustments should be made to benefit the brand.

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