

Indonesia

Next Growth

6

Market and Consumer Trends



TODAY'S SPEAKER

Yongky Susilo

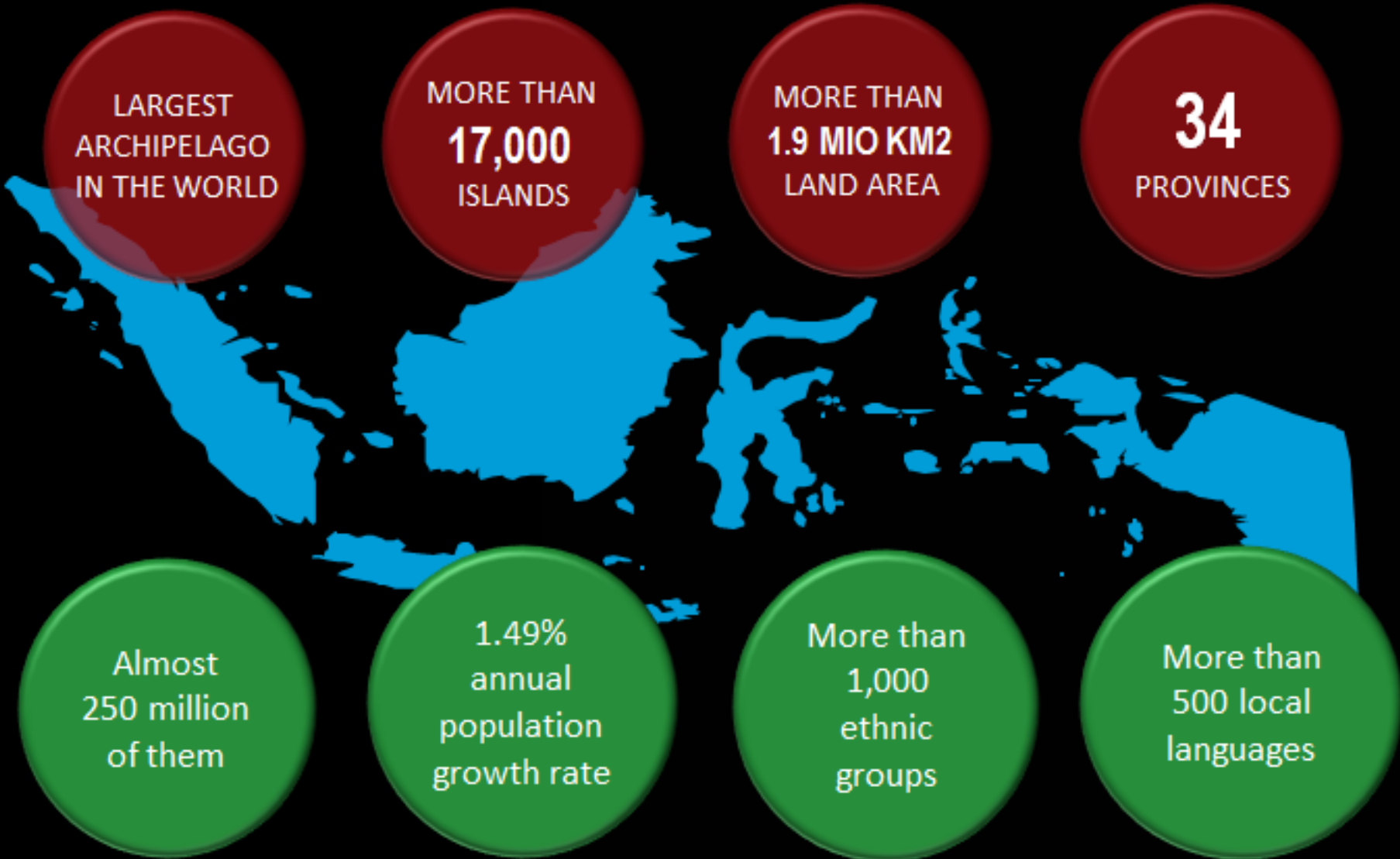


Yongky Susilo serves as Executive Director of Nielsen Indonesia and Board expert APRINDO, HIPINDO, APINDO, KADIN, Pokja 3, FORKOM based in Jakarta. He has more than 24 years of experience in marketing, sales, business development and research across the retail and manufacturing industries.

Yongky is one of the today's leading experts on consumer attitudes and behavior, prominently and frequently featured in the nation's major media. He is a professor at MM University of Indonesia, ex Senior Academic Advisor University Bunda Mulia and book author of RETAIL RULES and faculty member of Rumah Perubahan

Yongky earned an BSC from California State University of Fresno, USA.

BIG COUNTRY



LARGEST
ARCHIPELAGO
IN THE WORLD

MORE THAN
17,000
ISLANDS

MORE THAN
1.9 MIO KM2
LAND AREA

34
PROVINCES

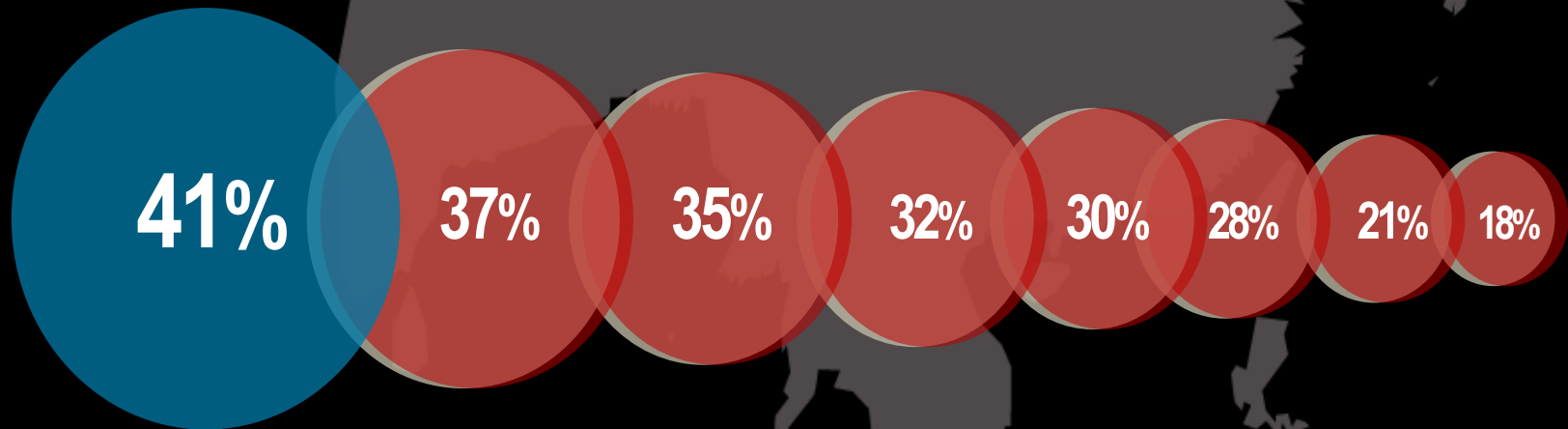
Almost
250 million
of them

1.49%
annual
population
growth rate

More than
1,000
ethnic
groups

More than
500 local
languages

Indonesia is the favorite country to expand business



Trend **ONE**

Top 10
Largest Economy

Moving into large economy (new world order)

	1990	USD trn	2000	USD trn	2010	USD trn	2020	USD trn	2030	USD trn
1	US	5.8	US	10.0	US	14.6	China	24.6	China	73.5
2	Japan	3.0	Japan	4.7	China	5.7	US	23.3	US	38.2
3	Germany	1.5	Germany	1.9	Japan	5.4	India	9.6	India	30.3
4	France	1.2	UK	1.5	Germany	3.3	Japan	6.0	Brazil	11.9
5	Italy	1.1	France	1.3	France	2.6	Brazil	5.1	Japan	9.2
6	UK	1.0	China	1.2	UK	2.3	Germany	5.0	Indonesia	9.0
7	Canada	0.6	Italy	1.1	Italy	2.0	France	3.9	Germany	8.2
8	Spain	0.5	Canada	0.7	Brazil	2.0	Russia	3.5	Mexico	6.6
9	Brazil	0.5	Brazil	0.6	Canada	1.6	UK	3.4	France	6.4
10	China	0.4	Mexico	0.6	Russia	1.5	Indonesia	3.2	UK	5.6

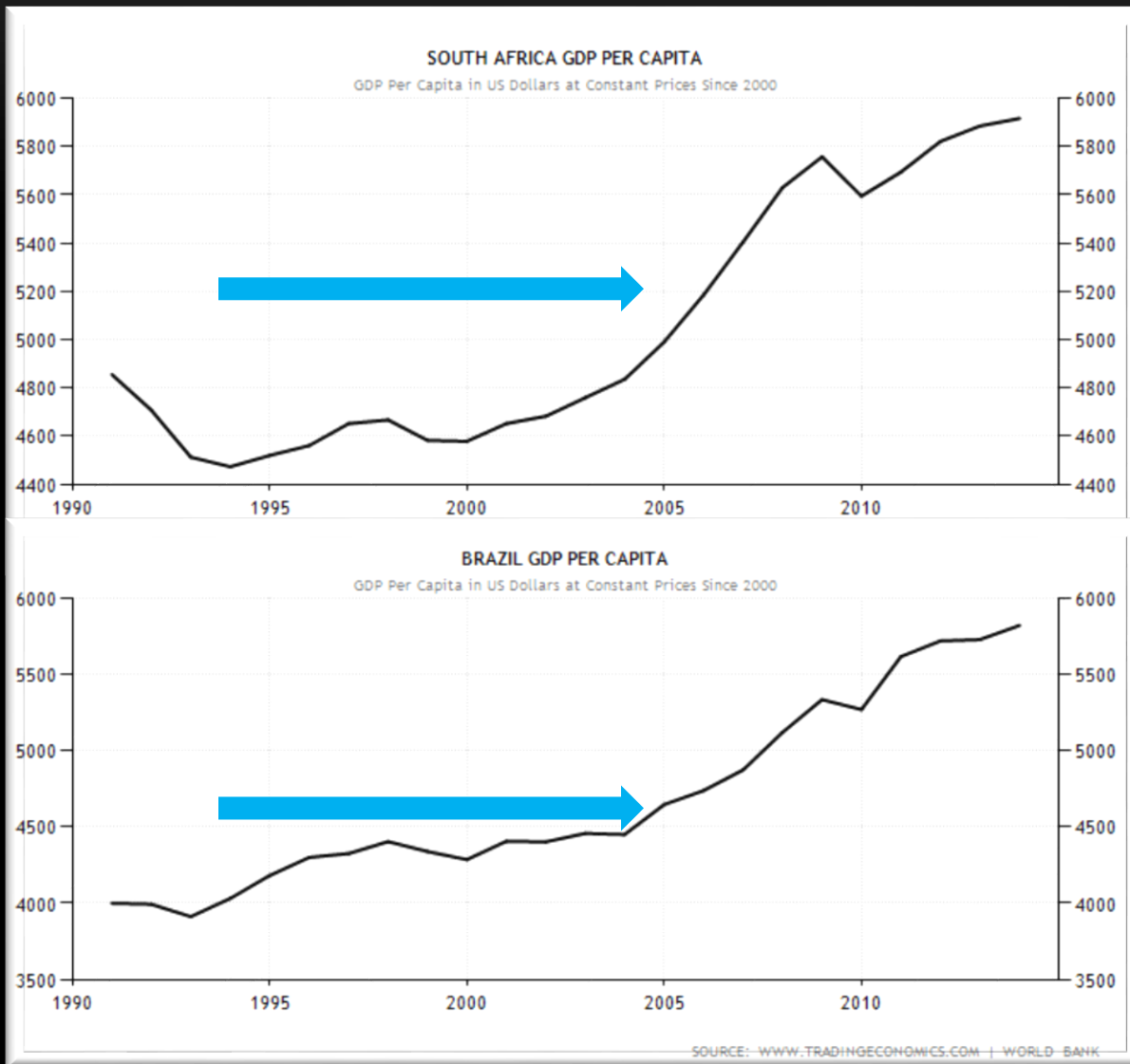
Source: Standard Chartered

Bonus demography



- Low age dependency ratio indicates there is higher productive age population compared with non-productive age population.
- Low age dependency ratio is an opportunity for a country to boost its economic growth due to increasing labor force productivity.
- However, this opportunity must be complemented with good labor force quality and adequate jobs creation.
- Otherwise, it will increase unemployment rate, poverty, and income discrepancy, which are dangerous for nation's stability.

Middle income trap



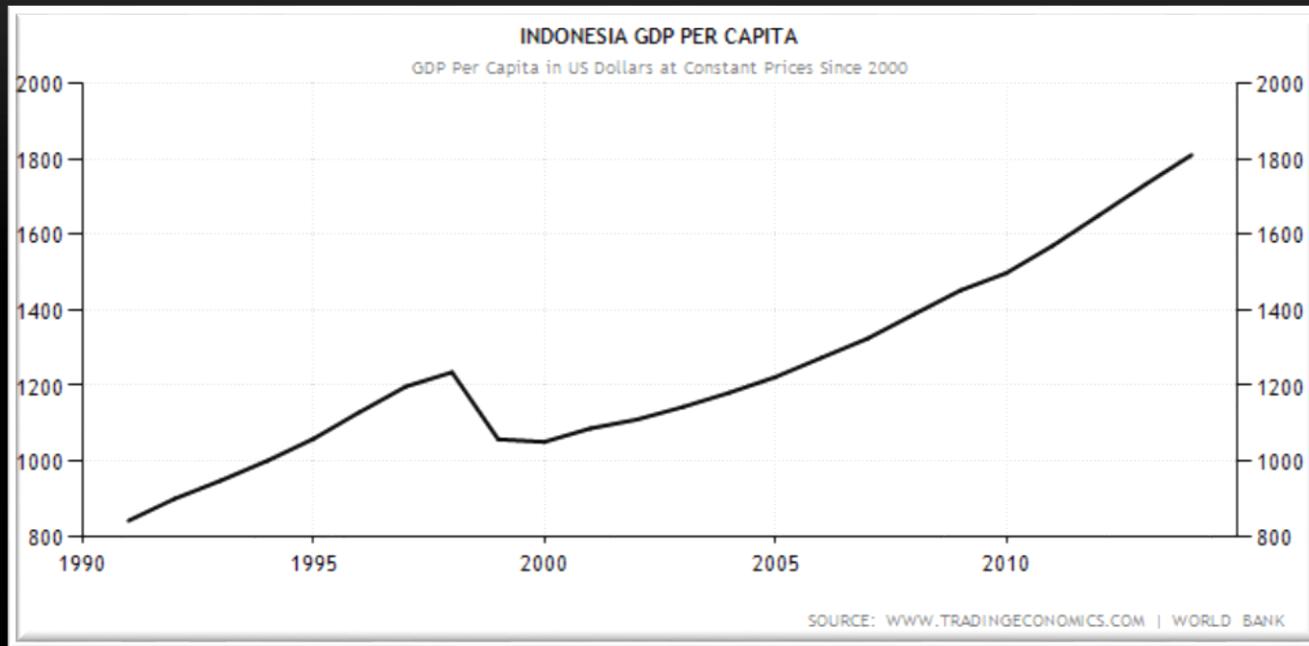
(1) low investment ratios

(2) slow manufacturing growth

(3) limited industrial diversification

(4) poor labor market conditions

Middle income trap



Avoiding the Middle Income Trap entails identifying strategies to introduce new processes and find new markets to maintain export growth. Ramping up domestic demand is also important—an expanding middle class can use its increasing purchasing power to buy **high-quality, innovative products and help drive growth.**^[3]

The biggest challenge is **moving from resource-driven growth that is dependent on cheap labor and capital** to growth based on high productivity and innovation. This requires **investments in infrastructure and education**. As the Republic of Korea has proven, building a high-quality education system which encourages creativity and supports breakthroughs in science and technology is key.^[1]

Bigger and faster Indonesia



2005

2015

2025

Size economy
Consumer market
GDP per capita
Urban population

US\$ 0.7 Trillion
US\$ 0.3 Trillion
US\$ 1500
43%

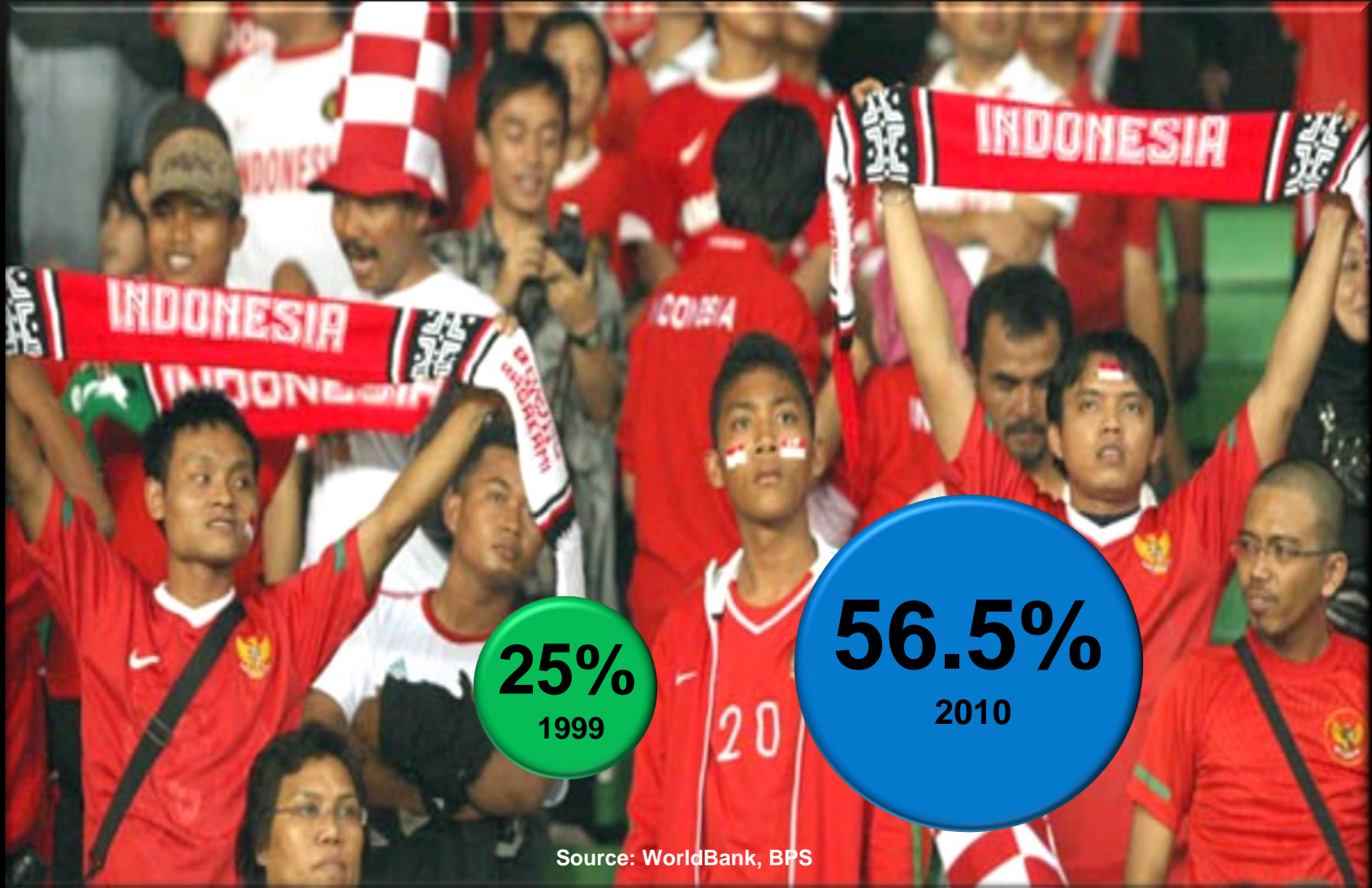
US\$ 1 Trillion
US\$ 0.6 Trillion
US\$ 4000
50%

US\$ 2 Trillion ++
US\$ 1.5 Trillion
US\$ 9000
68%

Trend TWO

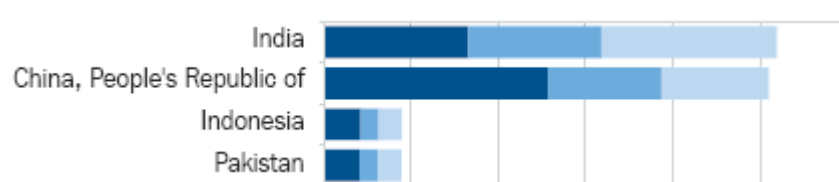
3rd Largest
Mid Class

Middle class has become majority population with 131 million, growing 7 million per annum



Source: WorldBank, BPS

Third largest middle class in asia



0 200 400 600 800 1,000 1,200

2010 2010-2020 2020-2030

Figure 2.9 Middle Class Emergence to 2030 (>\$2.00 income per person per day)

>2\$ standard, population, million

Moving into higher expenditure

Table 7: Expenditure per person per day (constant 2005 PPP \$) for Indonesia

Amount	National	
	1999	2009
<\$1.25	42.2	24.6
\$1.25–\$2	32.8	32.4
Middle class		
\$2–\$20 (Total)	25.0	42.7
\$2–\$4	20.1	30.9
\$4–\$6	3.5	7.5
\$6–\$10	1.2	3.3
\$10–\$20	0.3	1.1
>\$20	0.0	0.2

56.5%

Source: Adapted from ADB 2010b.

Note: Percentages do not add up because of roundings.

The Middle Class Spending Journey



Middle class rise



Increase in available
consumer credit



Small amount to
LARGE number LOW
income



Purchase BIG ticket :
Electronic, Furniture, Auto



lifestyle



Increased demand
for financial services



Retirement
Healthcare
Child education



Increase demand for travel
and leisure service



Greater emphasize for
entertainment and leisure



Choose where to shop or
entertained.
Farther home

Trend **THREE**

ASEAN
Digital Leader

With **Rising Middle Income** and The Next **Digital Wave...**

Expected Double Middle Income Class

2020



Middle Income*
141mio

Total Population **262mio**




2012



Middle Income*
74mio

Total Population **247mio**

*Middle income is defined as a person with spending of more than US\$2/day

 High Income  Middle Income  Low Income

Source: Boston Consulting Group, July 2013

Mass Market Profile Heading for Digital

Mobile Aware

- 297 mio Mobile Subscribers
- 70 mio have Smartphones
- 15 mio Blackberry
- 4 mio Iphone users



Internet Savvy

- 72 mio internet users
- avg internet use 1.5 hours/day



Exist in Social Media

- 64 mio Facebook users
- 23 mio twitter users
- 2 mio LinkedIn users



Experimental

- Susceptible to attractive promotions
- 231 mio would switch brands for experiments



Age 15 - 50

137 mio

Source: Various sources, 2013

The birth of Generation C



Control

Co Creator

Creativity

Content

Connected

Channel

Communicate

Community

Conversation

Revolution hero



Soekarno



Soeharto

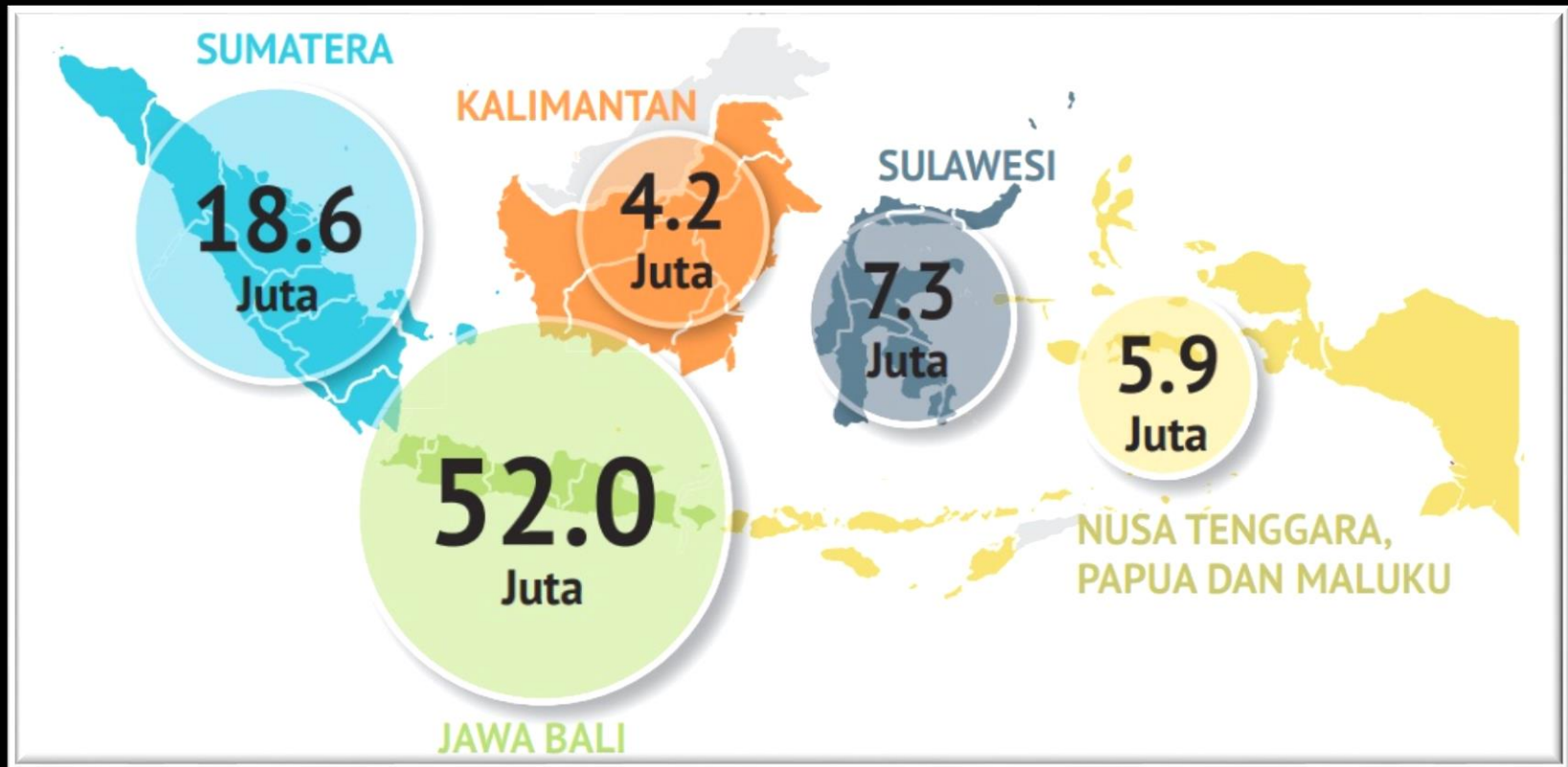


Soesilo

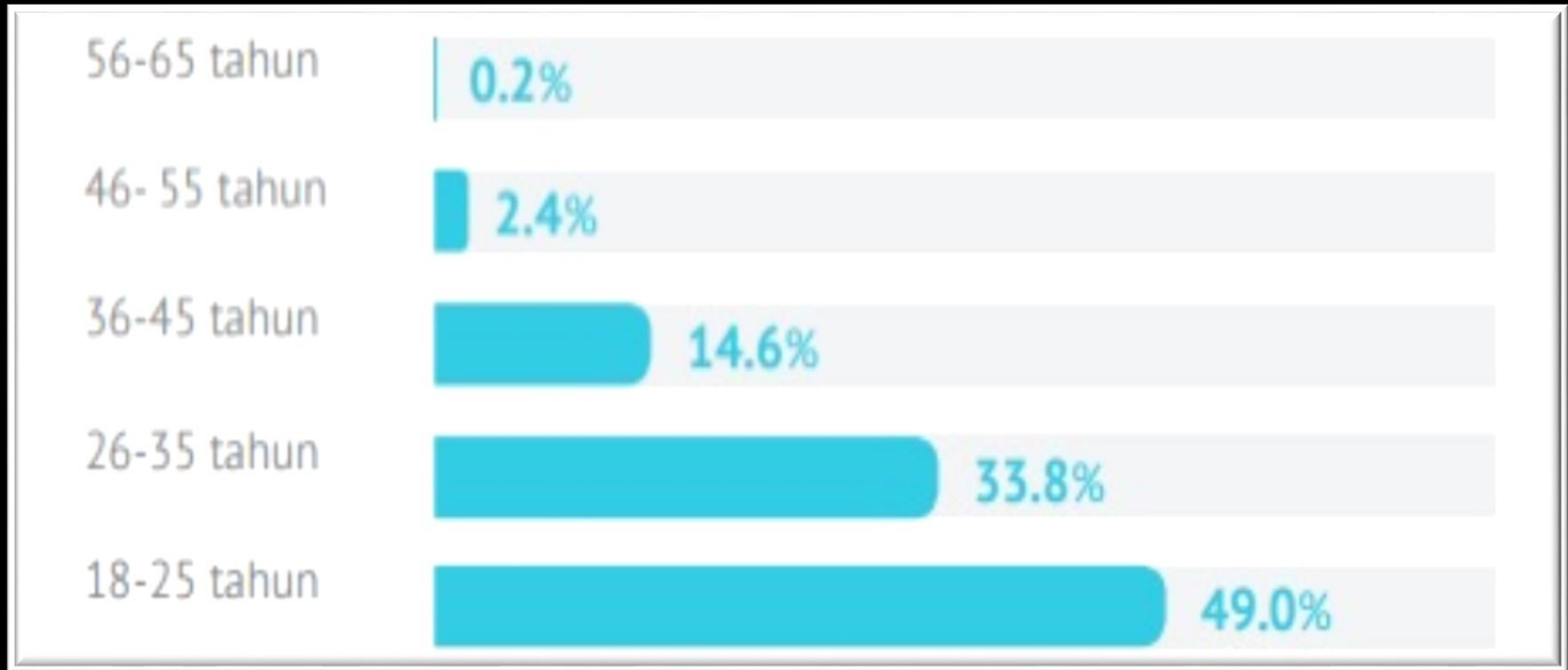


Soe-kerberg

Java has the most internet users



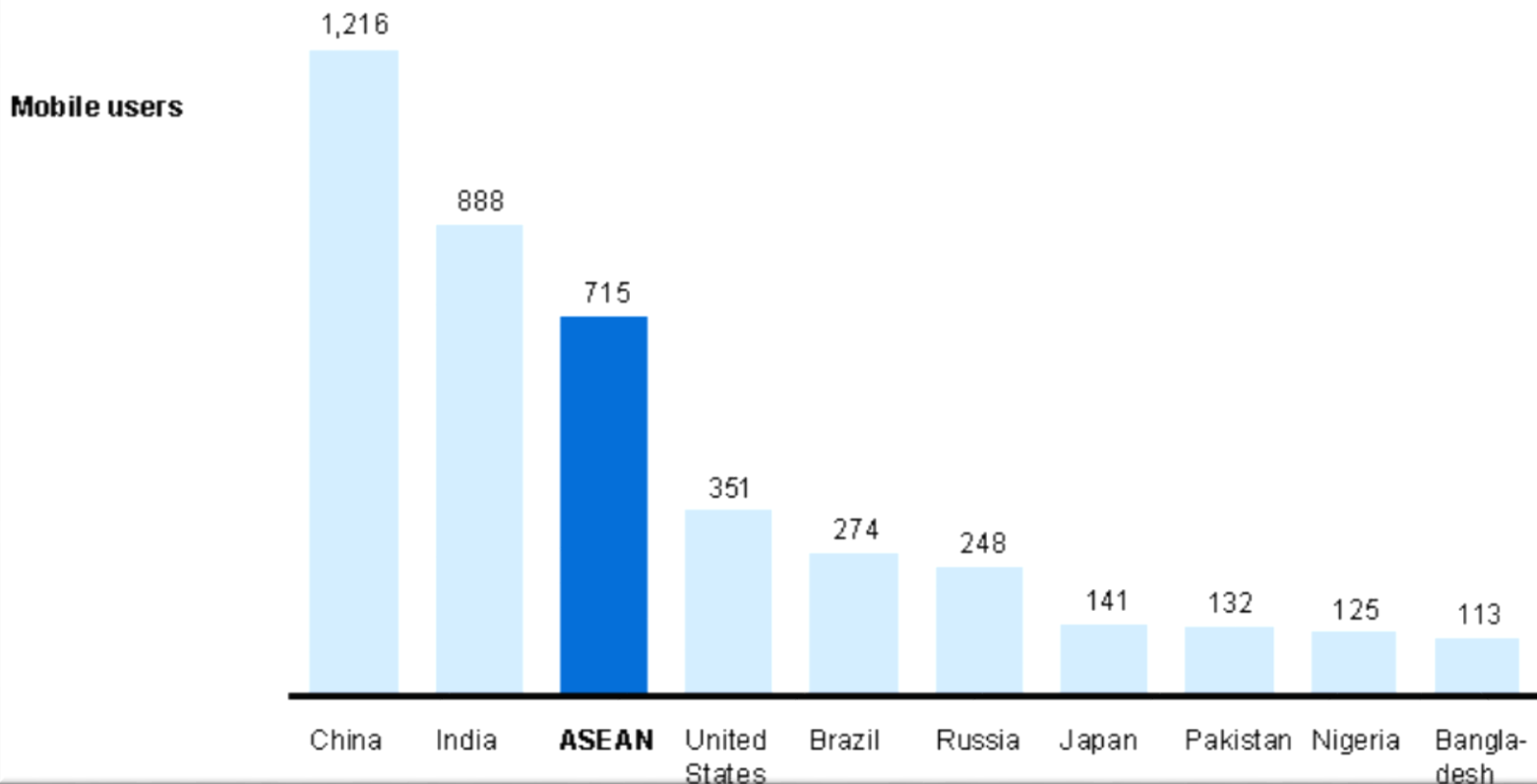
Internet users are young generation



Disruptive technologies: Five catalysts for economic growth and social change

Technology adoption in ASEAN is increasing rapidly

Million users, 2013



Source : McKinsey

Disruptive technologies: impacting across sectors

Certain disruptive technologies stand out for their relevance in ASEAN

● Key role
● Supporting role

Technologies	Sectors								
	Resources ¹	Infrastructure	Agriculture and food	Consumer and retail	Manufacturing	Financial services	Health care	Education	Government services
Mobile Internet			●	●		●	●	●	●
Big data ²	●	●	●	●	●	●	●	●	●
Internet of Things	●	●	●	●	●		●	●	
Automation of knowledge work						●	●	●	●
Cloud technology		●	●	●	●	●	●	●	●

Source : McKinsey

**11-11 Alibaba 14.3 billion USD
(193 trillion Rp) in 24 hours**



Lazada sells 10,000 redmi note in < 40 seconds

10.000 unit
Redmi Note
Habis dalam kurang dari
40 detik
Terima kasih Mi Fans Indonesia,
teman-teman memang
luar biasa!!!

10.000 Redmi Note Sold Out in 40 Seconds!

To stimulate interest in online shopping, executives at Lazada and Zalora—the company's fashion e-commerce sister company—**created a discount sales day on Dec. 12 dubbed 12/12**—reminiscent of Alibaba's Nov. 11 shopping event, which earlier this month logged **\$9.3 billion in sales at more than 27,000 participating vendors**. Lazada said last year about **60 shops joined its event**; it doesn't disclose sales volume.

Source: The Wall Street Journal Online

Trend **FOUR**

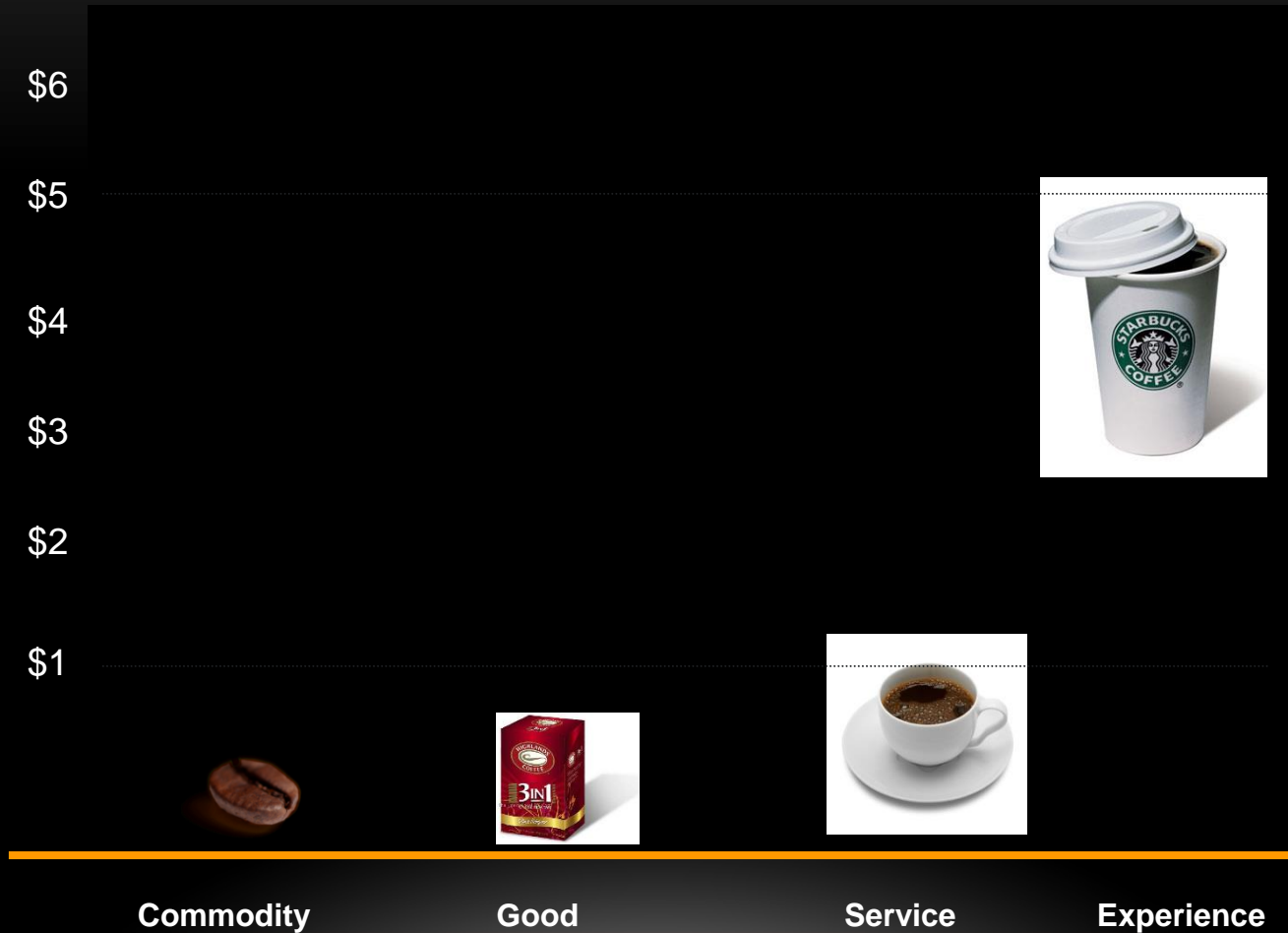
Quality &
Experience

Experience economy

Table 1-1. Economic Distinctions

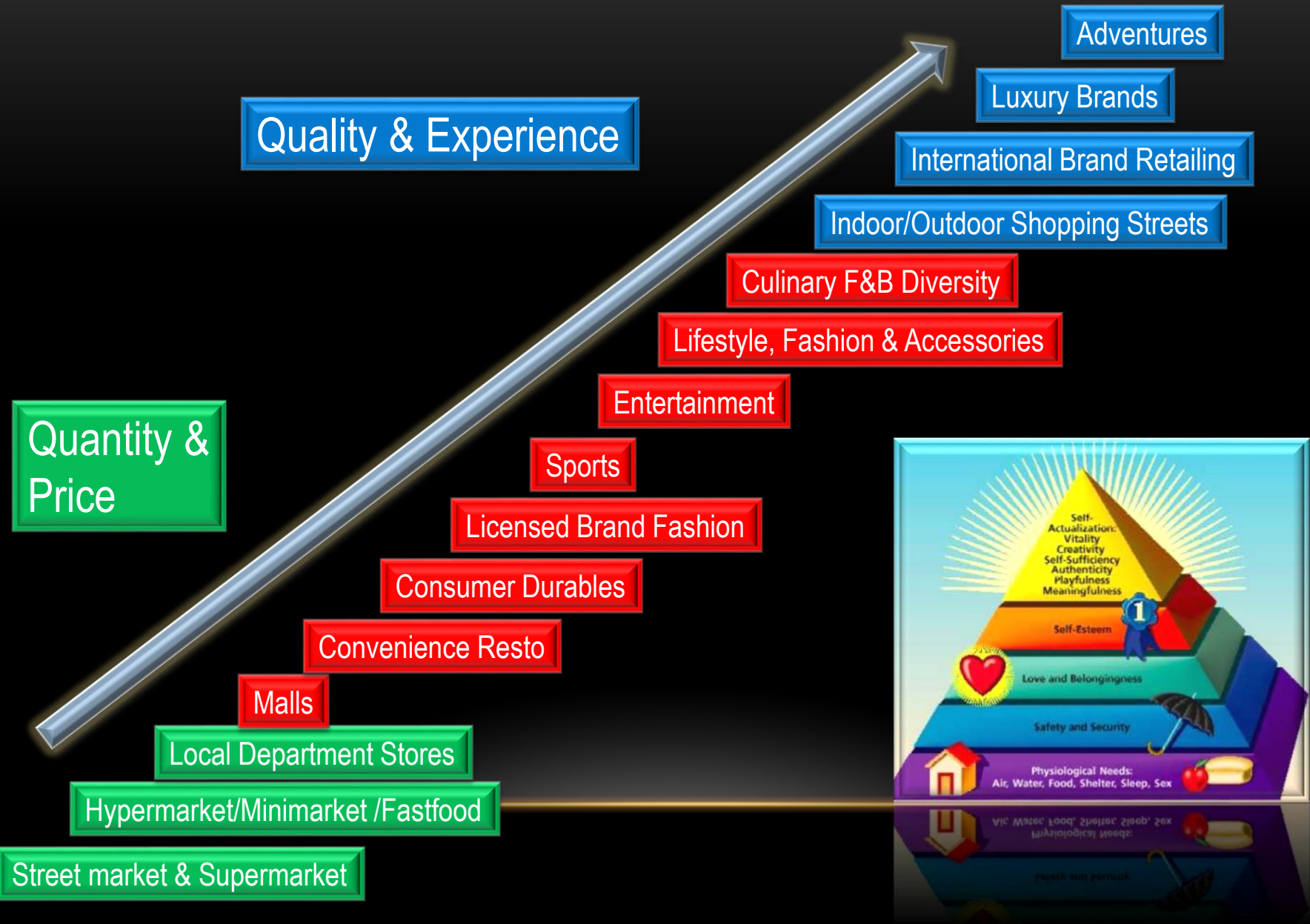
Economic Offering	Commodities	Goods	Services	Experiences
Economy	Agrarian	Industrial	Service	Experience
Economic function	Extract	Make	Deliver	Stage
Nature of offering	Fungible	Tangible	Intangible	Memorable
Key attribute	Natural	Standardized	Customized	Personal
Method of supply	Stored in bulk	Inventoried after production	Delivered on demand	Revealed over a duration
Seller	Trader	Manufacturer	Provider	Stager
Buyer	Market	User	Client	Guest
Factors of demand	Characteristics	Features	Benefits	Sensations

Price of coffee offering



The retail aspirational development

moving from quality & price to quality & experience



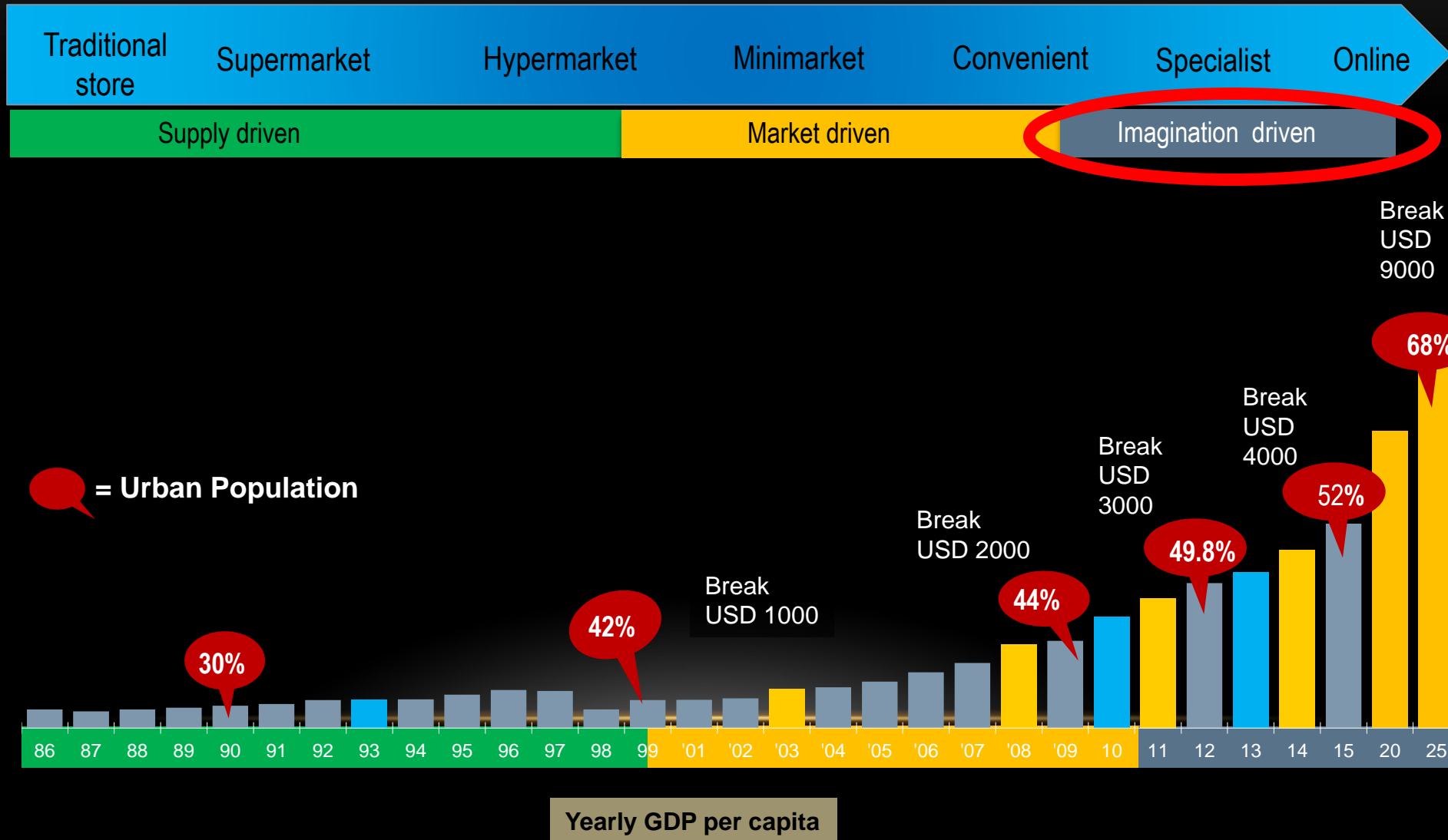
Going into LIFESTYLE



Trend FIVE

Imagination Driven
Market

Retail format evolve on economic growth



The Next Decade Driver: **imagination**

Imagination is more
important than
knowledge

Albert Einstein



**Start from customer imagination ...
we value the experience more than the
brand or the product**



IMAGINATION DRIVEN CONSUMER



BEFORE

AFTER

Product or Service that **Surprise** the customer !

Consumer wants a **MAKEOVER**



BEFORE



AFTER

CREATE “**THE POSSIBLE SERVICE**”, DON'T JUST
CREATE WHAT THE MARKET **NEEDS** OR **WANTS**
CREATE WHAT IT WOULD **LOVE**

Trend **SIX**

Driver Nation

STEVE JOBS'S 10 RULES FOR SUCCESS

1. DON'T LIVE A LIMITED LIFE
2. HAVE PASSION
3. DESIGN FOR YOURSELF
4. DON'T SELL CRAP
5. BUILD A GREAT TEAM
6. DON'T DO IT FOR THE MONEY
7. BE PROUD OF YOUR PRODUCTS
8. BUILD AROUND CUSTOMERS
9. MARKETING IS ABOUT VALUES
10. STAY HUNGRY, STAY FOOLISH



HOWARD SCHULTZ'S 10 RULES FOR SUCCESS

1. DREAM BIG DREAMS
2. CHANGE YOUR MINDSET
3. HAVE A HEART
4. CELEBRATE MISTAKES
5. DON'T ADVERTISE
6. CARE FOR YOUR PEOPLE
7. HAVE STRONG VALUES
8. DO WHAT YOU LOVE
9. EXCEED EXPECTATIONS
10. STAND FOR SOMETHING IMPORTANT



Walgreens hers a whole

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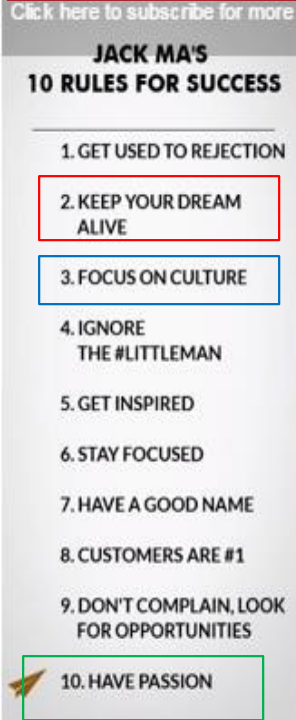
JEFF BEZOS'S 10 RULES FOR SUCCESS

1. HAVE NO REGRETS
2. FOLLOW YOUR HEART NOT YOUR HEAD
3. INVEST MORE IN THE PRODUCT THAN MARKETING
4. PICK A GOOD NAME
5. STAND FOR SOMETHING
6. FOCUS ON THE CUSTOMER
7. FOCUS ON YOUR PASSION
8. BUILD A CULTURE
9. PREMIUM PRODUCTS AT NON-PREMIUM PRICES
10. TAKE A RISK



JACK MA'S 10 RULES FOR SUCCESS

1. GET USED TO REJECTION
2. KEEP YOUR DREAM ALIVE
3. FOCUS ON CULTURE
4. IGNORE THE #LITTLEMAN
5. GET INSPIRED
6. STAY FOCUSED
7. HAVE A GOOD NAME
8. CUSTOMERS ARE #1
9. DON'T COMPLAIN, LOOK FOR OPPORTUNITIES
10. HAVE PASSION



Today, we are all here to discuss what we should do

Don't do it for money !!!

- Dreams
- Passion
- Values, Meaning
- Excellent product

WE HAVE PASSED THE AGE OF

LFL Store

LFL Brand

Now it's time to talk about

LFL Customer



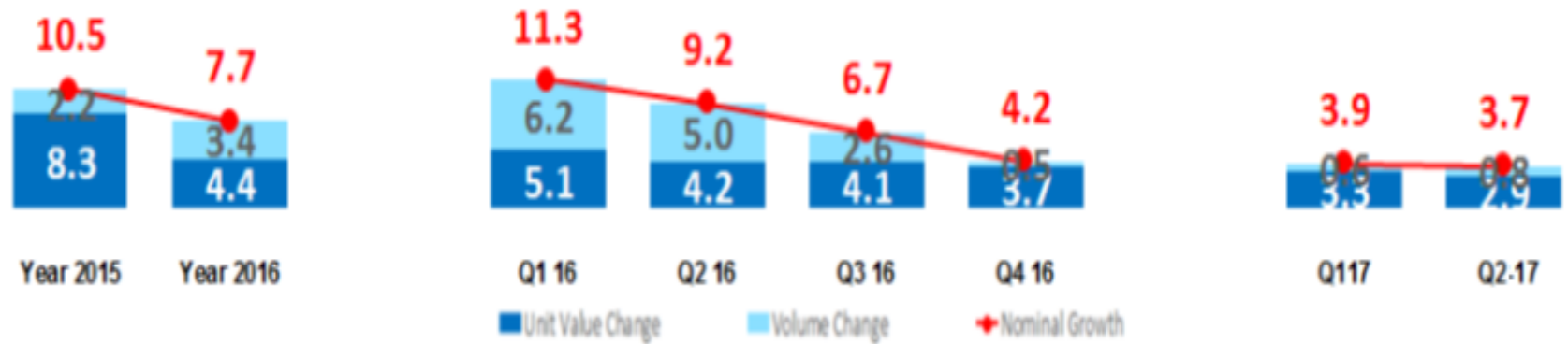
One customer lifetime > CRM

- Age : kid, teen, adult
- Profession : marketing, chef, doctor
- Hobby : sports, hiking, travel



Retail FMCG growth rate decelerate

Total Indonesia Market | 55 Categories



FIT BUT NO APPETITE



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All Things NEW

Selamat bekerja Indonesia !