

EXECUTIVE SUMMARY

PT. Andyk is a dairy company with integrated farms which produces Ultra High Temperature (UHT) milk. The UHT milk is made of 100% fresh milk from company's Fries Holland cows and packed in a glass bottle. The company's farms are assuring that fresh milk supply is always available and has the best quality. The UHT process is chosen based on two main problems in the consumption of milk in west Java: the expiry time and price of the product. By using the UHT process, the product will last for 6-9 months without being refrigerated. The glass bottle packaging is chosen because it is reusable; therefore, the packaging cost can be reduced. To cut the distribution cost, the product will be delivered directly to the consumer's house using a subscription method. The clear definition of the company's product and service standard could increase Bogor residents' willingness to subscribe the product and its service.

To be successful in the dairy industry, the company has to make sure the continuity of raw materials and be able to maintain its operational costs competitiveness. Based on the Porter's five forces analysis, the entry barrier of the dairy industry is low and the competition between the existing companies is also low due to the high demand but limited supply. Given the dynamics of the industry, PT. Andyk chose focus cost as the company's generic strategy to compete in the dairy industry.

The company will build its own farm near the milk processing and packaging facility. Everyday the cows will be milked twice, in the morning and the afternoon. The raw materials from the farm will be transferred directly to the storage tank in the processing plant to reduce the risk of the increasing growth of bacteria. The raw materials will then be processed to the UHT machine and packaged later in the packaging facility. The finished product will undergo a series of quality tests to confirm that the products meet the company's standard and safe for consumers. The finished products that pass the quality tests will be delivered to the consumers. The consumers are asked to return the empty bottles since the company will sterilize and reuse them. This integrated farm and production plant is chosen to achieve an effective and efficient production chain.

Based on the results of the market analysis that has been done in Bogor, the amount of the potential market of milk consumption is Rp. 905,675,464,980, and it keeps increasing approximately 20% every year. The company's financial pro forma shows NPV Rp. 957,453,275 with payback period less than 6 years, IRR 26.53% exceeds the cost of capital 25.64%. The dividends will be paid in the fourth year of company operation. These conclude that the UHT milk business is attractive to be realized.