



Wendy Yap

EDITORS' NOTE Wendy Yap co-founded PT Nippon Indosari Corpindo Tbk in Indonesia in 1995. She was President of her father's U.S. real estate business at the age of 21 and after returning from the U.S., began managing her family businesses in Indonesia, which include food, natural resources, and real estate. Over the past three years, she has been honored as one of the most powerful businesswomen in Asia by *Forbes Asia*, *Forbes Indonesia*, *Globe Asia*, and local Indonesian media.

COMPANY BRIEF PT Nippon Indosari Corpindo Tbk (sariroti.com) is the largest mass market producer of Japanese-style breads in Asia (ex-Japan) producing over 4.2 million pieces of bread daily through its 10 factories spread across Java, Sumatra, and Sulawesi as of year end 2013. With an expanding sales distribution that exceeds 56,000 points of sale throughout Indonesia, the company plans to add five to 10 lines in 2015. PT Nippon Indosari Corpindo Tbk was listed on the Jakarta Stock Exchange in June 2010 and is one of the fastest revenue growing companies in Asia. Since its IPO, the company's stock price has appreciated over 500 percent. The company received the *Forbes Asia's Best Under a Billion* award and *Forbes Best of the Best* award in 2011 and 2012, respectively.

Would you discuss the history of the company and how it has evolved?

Nippon Indosari was started in 1995 and it evolved because my father was one of the co-founders of Bogasari in Indonesia, which is the largest single-location flour mill in the world. The flour mill had diversified into noodles and pasta, and bread was next on the list.

We determined that the best bread would be Japanese-style bread since, culturally, Asians love the fine texture and softness of it. Our Japanese partner, Shikishima Baking Company, established by the Morita family, was the second-largest baking company in Japan with four generations of bread-making experience.

Building a Bread Business

An Interview with Wendy Yap,
President and Chief Executive Officer, PT Nippon Indosari Corpindo Tbk

Because we had owned Wendy's Hamburgers franchises in the '90s in Indonesia, I was already familiar with the food business and how to set up a system for consistency and quality of products.

The first production took place in 1997. In 1998, the Asian financial crisis hit Indonesia and we were one of the few companies that kept expanding. Our products are vacuum-sealed and we use automated systems so there is little human contact with the product. This allows it to last for five days.

At that time, many supermarkets and stores had inconsistent food supply and imports were difficult to come by. As a result, people would buy and keep our bread at home in case they could not get supplies for the next few days. Our bread became very well-known and our distribution also grew at that time.

Quietly and slowly, this business evolved. The staple food for Asians is still rice but bread is becoming a popular new option because people want something portable and convenient.

Also, more than 60 percent of the population in Indonesia is under the age of 35. Young people don't tend to worry about diet, calories, and carbs – they eat whatever they like. This had led to an increase in our bread sales due to the rising young population. The increase in purchasing power of this age segment has also positively impacted our sales.

Are there areas where you can expand into new product extensions naturally?

We started off with bread and moved on to bread-related products and flour products, and we plan to go downstream to things that will have synergy with our distribution channels, because we have more than 56,000 of them. New products need to have synergy to be sold under our own brand and have similar characteristics to our existing products, which are Halal, hygienic, healthy, and also convenient. This is a lifestyle. We might go into drinks or other foods that will give added value to our products.

How critical have the investments in technology been as you've grown?

The machines we use to create our bread are manufactured in Japan and they're state-of-the-art. We're now 70 to 80 percent automated, which is significant because we get consistent quality even with large quantities.

Using technology has helped us to expand quickly, and with 250 million people in Indonesia, we can meet the demand for our bread.

How critical have distribution channels been to your success?

Our distribution channels are of two types: modern trade, which is mini-marts and supermarkets, and general trade, which is mom-and-pop stores and mobile units.

Both have been critical because, when we started, it was more mom-and-pop stores and some mini-marts. However, the number of mini-marts started growing in the early 2000s and every mini-mart wanted our bread to put in their stores because our bread was in such high demand.

As both the mini-mart and the general trade markets grew, we grew and our brand name became very strong.

We did not have to search for stores to carry our products; they came to us because they wanted to carry our bread. We currently have a 90 percent share for mass market bread in Indonesia.

With this type of market share, product loyalty and brand awareness, are there opportunities to move outside of Indonesia?

With the Japanese technology and the Asian taste for our bread, it's possible to move to other Asian countries with a partner that has good distribution channels. We can probably go International and make the same type of bread using the same technology, although the filling may have to be varied in different regions.

How much product expansion can there be within Indonesia?

There is still a great opportunity because we have only tapped 16 percent of the potential market. We produce 45 different products right now and that can be expanded.

As the company has grown, how have you been able to find the talent you have brought into the organization?

Many of our key people, such as my CFO and Business Development Manager, were with me when I started Wendy's Hamburgers in the early '90s. My partner is the Salim Group, which owns Indofood, the biggest food company in Indonesia and one of the largest in Asia. Indofood gave us some personnel for production and finance. These people had worked at Indofood for a long time and have helped us grow when they moved to our company.

It's very important that we have stable management because having a high labor turnover would have made the business more difficult. I have always had a very good team and they have been very loyal, so we have had little labor turnover in management.

I practice good corporate governance and everything has to be very transparent. We are about teamwork and I believe in using the best consultants. From the beginning, we always used the top international accounting firm, and I have always used reputable professionals. I have always taught my management team that it's about teamwork. Everything is part of a system so, whatever they do, I ask they make sure their second in line also knows about it. Then, if they are not available, the work can still go on. This is the legacy I would like every single manager in my company to create in their various departments.

Why is corporate social responsibility so important to the company and how did you develop it as part of your culture?

It's very important because Indonesia is still considered a third-world country. There are a lot of people there who don't have higher education but still need jobs. There are a lot of distribution agents, for instance, who aren't highly educated, but giving them a job to sell our bread from their bicycle or in their store is a good way to make sure that people have jobs.

We also practice that in every community where we have set up a factory. We always make sure that there are not only jobs but we also donate some of our bread for the poor. Additionally, the infrastructure we require, such as water and electricity, help build communities around us. We also sponsor events for education and health in the local communities.

Wherever we set up a factory, particularly in smaller cities, it's important for people to know we are also going to help improve the living standard of the community.

Is it important to create customers by reaching the younger generation?

Education is available to 95 percent of kids in Indonesia today. They are all very exposed to the Western world through the Internet and computers. These kids see others eating bread and they want to do that as well. The young people also want their bread in a clean hygienic way – not how it was sold 20 years ago in an open and unpackaged manner.

With our packaging, each piece of bread is sealed individually. Mothers love it and our bread is so affordable that almost every child can have it. We also sell it in the schools and housewives buy a great deal of it.

As our young population matures, they all want a more balanced diet. Often, mothers don't want them eating food they purchase on the street because it's not clean and contains a lot of preservatives. This trend has grown and changed the diets of young



A sample of the individually packed Japanese-style breads produced by PT Nippon Indosari Corpindo

children. So our bread has really impacted a very large segment of the population as they worry less about diet and calories and more about hygiene.

In the Western world today, people are often worried about calories and putting on weight. They don't want to consume too many carbs. Western society doesn't have as large a youth population as Indonesia or China. But because China has a one-child policy, they have even less of a youth population than we do and more of an aging population. But in Indonesia, every family has three or four kids, hence a very young growing population.

Where does Indonesia stand today in regard to investment opportunities and are the opportunities well understood?

The opportunities are always greater in a less developed country. Since we have such a big population, it's harder to control than a country like Singapore with just five million people. Indonesia is also spread out – it is comprised of more than 1,000 islands. As a result, there are many different rules and regulations, and cultures in the various regions – there are even different dialects spoken, so it's hard to implement one national rule with so many different provinces and regions.

But with the new government in the country, we will see an improvement toward centralization in regulations, as well as more infrastructure development. Moving forward, Indonesia offers significant opportunity and potential for investors who know how to take advantage of these opportunities. They do have to be prepared to adapt because, as a young country, there are still some regulations and rules that will be changed quickly to adapt to a growing population and the vastness of the country.

What do you tell young women about the opportunities that exist in business today, and is the playing field leveling for women?

The opportunities are there for women in Indonesia. Culturally, though, there are some industries that aren't conducive for women to be at the top level. But in businesses like finance, consumer, property, or retail, women are given equal opportunities, and there are some women CEOs. However, there still aren't enough women who have the background, education and experience to be able to get to that high level.

How has your leadership role changed or evolved?

It has become more difficult to manage as we have gotten bigger. However, with e-mail, the Internet, mobile phones, and new communication technologies, it is easier to communicate with managers in remote regions.

As the organization gets bigger, it's important to maintain open communication channels and to keep everyone in the loop. I tell my staff that we need to have teamwork because it allows us to have better control and implement our strategies and policies across the entire organization more effectively.

Do you take time to celebrate the wins or are you always looking ahead to the next challenge?

Both. Every time we hit a record sales mark or a profit or dividend, I celebrate with the team. I tell them it's a result of the efforts of each of us.

We also have to look forward to the next challenge because we can't be complacent. Everybody wants a share of this market. We have to keep looking forward and running at the same pace or even faster so we don't get left behind.

If I asked those who work with you about your management style, what would they say?

They would say, she's very frank. She is clear about what she likes and what she doesn't like, and she puts us on track and helps us maintain our focus. I would hope they would say she's very fair and professional, and treats us all very well. ●