ADAPT TO WIN THE FESTIVE IN CHALLENGING TIME

KANTAR WORLDPANEL INDONESIA

Thought Leadership Series

KANTAR WORLDPANEL

Households' spending lift only happens in the last week of festive.

This year, FMCG had to be satisfied with only a single-digit growth. This is the slowest growth compared to the last 3 years festive performance. Even more crucial, Festive 2017 lost its momentum due to festive bonus (the 13th salary) that had been paid last minute to Indonesians' civil servant, which induced them to delay their spending on FMCG. Kantar Worldpanel data shows that households' spending lift only happens in the last week of festive. Unlike previous festive trends where households already spent quite lavishly since the first week of festive.

While upper-class festive spending growth has consistently been limited since last year, lower class has been able to maintain double-digit growth during festive. The smaller growth in high-class consumer than lower class consumers were expected. Higher income group are more prone towards other expenses necessities such as, transportation, education, communication, electricity, housing and to some extent ceremonial expenditures that are more expensive. Meanwhile, spending in lower SES is still dominated by FMCG and small to other expenses. Therefore, despite the rise of other expenses, lower SES was not as affected as higher SES to spend more on FMCG. Furthermore, lower SES was also supported by the government's decision to increase the amount of subsidized electric bill houses by 50%, quantifying additional 2.4 million houses.

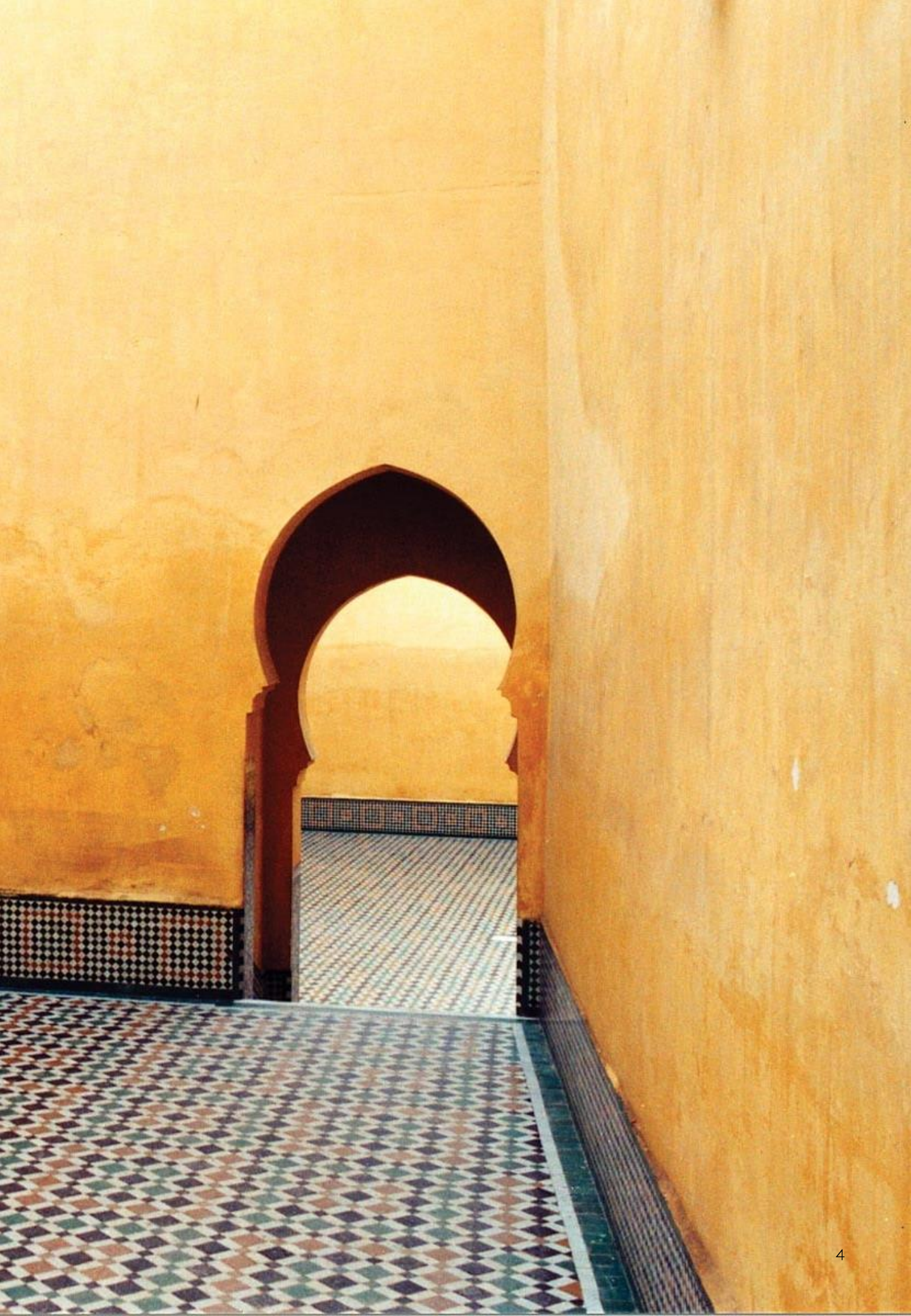
Despite this year's slow festive growth, some categories still managed to grow by riding the FMCG trend in 2017.

1 SECONDARY CITIES & RURAL ARE DRIVING THE GROWTH

Rural and secondary cities have 1.7 times higher growth than main cities (Greater Jakarta, Bandung, Semarang, Yogyakarta, Surabaya, Malang, Medan, Palembang, Makassar). FMCG strong growth was also supported by aggressive expansions of Minimarket in secondary cities and rural areas, resulting in more excitement through convenient channel format. Categories such as RTD juice, biscuit, and cheese were able to win by having secondary cities and rural to drive double-digit festive growth. Strong availability and affordability are the key success to win in secondary cities and rural areas. SARI NABATI, ARNOTTS, and GARUDA FOOD have increased their availability and capture more than 10 penetration points in secondary cities and rural areas for the last 3 years.

2 RELEVANCE OF PRODUCTS TO HEALTH, CONVENIENCE & HAPPINESS TREND

In recent years, more and more people are seeking for concepts to accomodate simpler and less stressful life. Both globally and locally, significant growth is seen on FMCG categories which support the mega trends in FMCG to help consumer in achieving healthier lifestyle, more convenience, and bring happiness. Brands that deliver innovations through their products and communications by riding on the FMCG mega trends are enjoying their momentum on this year's festive. Mouthwash is an example of festive driven category that embraces these trends for its functional benefit to produce fresh breath in a convenient way anchoring on the local Muslim insight of the need to be extra clean, especially during Ramadhan. LISTERINE showed a stronger performance on this year's festive, surpassing category growth compared to same period last year. Maria Llanes-Dimaculangan, Marketing Manager of Johnson & Johnson Indonesia confirmed the brand's breakthrough into the less intense segment becomes an important driver to recruit more solid buyers base, expanding its appeal to younger audiences all the way down to kids aged 6 years old, as well as to increase consumption, since this value resonates well with Hari Raya theme for a safer and halal option to the muslim community.



3 PROMOTIONS IN MINIMARKET ATTRACT PEOPLE TO SHIFT TRADE CHANNEL

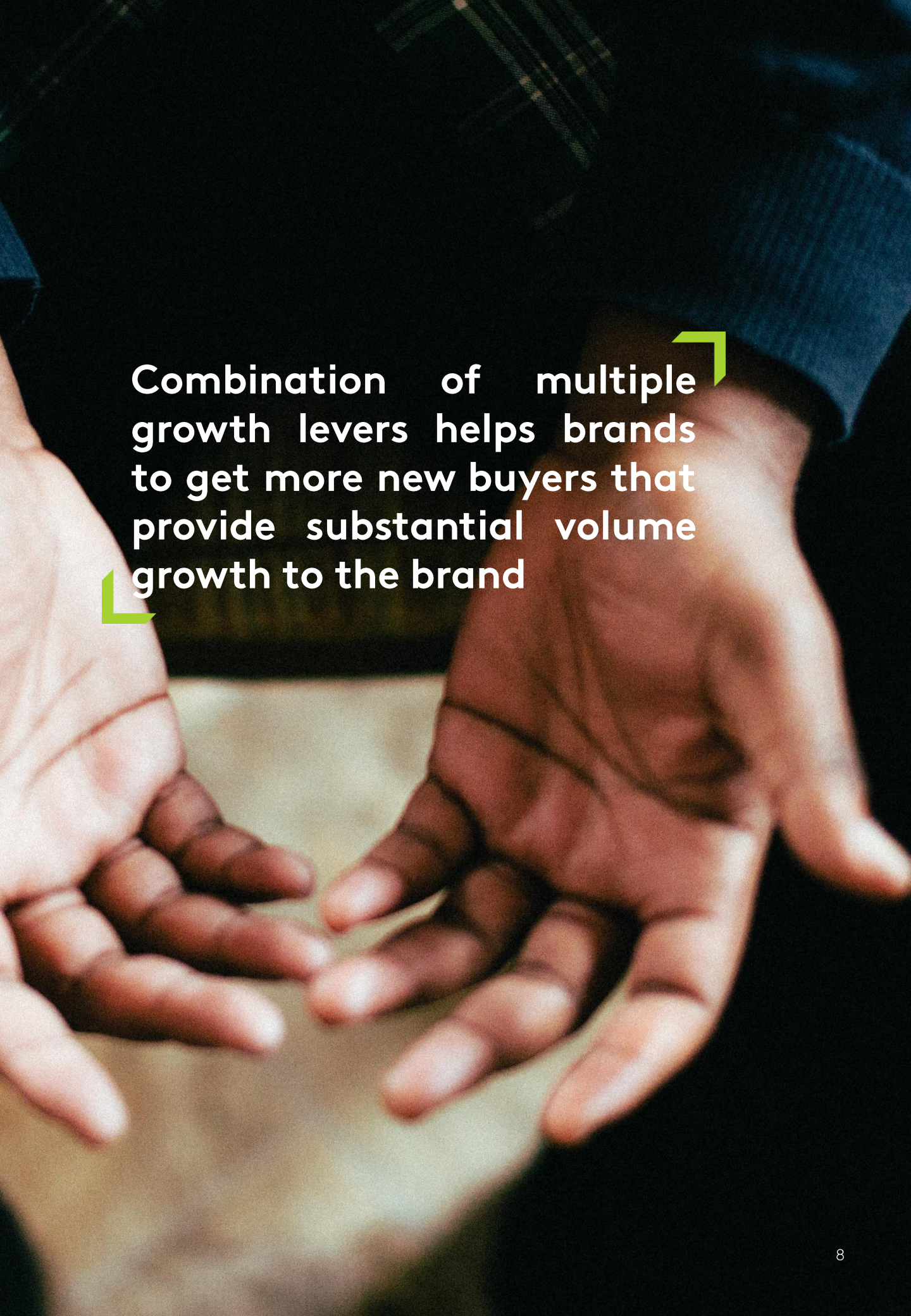
Minimarkets delivered higher contribution of FMCG sales during 2017 festive compared to previous festive periods. Shifting shopping occasions from traditional trade to minimarket became more pronounced compared to previous festive and this is led by more aggressive consumer promotions offered in modern trade during the festive season. Higher promotions led more households to purchase FMCG in Minimarkets and helped the channel to grow double-digit compared to the pre-festive periods. Brands that increased promotion from pre-festive to festive period grew higher with double-digit growth. This emphasizes how promotions are still very effective to affect purchase decisions.

4 GENUINE COMMUNICATION THAT EMBEDS FESTIVE OCCASION

Festive is a potential moment to leverage opportunity in recruiting new unique buyers. New unique buyers are shoppers who are completely new to the brands and never bought the brands before festive periods. They will deliver incremental buyers that later can drive the brands' growth. Brands with genuine communication are able to bring around 20% of new unique buyers. Genuine communication that connects to the roots of Indonesians festive local culture and religious value succeed to win shopper's attention and bringing new unique buyers. STELLA MATIC was able to grow penetration by 50% during festive period by tapping "silahturahim" communication. LOTTE CHOCO PIE connected choco pie to fast breaking moment and was able to grow 40% penetration during festive compared to non-festive periods. These campaigns truly reflect local Indonesian value towards festive. Series of campaign during festive will not necessarily grow the brand without a genuine touch and tapping specific occasion. STELLA & LOTTE were able to grasp the essence of festive by touching the festive aspect and being part of their daily festive activity

To be able to grow, brands have to leverage several growth levers including to increase distribution footfall in secondary cities and rural areas, driving product innovation, consumer promotion strategy, and to have a distinctive and genuine communication during festive. Brands that successfully engulf and apply these growth levers will deliver growth through more buyers purchasing the brand. Combination of multiple growth levers helps brands to get more new buyers that provide substantial volume growth to the brand. For examples, a strong advertising or genuine communication without a support from a strong distribution force will not generate purchase as awareness increase but they will not be able to purchase without the brands' presence in the stores.

Based on Kantar Worldpanel data, the most growing brands are brands that are able to recruit more buyers from time to time and not solely dependent on their loyal buyers to increase their purchase level. Kantar Worldpanel global study shows that top 10 global brands grow tremendously from penetration whilst their spend loyalty is only around 36%. Therefore, striving to increase brand loyalty rate will only deliver limited growth, which in contrary to expanding buyer base by inducing non-brand buyers to purchase the brand.



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OUR EXPERTS: ILHAM MAULANA & SILVANY HANDAJANTO SR. ACCOUNT EXECUTIVE

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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