I. INTRODUCTION

A. BACKGROUND

The development of food industry is very fast and produces variety kind of food product. The increase of population, economic growth, and a change in the public life, encourage producer to be more innovative and creative in giving the best product quality. For that, food industry develops into a complex industry with a lot of activity which aims to ensure the quality of the product that is produced.

There are numerous activities related to quality, all of which utilize resources that determine the level of quality related cost incurred by a firm. Inspecting or testing parts, for example, is an appraisal activity that has the objective of detecting bad products. Detecting bad products and correcting them before they are sent to customers is usually less expensive than letting them be acquired by customers (Guan 2006).

The more complex the industry, the greater the chance of having errors. Order re-entry, data retyping, reprocess, and consumer complaint are just a few examples of the wastage or failure costs often spent by company. Every organization must be aware of the costs as the consequences for conducting wrong product and management needs to obtain some idea of how much failure is costing each year (Oakland 1993).

Nestlé is the world's leading food manufacturer that supplies more than 10 million of food products to the market each year. "Good Food, Good Life" is a slogan that describes Nestlé's commitment as a food industry that cares about the health of human beings to produce healthy food, safe, quality, nutritious, and fun to be consumed in order to realize a better life.

In 1979, PT. Nestlé Beverages Indonesia (formerly PT Indofood Jaya Raya) which has a factory in Panjang, Lampung, began producing instant coffee "NESCAFÉ". Besides pure coffee, PT Nestlé Beverages Indonesia also produces coffee mixes in a variety of scents. In 1997 NESCAFÉ began to enter the Russian market with packaging jar and two years later the production of instant coffee in cans stopped. In the year 2001 some of the filling and repacking processes for 3in1 products submitted to the co-manufacturer.

Nestlé as a company that implement quality improvement programs need to know how much cost has been spent for quality and how they are changing over time. Reporting and measuring quality performance is absolutely essential to the success of ongoing quality improvement program. A fundamental prerequisite for this reporting is measuring the cost of quality. But to measure those costs, an operational definition of quality is needed.

OBJECTIVE

This study is a part of internship program that aims to train students' ability to analyze the existing problems and observe manufacturing activities in the food industry. Specifically, this study aims to analyze the situation of quality cost and quality lost at PT. Nestlé Indonesia-Panjang Factory.