INDONESIA
ECONOMIC OUTLOOK
2014

THE Global Trend

1

GLOBAL MEGA TRENDS | from now & for the future

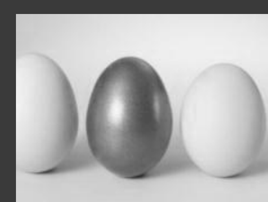
1
DIGITAL

2
CONVENIENCE

3
PERSONALISATION

4
HEALTH

5
VALUE



In most countries internet became the second media just after TV.

Facts

- Increasing in-home Internet availability & usage
- Increasing use of new media devices i.e. Smartphones
- Increasing use of social networks
- Increasing purchases on Internet

Challenges

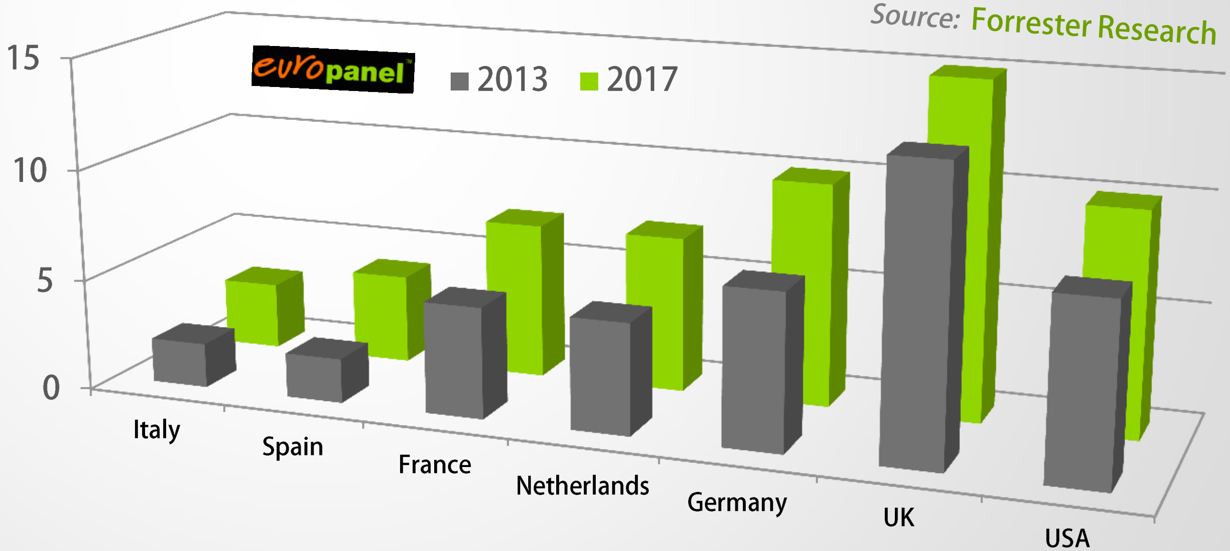
- More information & more misinformation
- Speak to consumers
- ROI media digital
- Data security payment

Internet makes more connections and more interactions with your consumers.

- A new way to get information about brands
- Consumers get a real relationship with brands, in an interactive manner
- Brands get closer to the moment of truth and increase intimacy

Online retail share expected to increase rapidly.

Source: Forrester Research



E-Tailing Business Models in FMCG.

In-store picking

europanel

Ware-house picking

	HOME DELIVERY	PICKUP
In-store picking	**Store to home** Grocers use existing stores to supply online shoppers	**Click-and-collect** Online shoppers collect goods at grocery stores
Ware-house picking	**Warehouse to home** Online start-up (and some bricks-and-mortar) deliver from warehouse	**Drive-through** Some grocers are adopting this time-saving approach

ocado

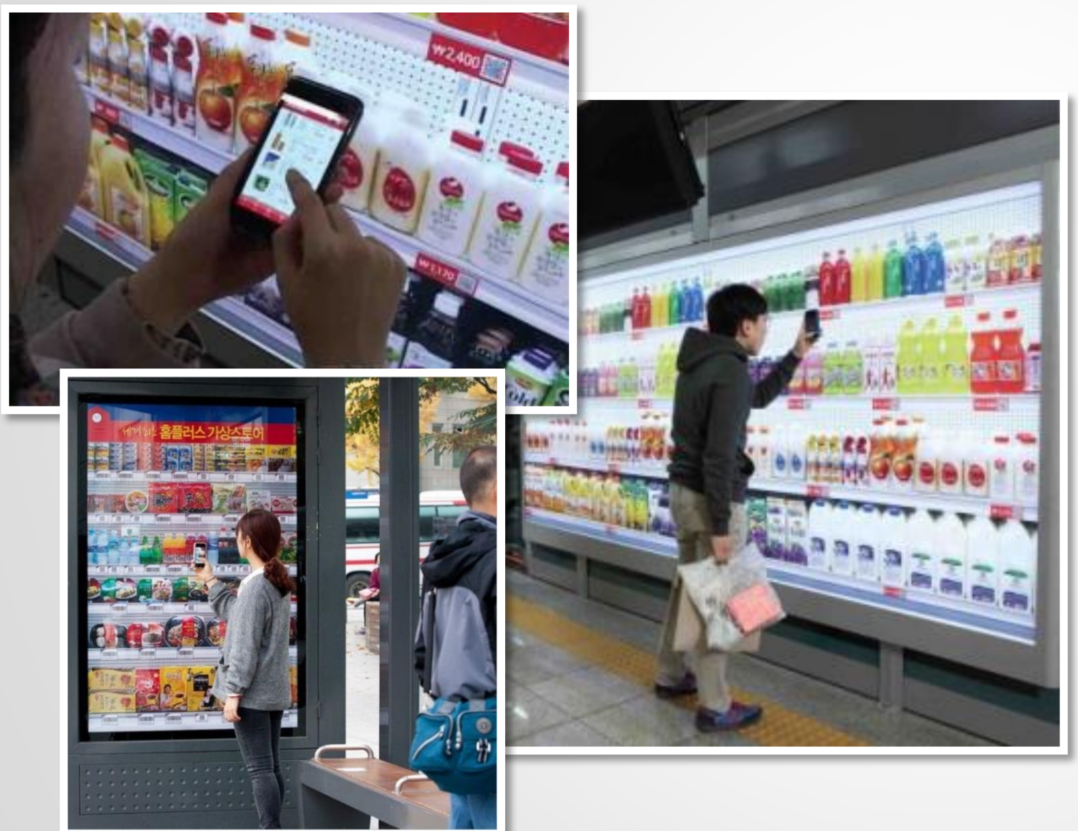
Click & Collect FREE

Express Drive E.LECLERC

E.LECLERC Drive

Reinventing the way people shop.

Tesco Homeplus subway & bus stop virtual stores (Korea)



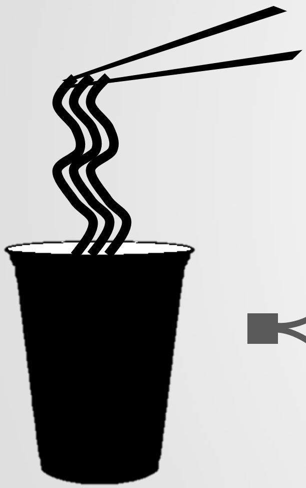
- In 2011, **Homeplus**, the Korean subsidiary of Tesco, began selling **virtual groceries** in Seoul subway - where smartphone users can photograph the bar code the of life - size pictures, on the walls and platform screen doors, of 500 items of food, toiletries, electronics etc. for **delivery within the same day**.

- Homeplus' Smartphone App is now **#1 shopping app in Korea**, with >900,000 downloads (Feb 2012). Most orders placed on the app are at 10am and 4pm, while people are on their way to and from work.

Bottom line.

- Digital is redefining the way people live, interact and behave.
- It becomes an enabler and a changing lifestyle.
- Manufacturers need to redefine the way they interact with their customers : communication, point of contact.
- New customer experience.

Convenience FMCG products are becoming popular.



Facts

- Blurring of professional & personal life
- Longer distance to work
- More women are working
- Urbanization, busier life with more entertainment
- Less FMCG purchase occasions (Sales decrease during lunch time).

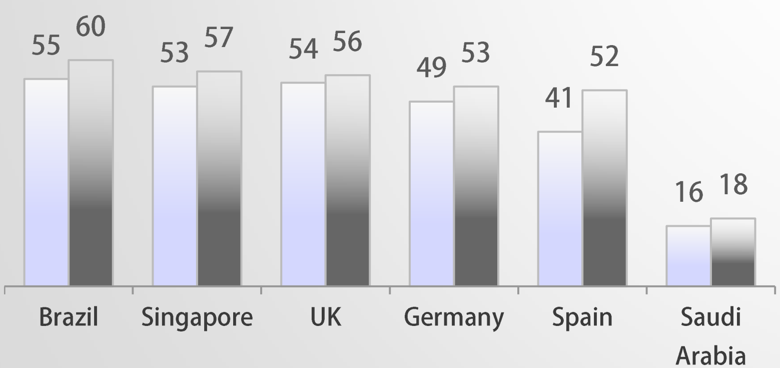
Implications

- Less time shopping & cooking
- More services in-store
- Innovation to make shopping easier
- Ready to "heat" / Ready to eat / Ready to drink

2 CONVENIENCE | *Money Rich, Time Poor*

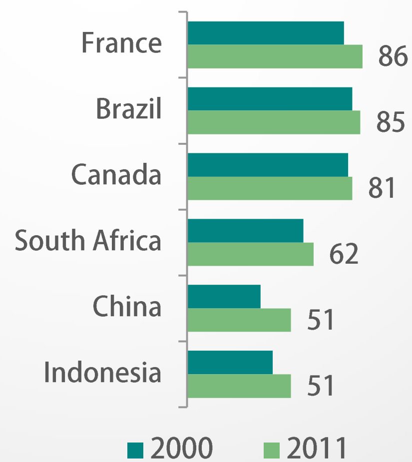
The housewives are getting busier nowadays. One good reason why they love convenient products.

Female Labour Participation Rate

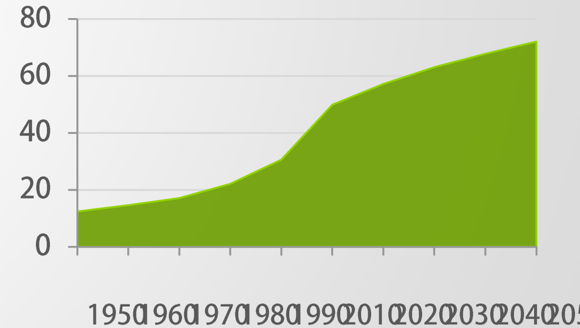


Source: World Bank Data

Urban Population %



Indonesia Population Projection
(%) Urban

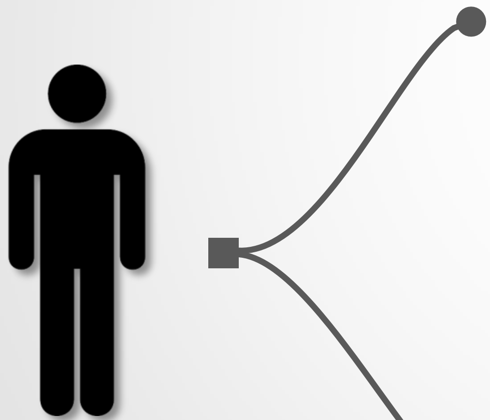


Source: United Nation

3 PERSONALISATION | *a Product Which is Close to Me*

Share a Coke campaign with different names printed on bottles

Consumers nowadays tend to look for uniqueness, to differentiate their selves with others.



Facts

- Greater desire for entertainment
- Desire for individualism
- Increasing wish to indulge
- Design is gaining importance
- Instant gratification

Implications

- More shopper/consumer segmentation, customized communication (digital)
- More shopping/purchase experience
- More innovation: Exclusive and customized products

Everyone in the world is getting fatter.

"Increasing number of people with **health issues** (allergies, obesity)

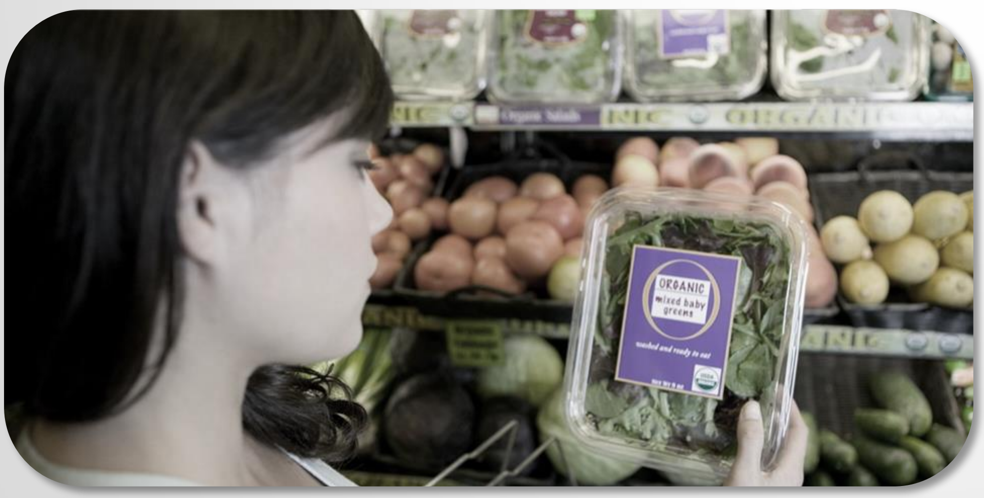
"Increasing **health awareness & self-responsibility**

"Increasing knowledge & **spend on functional food**

What can manufacturers do with this health trend?

Implications

- Educate for healthy life & Functional products (Forums, Apps, etc…)
- Consumer knowledge about ingredients
- OTC products in-store
- Increase the range of healthy and functional products



Individual Average BMI

1980	Country	2008
25	New Zealand	28
25	UK	28
21	Angola	23
19	Vietnam	21
20	Indonesia	22
24	Mexico	28

Source: WHO

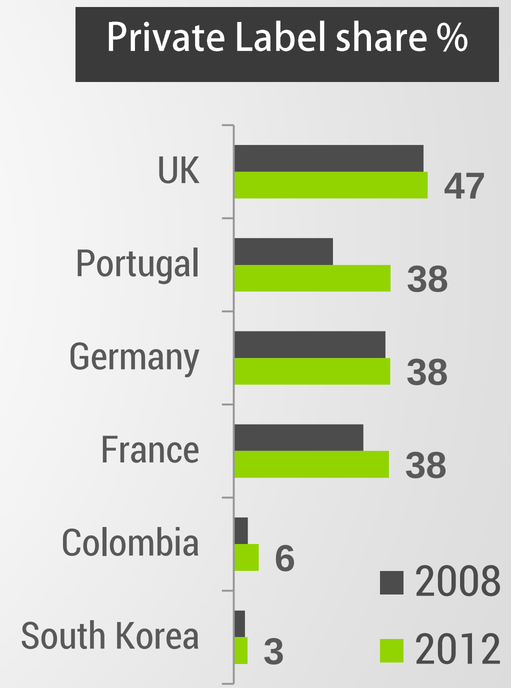
When the price talks : Private Label is Becoming a Hero.

Facts

- Purchasing power at risk in many countries
- Purchase plan in advance
- Share of wallet food shrinking
- Trading down; Private label; Hard Discount

Implications

- Promotion / Private Label / range of economic products
- Maximize the loyalty card / reward the brand / store loyalty
- Price benchmark in-store (or website / app)



Source: Kantar Worldpanel

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INDONESIA
In Statistic

"Indonesia's Economy to Surpass Germany and UK by 2030..."

McKinsey&Company

Indonesia Key Statistic.

The country has so many potential for any manufacturers to invest in the market

Poverty Rate
12% of population (2012)
15.4% (2008)

Population
249.0 million (2013)

Households
63.3 million (2013)

GDP
$878.0 million (2012)

Inflation Rate
8.38% (2013)

GDP Growth
5.6% (YoY 2013)

Source : World Bank, Bank Indonesia, Population Reference Bureau

2

INDONESIA | *Population Comparison*

Indonesia will still be at the top 5 of The Most Populous Country in 2050

Country	Population (2013) *in Million*
China	1,375
India	1,277
United States	316
Indonesia	249
Brazil	196
Pakistan	191
Nigeria	174
Bangladesh	157
Russia	143
Japan	127

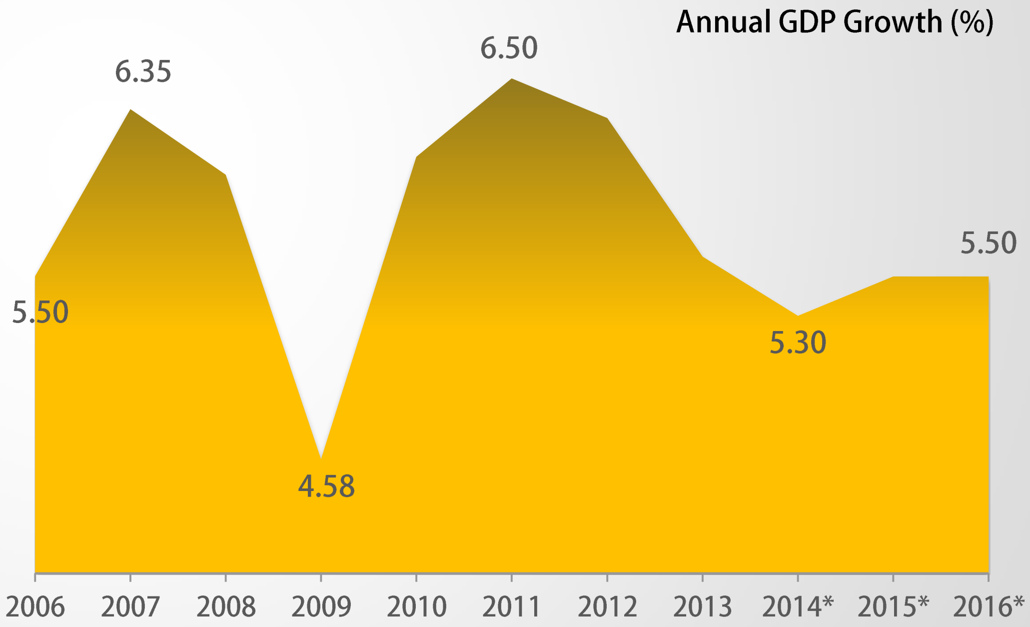
Country	Population (2050*) *in Million*
India	1,652
China	1,314
Nigeria	440
United States	400
Indonesia	366
Pakistan	363
Brazil	227
Bangladesh	202
Congo, Dem. Rep.	182
Ethiopia	178

Source : Population Reference Bureau, 2013

**Projection*

INDONESIA | *Economic Key Figures*

Indonesia's GDP is slowing down in 2013. World Bank projects that this condition will continue in 2014 but will improve in 2015.



Source: World Bank, 2013

Travel and tourism continues to perform strongly in Indonesia

Fast domestic retail expansion boosts travel and tourism

Besides being famous for its landscapes, Indonesia is increasingly attractive as a shopping destination due to its fast growing retail market. Tourists from neighbouring countries such as Singapore and Malaysia find it attractive to gain good bargains in Indonesia.

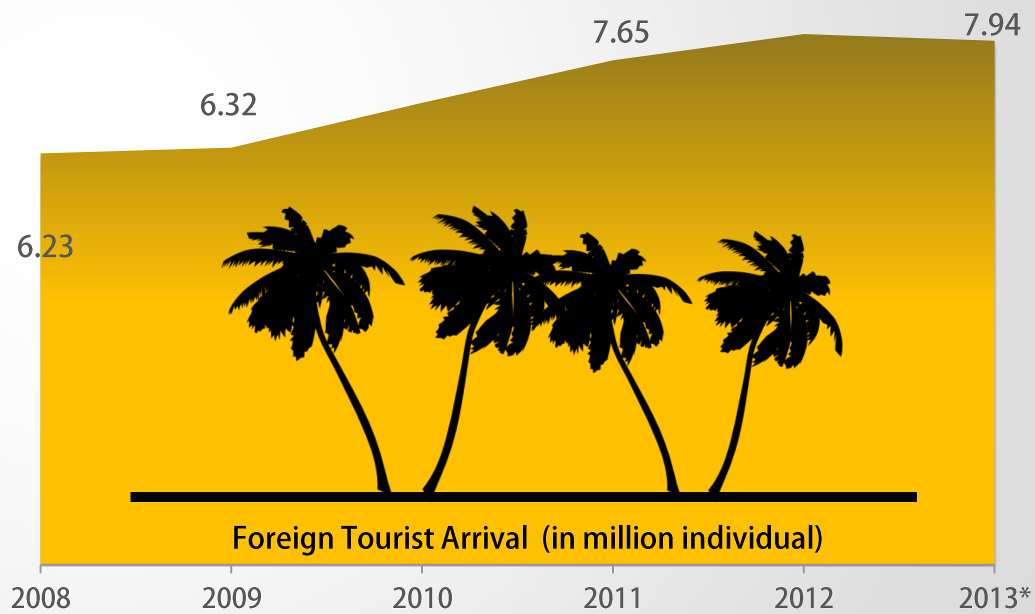
Growing demand for premium services

The growing number of wealthy individuals in the country is also fuelling demand for more premium services, ranging from luxury or 5-star accommodations, spas and business cars up to full service flights.

Increasing penetration of online transactions

For low cost carriers, the majority of sales are already made via online transactions. Low cost airlines also seek sales opportunities during low season by offering promotions on certain departure times.

Source: Euromonitor, 2013



Source: BPS, 2013 | 2013 data is until November 2013

5

INDONESIA | *The Must Face Challenges*

Despite of so many good trends, Indonesia still has plenty of challenges to be faced

Flood

Jakarta as the capital city is still struggling with flood when rainy season hits

Traffic

Traffic in Jakarta is one of the worst in the world according to BBC

Poverty

Out of a population of 234 million, more than 32 million Indonesians currently live below the poverty line

Unemployment

Unemployment rate is still high in Indonesia. The rate reportedly rose in August 2013 on the back of the economic slowdown

Infrastructure

Indonesia is ranked as a country with the slowest internet speed in Asia. One of the result of underdeveloped infrastructure

Corruption

Corruption Perception Index placed Indonesia at the 114th position among the 177 countries being valued.

3

THE COUNTRY TRENDS

1 PREMIUMIZATION

1 PREMIUMIZATION | *Luxury Becomes a Trend*

A growing demand for luxury and premium products and not limited to FMCG categories

FASHION

The New York Times — Fashion & Style

WORLD | U.S. | N.Y. / REGION | BUSINESS | TECHNOLOGY | SCIENCE | HEALTH | SPORTS | OPINION

FASHION & STYLE | DINING & WINE | HOME & GARDEN | WEDDINGS/CELEBRATIONS | T MAGAZINE

Luxury Brands Find a Home in Indonesia

THE WALL STREET JOURNAL. | BUSINESS

ASIAN BUSINESS NEWS

Hermès, Gucci Put Indonesia on Their Wish List

By KATHY CHU in Hong Kong and I MADE SENTANA in Jakarta, Indonesia

Updated Oct. 10, 2012 6:25 p.m. ET

Indonesia's growing ranks of wealthy consumers are enticing more luxury brands to Southeast Asia's largest economy.

Indonesia to Be Largest Luxury Market in SE Asia: LVMH

Text Size

CNBC

CARS

BMW launches latest luxury model

Associated Press, Jakarta | Business | Wed, November 20 2013, 9:30 AM

The new rich drive up demand for luxury cars

Linda Yulisman, The Jakarta Post, Jakarta | Headlines | Mon, November 18 2013, 10:01 AM

TECHNOLOGY

Samsung opts for premium products to retain market leadership

Mariel Grazella, The Jakarta Post, Jakarta | Business | Fri, May 24 2013, 12:27 PM

1 PREMIUMIZATION | *Luxury Becomes a Trend*

Indonesian consumers do buy premium FMCG categories

Source : Kantar Worldpanel Indonesia, 2013)

+7 pts +35%

Moulded Chocolate
(Year on Year Comparison)

+1 pts +15%

Mouthwash
(Year on Year Comparison)

+3 pts +29%

Baby Shampoo
(Year on Year Comparison)

+3 pts +16%

Facial Care
(Year on Year Comparison)

+7 pts +39%

Liquid Soap
(Year on Year Comparison)

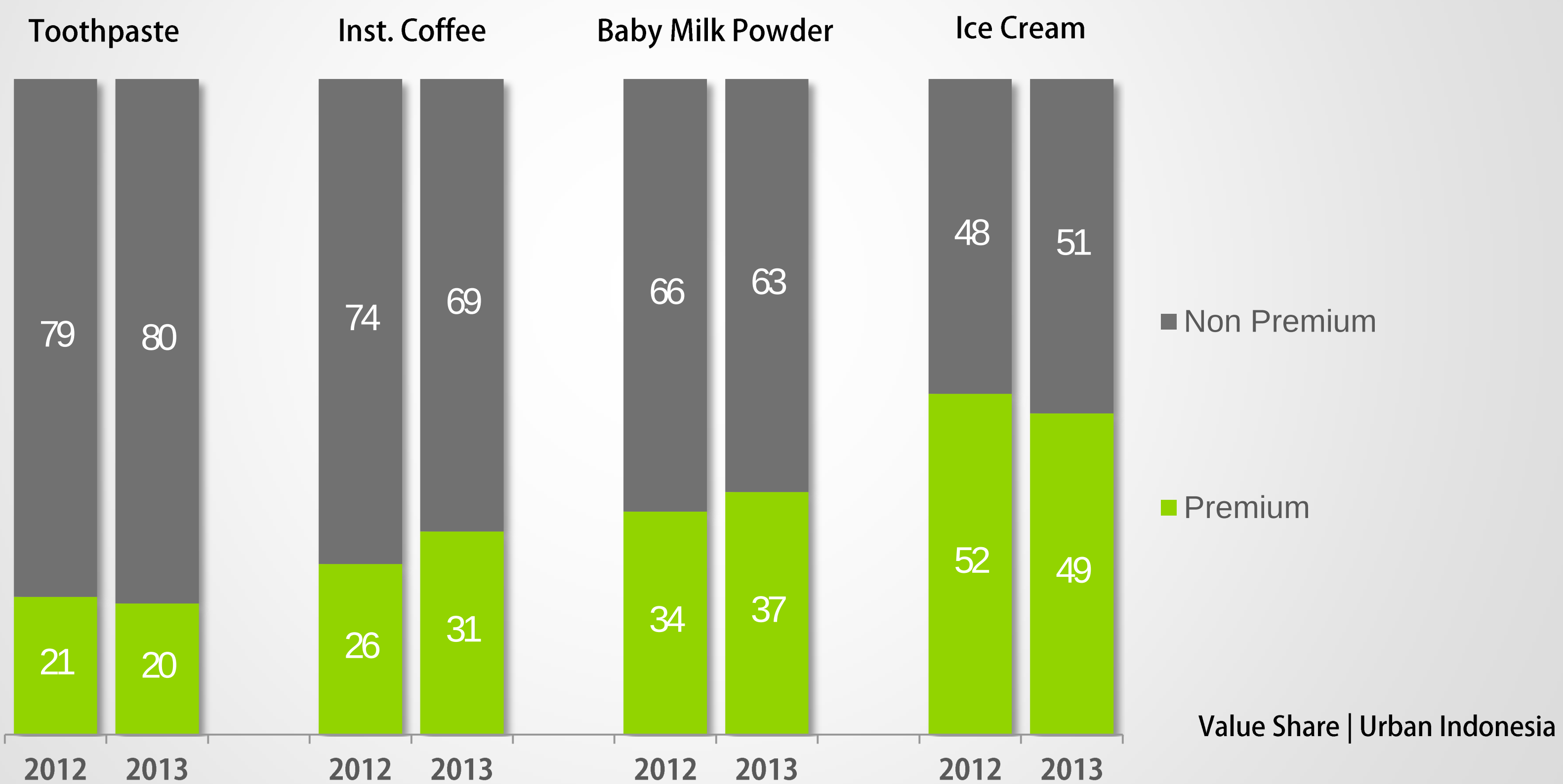
+7 pts +46%

Cheese
(Year on Year Comparison)

1 PREMIUMIZATION | *Luxury Becomes a Trend*

Premium FMCG products are finding a good track in Indonesia market

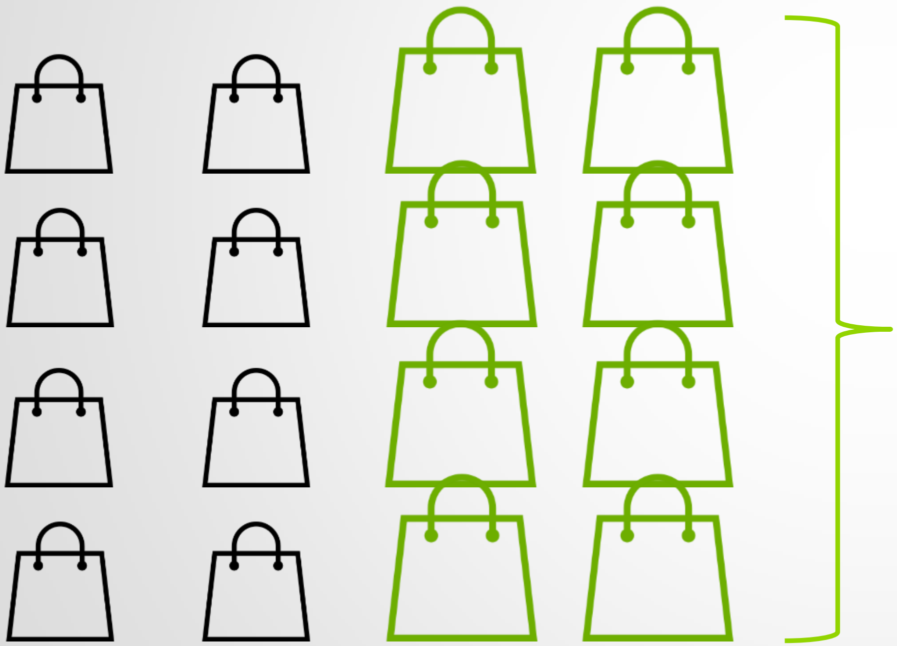
Source : Kantar Worldpanel Indonesia, 2013)



2 THE BIG FORMAT

Most FMCG categories are seeing shoppers upsizing and this is delivering volume growth for many categories

Source : Kantar Worldpanel Indonesia, 2013)



52%

of FMCG categories find increase in pack size and average volume bought per household.

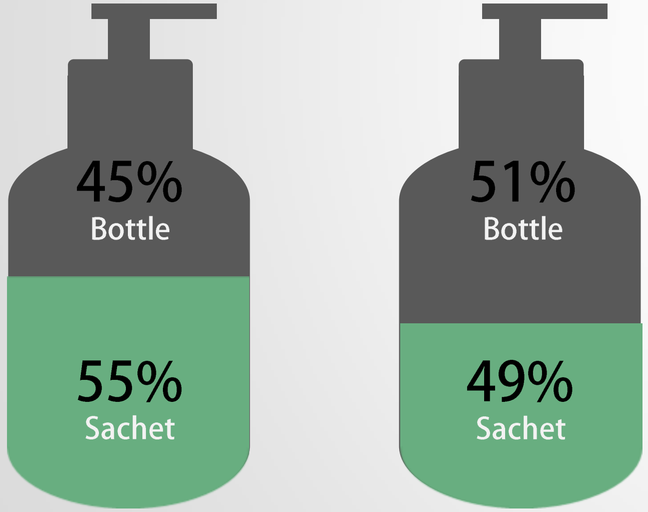
(e.g. shampoo, RTD coffee, liquid milk)

2 THE BIG FORMAT | *When The Big is The New Normal for Pack Size*

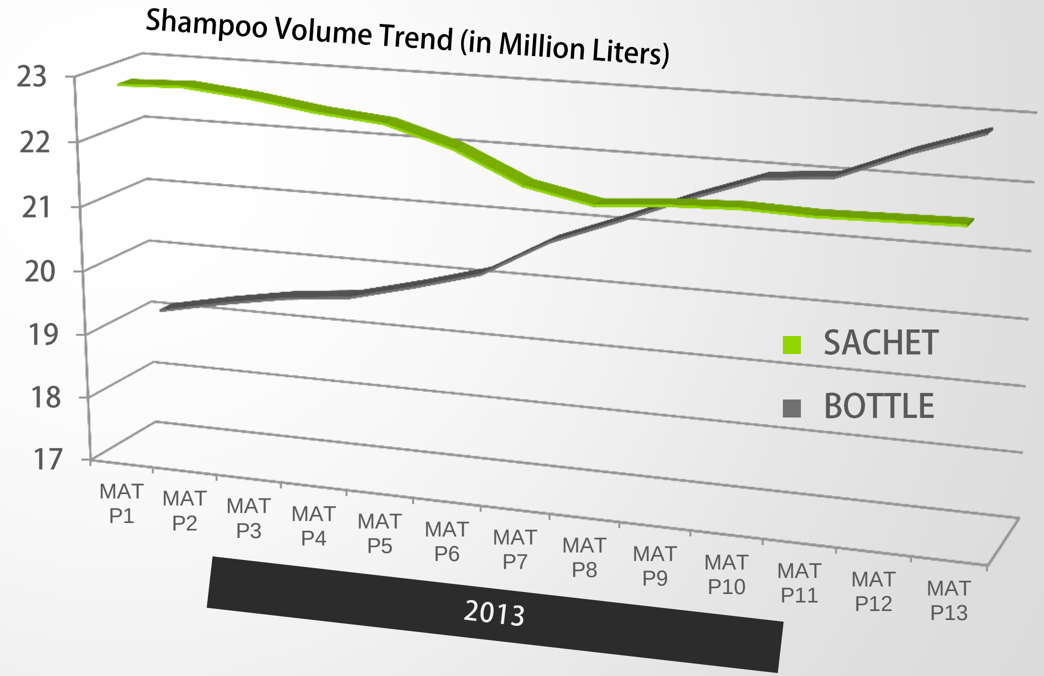
The big format is invading shampoo, as one of the biggest category in Indonesia and also well-known as sachet driven category

Source : Kantar Worldpanel Indonesia, 2013)

Shampoo Volume Contribution Comparison
(Urban Indonesia)



FY 2012 FY 2013



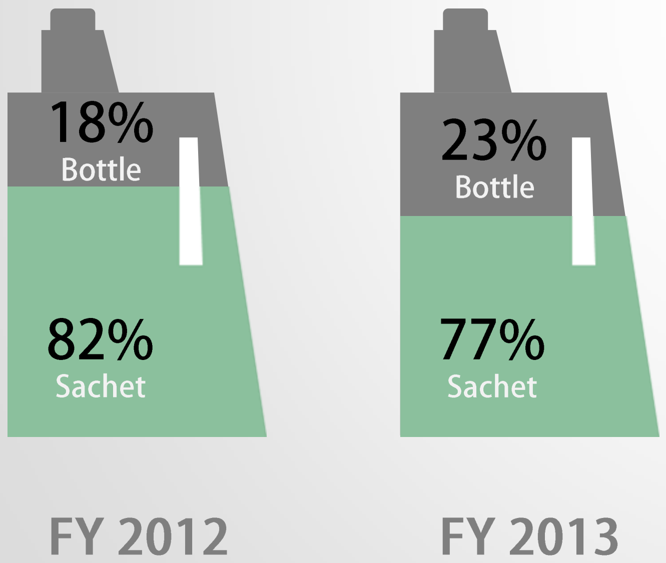
2 THE BIG FORMAT | *When The Big is The New Normal for Pack Size*

APPARENTLY, SHAMPOO IS NOT ALONE IN THIS INVASION...

Fabric Conditioner and Biscuits are also invaded by big pack size.

Source : Kantar Worldpanel Indonesia, 2013

One of the 3 biggest Fabcon Brand Volume Contribution Comparison (Urban Indonesia)



One of the 3 biggest Biscuit Brand Volume Contribution Comparison (Urban Indonesia)

KANTAR WORLDPANEL

3 THE MALE GROOMING

Why is male grooming a hot topic in Asia?

Source : Kantar Worldpanel Asia – Household Panel MATQ2 2013 – All male grooming categories

"FOR MEN" brands are growing at faster pace than beauty sector

6%

PERSONAL CARE

9%

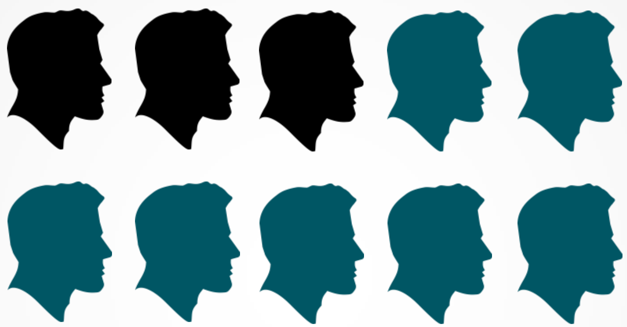
"FOR MEN" SEGMENT

3 THE MALE GROOMING | *When The Word Beauty is Not only for Women*

This male grooming trend is also happening in Indonesia!

Source : Kantar Worldpanel Indonesia, 2013

Male product buyers increased by **7.4 points** this year vs. year ago.



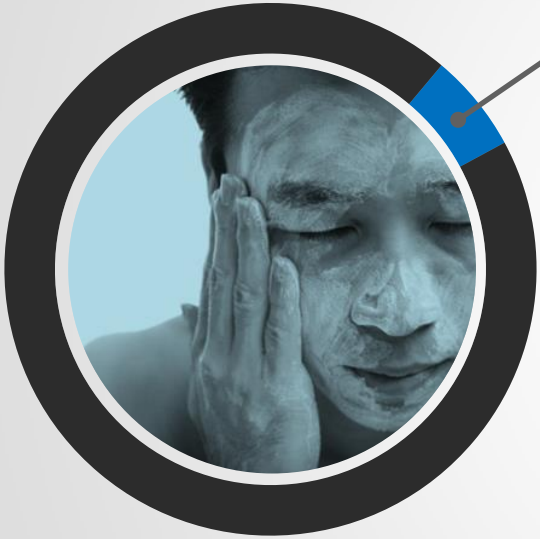
Rp. Rp. Rp. Rp. Rp.
Rp. Rp. Rp. Rp. Rp.

The spending of Indonesian households on male product increased by **43%** this year vs. year ago.

3 THE MALE GROOMING | *When The Word Beauty is Not only for Women*

Male face cleanser is one of the male products that facing excellent growth!

Source : Kantar Worldpanel Indonesia, 2013



5.7 pts.

Male face cleanser buyers increased by 5.7 points this year vs. year ago

The spending of Indonesian households on male face cleanser is doubled this year vs. year ago.

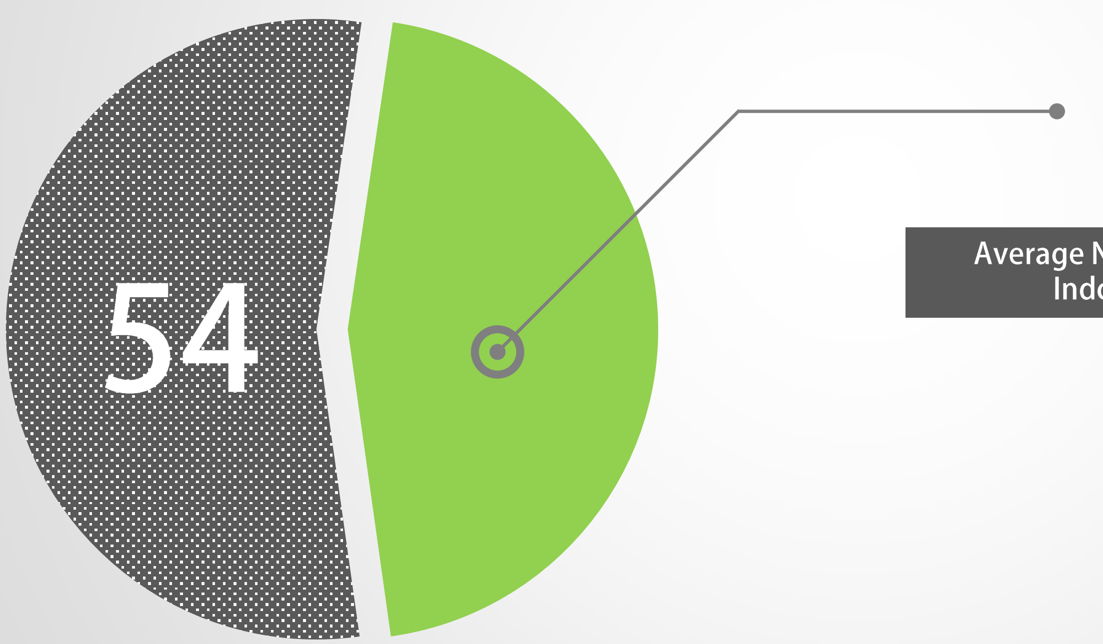
2x

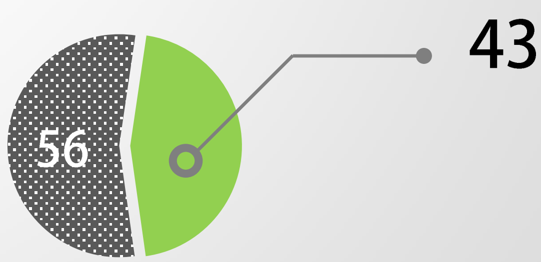
4 TIGHT COMPETITION

4 THE COMPETITION | *When the New Enemies are Keep Coming*

Indonesian households purchase many different FMCG categories for their daily life! It will open more spaces for competition in the market.

Source : Kantar Worldpanel Indonesia, 2013



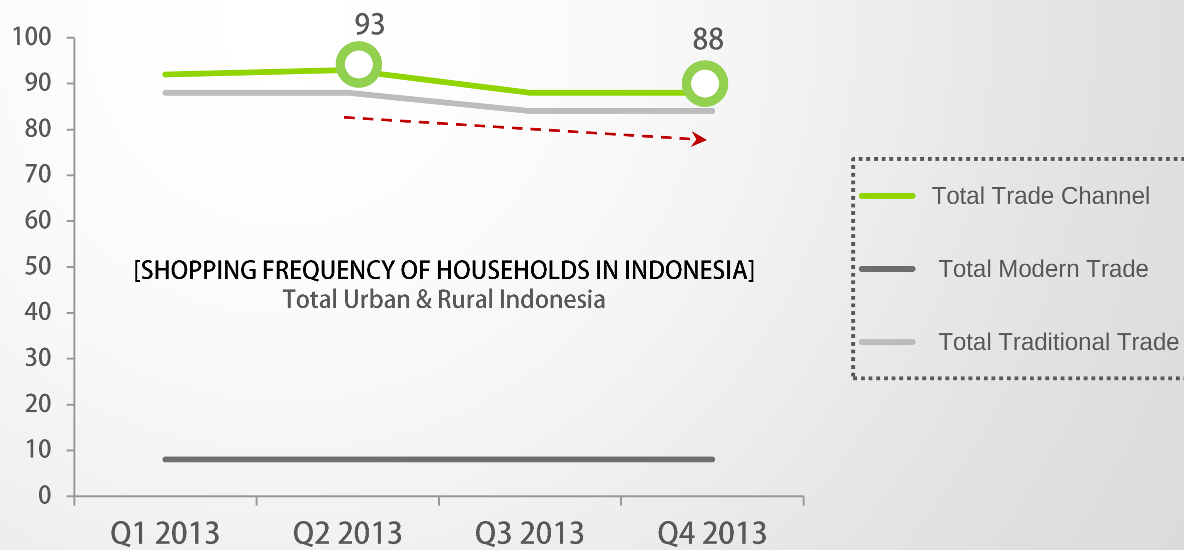


4 THE COMPETITION | *When the New Enemies are Keep Coming*

However, as the number of categories purchased is increasing, the shopping frequency for FMCG is decreasing instead.

Which means, the competition is becoming even more violent as the chance of being bought of one brand is also minimized

Source : Kantar Worldpanel Indonesia, 2013



4 THE COMPETITION | *When the New Enemies are Keep Coming*

There are so many new FMCG brands coming to Indonesia market every year! These "newcomers" will always come up with a strategy to get to the throne

Source : Kantar Worldpanel Indonesia, 2013

Foods

+ 173 New Brands in 2013

Home Care

+ 12 New Brands in 2013

Beverages

+ 61 New Brands in 2013

Personal Care

+ 26 New Brands in 2013

4

THE COMPETITION | *When the New Enemies are Keep Coming*

At SKU level, the competition set is even higher.
As the shopping frequency is decreasing, brands need to do something to increase the chance of being considered by consumers on each occasion.

Source : Kantar Worldpanel Indonesia, 2013

Foods
+ 1038 New SKUs in 2013

Home Care
+ 232 New SKUs in 2013

Beverages
+ 313 New SKUs in 2013

Personal Care
+ 604 New SKUs in 2013

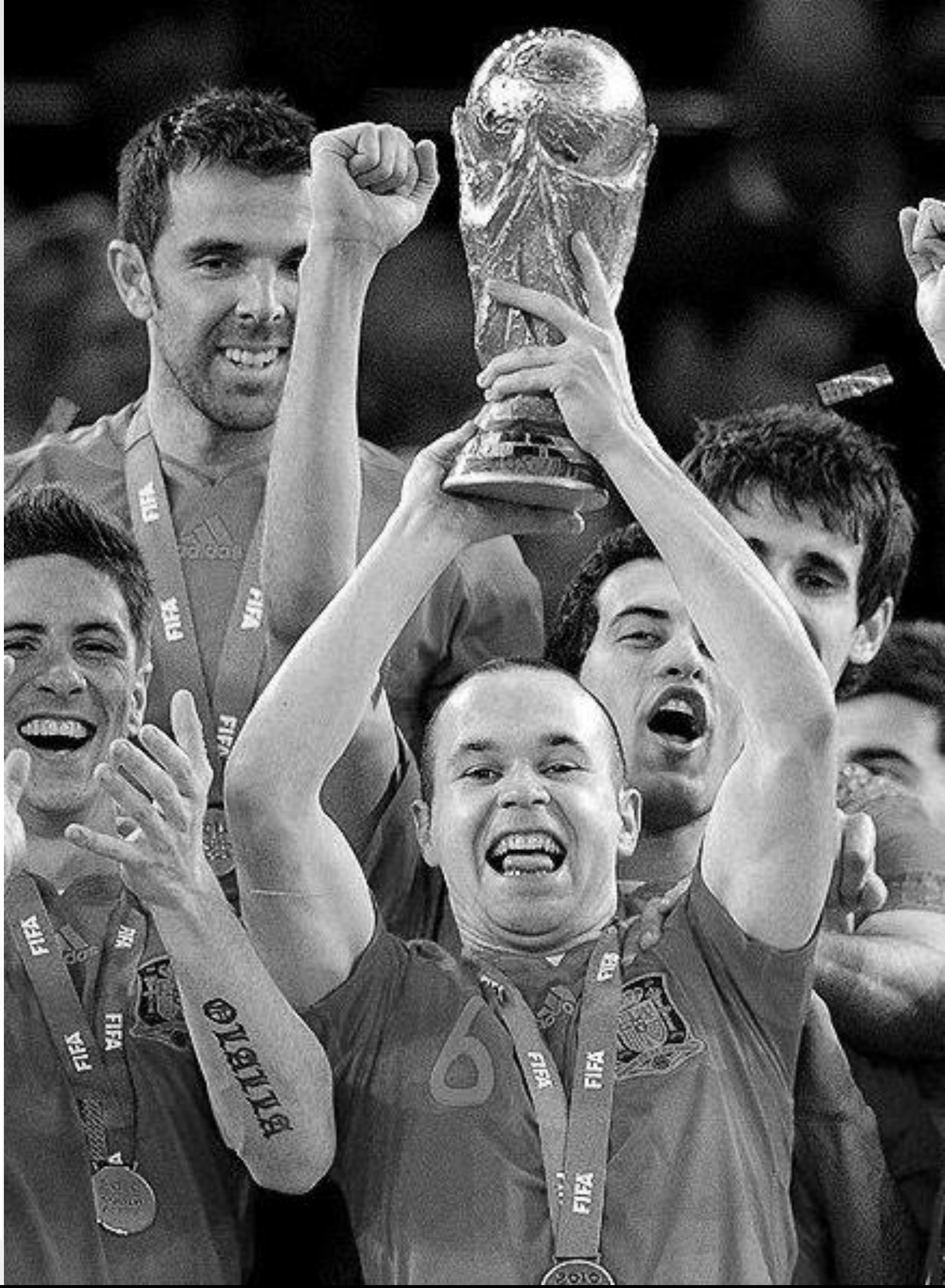
This condition could deteriorate faster than expected with the launch of ASEAN Economic Community that will take place in December 2015.

It will allow more foreign brands to penetrate Indonesia, which means the competition will be even tougher.

Source : www.asean.org (2013)

- A single market and production base
- A highly competitive economic region
- A region of equitable economic development
- A region fully integrated into the global economy

5 EXTENSIVE EUPHORIA



There will be three big events that will hit Indonesia in 2014.

World Cup 2014

Ramadhan (Festive)

National Election

… and what will be the impact?

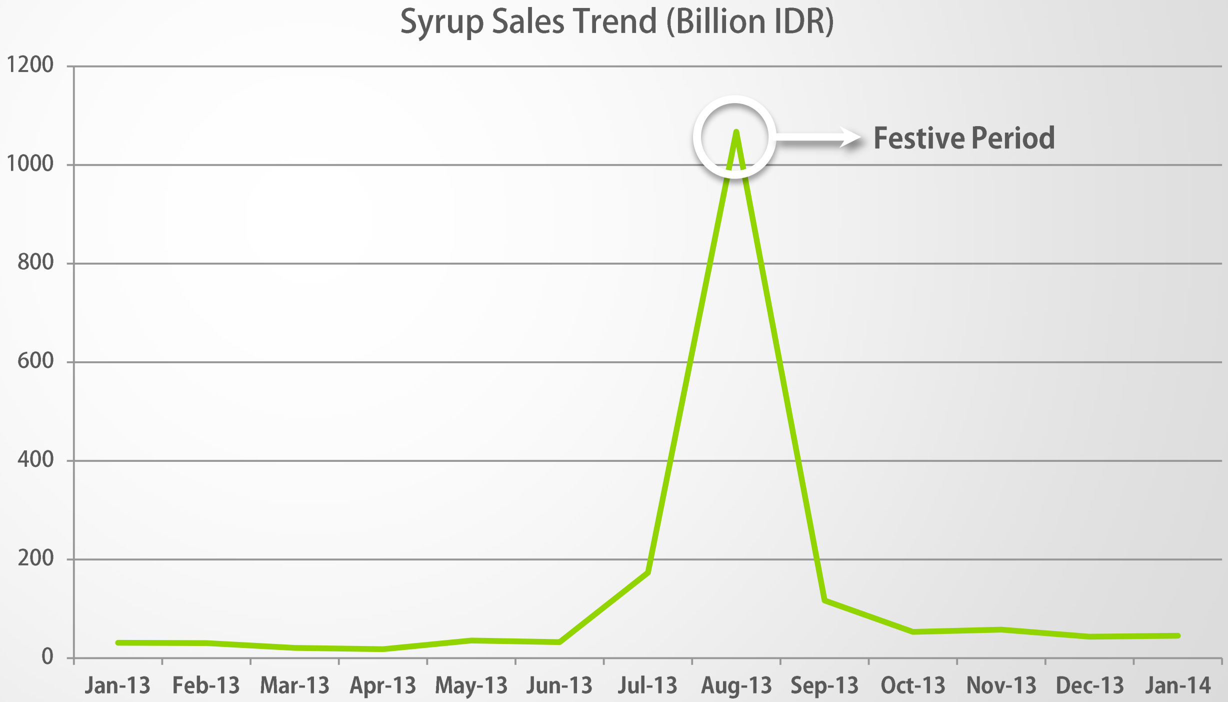
5

EXTENSIVE EUPHORIA | *A Super Busy Year for Indonesia*

The advertisement slot in TV or any other medias will be very jammed this year

5 EXTENSIVE EUPHORIA | *A Super Busy Year for Indonesia*

How it will impact the sales? Our data suggests : it will be definitely impactful!



In 2010, there was development of High Definition (HD) TV & the launch of 3D, both were helped by the World Cup.

(Source Europanel Report, 2010)

5

EXTENSIVE EUPHORIA | *A Super Busy Year for Indonesia*

During World Cup 2010, some FMCG categories in neighbour country such as Malaysia found a huge increase in volume versus previous year

(Source : Kantar Worldpanel Malaysia, 2010)

SOUTH AFRICA 2010 FIFA WORLD CUP

Cake — Volume Increase +85% (YoY)

Wine — Volume Increase +35% (YoY)

Beer — Volume Increase +17% (YoY)

Coffee — Volume Increase +15% (YoY)

RELEVANT IMPLICATIONS | *What is it for you?*

PREMIUMIZATION

"Introduce new products with added value and pack it as premium to the consumers will still relevant to Indonesia market"

BIG FORMAT

"Bigger pack size enable us to be creative in pricing to tell our value proposition"

MALE GROOMING

"Launch a specific product that is special for male"

TIGHT COMPETITION

"Open all possible channel for promotion : Above The Line, Below The Line, and Digital are very important for a brand to be considered by consumers"

EXTENSIVE EUPHORIA

"Make sure you have the 'slot' in the media during this busy time"

Thank you

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