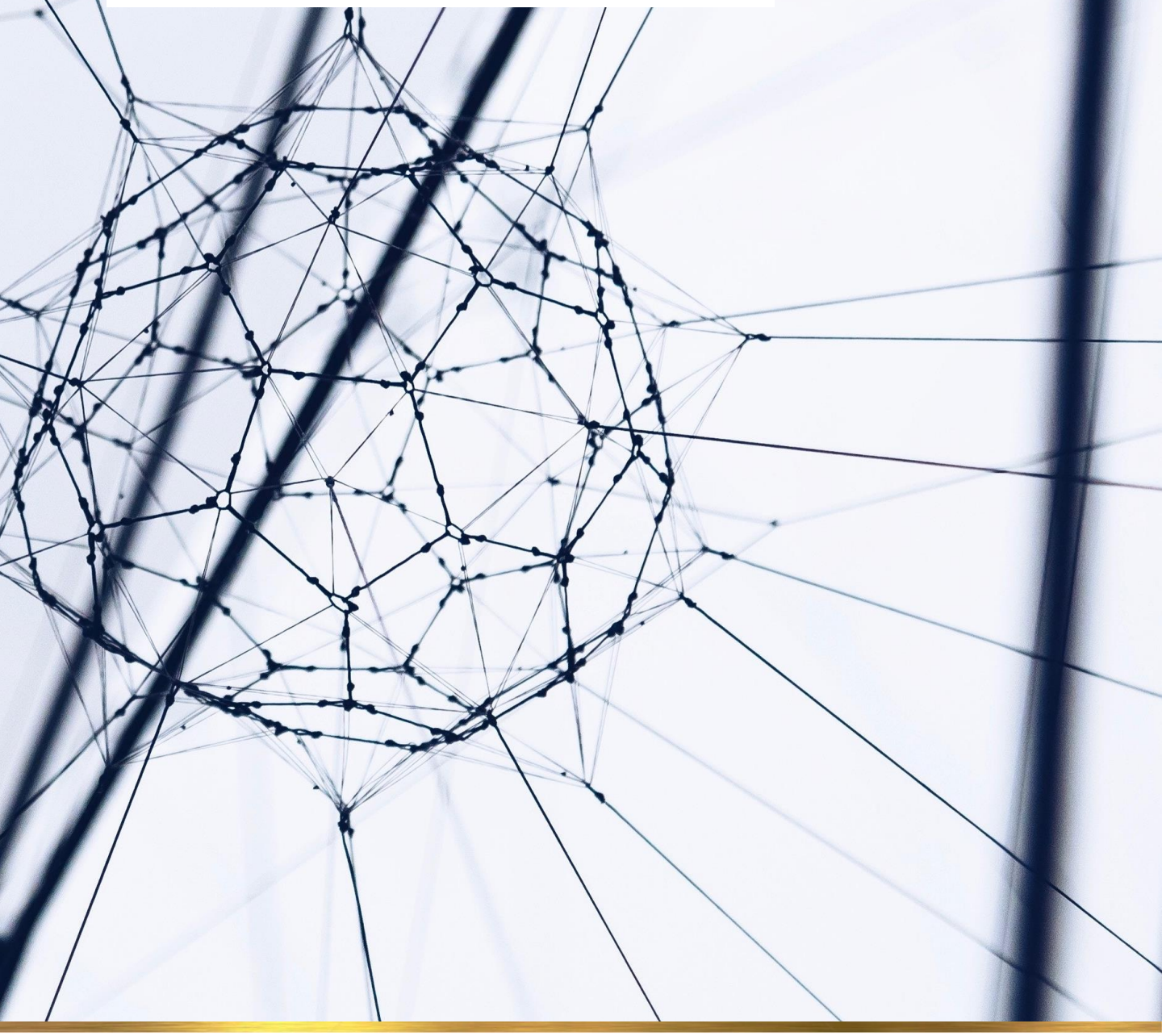
THE RISE OF ONLINE PURCHASE IN FMCG

KANTAR WORLDPANEL INDONESIA

Thought Leadership Series



KANTAR WORLDPANEL

Simple and less stressful life is now valued more than money and wealth amongst Asians. Just add the growing popularity of mobile internet and social media at the point of sale into the equation and this can be translated as people are seeking for convenience in every aspect of their life, including in making their shopping choices too. No wonder Asia would seem like an e-commerce wonderland.

Based on Kantar Worldpanel data, in countries such as China, Taiwan, and Korea e-commerce are growing around over 30% from last year. In fact all these countries have proportion of FMCG sales through e-commerce higher than the developed markets of the US and Europe. It's not surprising that there are many new age online brands and marketplaces coming up; while more traditional retailers are transforming into multi-channel retailers in Asian countries like Thailand, The Philippines and Indonesia (for example mataharimall.com).

With a population of over 250 million and more than half of population being below 30 years old, who are heavily engaged online, Indonesia offers a lucrative market for e-commerce. Following smartphone penetration increase, urbanization and growing disposable income; e-commerce is expected to show even sturdier performance. Yet, specifically for fast moving consumer goods (FMCG), e-commerce is a puzzle of performance with only 1,9% penetration among urban households (Kantar Worldpanel Data, Full Year 2016, Urban Indonesia).

While penetration of e-commerce for FMCG in Indonesia is still small, the growth is tremendous and it is expected to continue the strong growth within upcoming years. The growth of e-commerce for FMCG is mainly driven by consumer demand with two main emerging factors:

1 VALUE FOR MONEY

As shown from growing FMCG purchase occasion on promotions, shoppers across economic groups are looking for value for money offers. For the case of e-commerce, value for money is driven by lower pricing & promotions, which become initial key drivers for e-commerce growth in Asia, including Indonesia.

2 PROXIMITY & CONVENIENCE

Globally as well as locally, proximity and convenience help those who are leading busier lifestyle and e-commerce is riding on this demand by allowing shoppers to have full control of when and where they make their purchasing decision.

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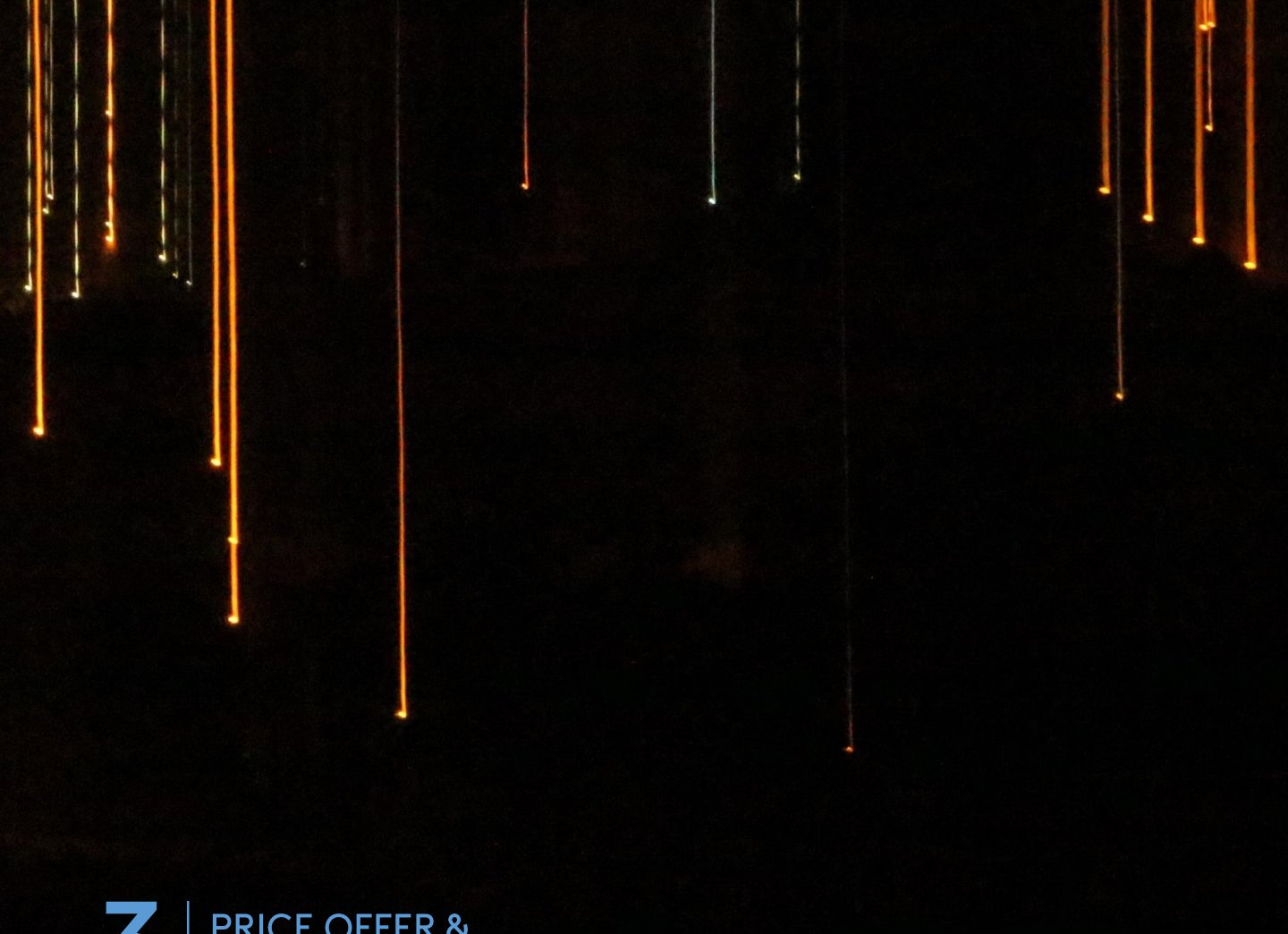
E-commerce for FMCG purchase still displays double digit growth, even in mature countries with undeniable market share increase. For Indonesia, the route to growth is to drive the penetration of e-commerce: by having more shoppers purchase FMCG online. To drive penetration, it is important to understand the barriers online shopping for FMCG purchase in Indonesia. Top barriers are in three areas of:

1 | CONVENIENCE

Shoppers cannot get the products immediately and can't pay by cash; In Indonesia, the reach of proximity channels such as Minimarket and Warung, becomes a real trade-off for shoppers to purchase FMCG online.

2 | REASSURANCE

Shoppers cannot check expiry dates by themselves and this is highly important especially for food and beverages; also, shoppers cannot be ensured of the product condition.



3 PRICE OFFER & PROMOTIONS

Price offer and frequency of promotions also drive shoppers to become more reluctant in trying FMCG purchases on e-commerce, since shoppers are tempted to have more impulsive or unplanned purchase, as well as to buy new brands.

With the ever growing urban lifestyle, convenience is definitely one of the factors that shoppers are looking for. Go-Mart, an app-based shopping service of Go-Jek, is one of the medium which supports shoppers in purchasing their groceries through online portal. Nadia Tenggara, Vice President of Go-Food (formerly Head Go-Mart) confirmed that over 65% of Go-Mart's sales is dominated by FMCG products and it continues to increase at 5% month-on-month. She stated that the rise of middle class Indonesian has led to a significant increase in smartphone and mobile app penetration, coupled with traffic gridlock in the big cities, together has created a shift in purchase behavior. People want convenience which gives rise to the growing demand of online grocery shopping, including FMCG products.

Given the consumer trend and by maximizing all assets of e-commerce to eliminate the barriers, we can expect e-commerce purchase for FMCG will continue growing. Yet, it is very important for Indonesia's FMCG marketers need to keep the focus on the offline channel while building their online e-commerce strategy. This is because, both online and offline have their own role to play to attract their consumers.

OUR EXPERT: NADYA ARDIANTI COMMERCIAL DIRECTOR

Kantar Worldpanel is the global expert in shoppers' behavior. Through continuous monitoring, advanced analytics and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts and government organizations globally.

With over 60 years experience, a team of 3,500, and services covering 60 countries directly or through partners, Kantar Worldpanel turns purchase behavior into competitive advantage in markets as diverse as FMCG, impulse products, fashion, baby, telecommunications and entertainment, among many others. Kantar Worldpanel is part of the Kantar, one of the world's largest insight, information and consultancy networks. Kantar is the data investment management division of WPP.

In Indonesia, Kantar Worldpanel – Inspiring Successful Decision™ tracks household purchase of over 70 different FMCG categories across food and non food from its sample of 11,000 households across urban and rural Indonesia on a weekly basis; representing around 50 million households.

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