

Brand Loyalty

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

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 includes 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.



Wendy Yap

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. With an expanding sales distribution that exceeds 56,000 points of sale throughout Indonesia, the company added eight production 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, 2012, and 2015, respectively.

When you look at the heritage of Nippon Indosari and more specifically at Sari Roti and the growth you have seen for the brand, what has made this work so well and what has made this company so special?

When we started, there was not a mass market bread brand that had a product that could stay fresh for more than a day. Bread came from boutique retail bakeries at the time and the next day after it was purchased, it would be hard and no longer good to eat.

I came across a Japanese bread that could be kept for days and was still fresh, and I thought that would be a good option for Indonesia if it was marketed at an affordable price point. So we would have to produce it in a mass market system, which meant we would need the volume.

This is why I invested a lot in the Japanese machinery. In those days, to build a bakery, one could

easily spend \$1 to \$2 million including the machinery, the building, and the land.

We spent \$5 million to get the state-of-the-art machinery from Japan so our machines could produce at a much higher capacity. Many sections in the factory were automated machines so we did not need much manual labor, because I knew that in the future, we could not depend on intensive labor and we would have to depend on machines.

This had a real impact during our labor strike three years ago – we were so happy that most of our machines were automated. We did not have to mobilize a lot of labor just to work on those machines so it was not a big drawback for us, and we could continue producing in 24/7 shifts like we always do. The steps we took paid off in the end with the big capital investment in the beginning.

We wanted to do that also because the Japanese quality is always consistent – to do something mass market, I knew we would need that.

I knew that was the niche I could enter into because everybody could buy the bread and it would be the same for everybody be they low income, middle income, or high income – they could buy and enjoy the same standard of bread. I did not want it to be restricted to the people who could afford it. It had to be affordable at all levels.

Our brand is affordable to the A category, which is high end, and B and C mostly. The D category, which is a very low income level, is not the target consumer.

The B and C category comprises probably 50 to 75 percent of the population of Indonesia, and the total population of Indonesia now is about 255 million.

There is a long education process to help people understand what this product is and the innovation it's bringing to the market. How do you build that? Was there a need early on to educate customers before you could build the loyalty?

To develop the brand loyalty, we first had to be really consistent in the product. We supplied it to the market with affordability and consistency. We also did marketing, which was not even a lot of TV – it was just putting it on the shelves. The word got out that our bread is really good and tastes good even after five days, and there was nothing like it on the market at that time.

Slowly, people started buying it, we built up the brand loyalty, and they kept coming back because of the consistency and quality of the product.

We supplied up to almost 1,000 outlets in the first two years, and we kept growing and making sure it was available to the public.

We did a lot of inexpensive promotions and marketing. TV would have been very expensive

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so we did a lot of radio commercials and developed jingles, which we still have today. We are 21 years old this year and people know our brand. It is so strong that we are opening in the Philippines early next year.

Our joint venture partner in the Philippines told us that they do not want us to change the name – they just want the same brand and name in the Philippines. In the Philippines no one knows this brand because we have never sold anything there. But they like our name and believe that our brand is a very good one. The population in the Philippines is about 100 million and with Indonesia at 255 million, there is quite a big population between the two countries.

In addition to expanding our brand loyalty, we are diversifying into different products as well, such as cakes and snacks. We have moved into value-added products because of the strength of this brand.

We are working now with experts to keep building on the brand because it's such a big investment right now.

As you look at the opportunity that presented itself in the Philippines, do you anticipate other Asian markets offering a similar opportunity or is growth more about those product extensions?

Both. We are expanding our presence to international markets starting with the Philippines but we are also looking to other markets.

We are dealing with different sets of people with different skills and a different language, so there are different tastes, which means it is important to get a very good local partner that is in the business and understands all of this.

We are also growing domestically by going into the new by-products including cakes, retail outlets, mobile vans, and exports – we are going to export products that can complement our core, which is still bread. There are so many things that can complement bread, like jams and milk, so we are looking into those things as well.

This is also a great time for us to be joint venturing and acquiring some of the smaller businesses that are related to bread because of the valuations, which right now are very low.

In business today, there is much talk about purpose brands and companies that have a larger vision around societal impact. It seems that corporate social responsibility has been a part of your culture from the beginning. Your focus has been on helping communities consume safe and nutritionally balanced food. Why is it so important for a company like yours to have that kind of focus?

I believe that corporate social responsibility is not only important for us but for every company that is successful. When we earn we should also give back.

When we give back to the community, especially in a country like Indonesia, we can do so many things. We give back in terms of helping fund education and social programs; we also help support some educational retreats and do promotions for fundraising in schools.

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Schools love our bread and know that we are “Rotinya Indonesia,” which stands for “The bread of Indonesia.”

CSR should be part of the culture, but to develop that well takes a lot of time because we have to put a competent team together so that the funds are effectively used. This is not easy, particularly if we do not have time to monitor it ourselves.

Once a brand becomes very strong, public social responsibility is the next step.

Throughout the world, there is much talk around the state of the global economy and the challenges in addressing emerging markets. Indonesia offers great opportunity for foreign investment. For someone who knows that market well, where do you see Indonesia's economy today and does it offer strong opportunities for foreign investment and growth?

Indonesia is a very young economy and any time that is the case, there are a lot of opportunities. Once it becomes a mature economy, the opportunities are fewer.

Indonesia has a large population base, a rising middle income, and a young population where 65 percent is under the age of 35. There is so much opportunity for growth and, where the human and natural resources are in abundance, there are plenty of opportunities.

Of course, being a young economy there are problems with things like infrastructure and social, economic, and political stability, but these are things that we can work around. It is best to join with a local partner that will know how to mold the company to adapt to the country's environment and to move around those barriers.

In growing your brand, you're involved in all aspects. When you look at the size and scale of the brand today, both in Indonesia and elsewhere, how has your role evolved and is it harder to be engaged in all aspects?

Over the past several months, I have been recruiting many more senior level managers because I do not have the time to go into as much detail as I used to in every single division. I was very involved in selecting the sales team.

One sales team could cover both the traditional market and the modern market by areas only. Now we have to use two different sales teams to cover the two different markets just for one area alone.

I am also involved in research and development because we are constantly improving our existing products and developing new products. We are also expanding internationally. So there is a lot going on in the company.

My passion is still with the R&D side. It is something that I love to see grow: new products adapting to fast changing life styles. I want to plan for what the company is going to be doing up to 10 years from now. R&D is a very important part of the strategic growth of the company.

We are establishing a training school that will be up and running this year to teach the workers and the bakers our methods. A training school will really help us when we open a new location, as we can mobilize skilled labor much more quickly. Also, a training school improves the consistency of our products. Some of the old employees also have to be retrained. We bring them in after two years and teach them newer methods and skills, and with the newer machinery they will learn to adapt to it.

I have now taken more of a strategic management role compared to when we first started.

Since the brand has been in existence, there have been so many wins along the way. Do you take time to celebrate and enjoy what you've built or are you always thinking about how to keep improving and about what's next?

Both. I know how to sit back and look at things, and enjoy the moment of success. I also always think about moving forward as we cannot be complacent. It is important that we keep running because there is competition in the market. People are already setting up factories so if we do not keep running, we will lose steam. Currently, we have 90 percent of the mass market share. Even if I have to share that market with others, I still want to be the major market player. To do that, we cannot sit back and enjoy our success for too long. ●