

An abstract graphic featuring several thick, colored lines (yellow, orange, blue, purple, green) that meander across the slide. These lines intersect at various points, some of which are marked with circular icons. The icons include a shopping cart, a house, a smartphone, a bar chart, a bottle, and two stylized human figures. The overall theme is consumer behavior and market trends.

# PREMIUMIZATION : NOW IS THE TIME !

## HOW TO MAKE IT A SUSTAINABLE TREND ?

Antoine Gehin

# AGENDA

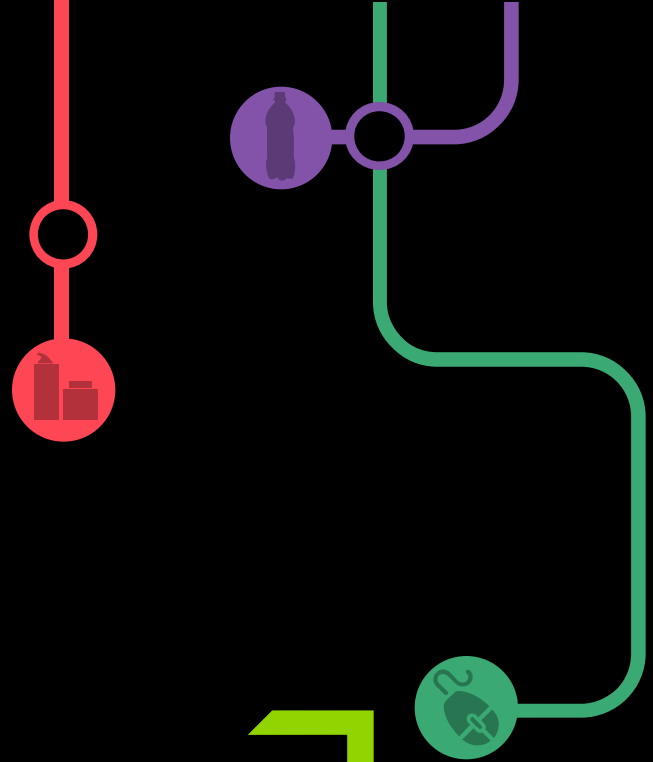
Premiumization in Indonesia : how to make it a sustainable trend

Premiumization, Upgrade : Now is the time ? For all Indonesians ?

Is premiumization a success in Indonesia ?

Is it sustainable during the economic slowdown ? Best practice from China



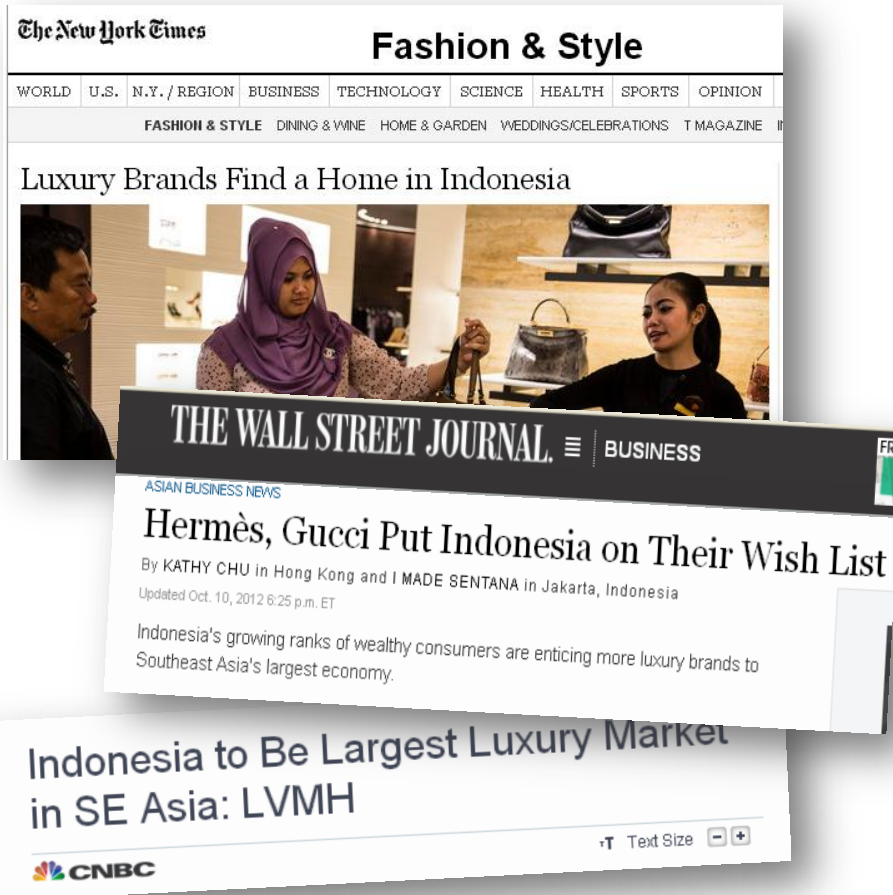


**NOW IS THE TIME !**  
... for all Indonesians ?

# A GROWING DEMAND FOR LUXURY AND PREMIUM PRODUCTS

Not limited to FMCG

## FASHION



## 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 Yullisman, The Jakarta Post, Jakarta | Headlines | Mon, November 18 2013, 10:01 AM

## TECHNOLOGY

### Samsung opts for premium products to retain market leadership

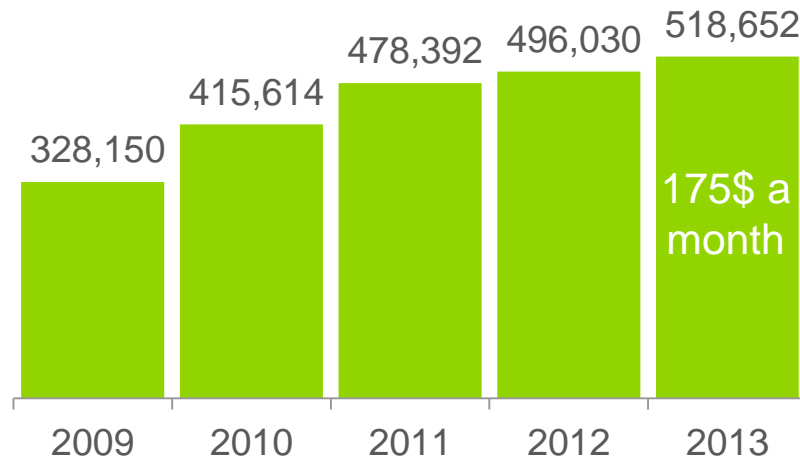
Mariel Grazella, The Jakarta Post, Jakarta | Business | Fri, May 24 2013, 12:27 PM

# A FAST AND HIGH INCREASE OF THE INCOME

Slowing down but still high increase

**+58%**  
of increase of the income in 5 years

Annual Disposable Income (US\$ million)

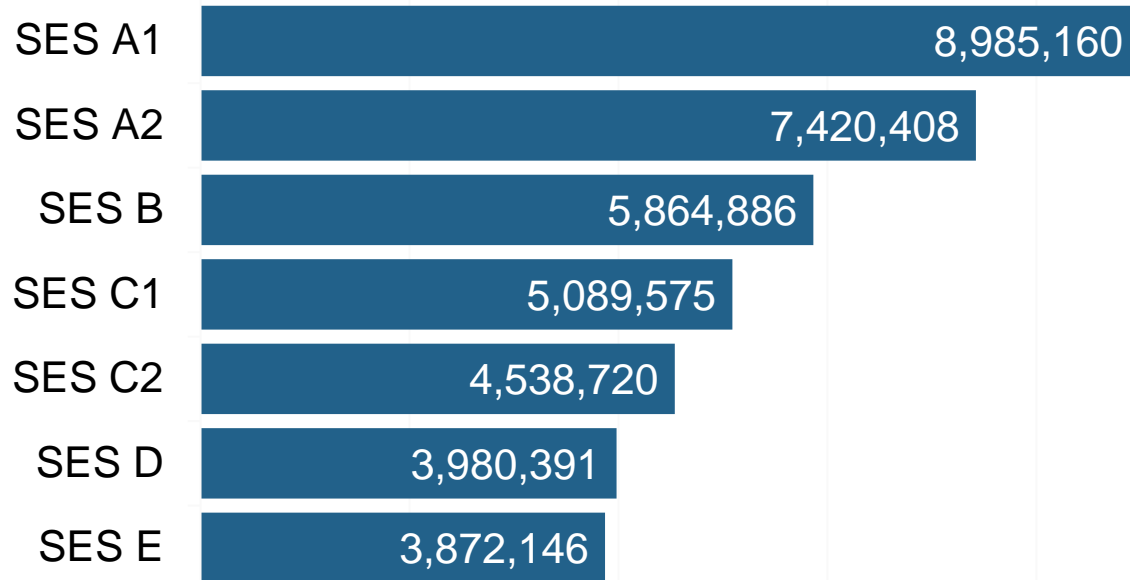


Source : Euromonitor International

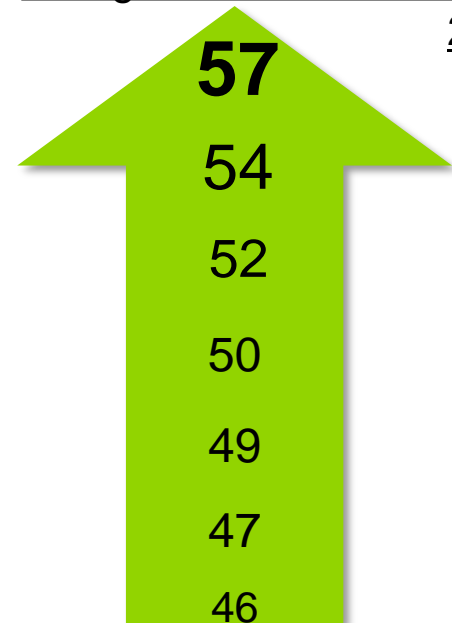
# HIGH SES = HIGH BUDGET = MORE CATEGORIES

+10 categories and budget x2.3 for SES A vs SES E  
➔ still difficult to target SES CDE on a premium offer

Average budget (IDR)



Average number of FMCG  
Categories Purchased P 10  
2013



Urban HHs



SES E from  
Yogyakarta



SES C2 from  
Semarang



SES A2 from  
Medan

# STILL AN IMPORTANT BUDGET GAP BETWEEN REGIONS

→ A target limited to urban Java/Sumatra ?

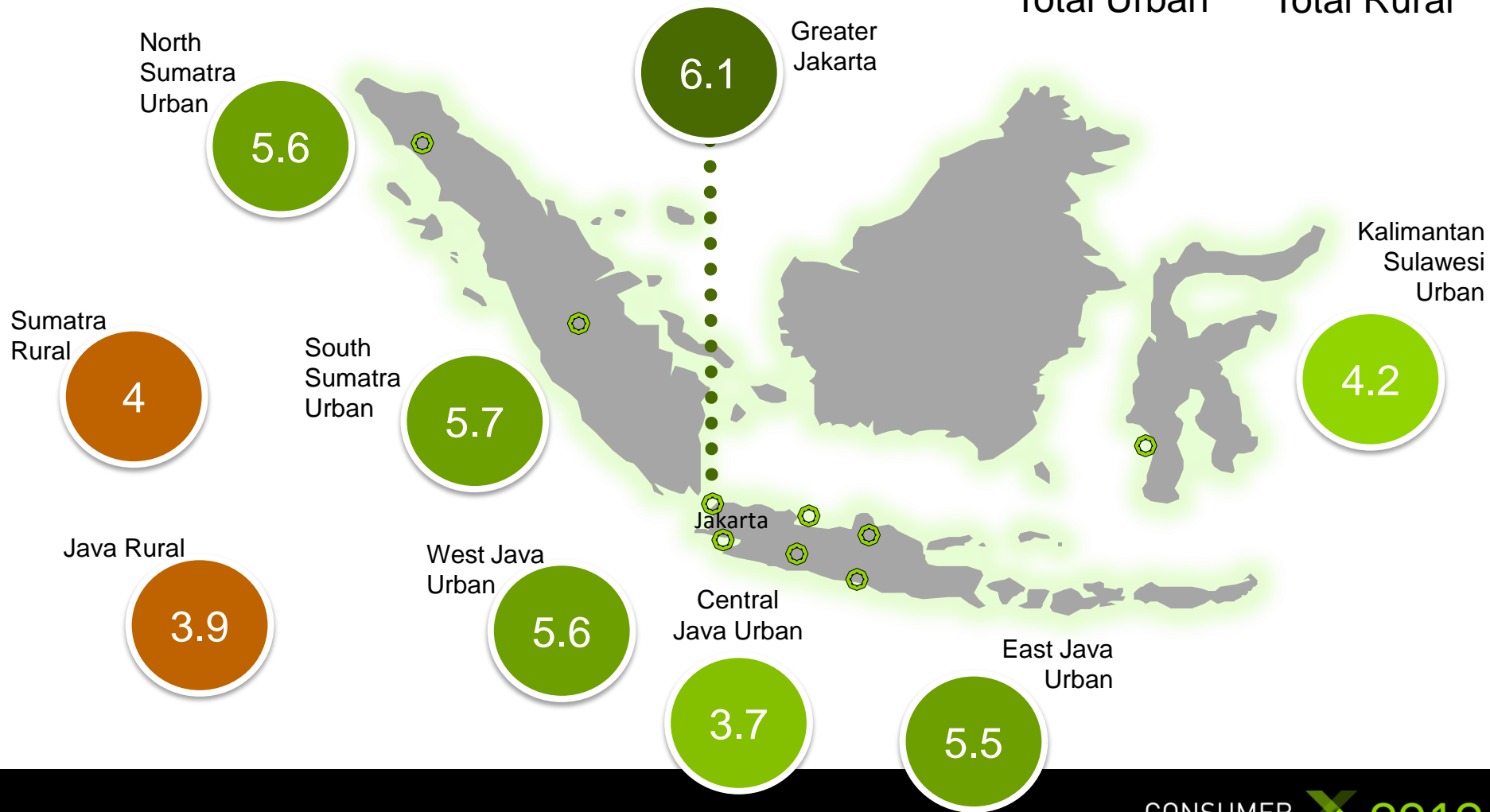
Average budget MAT P10 total FMCG (IDR million)

5.3

Total Urban

3.8

Total Rural





# IS PREMIUMIZATION A SUCCESS ?

Which strategy to adopt ?



# DO HOUSEHOLDS PURCHASE MORE PREMIUM CATEGORIES ?

**YES !...** But premium categories grow mostly through value

Evolution of the penetration and total value - MAT P10 2013 vs MAT P10 2012

Moulded Chocolate



**+7 pts**

**+35%**

Mouthwash



**+1 pts**

**+15%**

Baby Shampoo



**+3 pts**

**+29%**

Facial Care



**+3 pts**

**+16%**

Liquid Soap



**+7 pts**

**+39%**

Cheese



**+7 pts**

**+46%**

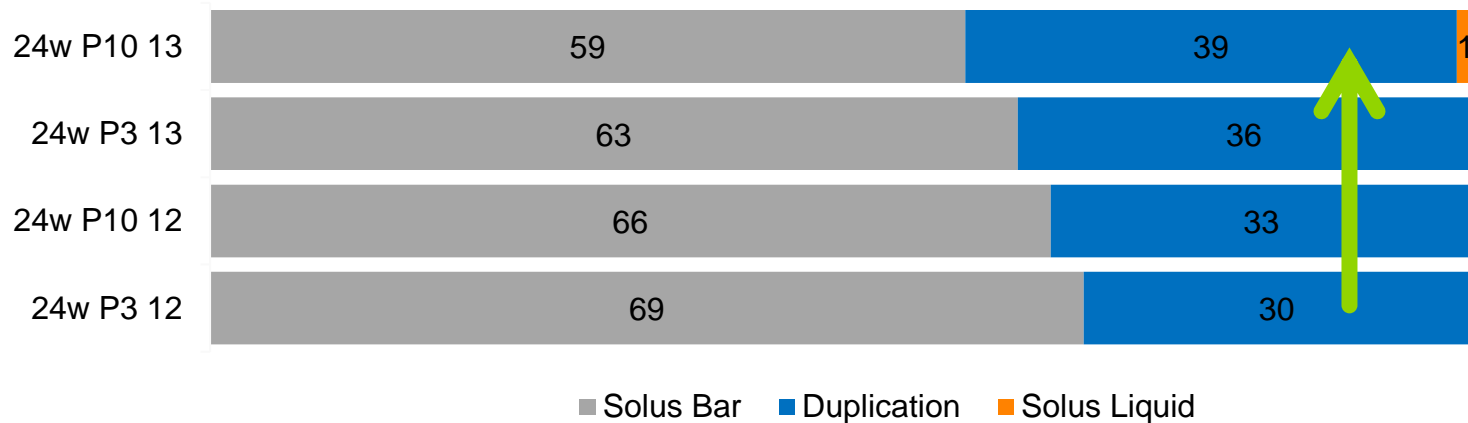
Urban HHs

# DO HOUSEHOLDS PURCHASE MORE PREMIUM CATEGORIES ?

**YES !...** Liquid soaps are recruiting bar soap buyers... but not replacing it



## Duplication between Liquid and Bar soap



# DO HOUSEHOLDS PURCHASE MORE PREMIUM VARIANTS ?

**YES, BUT...** it's difficult to recruit vastly with a premium positioning

*Premium examples of...*



***Toothpaste***

**Price index**

**150**

**Penetration**

**+0.6 pts**

**Total value**

**+42%**



***Chocolate Bar***

**120**

**+2.1 pts**

**+95%**



***Instant noodles***

**171**

**-4.5 pts**

**-46%**



***Facial moisturizer***

**110**

**+0.7 pts**

**+33%**



***Shampoo***

**153**

**Stable**

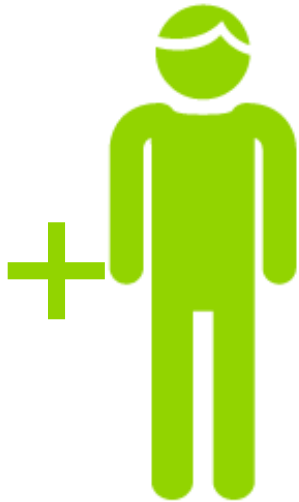
**+46%**

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# DO PREMIUM VARIANTS BRING ADDITIONNAL BUYERS TO THE BRAND ?

**YES, BUT...** they mostly bring value

Additional buyers  
for the brand ?



**31%**

of the growth of  
premium variants

Additional  
spending from the  
brand buyers ?



**54%**

of the growth of  
premium variants

Switching with the  
brand other  
variants ?



**15%**

of the growth of  
premium variants

*Methodology : Gain & Losses on 20 premium items*

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# ARE PREMIUM RANGES GROWING ?

**YES, BUT...** it depends on the category and how mature is the premium offer

## Value share – Premium vs non premium

Toothpaste



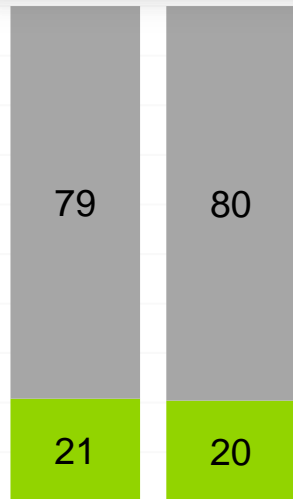
Inst Coffee



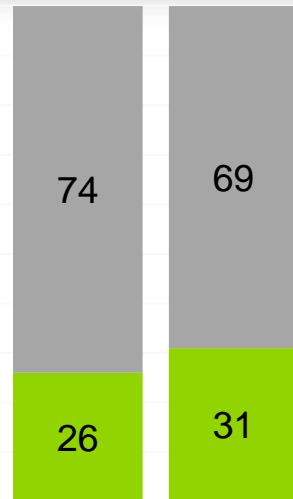
GUMP & IFFO



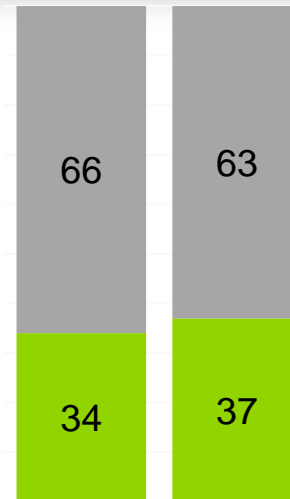
Ice Cream



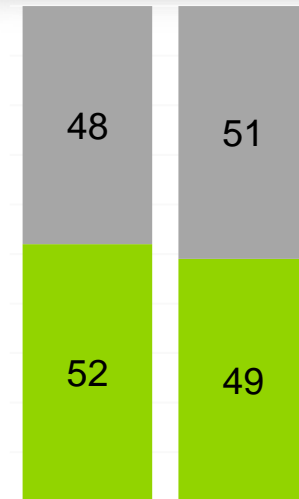
MAT P10 2012  
MAT P10 2013



MAT P10 2012  
MAT P10 2013



MAT P10 2012  
MAT P10 2013



MAT P10 2012  
MAT P10 2013

NON-  
PREMIUM

PREMIUM

Urban HHs

# IS PREMIUMISATION THE ONLY WAY TO TAKE THE LEAD OF A CATEGORY ?

**NO :** innovations with low pricing are also performing very well



Price index 89

Recruitment +23 pts

Price index 69

Recruitment +23 pts



Price index 80

Recruitment +52 pts

Price index 81

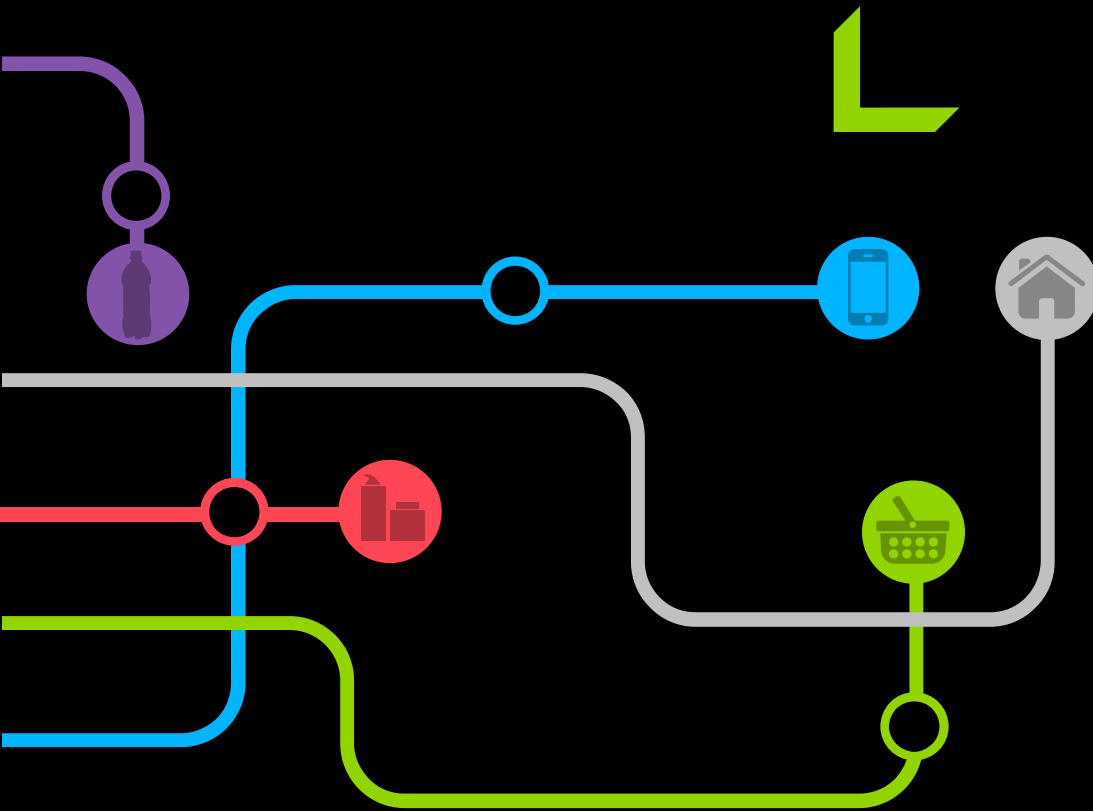
Recruitment +8 pts



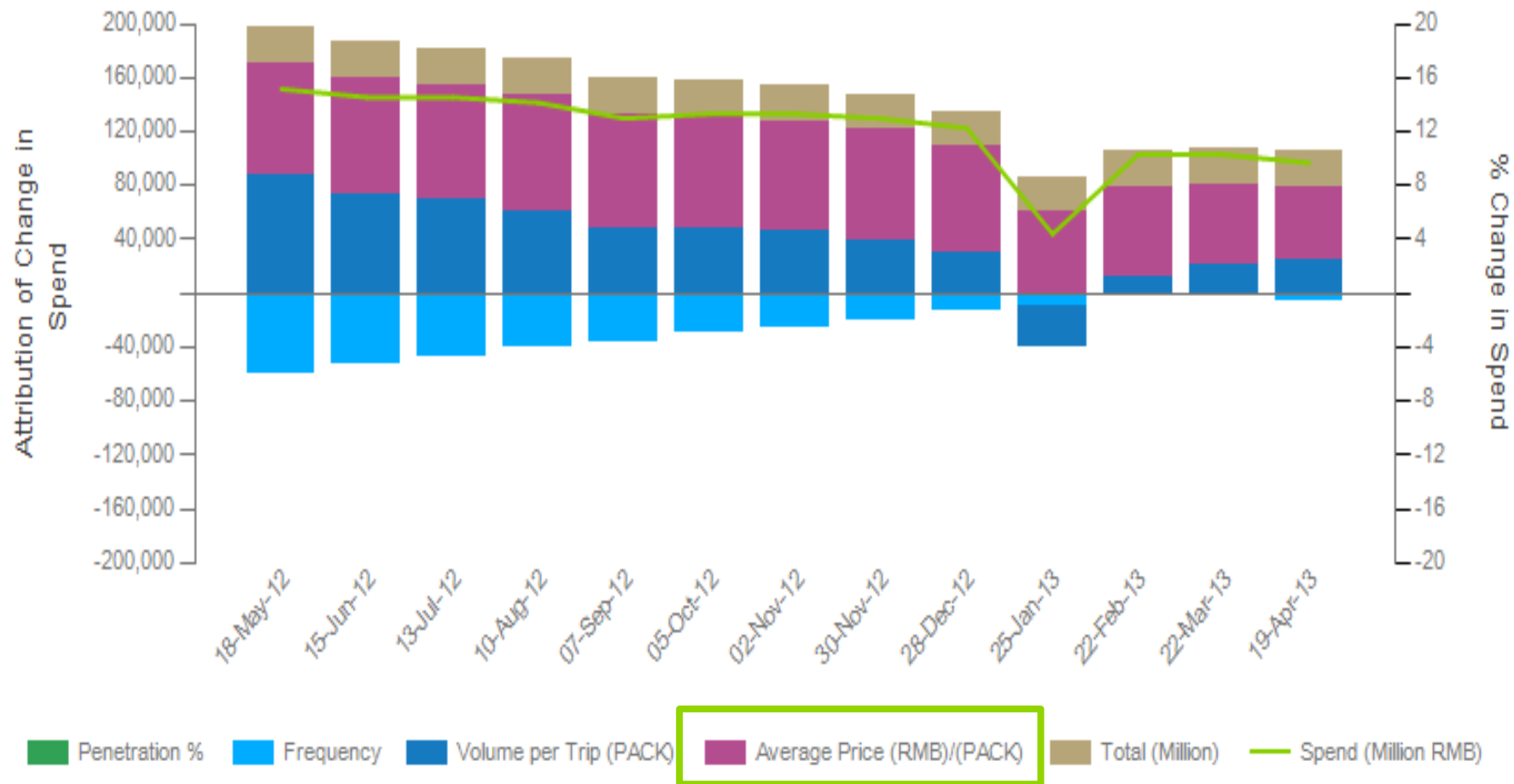
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# IS IT SUSTAINABLE DURING THE ECONOMIC SLOWDOWN ?

Learnings from China



In China, though the growth of FMCG is slowing down, price remains the key growth driver for market





# Premiumization continuously happens in China across all FMCG categories though the speed is slowing down this year



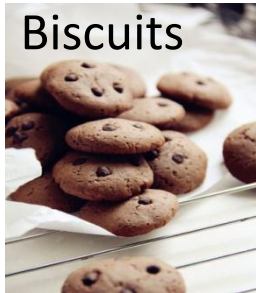
Milk

USD 2.6/1L +  
22.1% → 28.2% → 33.6%



Cooking Oil

USD 2.6/1L +  
31.8% → 39.2% → 43.4%



Biscuits

USD 6.7/KG +  
40.1% → 49.0% → 54.7%



Soy Sauce

USD 2.6/1L +  
13.5% → 17.3% → 21.4%



Tooth Paste

USD 2.6/100ml+  
28.2% → 32.7% → 36.4%



Shampoo

USD 14.7/1L +  
24.9% → 26.2% → 29.2%

*Spend% in Premium Products (MAT11P5 → MAT12P5 → MAT13P5)*

# UPGRADING REASONS IN CHINA

- Health / Safety Concern
- Move to Affordable Luxury
- Go Beyond Basic
- New Market Evolution
- Innovations Drives Premiumization
- Gifting: Pay for Face



Food Safety and Product Quality remain the most important reason when shopper make shopping choice...



**90%** shoppers agreed it is important store has strict food safety standard

**93%** shoppers agreed it is important that store has good product quality

Source: Lifestyle survey in 2013

## HEALTH/SAFETY CONCERN – INFANT MILK FORMULA

Chinese moms want to give the best product to babies

**+ 13.3%**

33 (2011) to 37.4 (MAT13P6), Average Price ( USD / Kg)

**75%**

of Stage 1 product ( for 0-6 M) price increasing is from upgrading, while 28% is for S3 (for 12-36M)

**6.7%** (2011) **to 11.3%** (MAT13P6)

Super Super Premium IMF ( 50 USD /Kg+) Volume Importance



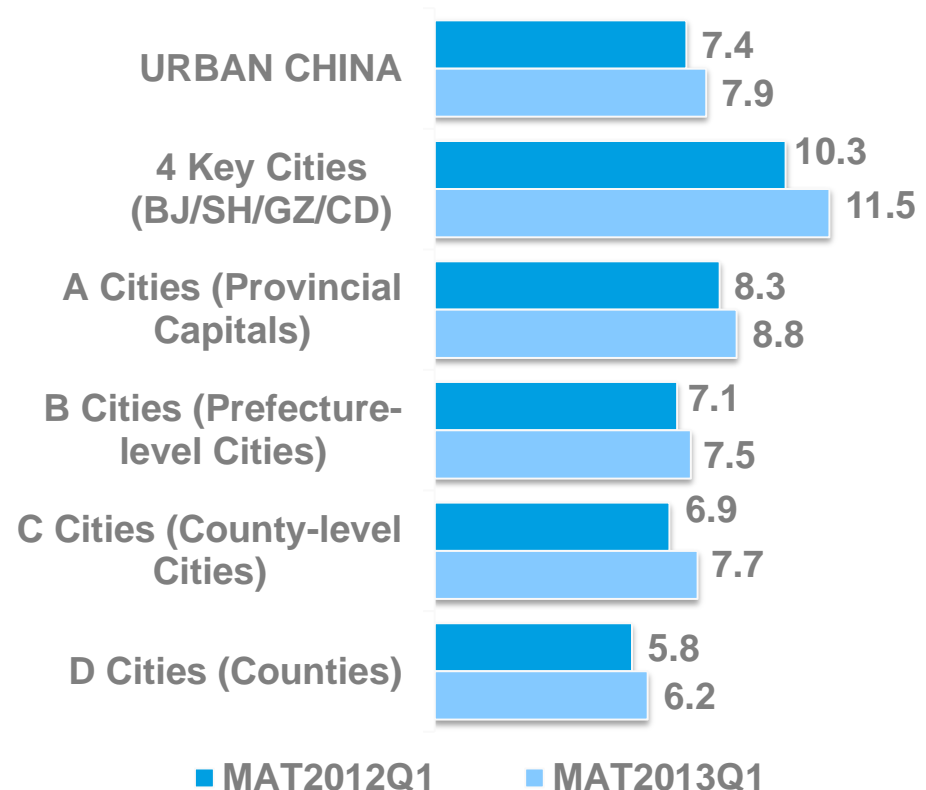
*Data: Kantar Worldpanel Baby China*

## MOVE TO AFFORDABLE LUXURY

**Facial Care: Chinese ladies do want to pamper themselves by upgrading facial care products. It's same observation cross city tier.**



Facial Care High Price Tier (>50 USD/pack)  
Penetration%



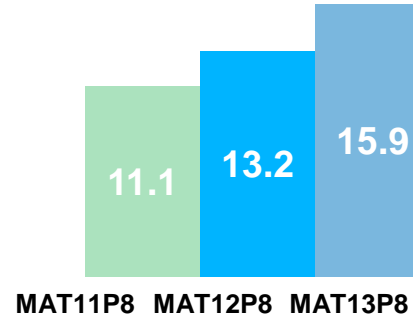
# GO BEYOND BASIC

Chinese consumers are willing to pay for good function

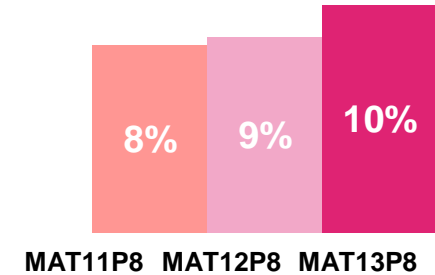
2013 YNBY Price index **263**



YNBY Penetration%



Market Share by Value%



Mr. QuHuanZhang innovated YNBY Powder in 1902.

The formula is remain the top secret in China Ministry of Health now.

Main function is stop bleeding

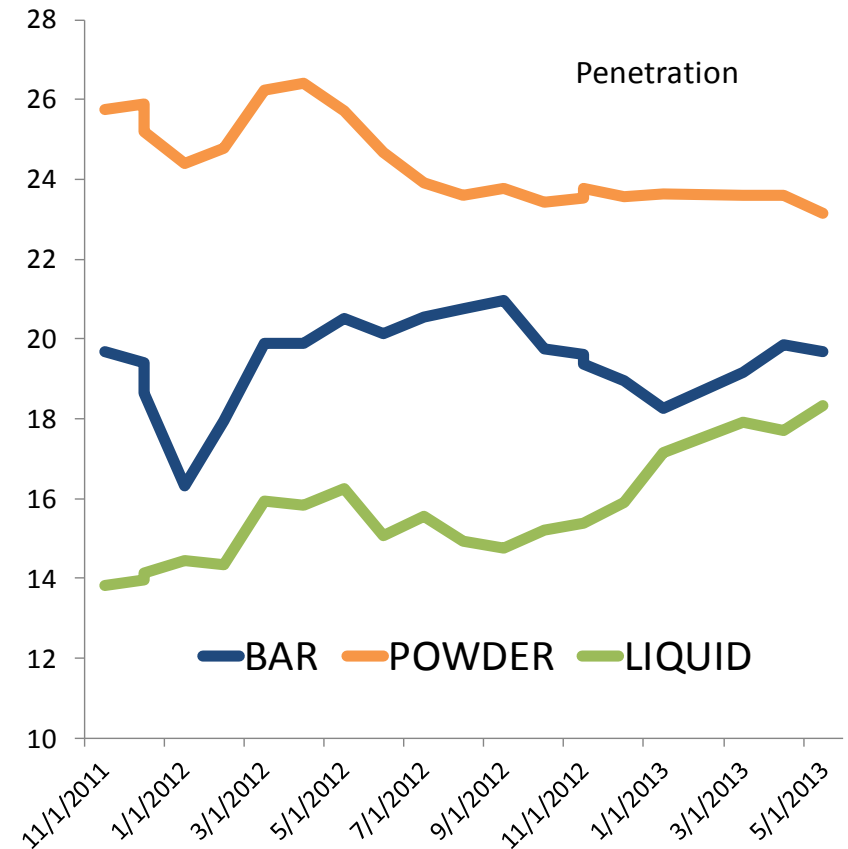
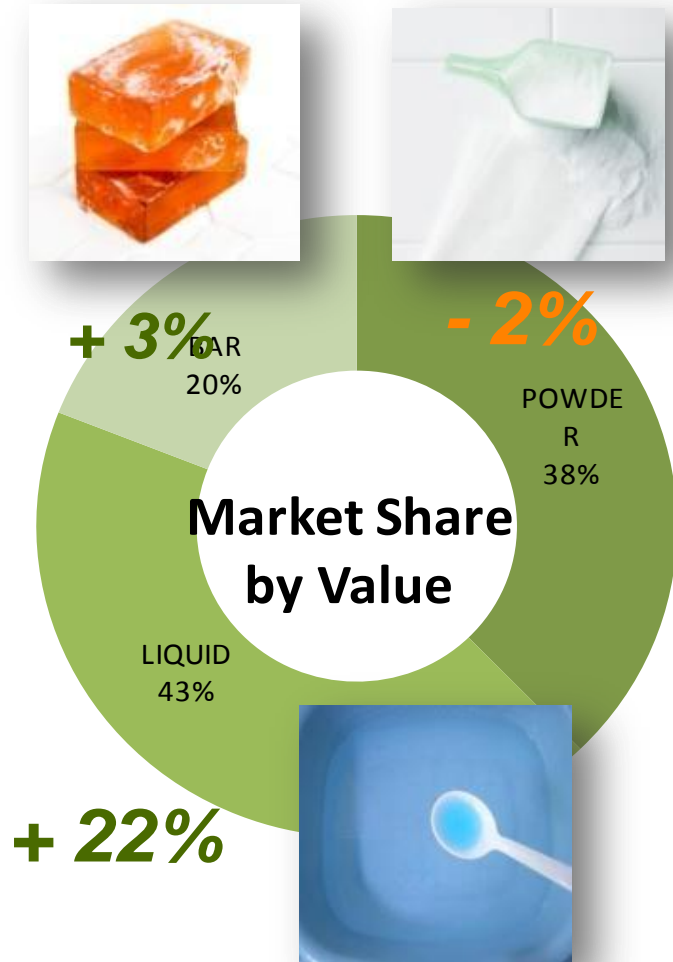


Data: Kantar Worldpanel China

Price Index = Average Super Premium Price / Average Tooth Paste Price \* 100, MAT13P6

## NEW MARKET EVOLUTION

Consumers start to use Liquid Laundry Detergent which drove market upgrading





# INNOVATION FUELLING PREMIUMIZATION

**+ 8%**

2012 average price of new SKU Vs.  
2011 average price of new SKU

*Food +7%*

*Non-Food +9%*



**Cereal +106%**



**Milk powder  
+34%**



**Wine+24%**



**Household cleaning  
products +22%**



**Toothbrush +15%**



## GIFTING – PAY FOR FACE

### Food



**ALCOHOL**  
**280**



**CONFECTIONARY**  
**160**



**MILK**  
**180**



**CIGARETTE**  
**220**

### Non-food



**MAKE-UP**  
**139**



**SKIN CARE**  
**200**

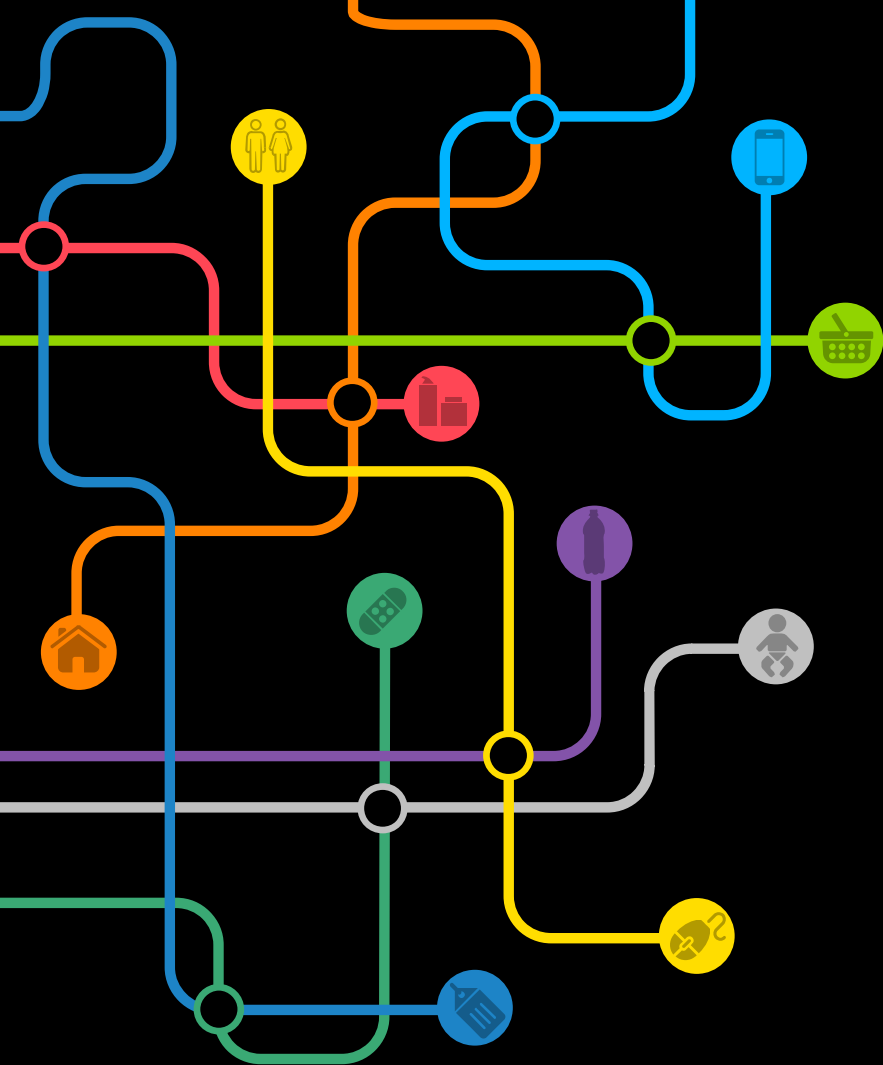


**FRAGRANCE**  
**620**

Index = Average Price in Gifting / Average Price in Modern Trade \* 100, MAT13P6

# KEY SUCCESS OF PREMIUMLIZATION IN INDONESIA

- Do not expect to reach a large target... yet ?
- Education remains a priority to boost premium ranges and categories
- Build trust on health and safety
- Go beyond basic and build professional image
- Go beyond product itself and giving consumer inspiration on lifestyle
- Innovate new product to meet new consumption needs



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