SPOTLIGHT OF INDONESIA 2017

DISCOVERING THE HIDDEN GEMS

KANTAR WORLDPANEL

Stagnation has become a new norm in 2016 across Southeast Asia countries, like Malaysia, Thailand and Indonesia. However, compared to the other two, Indonesia managed to achieve highest GDP growth in 5.0%, slightly lower from its 5.3% target. This progress also supported by the stable inflation and exchange rate; an increase on export rate; along the unemployment rate which continuously shows a declining figure. Those positive figures are reflected in the increase of consumer confidence index. This state, along with the ever increasing price, has driven the growth of FMCG expenditure, where Indonesia displays the highest growth in South East Asian countries, rising by 8,3% compared to last year.

FMCG and fresh food remains the highest expenditure segment for the Indonesian household. However, some consumer's priorities have changed, for instance, growing expenses of savings and investments. Consumers find it is essential to stay reasonable in managing the spending by opting for value packs products in larger format that resulting in lower purchase frequency.

A NEW
HOPE

6 ESSENTIAL
DRIFT TO WIN
IN 2017

With all being said, Indonesia remains as promising as ever. In order to win in the Indonesian market in the final months of 2017, we need to tap in the right opportunities underlying in 6 essential trends.

1 RELEVANCE OF HEALTH, CONVENIENCE, & HAPPINESS

Increasing daily activities in the society impacted to rising awareness of well being. It's Most of the successful products in the FMCG industry are riding on three mega trends - health, convenience and happiness.

HEALTH

Rising health awareness encourage consumers to adapt healthier lifestyle by opting for products with natural ingredients or offer health benefits.

Exposure to environmental issues also moves consumers to protect themselves from the effect, leading to preference of products with anti-pollution benefits and recycled packaging materials.

Consumers are looking for products to make their life healthier, driving the growth of healthy categories e.g. cold cereal and cheese.

HAPPINESS

Happiness is key to make life even more meaningful, a factor which also plays an important role in driving consumer to share higher purpose in life through the goods they're consuming on daily basis.

Economic slow down still have an effect to stress level and consumers are aspired to relieve the tension by opting for products that adds up some spice to their life. Ice cream and snacks are two growing categories which rides on this trend.

CONVENIENCE

High mobility level among consumer, especially in urban areas, pushes everyone to get everything done in short time. Being loaded with informations and to adapt to the fast development is forcing consumers to look for ways to make life simpler and easier.

2 CATERING NEW OCCASIONS TO EXPAND USER PORTFOLIO AS FREQUENCY DECLINES

Economic tensions and price increase force consumer to be wiser in managing their spending, leading to lower purchase frequency. This phenomenon is also seen in other Asian countries. In Indonesia alone, consumers have decreased their purchase frequency by 5% as against last year and it's not foreseen to fully recover in near future. Wider product range in the market created greater competition at the point of purchase.

In order to ensure sustainable growth, brands need to work on how to attract as many consumers while staying relevant in many occasions.

3 THE RISE OF THE LOWER CLASS WHO ARE GETTING MORE ASPIRATIONAL

Amidst economic slowdown, consumers across different demographics are adapting differently to the situation. Sustained efforts on infrastructure development by the government leading to lower unemployment rate. This has benefited the lower class consumer who is showing an increased spends of FMCG products. Affordable versions of FMCG products being widely available allows the lower SES consumer to keep up with the latest products, which drives repertoire expansion and premiumization by the lower SES.

4 GROWTH OF SECONDARY CITIES

Increasing commodity prices and the governments focus on secondary cities has led to the consumers having more disposable income. And this is seen in their increased FMCG spends. Modern trade retailers have grabbed this opportunity by expanding its presence in these areas by opening new outlets in key secondary cities and growing faster.

5 RISE OF ONLINE SHOPPING

FMCG purchase through online portal does not account to a significant amount in total spend yet. However with the changing lifestyle where time is a decreasing commodity, more and more consumers will move to online shopping for the convenience it offers and that the consumer can avoid the mundane task of shopping. This is further fueled by the rapid increase of smartphone penetration, urbanization and growing disposable income, contribution of e-commerce towards FMCG spends is expected to reach double-digits levels from the current 1% in the near future.

6 EVOLUTION OF MULTI CHANNEL MODERN TRADE

General trade remains the most important trade channel for the Indonesian consumer, dominating total FMCG value share at 75%.

On average, people shop 22 times a month in traditional trade. At the same time, other convenient format, especially minimarkets are increasing their presence in secondary cities and even up to rural areas.

Extensive consumer promotions is another factor driving the trip size, especially through weekend promotional programs which allow consumer to enjoy huge price cuts on basic necessities, most times even lower price than hyper and super market.

Added to it, the ease to find minimarket in every corner of the city, in residental and business areas and longer opening hours, allow buyers to shop more conveniently anytime.

The growth of mini market has also led to the higher SES consumer to shop there for their top-up as well as attracting the middle and lower SES consumer for their monthly shopping needs.

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 90 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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