II. CORPORATE OVERVIEW

A. HISTORY OF NESTLÉ INDONESIA

Nestlé is the world’s leading food company which supply more than 10 million of food products on the market every year. Nestlé with the motto “Good Food, Good Life”, describes Nestlé’s commitments as food producer which care about the health of consumers by generating a healthy food, good quality, safe, nutritious, scrumptious to be consumed to realize a better life.

Nestlé was established in 1866, when the first European condensed milk factory was opened in Cham, Switzerland, by the Anglo-Swiss Condensed Milk Company (Anonim⁵ 2012). In 1867, in Vevey, Switzerland, Henry Nestlé launched Farine lactée, a combination of cow’s milk, wheat flour and sugar, saving the life of a neighbour’s child. Nutrition has been the cornerstone of our company ever since. Henry Nestlé was a nutritionist from Germany. The things influence him was the babies who died before getting one year old. This was because their mothers could not breastfed their baby by their selves. Moreover, when Henry Nestlé’s friend met him to save a premature baby, then Henry Nestlé took the baby to his home and gave the food which contains a blend of bread, milk and sugar. The baby’s condition became better day by day. This discovery gave good news and spread widely.

“Farine lactée”, was the first Nestlé product, became weaning food and also food nutrition enhancer which successfully decreased infant mortality. Since that time, Nestlé became a food producer which won the trust from the community. Henry Nestlé used his family name ‘Nestlé’, which in the language of Germany Switzerland means little nest, became his company’s logo. The logo became a symbol of a sense of security, affection, solidarity and caring.

Through the symbol of two birds in the nest with their parents who gave feed to their chicks, the image of Nestlé was directly know as a company that produced food with full of nutrients. This symbol was converted in 1868 and directly applied in various advertising materials and publications. Until now, the logo is still used in modern shades according to the growing decade.

“TJAP NONA”, entered into the market in 1910 through existing distributor of Indonesia in Singapore (Anonim⁶ 2012). In 1965, after Indonesia became an independent country, the government opened up opportunities for investment for foreign investors. On March 29th 1971, Nestlé S.A. centered in Vevey, Switzerland, together with their local partners, established PT. Food Specialties Indonesia. The first factory was established in Waru, East Java. This factory was established in 1972 and operated in 1973 which produced “TJAP NONA”.

PT. Food Specialties set up a new factory at Kejayan in 1984. This was because in early 1980, the production of fresh milk has increased dramatically, and this condition was the one of the success of PT. Food Specialties Indonesia in developing dairy farmers. This factory began operating commercially in 1988 and was inaugurated by the President of the RI, Soeharto, in June 1988.

PT. Nestlé Indonesia, formerly PT. Indofood Jaya Raya, which has a factory in Panjang, Lampung, began producing instant coffee “NESCAFE”, in 1979. PT. Nestlé Beverages Indonesia also produced mixed coffee in a variety of flavor, in addition to produce pure coffee. In 1977, NESCAFE began entering Russia market in jar packaging and two years later the production of instant coffee in cans was stopped. Furthermore, in 2001, most packing processes for 3in1 product were submitted to co-manufacturer and PT. Nestlé Beverages Indonesia changed its name to PT. Nestlé Indonesia.
In 1988, the centre of Nestlé acquired Rowntree Macintosh from United Kingdom that opened up opportunities to expand its business on confectionary. PT. Food Specialties Indonesia factory, which was a subsidiary of Nestlé, acquired PT. Multi Rasa Agung, which had a factory in Cikupa, Tangerang, and produced candies with a trademark “FOXS”. In 1990, a new factory in Cikupa, Tangerang was established. In 1992, in order to expand its business, PT. Multi Rasa Agung expanded its factory and produced candies with a trademark “POLO”. In 1996, PT. Multi Rasa Agung changed its name to PT. Nestlé Confectionary Indonesia and produced “Nestea Powder” in 1997.

In addition to had factories in Waru, Kejayan, Cikupa, and Panjang, PT. Nestlé Indonesia also had a factory in Telaga which produced instant noodles. Since 1999, the management of PT. Nestlé Indonesia and its factories were continually merged. In December 1999, PT. Nestlé Indonesia and PT. Nestlé Asean Indonesia were changed into PT. Nestlé Indonesia. Second, at the end of the year 2000, PT Nestlé Confectionery Indonesia joined PT. Supmi Sakti, then changed into PT. Nestlé Indonesia and Telaga factory was closed. Third, at the end of 2001, PT. Nestlé Beverages Indonesia and PT. Nestlé Distribution Indonesia joined with PT. Nestlé Indonesia. In June 2002, Waru factory was liquidated and merged with Kejayan factory.

PT. Nestlé Indonesia expanded its business by doing a cooperation agreement with another company. One of the cooperation was held on 1 April 2005. PT. Nestlé and PT. Indofood Sukses makmur, Tbk did cooperation in the form of joint venture. This company named PT. Nestlé Indofood Citarasa Indonesia (NICI). This company produced seasoning products which will be distributed in Indonesia. Since December 29th, 1993, PT. Food Specialties Indonesia has officially changed its name to PT. Nestlé Indonesia. The brief history of PT. Nestlé Indonesia is explained below table:

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>Nestlé acquired Rowntree Macintosh.</td>
</tr>
<tr>
<td>1990</td>
<td>New factory in Cikupa, Tangerang established.</td>
</tr>
<tr>
<td>1992</td>
<td>PT. Multi Rasa Agung expanded factory.</td>
</tr>
<tr>
<td>1996</td>
<td>PT. Multi Rasa Agung changed name to Nestlé Confectionary Indonesia.</td>
</tr>
<tr>
<td>1999</td>
<td>PT. Nestlé Indonesia and factories merged.</td>
</tr>
<tr>
<td>2000</td>
<td>PT Nestlé Confectionery Indonesia joined PT. Supmi Sakti.</td>
</tr>
<tr>
<td>2001</td>
<td>PT. Nestlé Beverages and Distribution joined.</td>
</tr>
<tr>
<td>2002</td>
<td>Waru factory liquidated and merged.</td>
</tr>
<tr>
<td>2005</td>
<td>PT. Nestlé and PT. Indofood Sukses makmur collaborated.</td>
</tr>
</tbody>
</table>

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### Table 1. A brief history of PT. Nestlé Indonesia

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>19th Century</td>
<td>MILKMAID, a product of Nestlé, was known as “TJAP NONA”</td>
</tr>
<tr>
<td>March 29th 1971</td>
<td>PT. Food Specialties Indonesia was established</td>
</tr>
<tr>
<td>1972</td>
<td>Waru factory, East Java, was established</td>
</tr>
<tr>
<td>1973</td>
<td>Waru factory was operated and produced milk products</td>
</tr>
<tr>
<td>April 12th 1978</td>
<td>PT. Indofood Jaya Raya was established, and then changed its name into PT. Nestlé Beverages Indonesia</td>
</tr>
<tr>
<td>1979</td>
<td>Panjang factory, Lampung was established which produced instant coffee products</td>
</tr>
<tr>
<td>1981</td>
<td>The sterile fresh milk was produced with the brand “BEAR BRAND”</td>
</tr>
<tr>
<td>1988</td>
<td>Kejayan factory, East Java, was established which produced milk powder</td>
</tr>
<tr>
<td>1990</td>
<td>Cikupa factory, Tangerang, was established which produced confectionery products</td>
</tr>
<tr>
<td>1993</td>
<td>PT. Food Specialties changed its name into PT. Nestlé Indonesia</td>
</tr>
<tr>
<td>1995</td>
<td>The acquirement of PT. Supmi Sakti which produced instant noodles with Telaga factory</td>
</tr>
<tr>
<td>2000</td>
<td>PT. Sumber Pangan Segar and PT. Rola Perdana were appointed as main distributor of PT. Nestlé Indonesia. Then, both of the company were merged and changed their name into PT. Nestlé Distribution Indonesia</td>
</tr>
<tr>
<td>2001</td>
<td>The joints of PT. Nestlé Indonesia, PT. Nestlé Confectionery Indonesia, and PT. Supmi Sakti became PT. Nestlé Indonesia</td>
</tr>
<tr>
<td>2002</td>
<td>The joints of PT. Nestlé Indonesia, PT. Nestlé Beverages Indonesia and PT. Nestlé Distribution Indonesia became PT. Nestlé Indonesia</td>
</tr>
<tr>
<td>2005</td>
<td>Waru factory was integrated with Kejayan factory</td>
</tr>
<tr>
<td>2006</td>
<td>The joint venture establishment with PT. Indofood Sukses Makmur, TBK, which was named as PT. Nestlé Indofood Citarasa Indonesia</td>
</tr>
</tbody>
</table>

### 2.2 Location of PT. Nestlé Indonesia

PT. Nestlé Indonesia was centered at Wisma Nestlé, Arkadia Office Park, Tower B, 5th floor, Jl. TB Simatupang Kav.88, Jakarta 12520, Indonesia (Anonim’ 2012).

Now, PT. Nestlé Indonesia has three factories for production:

1. **Kejayan Factory**, was established on 2nd June 1988
   - **Location**: Raya Pasuruan – Malang Street KM. 9.5
   - **Product**: “DANCOW” powdered milk, “LACTOGEN” infant formula, “CARNATION” sweetened condensed milk, “CAP NONA” sweetened condensed milk, “IDEAL” powdered milk, “BEAR BRAND” ready to drink sterilized milk,
“MILO” ready to drink beverage, “NESCAFE Coffee Cream” ready to drink beverage, and “CERELAC” infant cereals

2. Panjang Factory, was established in 1979
   Location: Serampok Village, Panjang District, Bandar Lampung
   Product: NESCAFE Originale 3 in 1, NESCAFE Crème 3in1, NESCAFE Ice, NESCAFE Classic, NESCAFE Mochaccino, NESCAFE Coffeemix pas!, NESCAFE Kopi Susu Tubruk, NESCAFE Kopi Susu Mocha

3. Cikupa Factory, was established on October 1990
   Location: Bitung Jaya Village, Cikupa-Tangerang, West Java
   Product: “POLO” candy, “FOX’s” candy, “NESTEA” instant tea powdered drink, “MILO Choco Blast” snack

PRODUCTION

1. Raw Materials

   PT. Nestlé Indonesia-Panjang Factory use materials such as coffee, sugar, cream and premix to produce instant coffee either pure coffee and coffee mixes.

   a. Coffee

      The main raw material to produce instant coffee is green coffee. The green coffee used is Robusta coffee bean. Robusta coffee beans usually have high levels of caffeine and acidic. The green coffee is obtained from suppliers and farmers that were trained first by PT. Nestlé Indonesia-Panjang Factory. In order to obtain the best quality of coffee product, the quality of green coffee was checked first by Quality Assurance Department.

      The Agriservice role is to ensure the green coffee was obtained from farmer that fulfilled the standards for the production process. For that, Nestlé provide trainings to farmers about good processing methods. This training is aim to increase the ability of farmers so that they can produce green coffee with high quality.

      There are levels or grades of green coffee (GC) based on the level of disability or defect:

      1. GC WA (Washed) Class 1.0
      2. GC WA Class 1.1
      3. GC WA Class 1.2
      4. GC WA Class 1.3
      5. GC UWA (Unwashed) Class 4.1
      6. GC UWA Class 4.2
      7. GC UWA Class 4.3
      8. GC ROB (Robusta) Class 7.1
      9. GC ROB Class 7.2
      10. GC ROB Class 7.3

   b. Sugar

      Sugar which is used to produce coffee mixes comes from company that produce sugar. Sugar that is used should have a certificate of quality that has been set. Sugar used is sugar cane that was imported from the UK and Thailand.
c. Creamer

Creamer is a slight fraction from milk that was separated by a milk separator. Creamer is obtained from the company that produce creamer. Like sugar, creamer also must have a certificate of quality.

d. Premix

Premix is a mixture of flavor, milk, and other additives such as salt, sugar, and flavor enhancer. Premix can be added with different formulas according to the coffee mixes that will be produced.

2. Production Process

Panjang Factory produces two kinds of instant coffee that are pure coffee and coffee mixes. Basically, the processing of coffee from raw materials into an instant coffee includes 5 steps, namely roasting, milling, extraction, evaporation, and spray drying.

a. Roasting

The concept of roasting is flow the air with high temperatures on the outer surface of rotary drum. The green coffee that will be roasted is inside the rotary drum. When the desired color is achieved, roasted coffee is rapidly cooled using water to stop the roasting process.

The functions of roasting are:

1. The flavor formation.
2. The color and texture formation.
3. Extractability

b. Grinding

Grinding is the process of reducing the particle size to a smaller size. There are four ways of grinding materials i.e., cutting, impact, compression, and attrition.

c. Extraction

The definition of the extraction is a process of transferring dissolved solids in the form of liquid solution. This stage aims to take a soluble solid and flavor component.

d. Evaporation

Coffee solution is heated with a heating medium to remove most of the water content. Evaporation process aims to evaporate the solvent of coffee extract to obtain more viscous coffee extract and reduced water content.

e. Spray Drying

Spray drying aims to change coffee extract from liquid into powder. Coffee extract is converted into droplets using atomizer. Then the droplets are dried using hot air to produce coffee powder.
Coffee mixes is a coffee with additional sugar, cream, and other ingredients (salt, cocoa, flowing agent, etc). Production of coffee mixes through the following stages:

a. Tipping

Tipping is a process of shedding the raw material to the silo that has been provided as a place to continue to the next stage.

b. Filtration

When sugar and creamer fall into a different shifter, these will be blocked by the filter to separate from foreign materials.

c. Grinding Sugar

Sugar from silo is milled by grinder to reduce the size.

d. Weighing hopper

Raw materials will be weighed automatically according to formula that has been determined using a weighing hopper.

e. Mixing

Raw materials will be mixed in the mixer machine in order to obtain a homogeneous powder.