

## CHAPTER III

### COMPANY PROFILE and INDUSTRY REVIEW

#### 3.1. PT. Mayora Indah Tbk.

PT. Mayora Indah is one of the well-known national fast moving consumer goods company in the Indonesia market. Consumers are familiar with Mayora's products such as biscuits, coffee, milk and cereal, candy, chocolate, wafer, beverage, and noodle. Mayora have several strong brands, not only in Indonesia market but also in abroad. The brands are Kopiko, Roma Biscuits, Beng-Beng, Torabika, Energen, Choki-Choki, Vitazone and many more.

Mayora started their business from a family business, their first product is Roti Marie (ROMA). Because the business was running very well, the owner decided to build the company and established on 1977. Mayora become public company on 1990. The ownership of Mayora is held by the Atmadja's family. The Board of Directors consists of Yogi Hendra Atmadja (President Commissioner), Andre Atmadja (Chief Executive Officer), Ongkie Tedjasurja (Managing Director) and Theo T. Gazali (Sales Director).

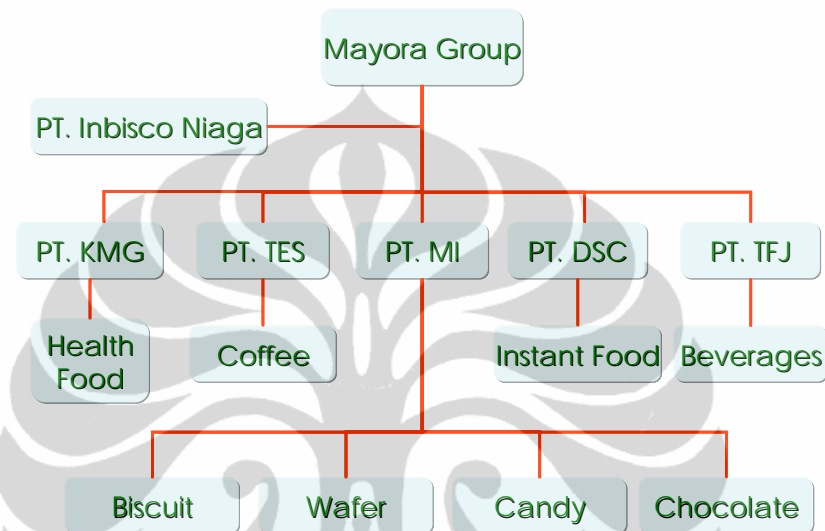
Nowadays Mayora have 9 plants, 8 plants are in Indonesia and 1 plant is in Thailand with eight thousand employees spread out in Indonesia and overseas. Their products are already distributed to worldwide, including Europe, Middle East, Africa, South East Asia (Thailand, Malaysia, Philippines, and Vietnam), India, and China.

Mayora businesses are divided into seven strategic business units with different legal firm based on products and one business unit specialized in distribution under Mayora Group as a holding company. The strategic business units are :

1. Biscuit Division – PT. Mayora Indah
2. Candy Division – PT. Mayora Indah
3. Wafer and Chocolate – PT. Mayora Indah
4. Beverage Division – PT. Tirta Fresindo Jaya
5. Coffee Division – PT. Torabika Eka Semesta

6. Instant Food Division – PT. Delifood Sentosa Corporation
7. Mayora Nutrition – PT. Kakao Mas Gemilang
8. Sales and Distribution Division – PT. Inbisco Niaga Semesta

Exhibit 3-1 Mayora Business Unit



Source : PT. Mayora Indah Tbk.

One of the divisions is Mayora Nutrition, the division exists because Mayora wants to focus on developing products and deliver healthy products to their consumer. Besides business purposes, it also has social interest to build healthy Indonesian family and indirectly build a healthy generation to become a leader and change Indonesia to become one of respective country in the world.

### 3.1.1. Vision and Mission

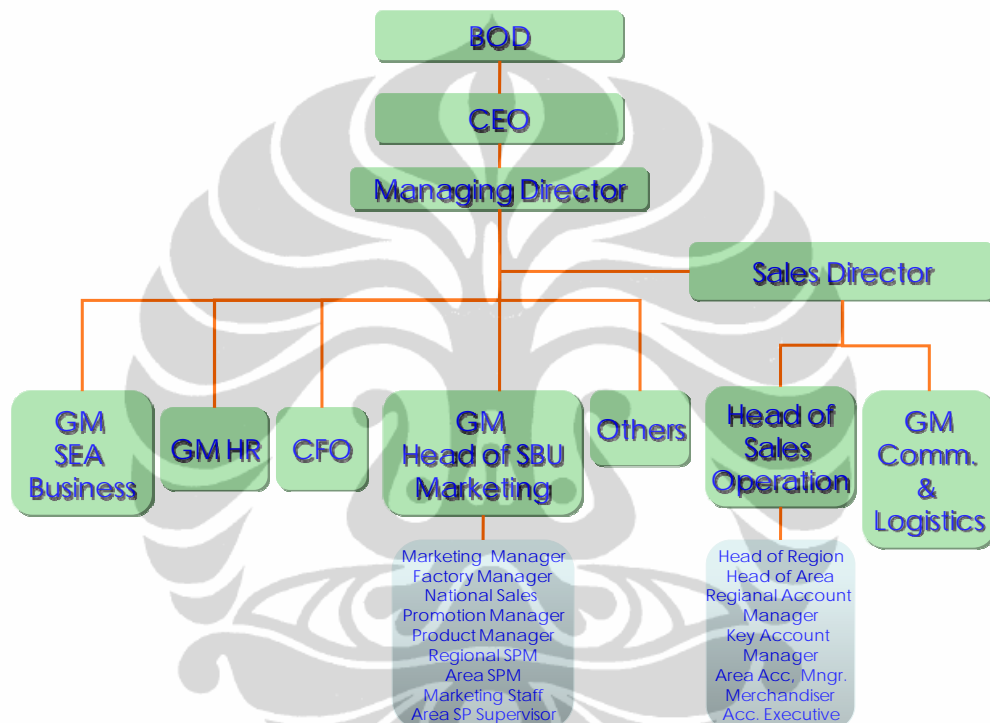
Mayora's Vision and Mission are:

- To continuously improve Mayora's competitive position in the category
- To build strong brands and distribution channels in all fronts
- To provide a challenging, fun and financially rewarding working environment where fair competition and a responsible attitude are encouraged

- To be socially and environmentally responsible
- To bring values to our stakeholders by securing growth and strong financial structure in the industry

### 3.1.2. Organizational Structure

Exhibit 3-2 Mayora Organizational Structure



Source : PT. Mayora Indah Tbk.

Mayora has lead by BOD including managing director and sales director. Even though Mayora is a public company but it is still lead by family members, only managing director and sales director that comes from professional background. Mayora Group has divided into several departments in supporting function and sales & marketing function. Each department is lead by head of departments or general managers as shown in Exhibit 3-2.

Supporting functions are consist of human resources department, finance and accounting department, purchasing department, resource and development department, and legal and external affairs department. Marketing

departments are more complex, its divided into several strategic business units depends on product category. There are seven business units that lead by their own general manager which are biscuit, wafer, instant food, coffee, candy, beverages, and Mayora nutrition. Below General Manager, there are subordinates with different divisions. The subordinates are marketing manager for marketing division, national promotion manager for trade marketing division and also factory manager for factory. Product manager and marketing staff are reporting to marketing manager or directly to general manager because several business units didn't have marketing manager because is already covered directly by general manager. National sales and promotion manager also have regional sales and promotion manager, area sales and promotion manager, and area sales and promotion supervisor as subordinates.

In sales operation, there are three general managers or head of sales, two responsible for traditional market and one responsible for modern market. They are all reporting to sales director. Below head of sales traditional market, there are head of region and head of area, they are responsible to handle sales operation and work with sub-distributors. While general manager of modern trade are responsible for key account management and also sales operation in modern trade.

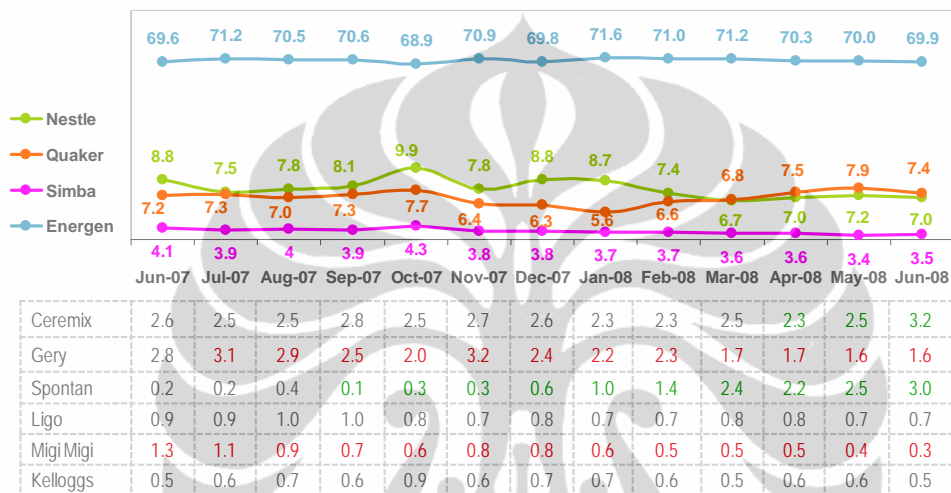
### **3.1.3. Competitors**

Mayora is facing a lot of competitors in the market, not only the local companies but also the multinational companies. The competitors may vary depends on the categories itself, for instance coffee category, mayora is facing Kapal Api or PT. Santos Jaya Abadi which also a big player in the industry, now Kapal Api launch Ceremix which is the competitors from Energen Cereal. The others are Orang Tua Group and Garuda Food which also a big player in wafer and biscuit category. The multinational companies are including Kraft Danone, Nestle and also Perfetti Van Melle.

### 3.2. Energen

Energen is launch at 1991 in Indonesian market. Since then over 17 years Energen has become a big brand for instant milk and cereal product. Energen was put under Mayora Nutrition division, and management want this brand become umbrella brand for Mayora's product that have nutrition value base and good for health.

Chart 3-1 TOP 10 Volume Market Share Trend 2007 - 2008



Source : AC Nielsen Retail Audit

Energen is a pioneer of this category in Indonesia. From 1991 to 2008 Mayora through PT. Kakao Mas Gemilang has put Energen as market leader with 70% volume market share in breakfast cereal category. Chart 3-1, Energen is facing several big players in cereal market, multinational companies with global brands like Nestle and Quaker Oats, and also local players like Simba and Gery. Energen succeed to maintain it market share trend and still positively growth following the growing breakfast cereal category.

Table 3-1 Volume Market Share &amp; Distribution Change 2007 - 2008

	Volume Share		MAT Share Chg	MAT Vol. Chg	Max Numeric Dist.		ND CHG
	MAT 07	MAT 08	07 VS 08	07 VS 08	MAT 07	MAT 08	07 VS 08
Kakao Mas Gemilang	67.7	70.5	2.8	31.4	62	66	4
Nestle	10.5	8.4	-2.0	1.7	5	6	1
Quaker Oats	6.8	7.0	0.2	30.6	1	1	0
Simba Indosnack Makmur	4.2	3.8	-0.5	11.9	10	10	
Santos Jaya Abadi	2.3	2.6	0.3	40.5	5	6	1
Garuda Food Jaya	3.4	2.2	-1.2	-17.3	8	9	
Utama Pangan Sentosa	0.1	1.3	1.1	1,028.9	2	6	4
Aneka Makmur	0.8	0.6	-0.1	4.0	0	0	0
Sari Murni Ind.	1.1	0.6	-0.5	-29.4	9	7	-2
Kelloggs	0.7	0.6	-0.1	9.9	0	0	0

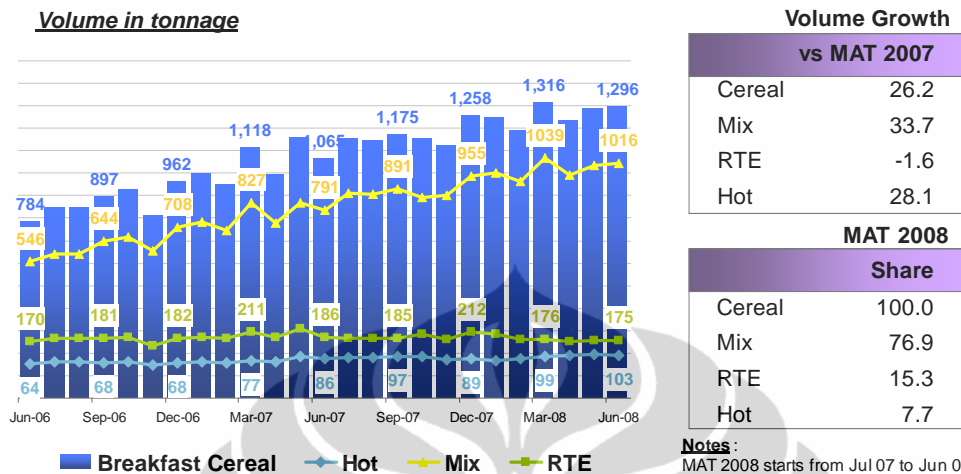
Source : AC Nielsen Retail Audit

If we look at Table 3-1, it shows us that Energen still gaining market share 2.8% from total cereal market. One of its factors is by expanding and increasing distribution network for 4% and also through marketing activities that support the brand.

AC Nielsen, a independent research company was divided breakfast cereal category into three segments :

1. Hot Cereal : pure grains or oats that still need to cooked or mixed with hot water, in example Quaker Oats.
2. Mix Cereal : cereal that already mixed with milk and sugar or other ingredients, in example : Energen and Ceremix.
3. Ready To Eat : cereal that already gone through production process into finish product and directly ready to eat, in example Kelloggs, Nestle Coco Crunch.

Chart 3-2 Market Volume Trend and Growth of Cereal Category 2006 - 2008



Source : AC Nielsen Retail Audit

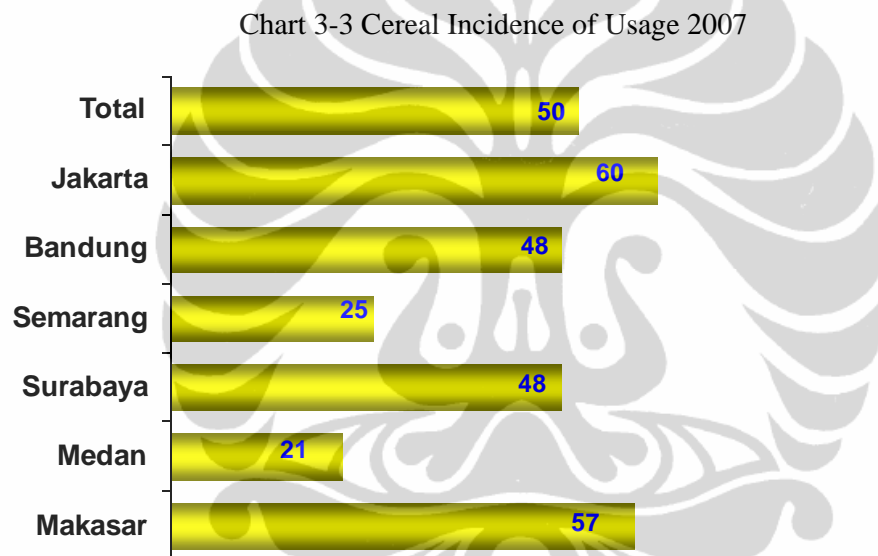
Volume wise, Breakfast Cereal market is growing robustly compared to last 2007. Volume grows by 26.2%, while the value grows by 26.6%. This growth is driven by the positive movement of Mix and Hot cereal, while RTE is slowing down. Mix Cereal grow by 33.7% in volume and 37.9% in value, while Hot cereal grow by 28.1% in volume and 27.9% in value, Chart 3-2. Mix Cereal is still dominating total breakfast cereal category 76.9% contribution. That's why Energen which has 90% market share from mix cereal segment was also the leader in breakfast category.

Table 3-2 Value Growth Breakfast Cereal and Powder Milk 2007 - 2008

FMCG Category	VALUE % CHG YA
Breakfast Cereal	27.9
Powder Milk	18.6

Source : AC Nielsen Retail Audit

Table 3-2, compared to powder milk, breakfast cereal is having higher value growth this year. It's showing that breakfast cereal is one of the potential categories that have to taken under consideration by companies that running on this industry. Especially in powder milk industry, because it have indication that powder milk's consumer are start moving into mixed cereal products because of cheaper price and its claiming basic nutrition values. The switching also affected by economic condition in Indonesia which not very well in the last few years.

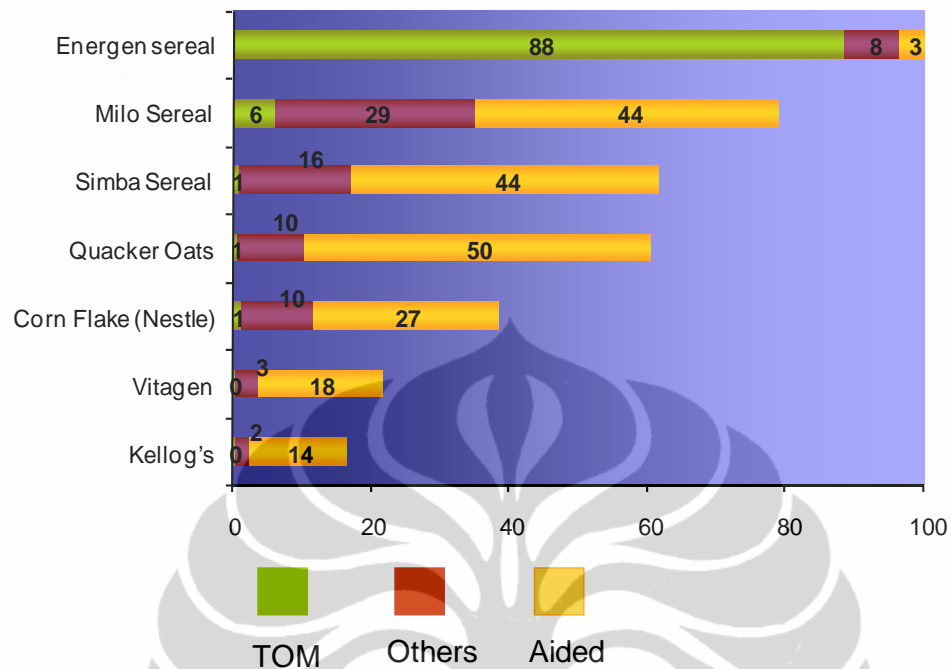


Source : Marketing Research Indonesia

However, despites of the entire growing cereal category, Chart 3-3 shows level incidence of usage or number of cereal consumers is 50%, this number is below biscuit category who has reached 99% penetration. This could means that there are still potential consumers that have never been touched before by the cereal companies and they have never aware of cereal products, or there are people who are not consuming cereal because they don't like it or they have substitute product for it.



Chart 3-4 Brand Awareness of Cereal Products in 2007



Source : Marketing Research Indonesia

Energen is not only dominating the market, but the brand already well-known and have the highest top of mind in consumer through brand awareness research, Chart 3-4. Energen has reached 88% top of mind in consumer, it means that 88% of respondents already aware of Energen as a brand of cereal products. This number is very far from the next second largest top of mind which is milo cereal that only has 6% from total respondents. Energen also has 8% of others brand, which is the second brand that respondents said after the brand that become top of mind. If we add 88% with 8%, it means there are 96% people supposed aware of Energen.

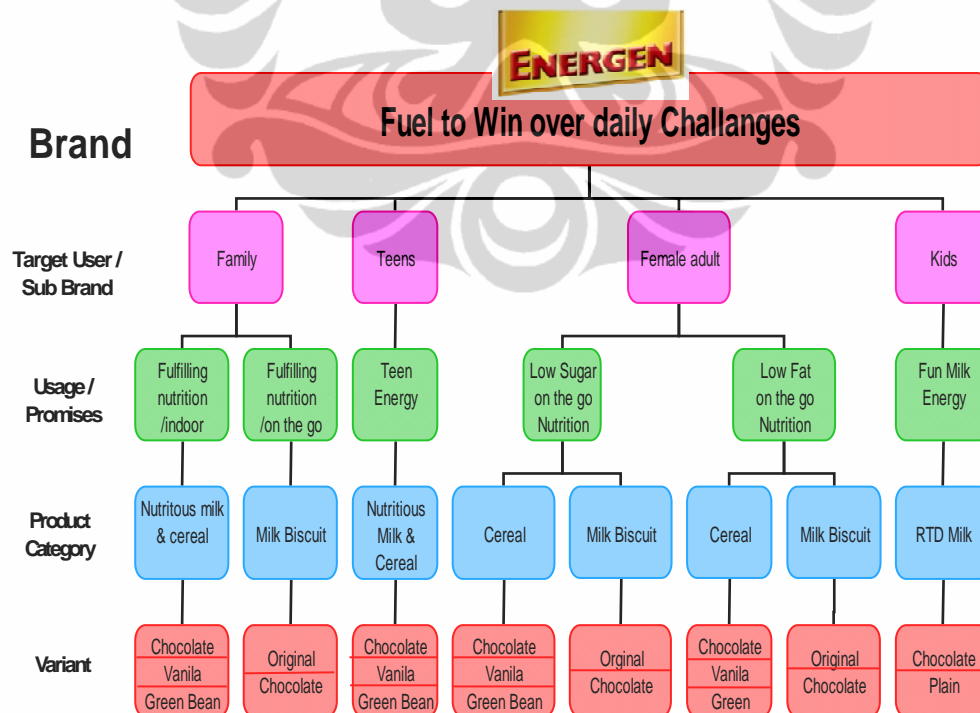
The percentage of Energen's brand awareness is very high compare to other brand in same category and the other category. Energen begin to become generic brand for cereal product. With a well-known brand, Mayora start look opportunity to use this brand for making an extension of the product, not only in the cereal category but also other category as long as is focusing on health positioning.

### 3.2.1. Energen – Brand Extension

Energen is a brand that already established in consumer's mind, very high number of top of mind in brand awareness explained that Energen has become well-known brand in consumers. With using Energen, Mayora think that Energen can help Milkuit as a subbrand by creating or enhancing awareness of the product, quality or trust associations, and a customer base. As a result, there is the potential to save go-to-market time and resources, thereby enhancing the chances of success.

Aaker mention that recognized brand name on a new product means that name recognition has been accomplished, and the communication task is reduced to the more manageable one of associating the name with the new product class. Milkuit can and should reinforce the brand image of Energen, thus providing a brand building function instead of weakening the brand name. Energen is still looking for increase their healthy image, Milkuit is one of key driver or tools for increasing Energen's image, Exhibit 3-3.

Exhibit 3-3 Energen Brand Portfolio



Source : PT. Mayora Indah Tbk.