Foodservice profile in Indonesia

Note: This report includes forecasting data that is based on baseline historical data.

Executive summary

According to the United Nations, the current population of Indonesia in 2022 is 279,134,505, a 1% increase from 2021. Gross domestic product (GDP) in Indonesia reached US$1150.0 billion by the end of 2021, according to Trading Economics global macro models and analysts.

The population aged 30-34 is forecast to remain the highest income earners per capita over 2021-2040. In addition, th consumer group aged 35-39 will be predominant among the highest income earners of more than US$250,000, shapir luxury spending patterns in Indonesia. Millennials represent a large proportion of the overall consumer market, and t impact on the economy is huge.

Demand for consumer foodservice plummeted during the early stages of the pandemic and remained low throughou 2021, transferring sales to grocery shopping for preparing meals at home.

Chained consumer foodservice in Indonesia represented US$2,845.7 million while independent represented US$20,273.8 million in 2021. The independent consumer foodsevice had a 88.7% share among the total consumer foodservice in Philippines.

Full-service restaurant value sales decreased at compound annual growth rate (CAGR) of 0.08% from 2016 to 2021, reaching US$18.9 billion in 2021, whilst outlet numbers fall to 103,165.

Limited service restaurant value sales fell in 2021 to US$1.4 billion, whilst outlet numbers fall to 6,859.

Cafés/Bars in Indonesiavalue sales decreased by 8.7% from 2016 to 2021 in current terms in 2021 to US$1.4 billion, wh outlet numbers increase to 7,977.

Self-Service Cafeterias value sales fell by 8.8% from 2016 to 2021 to US$112.6 billion in 2021, whilst outlet numbers rise 590.

Street Stalls/Kiosks value sales fell in 2021 to US$1.04 billion, whilst outlet numbers decrease to 97,495.

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Macroeconomic profile and consumer trends

According to the United Nations, the current population of Indonesia in 2022 is 279,134,505, a 1% increase from 2021. GDP in Indonesia reached US$1,150.0 billion by the end of 2021, according to Trading Economics global macro models and analysts. In the long-term, the Indonesia GDP per capita purchasing power parity (PPP) is projected to trend arou US$11,750.0 in 2022, according to our econometric models.

Per capita income levels in Indonesia are set to more than double over the long term. Structural reforms and improvir business environment are expected to help attract investment and boost job creation in higher-value-added industrie driving productivity and income growth. Over the long term, per capita consumer expenditure will increase at a faster pace compared to regional countries, thanks to improving living standards, low household indebtedness as well as a large middle class.

- Per capita gross income in Indonesia is forecast to increase by 118% in real terms over 2021-2040
- Middle Youth are projected to remain predominant in the top-income band by 2040, shaping luxury spending patte in Indonesia
- Income inequality is estimated to decrease over the long term and remain moderate by global standards
- Social class C is set to be the fastest growing social class but social class D will remain the prevalent social class through to 2040

Despite the rapid economic development in the last decade, per capita income levels in Indonesia stand below the regional average. Relatively low female labour participation rate, weak labour productivity growth and skills shortages hinder income growth. Moreover, the COVID-19 pandemic poses additional challenges in creating better-paying, high productivity jobs. The Indonesian government pledged to keep its focus on human capital development and economi transformation to boost job creation in higher-value-added industries in coming years.

The population aged 30-34 is forecast to remain the highest income earners per capita over 2021-2040. In addition, th consumer group aged 35-39 will be predominant among the highest income earners of more than US$250,000, shapir luxury spending patterns in Indonesia. Millennials represent a large proportion of the overall consumer market, and t impact on the economy is huge. This generation is keen on adopting digital technologies in their everyday life and is s to remain among the main drivers of the country's digital transformation over the forecast period. They increasingly invest in smart home appliances that make life easier. Moreover, millennials also pay huge attention to sustainability a the circular economy due to growing concerns about climate change.

Although Indonesia has made great strides towards becoming an upper-middle income country over the past decade the COVID-19 pandemic is expected to set back socioeconomic progress at least in the medium term. The pandemic h hit women particularly hard and deepened pre-existing gender inequalities. Women in Indonesia have experienced significant job losses and reduced hours since the start of the pandemic, as many of them were employed in hard-hit industries, such as textile and clothing, retail and hospitality. In addition, there are many more women than men who work in the informal sector, where the access to social support systems is limited. As a result, male average disposabl income is nearly double that of females in the country.

The Indonesia foodservice market

Consumer foodservice in 2021: The big picture

The onset of the COVID-19 pandemic in 2020 resulted in dramatic declines in value sales across all channels in consum foodservice in Indonesia, with most channels also witnessing declines in the numbers of outlets in operation as numerous independent establishments went out of business and chained players rationalised their outlet networks. Whilst the value sales and number of outlets will continue post negative growth in 2021, the decline will not be as larg that recorded in 2020 as the lifting of harsher restrictions encouraged stronger sales in the first half of the year. Howe a big wave of COVID-19 in June-August 2021 forced the government to apply PPKM (Implementation of Restrictions or Social Activities or **Pemberlakuan Pembatasan Kegiatan Masyarakat**) to control the spread of the virus. These restrictions reversed the improvements in consumer foodservice and led to a summer of incredibly low demand. Whil takeaway and home-delivery orders did increase within this period, it was not enough to compensate for the sales los due to the restrictions on mall capacities, dine-in service, and consumer mobility. It should be noted also that the spik demand for delivery services was at least partially due to the increased interest in convenience among Indonesian consumers and the increased availability third party food delivery apps. Promotions and discounts via these apps, including attractive cashback offers, also formed a strong incentive to buy via such apps.

Demand for consumer foodservice plummeted during the early stages of the pandemic and remained low throughou 2021, transferring sales to grocery shopping for preparing meals at home. In addition to being a reaction to the availability of dine-in consumer foodservice options, it also reflected the adverse economic situation - COVID-19 interrupted commercial activity in key sectors of the Indonesian economy diminishing purchasing power amongst the population. This affected lower-income consumers more than higher-income consumes, which led to a worse performance for categories that target lower earners, such as food-based street stalls/kiosks. It also led to players, particularly in full-service restaurants, creating special grocery bundles to sell alongside their restaurant business. Suc bundles allowed consumers to create their favourite dishes from the comfort of their own home using restaurant-qua ingredients and following professional instructions created by the chefs at such restaurants.

Foodservice: chain franchises versus independent operators

In 2021, the overall leading player in consumer foodservice in terms of value shares is Fast Food Indonesia (the owner the popular KFC brand), which will see an increase in share despite a decline in value sales. The company's strong presence in the online channel prevented it from posting bigger losses, whilst other players with less presence online struggled. Fourth-ranked Mitra Adi Perkasa however will record one of the largest negative growths of the major play as its biggest revenue contributors (Starbucks Coffee, Pizza Express, and Genki Sushi) have been struggling to sustain sales.

Chained consumer foodservice in Indonesia represented US$2,586.9 million while independent represented US$20,273.8 million in 2021. The independent consumer foodsevice had a 88.7% share among the total consumer foodservice in Philippines. The CAGR was down to −7.9% from 2016 to 2021.

Consumer foodservice sales by type in Indonesia, 2016-2026, historical and forecast in US$ millions, fixed 202 exchange rate

Category	2016	2021	CAGR* % 2016-2021	2022	2026	CAGR* % 20 2(
Consumer foodservice by type	**33,402.9**	**22,860.0**	**−7.3**	**29,591.5**	**49,421.7**	**1**
Chained consumer foodservice	2,845.7	2,586.9	−1.9	3,431.7	5,796.9	1
Independent consumer foodservice	30,557.2	20,273.1	−7.9	26,159.8	43,624.8	1

Source: Euromonitor, 2022

***CAGR**: Compound Annual Growth Rate

Solution for independent restaurants

The competitive environment is dominated by independent foodservice operators in all categories of consumer foodservice in Indonesia. However, independent foodservice operators experienced a worse period than chained foodservice operators as they tend not to have good delivery services. Despite the challenges from younger entrepreneurs who turned to informal foodservice upon losing their employment, many independent operators did n want to partner with online transportation applications because of their large service fees. This is typically around 20% the value of the products sold. As such, most operators sought to establish their own in-house delivery services.

However, there was an upswing in demand for stand-alone, suburban independent foodservice in September 2021 wh the PPKM restrictions were lifted. Many consumers were keen to travel and socialise with friends again but did not wa to visit traditionally high-traffic areas such as malls or city centres. Thus, such venues on the outskirts of the city, particularly those with outdoor areas and Instagrammable views, saw a significant surge in visitors from the end of Q

Full-service restaurants in Indonesia

- Foodservice value sales decreased at CAGR of 0.08% from 2016 to 2021, reaching US$18.9 billion in 2021, whilst out numbers fall to 103,165
- Asian full-service restaurants is the best performing category in 2021, with foodservice value sales still decreasing l 0.08% in current terms to US$17.9 billion
- Foodservice value sales are set to rise at a CAGR of 10.5% from 2021 to 2026
- All the restaurants, chained or independent, grew negatively, ranging from 0.04% to 0.27% from 2016 to 2021

Full-service restaurant sales by type 2016-2026, historical and forecast, in US$ millions, fixed 2021 exchange ra

Category	2016	2021	CAGR* % 2016-2021	2022	2026	CAGR* 2021-20
Full-Service Restaurants	**28,189.1**	**18,891.9**	**−0.08**	**24,380.0**	**40,236.8**	**1**
Chained full-service restaurants	892.1	548.7	−0.09	733.0	1,300.1	1
Independent full-service restaurants	27,297.0	18,343.2	−0.08	23,647.0	38,936.7	1
Full-Service Restaurants by Type	**28,189.1**	**18,891.9**	**−0.08**	**24,380.0**	**40,236.8**	**1**
Asian full-service restaurants	26,650.3	17,976.2	−0.08	23,122.5	38,039.6	1
Chained Asian full-service restaurants	369.7	234.9	−0.09	302.1	551.5	1
Independent Asian full-service restaurants	26,280.7	17,741.4	−0.08	22,820.4	37,488.1	1
European full-service restaurants	330.5	155.6	−0.14	242.1	458.0	1
Chained European full-service restaurants	28.8	6.0	−0.27	11.2	33.6	2
Independent European full-service restaurants	301.7	149.6	−0.13	230.9	424.5	1
Latin American full-service restaurants	31.0	17.8	−0.11	24.8	44.5	1
Independent Latin American full-service restaurants	31.0	17.8	−0.11	24.8	44.5	1
North American full-service restaurants	416.7	227.8	−0.11	312.7	592.3	1
Chained North American full-service restaurants	155.0	77.6	−0.13	111.8	222.1	1
Independent North American full service restaurants	261.7	150.2	−0.11	200.9	370.2	1

Pizza full-service restaurants	283.2	213.4	−0.06	283.9	432.9	
Chained Pizza full-service restaurants	199.7	159.8	−0.04	213.8	317.2	
Independent Pizza full-service restaurants	83.5	53.6	−0.08	70.1	115.7	1
Other full-service restaurants	442.8	279.6	−0.09	363.3	608.4	1
Chained other full-service restaurants	139.0	70.4	−0.13	94.2	175.8	1
Independent other full-service restaurants	303.9	209.3	−0.07	269.2	432.6	1

Source: Euromonitor, 2022

***CAGR**: Compound Annual Growth Rate

2021 developments

Certain formats face greater difficulties due to hygiene concerns or location

Full-service restaurants will continue to experience negative value sales growth in Indonesia in 2021, albeit at a much slower rate than in the previous year. Some of the most popular full-service restaurants faced intense scrutiny as the COVID-19 pandemic triggered widespread hygiene concerns. Potentially problematic full-service restaurant formats include buffets, hotpot restaurants, and other table sharing concepts that have traditionally been popular in Indonesi All these types of restaurants generally attract larger groups of guests, which automatically placed them at a disadvantage given that socialising in large groups was strongly discouraged. However, the requirement for diners to share serving utensils and to serve themselves from the same pots as other guests was the main concern, especially v regards to buffet restaurants and, to lesser extent hotpot restaurants. With many people balking at the idea of using communal spoons, forks, and tongs to serve their food from communal plates, bowls, and dishes, the buffet and hotp concepts faced additional barriers to consumer acceptance during the COVID-19 pandemic.

Full-service restaurants that are outside malls are generally faring better that those inside malls in 2021 as Indonesiar are proving to be more comfortable visiting locations in suburban areas. In fact, since the relaxation of the PPKM measures in September 2021, such outlets are becoming increasingly crowded as consumers continue to dine there.

The high-end positioning of-service restaurants places extra pressure on demand

Although all consumer foodservice channels faced a difficult trading scenario, full-service restaurants found itself particularly under pressure during the pandemic. This is because of the more affluent target consumer audience that channel has in comparison with limited-service restaurants. The shift towards working from home involved mainly middle-income and high-income consumers, with less affluent people more likely to be required to physically show up work outside of the home environment. As such, middle-income and high-income consumers were far more in-tune v and likely to strictly adhere to the principles of social distancing and home seclusion. Furthermore, more affluent Indonesians generally have higher hygiene awareness and pay more attention to their health, which made them mor hesitant than their less affluent counterparts to dine out during the pandemic. Although many full-service restaurants shifted their focus towards home delivery and takeaway options, this was not enough to prevent significant sales declines across the channel over the course of 2020 and 2021.

Middle-income and high-income consumers tended to be less financially impacted by the pandemic than lower-incom consumers. Nevertheless, many of them continued to show caution in spending. To manage the decline in purchasing power, most category players started offering attractive cut price promotions, both for dine-in and online delivery. Another strategy used to encourage consumers to dine-in more often was to increase the consumers' feeling of safet within the outlet. For example, many players maximised the use of digital technology by introducing digital menus an ordering. As well as being highly convenient, this minimises contact with menus (that others may have touched) and means that waiters do not need to approach the table as often. In addition, cashless payments via barcode scans beca the main option during the pandemic.

Lower cost restaurants fare better; Pizza Hut continues innovating to retain lead

In Indonesia, full-service restaurants can generally be divided into two categories. The first refers to restaurants that cater to more affluent consumers. These are generally fine dining restaurants with beautiful and elaborately decorate interiors, higher-priced food menus, and wine service. The other category caters mainly to low-income and less afflue middle-income consumers, offering more basic service and with much simpler interior decor. Consumers dining in su restaurants are usually looking simply for something to eat and they will tend not to linger once they have finished eating. The second type is often closer to limited-service restaurants in terms of strategy and positioning than it is to more expensive types of full-service restaurants. The no-frills approach and low-price positioning of these restaurants means that they are really in competition with fast food and other types of limited-service restaurants. However, it als meant that they faced less pressure on demand as the economic situation in Indonesia deteriorated because many consumers traded down from the more expensive options to budget-friendly full-service restaurants.

Pizza Hut retains its position as the market leader under this category. Despite experiencing a significant decline in sa over the last couple of years, Pizza Hut will retain its leading position in the category, surviving through the implementation of several key strategies. The first is to continue product development and launch innovative product such as its Limo Pizza (a 1-metre-long pizza, three times the size of a normal large pizza, split into twelves slices). The second is to offer major discounts (sometimes up to 20%), especially on online ordering applications such as Grab or GoFood. Finally, Pizza Hut consistently aims to provide its products closer to consumers' homes through roadside sell strategies, most of which are located not far from their outlets. Thus, the price is relatively expensive for a roadside product (with roadside food sold by traditional sellers. In addition, the latter strategy allows Pizza Hut to continue to employ their staff members, even if the outlet they previously worked in had to be closed because of the pandemic.

Prospects and opportunities

Improvements rather than price promotions from operators as they strive to maintain image of quality

A full recovery for value sales of full-service restaurants is not expected to occur until 2025 due to the time it will take t restore consumer's confidence in dining-in. To do this, full-service restaurants operators will need to continue implementing and communicating their safety and hygiene procedures, showing that they are putting the health of th customers and staff first. They are also expected to focus on improving the performance of their existing outlets rathe than establishing new ones. Thus, the growth in number of outlets in this category is set to continue to grow slowly in forecast period. In term of outlet location, it is estimated that there will be a shift towards stand-alone locations.

Whilst full-service restaurants have historically been less dependent on takeaway and home-delivery services, most players will focus on improving these services in the coming years, particularly through the online channels. This gives players greater flexibility (in case there are further dining restrictions), caters to the consumer trend of convenience, a helps prevent turnover from falling further. With many consumers still wary about dining-in, it makes sense to curren reach out to consumers rather than wait for them to dine-in again. Some players are also offering new menus that are more delivery friendly, yet still restaurant quality. Maintaining quality is an important factor for full-service restaurant players, with most aiming to improve their delivery service rather than offering special eat-in promotions.

Diversification likely to be key to survival and success in full-service restaurants

The extremely difficult trading situation that unfolded for Indonesia's full-service restaurants during the pandemic ha had at least one positive impact: category players are now fully aware of the importance of maintaining a diverse and agile positioning. Having options in terms of adapting the brand strategy if under pressure will be increasingly import for survival. In fact, the category players that had already adopted a more diverse and flexible positioning were also those that found it easier to enact effective strategies for overcoming the COVID-19 crisis. They are also likely to rema more relevant in the post-pandemic landscape. Most notably, companies that operate a diverse range of restaurant brands, such as Boga Group, were in a better position to weather the COVID-19 storm. The fact that the company was able to continue partially trading in this way enabled it to manage its workforce more effectively, allowing its kitchen s to continue working in Boga cloud kitchens whilst the dine-in restaurants were closed. Creating a network of cloud kitchens and developing the infrastructure to operate as a delivery service in fact proved to be a relatively easy and efficient process, certainly more so than designing, building, and managing a traditional restaurant. As such, the stron performance of cloud kitchens during the pandemic is expected to remain a major trend across full-service restaurant during the forecast period. Boga has plans to further update and extend its menu in the coming years as well as expa its network of cloud kitchen locations to outside of Jakarta. Surabaya, Bandung, and Medan are the cities that are mos likely to be targeted for this expansion programme.

Home delivery services expected to grow in popularity as category strives to gain presence in the online space

The increasing focus on home delivery that spread across full-service restaurants during the pandemic is expected to remain in effect throughout the forecast period as category players have already discovered the major advantages of utilising home delivery services. For instance, Ismaya Group responded to the onset of COVID-19 by launching an onli food market named Ismaya Gourmet Shop, which centres on a home delivery service. This responds to the increasing interest towards preparing meals from scratch at home, whilst also eliminating the need to leave home to acquire the ingredients. It also provides an ideal meal solution for those who do not have very good cooking skills. Furthermore, i also offers consumers the opportunity to enjoy restaurant-quality specialties from the comfort of their own homes, wi executive chefs from Ismaya Group restaurants having participated in the preparation of the food packages. These ne initiatives are expected to remain in place until at least the end of 2022 and could well continue well after the COVID-1 situation has been resolved.

To manage the increasing shift to the use of online applications, players in this category must also strengthen their general digital strategy. The main challenge for full-service restaurants is that their menus are typically less suited for transportation and consumption at home. Limited-service restaurants and cafés have a far more suitable menu and h thus been able to adapt to takeaway and home-delivery better. Additionally, full-service restaurants tend to base their offering not just on the quality of the food but also on the concept and atmosphere of their venue. Hence, full-service restaurant food is currently not strongly sought after through online delivery platforms. In the forecast period, it is estimated that players in this category will significantly increase their cooperation with online platforms to provide the best price offers for consumers to encourage greater online ordering. Players will also need to introduce menu items that can be consumed in the same way at home as in such outlets.

Limited-service restaurants in Indonesia

- Foodservice value sales fell in 2021 to US$1.4 billion, whilst outlet numbers fell to 6,859
- Foodservice value sales are set to grow at a current value CAGR of 10.9%, over the forecast period to US$3.2 billion 2026, whilst the number of outlets is expected to 7,423
- Chained limited-service restaurants represented US$1.3 billion sales in 2021, about 7.4 times more that independe limited-service restaurants did

Limited-service restaurant sales 2016-2026, historical & forecast, in US$ millions, fixed 2021 exchange rate

Category	2016	2021	CAGR* % 2016-2021	2022	2026	CAGR* % 20 2(
Limited-Service Restaurants	**1,680.5**	**1,449.8**	**−2.9**	**1,908.6**	**3,196.2**	**1**
Chained limited-service restaurants	1,427.8	1,279.5	−2.2	1,684.1	2,831.3	1
Independent limited-service	252.7	170.2	−7.6	224.5	364.9	1

restaurants						

Source: Euromonitor, 2022

***CAGR**: Compound Annual Growth Rate

2021 developments

Continued value declines as COVID-19 measures keep consumers away

Limited-service restaurants will again experience double-digit declines in value sales in 2021, albeit at a slowed rate fr the previous year. The implementation of government policies, namely PSBB (Pembatasan Sosial Berskala Besar - larg scale social restrictions) and PPKM (community activities restriction enforcement), had a strongly negative impact on consumer visits to consumer foodservice outlets. This was especially true for dine-in, though the number of people placing orders for takeaway also did not increase due to consumers increasingly ordering online for home-delivery. Th mall closures and reimposed restrictions in June 2021 in fact had a positive impact on online ordering, with this orderi method seeing rapid increases in popularity during the pandemic. Most of the players in this category, including McDonald's, thus offered price discounts for their drive-through services on certain days or at certain times to compe with online ordering. This strategy has proven to be effective in attracting consumer interest, especially since purchas power has decreased drastically during the pandemic.

In 2021, KFC will retain its position as the leading brand in the category thanks to strategic collaborations and price discounts. For example, the player has partnered with online delivery service gojek since October 2020 to allow consumers to order its food items online and at cut-price promotions. In fact, the brand offer discounts of up to 50% several days of the week, usually Friday-Sunday. As such, the brand has been able to significantly increase its online orders. KFC also continues to innovate and regularly introduce new products to stimulate demand and create menus t suit the tastes of Indonesian consumers.

Drive-through services and contactless card payments remain particularly popular

One important factor to take into consideration when assessing the less negative performance of limited-service restaurants during the pandemic than other consumer foodservice categories was the fact that many of these outlets offer drive-through services. With many consumers becoming very concerned about the risk of contracting COVID-19 when visiting consumer foodservice outlets, the option of ordering food and receiving it from the safety of one's vehic became extremely attractive. Further underlining the appeal of drive-through services was the option to pay with contactless debit or credit card. This ensured that consumers were able to complete their transactions whilst having v little or no physical contact with another person. This also enabled limited-service restaurants to fully comply with all t social distancing protocols that formed the core of the PSBB regulations that Indonesians endured for significant proportions of 2020 and 2021.

Many of the leading players in limited-service restaurants significant expanded the capacity they had to allow them to process orders for delivery. For example, online ordering apps and telephone orders became much more widely availa to the population. Within two weeks of the PSBB regulations coming into force in 2020, the number of delivery orders increased fourfold and the average transaction value for delivery orders was 1.7 times the previous average daily transaction value. With the population largely remaining cautious throughout 2021, especially during summer 2021 w cases spiralled again and lockdown measures were re-implemented, such ordering methods retained their popularity the second year of the pandemic. In response, the second-ranked brand McDonald's strongly invested in developing i McDelivery service, as well as installing additional drive-through windows for the collection of pre-placed orders. Simil initiatives were seen at other limited-service restaurants, preventing a stronger rate of current value decline.

Players reduce costs by closing outlets and limiting operating hours

The downward trend in the number of outlets will continue in 2021 as the category continues to suffer losses despite t favourable options of takeaway and delivery. Given the low sales many players within the category opted to close thei outlets temporarily or even permanently. Similarly, most players that had plans of expansion chose to postpone addir to their outlet number, instead saving their resources, or investing in the provision of safer services within the outlets they already have. This is a largely defensive strategy that focuses on reducing operational costs so that company loss can be limited. Some also chose to implement reduced operating hours or let employees go to reduce costs. Such measures are helping brands to stay afloat whilst waiting for economic conditions to improve.

Another strategy that has been applied by most players in this category during the pandemic is collaboration with onl transportation service providers. This allows them to extend the reach of their online ordering and home-delivery services to better meet consumers' demands and keep staff and customers safe. Furthermore, consumers are showir marked preference for digital services during the pandemic, with use of e-commerce expanding rapidly. Two of the m providers in the country are gojek and Grab, both of which offer online ordering, digital payments, and home-delivery They also promote package meals with lower prices - a strong incentive for consumers financially hit by the effects of pandemic.

Prospects and opportunities

Special discounts and bundles to remain key strategy as consumers suffer from reduced purchasing power

Current value sales for the category are expected to grow at double-digit rates across the forecast period, leading to a full pre-pandemic sales recovery by 2023 and constant growth to 2026. Price discounts and bundle promotions are stil likely to be the main strategies applied by players in the next few years due to the decline of consumer purchasing power. This is not expected to recover immediately, with the country set to endure the economic impact of the pande for some time. This strategy, which is already being implemented by leading players KFC or Mc Donald's, will encoura greater volume of sales which in turn improves current value sales.

Innovation in response to low demand likely to remain a feature of the channel

One of the most important responses to the low demand for limited-service restaurants during the pandemic was constant innovation. Whether in terms of the food menu, ordering concepts, or marketing campaigns, the pressure o the category saw leading players revising their strategies to remain relevant and mitigate the negative impact of COV 19 on their operations.

Also encouraging innovation in the category is the fact that Indonesian people tend to be very keen on novelty, espec younger urban dwellers. In fact, given the restrictions placed on the population during the last couple of years, the thi for something new and engaging somewhat increased during the pandemic. Younger Indonesians are also looking fo content to upload to their social media accounts, encouraging the leading players to create unique menus and format concepts that can become talking points on social media. Thus, discussion amongst friends, groups, and families is emerging as a crucial new form of word-of-mouth marketing.

Online ordering and cloud kitchens to gain further relevance

The huge increase seen in the popularity of third party delivery services during the COVID-19 pandemic resulted in ma limited-service restaurants expanding their use of cloud kitchens - facilities used exclusively for the preparation of onl home-delivery orders. In addition to the background pandemic trends, the highly effective use of promotions (such as promotional pricing and food bundling) and the proliferation of smartphones and rising use of mobile internet have spurred growth in online orders. As cloud kitchens allow players to reduce their overhead costs, they can slash the pri of their menu items to remain relevant and survive in the pandemic. The lower investment costs required to set up a cloud kitchen became extreme relevant during the COVID-19 crisis, and it is expected that all the leading players in limited-service restaurants will mimic this concept for home-delivery for existing outlets as well as for fulfilling orders placed via third party delivery apps. Therefore, they are expected to become even more popular amongst consumer foodservice players during the forecast period. However, in terms of normal limited-service restaurant outlets, players are expected to delay their expansion, waiting for a more favourable economic situation and more certainty in the tail end of the pandemic. Players in this category will focus on adding outlets only within locations with very high potentia and are unlikely to open new outlets in malls.

One brand that so far been highly successful in its deployment of cloud kitchens is Hokben with its first HokBen Kitche launched at the end of 2020 to specifically fulfil takeaway and home-delivery orders. Thus, they have no dine-in areas. Although this concept seemed alien at first to Indonesian people, the realities of the COVID-19 situation and the inabil of limited-service restaurants to offer on-trade service have played a big role in familiarising the HokBen Kitchen amo the country's population. Given the success of the concept, the player has continued to grow its outlet number, with t set to continue in the forecast period to cover more areas of Indonesia.

Cafés / bars in Indonesia

- Foodservice value sales decreased by 8.7% from 2016 to 2021 in current terms in 2021 to US$1.4 billion, whilst outle numbers increase to 7,977
- Juice/smoothie bars was the best performing category in 2021, with foodservice value sales expected to grow at C/ of 1% from 2021 to 2026, reaching US$12.1 million
- Foodservice value sales are set to increase at a current value CAGR of 22.6% from 2021 to 2026 over the forecast period to US$3.8 billion in 2026, whilst the number of outlets is expected to increase to 8,984

Cafés/Barssales 2016-2026, historical and forecast, in US$ millions, fixed 2021 exchange rate

Category	2016	2021	CAGR* % 2016-2021	2022	2026	CAGR* % 20 2(
Cafés/Bars	**2,145.1**	**1,361.4**	**−8.7**	**1,893.3**	**3,771.2**	**2**
Chained Cafés/Bars	283.5	388.7	6.5	559.5	1,038.5	2
Independent Cafés/Bars	1,861.5	972.7	−12.2	1,333.8	2,732.7	2
Bars/Pubs	1,380.4	658.8	−13.8	915.2	2,064.5	2
Independent Bars/Pubs	1,380.4	658.8	−13.8	915.2	2,064.5	2
Cafés	514.8	326.0	−8.7	437.4	711.3	1
Chained Cafés	49.0	24.9	−12.7	34.7	67.9	2
Independent Cafés	465.7	301.1	−8.4	402.8	643.4	1
Juice/Smoothie Bars		1.7	N/C	3.2	12.1	4
Chained Juice/Smoothie Bars		1.7	N/C	3.2	12.1	4
Specialist Coffee and Tea Shops	249.9	374.9	8.5	537.5	983.3	2
Chained specialist coffee & tea shops	234.5	362.1	9.1	521.6	958.5	2
Independent specialist coffee & tea shops	15.4	12.8	−3.6	15.8	24.8	1

Source: Euromonitor, 2022

***CAGR**: Compound Annual Growth Rate

N/C: Not calculable

2021 developments

COVID-19 restrictions have a particularly negative impact on category sales

The business focus of Indonesia's cafés, specialist coffee, and tea shops and juice/smoothie bars shifted dramatically the COVID-19 situation unfolded. Many of these businesses had previously relied heavily on dine-in customers for revenue. Thus, they typically generated a substantial proportion of their revenue from on-trade service. However, with the strict approach to social distancing and home seclusion a major trend, many of the businesses operating within cafés/bars found themselves deprived of this important source of revenue as consumers favoured delivery and takeaways services instead. They particularly suffered when consumer foodservice outlets were required to close for trade service during the period of PSBB restrictions. Subsequent limitations upon on-trade and mall capacities and PS restrictions also hindered sales in 2021. However, despite the easing of the PPKM restrictions in September 2021 (allowing a greater number of mall visitors and the extension of café/bars opening time to near -pre-COVID-19 hours) consumers are still showing reluctance to dine-in at malls. Thus, the lifting of PPKM has not had a significant impact o sales of this category.

Among the café/bars worst hit are those located in shopping malls and lodging locations, with consumer footfall in th locations drastically falling. Such locations were not only hit by limited local demand (reluctance to socialise outside of the home) but also the almost complete shutdown of the global travel and tourism industries. It was therefore inevita that the leading players in café/bars would increasingly focus on fulfilling takeaway and delivery orders, with online channels and telephone ordering coming to the fore. The stand-out brands in 2021 are Kopi Kenangan, Kopi Lain Hati and Kopi Soe, all of which will record strong value growth, going against the general trend of the category. This is likel due to Indonesian consumers wanting to support domestic brands over international ones as well as being more likel have stand-alone outlets in less urban areas.

High price sensitivity increases the importance of promotions and online offers

The preferences of Indonesian consumers have traditionally been heavily influenced by price promotions. Thus, introducing price strategies has been one of the most effective ways to boost demand and shape consumer behaviou the country. At the onset of the pandemic, price promotions took on even greater importance as the Indonesian economy faltered under the pressure of the COVID-19 pandemic. With many people facing reductions in their income the search for value for money became more of a priority.

The trend of purchasing via online delivery apps and e-commerce continued in 2021 particularly for cold coffee produ like milk coffee. In fact, the growth rate for home delivery nearly reached four-figures in 2020. Factors contributing to growth of online delivery, included the lockdown and mobility measure as well as attractive promotions through sales vouchers. This is true through both third party e-commerce marketplaces such as Kopi Kenangan and the player's ow websites or apps. This method is very effective in attracting new customers and increasing the number of transaction However, many third party delivery app operators raised the minimum transaction value that was required before a promotional voucher could be used. Since the popularity of third party food delivery services skyrocketed during the COVID-19 pandemic, they became increasingly influential in shaping the online purchasing behaviours of Indonesian consumers. This further increased the shift away from dine-in and takeaway orders and towards delivery orders.

Aesthetic and atmosphere remain integral to strong foodservice sales

Despite consumers remaining wary of dining-in at café/bars throughout the first two years of the pandemic, having a unique atmosphere within the outlet remains vital to securing customers. Stand-alone outlets (those not in shopping malls) and those on the outskirts or far from the city centre have been seeing higher demand, especially after the relaxation of the PPKM restrictions. This is because consumers are continuing to avoid the busiest areas, leading to greater sales in less traditionally busy venues. In addition, outlets in such locations tend to be more visually appealing more "Instagrammable". With social media continuing to play an increasingly large role in consumers' lives, this is becoming an increasingly important factor when consumers decide where to visit. Other outlets in attractive locations especially if outdoors, are also performing better than city centre or mall-based cafés, with consumers (particularly fro the younger generation) increasingly seeking independent venues with a special ambience.

Prospects and opportunities

Quick channel recovery expected thanks to strong takeaway and delivery options as well as innovative menu item

Unlike most other consumer foodservice channels, the full value sales recovery of café/bars is expected to take only o or two years. This is possible because the category has proven itself to be more resilient to the effects of the pandemi with multiple new brands (both chains and independents) entering the market in the last couple of years. Specialist coffee shops is a particularly fashionable channel, with consumers choosing such locations not just for socialising with friends but also for takeaway or delivery. This is because Indonesians enjoy trying new types of coffee flavours and, especially in the aftermath of the pandemic, will be keen to seek new experiences. The habit of buying for takeaway o delivery through online apps will remain a major trend in the forecast period, further contributing to the category's overall value sales and accelerating its recovery.

Café/bars operators also tend to be innovative in terms of their menu and product range. For example, the specialist coffee shops brands Kopi Kenangan and Janji Jiwa are increasingly offering snack products, like bread or croffles (croissant waffles), for both dine-in and takeaway. Such products are great for on-the-go consumption and are likely t see increased popularity as consumers become busier and seek convenient on-the-go food options. In addition, drink coffee while eating bread has become a new trend among young people. To continue growing demand, it is likely that the brands will continue offering bundling packages (a snack item with a coffee product) at very attractive prices. Give the economic impact of the pandemic and the dominance of the younger generation within the category's customer base, maintaining appealing prices is likely to be key to success.

Expansion of distribution channels to remain a long-term trend in café / bars

Although the addition of café/bar outlets decelerated during the pandemic, it is estimated that in the forecast period, number of café outlets, especially specialist coffee venues, will continue to grow significantly. The large customer base for coffee lovers is the main reason behind this with consumers increasingly seeking to try new, rich tastes or find a quirky independent outlet to socialise in with friends. Coffee players are constantly innovating their products allowing cafés to promote this as an attractive proposition. Furthermore, it is relatively easy to open a café outlet, as such venu tend to be smaller and have less major equipment than restaurants. This means that the starting capital is smaller, an more locations are available offering the required space.

Another of the key strategies that defined the response of the leading players in café/bars to the COVID-19 pandemic during 2020 was the stronger focus on alternative distribution channels. This started out as a reaction to the unavailability of on-trade service during the PSBB quarantine restrictions and quickly took on a life of its own as consumers came to realise the convenience that online ordering and home delivery represent. Category leader Starbu for instance responded to the requirement for it to close all its specialist coffee and tea shops for on-trade service by focusing heavily on developing alternative distribution channels and increases focus on developing and omni-channel strategy, especially through third party delivery services such as Grab and GoFood. In addition, Starbucks focused its innovation on moving into street stalls/kiosks, providing service to consumers via vans that could be located or reloca in different high-foot traffic areas. Drive-through services also saw significant growth during the pandemic with dema unlikely to wane in its aftermath.

Purchase order system expected to become more popular

One new strategy that was a surprise hit in cafés/bars during the pandemic was the purchase order (PO) system. This was employed by many of the independent players that comprise most operators in café/bars. The PO system involve customers placing orders and paying for products long before they are prepared. This creates an open ordering syste and has received a positive response from both customers and category players. For the operators of independent café/bars, it increases revenues and improves certainty, whilst also helping them expand their customer base. Meanwhile, customers benefit from knowing that they only need activate their order to have their beverage prepared They can also enjoy price discounts via the promotions that are usually tied to purchase orders - a factor which becam very important due to the deterioration of the economy during the COVID-19 pandemic. Indeed, the value for money this represents for consumers is expected to underpin the growing interest in the PO system during the forecast peri as the low purchasing power is set to linger long after the COVID-19 is resolved.

Self-service cafeterias in Indonesia

- Foodservice value sales fell by 8.8% from 2016 to 2021 to US$112.6 billion in 2021, whilst outlet numbers rise to 590
- Foodservice value sales are set to rise at a current value CAGR of 15.3% from 2021 to 2026 over the forecast period US$229.6 billion in 2026, whilst the number of outlets is expected to increase to 608
- Independent cafeteria represented US$90.1 million in 2021, 4 times more that chained self-service cafeterias. It is expected to grow at a CAGR of 15.9% from 2021 to 2026, reaching US$188.5 million in 2026

Self-service Cafeterias sales 2016-2026 historical and forecast, in US$ millions, fixed 2021 exchange rate

Category	2016	2021	CAGR* % 2016-2021	2022	2026	CAGR* % 2021-2(
Self-Service Cafeterias	**178.5**	**112.6**	**−8.8**	**134.5**	**229.6**	**1**
Chained Self-Service Cafeterias	36.0	22.5	−9	25.9	41.1	1
Independent Self-Service Cafeterias	142.5	90.1	−8.8	108.5	188.5	1

Source: Euromonitor, 2022

***CAGR**: Compound Annual Growth Rate

2021 developments

Value sales continue falling due to low consumer traffic in large retail outlets

Self-service cafeterias have faced a challenging couple of years as the impact of the COVID-19 pandemic placed significant pressure on sales, and a second year of value sales declines will be recorded in 2021. In Indonesia, self-serv cafeterias is highly dependent on consumer foot traffic in retail outlets. This is because most outlets in the channel ar located adjacent to supermarkets, hypermarkets, or large-format stores such as IKEA homewares and home furnishin stores. Consumers frequented such retail outlets much less during the pandemic as they wanted to avoid potentially high-traffic areas where the risk of contracting COVID-19 was thought to be higher. In addition, the fierce retail busine competition (including e-commerce) which has led to the increasingly unpopularity of hypermarkets and the government's COVID-19 visitor restriction policy have had a strongly negative impact on self-service cafeteria demanc Many self-service cafeterias have started to offer a takeaway service, mitigating the pressure on sales, at least to som extent. Nevertheless, value sales will continue to see double-digit declines in 2021.

The channel faces challenges due to the drop seen in footfall in retail outlets

Another major reason for the reluctance of consumers to go shopping was the pressure that came on household incomes. This meant that discretionary spending was a low priority for most Indonesians, leading to only essential shopping trips and dining out less often. When consumers did opt to dine-out, they were more likely to favour more iconic and well-known foodservice options (such as KFC, McDonald's, or Pizza Hut) rather than the much less glamoro options that are usually on offer in self-service cafeterias. In fact, the selections offered in most self-service cafeterias tend to consist mainly of standard Indonesian dishes, with this food not dissimilar to typical home cooked meals. In addition, the selection of food typically varies from day to day and even over the course of the same day. This inconsistency meant that many consumers avoided self-service cafeterias during the pandemic.

Whilst most cafeterias offer the menus based on typical Indonesian regional tastes (with common dishes being chicke soup or fried rice), Lulu Hypermart has started including various dishes from the Middle East as well as a variety of special Indonesian food menus based on the region. The concept is starting to encourage a greater number of consumers to eat in their cafeterias.

IKEA establishes new outlets and Halal certification to improve performance

Unlike those located within hypermarkets, Ikea (another self-service cafeteria provider) is experiencing a slightly bette performance than other players. In fact, the brand is the only competitor to open new outlets during the pandemic; ir 2021 alone, IKEA established two additional new outlets in Indonesia, doubling its capacity from the year before, thus leading to value growth. Although mobility restrictions (PSBB and PPKM) strongly affected consumer traffic, especially Q3 of 2021, the number of visitors significantly increased from September onwards when the restrictions started to be relaxed. In fact, the total number of visitors recorded in September 2021 was higher than that registered in July and August combined. Whilst the performance in its outlet may not be as high as in the pre-COVID-19 era (as many consumers are starting to purchase IKEA products via e-commerce, leading to less self-service cafeteria traffic) the greater number of outlets and therefore the brand's improved national coverage are contributing to its better overall performance than other players as well as its own performance last year.

Another way in which IKEA has boosted its sales is when it filed for Halal certification in 2020. Specifically, the compan seeks to comply with Law No33/2014 regarding Halal Product Guarantees. Currently, the Halal certification that applie IKEA Restaurant and Café covers dining areas, food service counters, bistro, and bakery areas, FIKA areas, and caterin facilities covering employees. Therefore, all food and beverages served in these areas, both in Alam Sutera and Sentul City outlets of IKEA, have now had Halal assurance systems implemented. This can be seen as part of IKEA Indonesia's general efforts to provide a greater sense of security and comfort to its retail customers (opening its self-service cafeterias to a wider audience).

Prospects and opportunities

A slow and potentially difficult recovery ahead for self-service cafeterias

The forecast period is expected to see self-service cafeterias make a slow and potentially difficult recovery from the effects of the COVID-19 pandemic. With most outlets in the channel located within large-format retail outlets, includin hypermarkets and supermarkets, the shift towards e-commerce and proximity retailing (via convenience stores and traditional grocery retailers) is likely to present major challenges for all operators that rely upon adjacent retail outlets customer footfall. With hypermarkets being perceived as increasingly unattractive by the population, it is unlikely that category will see a recovery to pre-pandemic levels of value sales within the forecast period.

To boost the chances of success, existing self-service cafeterias, such as those within Transmart, Carrefour or Hyperm are expected to change their food concepts and menus in the coming years. In the review period, most have been dominated by "heavy food" (typically with a variety of rice-based dishes). However, in the future such venues are expected to shift towards offering snacks, including cakes and desserts. With consumers set to be increasingly busy a less likely (perhaps even too lazy) to enjoy a full meal at self-service cafeteria, this will be a necessary step to ensure player survival.

IKEA's move towards drive-in sales likely to remain in effect

At the height of the COVID pandemic, IKEA Indonesia implemented strict health and hygiene protocols in its Indonesi self-service cafeterias (as recommended by government authorities) to ensure the safety and comfort of customers a employees. The company also offered retail customers the option to order food from its IKEA Restaurants and Café outlets via a drive-through service. Orders were placed at counters located in the front lobbies of the buildings with customers arranging to collect their orders at the drive-through window at a predetermined time. The service has pro popular and is likely to remain on offer during the forecast period.

IKEA has another benefit within this category, in that it differs from most other outlets through offering fixed food me (rather than one that changes day-to-day). This means that IKEA Restaurant now can explore the option of developing online-to-offline sales channels. The forecast period is expected to see significant development of such an approach, the player's focus expected to increasingly shift towards takeaway and, increasingly, delivery via online-to-offline channel. This increased focus on such options reflects the limitations to the dine-in model. In fact, with the regulation relating to on-trade continuously changing and being updated, depending on the state of COVID-19 transmission, hav the option to leverage online-to-offline offers consumer foodservice businesses the opportunity to mitigate the impac government measures, the worst being the requirement to remain closed during quarantine lockdowns. The diversification of ordering and serving options to overcome the limitations of the channel's predominant format are li to play a major role in determining the speed of the category's recovery.

Expansion of IKEA set to continue with mall-based store next

Whilst new IKEA outlets were opened in 2021, another is planned to be launched in 2022 within Mall Taman Anggrek. is IKEA's first mall-based outlet, and it is anticipated that it will be at least 10,000 square feet. This creates opportunity the brand to reach a wider consumer base as it can now attract those who seek comfort and convenience in their shopping experience as well as those visiting for recreational purposes. This is a different format to their existing outl with most others in the country being stand-alone. It also provides additional opportunities to attract customers to its consumers foodservice offerings as, unlike stand-alone Ikea outlets, it can attract mall visitors that are not specifically shopping for retail items in Ikea.

Street stalls / kiosks in Indonesia

- Foodservice value sales fell in 2021 to US$1.04 billion, whilst outlet numbers decrease to 97,495
- Foodservice value sales are set to rise at a current value CAGR of 13.7% from 2021 tp 2026 over the forecast period US$1.9 billion, whilst the number of outlets is expected to rise to 100,026
- Independent street stalls/kiosks reached $US696.8 million in 2021, double the chained stree stalls/kiosks although grew negatively at a CAGR of 7% from 2016 to 2021. However, chained street stalls/kiosks grew positively at a CAG 11.0%

Street Stalls/Kiosks sales 2016-2026, historical and forecast, in US$ millions, fixed 2021 exchange rate

Category	2016	2021	CAGR* % 2016-2021	2022	2026	CAGR* % 2021-2
Street Stalls/Kiosks	**1,209.6**	**1,044.3**	**−2.9**	**1,275.2**	**1,988.0**	**1**
Chained Street Stalls/Kiosks	206.1	347.5	11.0	429.1	585.9	1
Independent Street Stalls/Kiosks	1,003.5	696.8	−7.0	846.1	1,402.1	1

Source: Euromonitor, 2022

***CAGR**: Compound Annual Growth Rate

2021 developments

Stall locations and temporary status create major disadvantage for category

After registering a strong performance in 2018 and recording extremely high growth during 2019, street stalls/kiosks faced a bleak year in 2020 as the impact of the COVID-19 pandemic plunged the entire channel into negative sales gro territory. The main factor undermining the channel performance was that street stalls/kiosks, as the name suggests, a usually located on the streets. This meant that the strict adherence to social distancing and home seclusion limited custom as very few people were prepared to risk their health by spending their leisure time in public. Instead, they showed a strong preference for staying at home to minimise their exposure to the COVID-19 virus. It should be noted that the more well-established street stalls/kiosks with permanent pitches registered less severe sales declines than more temporary outlets that are located for instance in tents or mounted on mobile food carts. Furthermore, declines were stronger among independent street stalls/kiosks. This can be attributed, at least partially, to the less hygienic im these types of outlets have at a time when consumers are so focused on their health and immunity.

The trends for snack-sized street food and fried chicken mitigate overall decline

Although street stalls/kiosks will continue to register a negative performance in 2021, it should be noted that the situation could have been considerably worse, had it not been for the ongoing trend towards much-hyped snack-sizec street food items such as the iced coffee dessert kopi kekinian. This snack is currently having a moment among the population of Java and is rapidly spreading to other parts of the country. Kopi kekinian is already widely sold under ma speciality brands such as Kopi Kenangan and Kopi Janji Jiwa. Another product which has been trending for longer and also becoming more popular as time passes is bubble tea - a powder drink with bubbles, brown sugar, and flavoured tea). This is ensuring that brands such as Onezo, Kokumi, and Xing Fu Tang are registering relatively favourable performances. These high-selling products are seen as a hybrid between a beverage and a snack and are often difficu replicate at home due to the requirement of specialist catering equipment to achieve the right effect. Thus, the entire channel of street stalls/kiosks benefited from the desire to continue purchasing kopi kekinian or bubble tea. This was particularly relevant amongst younger consumers and students who would use these products as an escape from boredom while working or studying from home. Such consumers also tend to use social media more frequently and h thus been exposed to major bubble tea promotions via these channels. The trend towards kopi kekinian and bubble te is part of a wider trend towards snack items in the Indonesian consumer foodservice industry and is helping cushion t sales declines in the category.

Other stalls that are holding onto survival in the pandemic include chained fried chicken stalls, such as those of Saban The reason behind their success is that fried chicken has become the food of the Indonesian people with appealing ta high availability, lower prices, and the food bundles with rice (a staple for Indonesian consumers) contributing to its soaring popularity. The impact of the pandemic was only on sales per transaction which decreased slightly due to the reduced quantity purchased by customers. Other types of stalls did not enjoy the same popularity however, with some mobile burger stalls, such as those of the Edam burger brand, being closed due to low purchasing power (especially fo lower income consumers) and thus low sales.

Chatime retains top brand position thanks to lingering bubble tea trend

Trends in street stalls/kiosks tend to come and go quite quickly. People in Indonesia tend to be quite open to trying ne things. However, with consumers moving onto the next new thing quickly, many trends are short-lived. This leads to t rise of short-lived brands using these fads food as their main menu. Nevertheless, some food trends have stuck arour including corn dog, dim sum with mentai sauce, and toasted sandwiches.

Chatime is the leading brand in this category in terms of foodservice value share in 2021, retaining its position throug the high popularity of its main offering - bubble tea - and through offering attractive promotions. Such deals are especially common when offered in collaboration with online delivery services like gojek.

Prospects and opportunities

Low earning audience of most food stalls/kiosks will hinder the category recovery

Overall, the category is expected to need a long recovery period as most brands in street stalls/kiosks target lower middle-income consumers. The traditional consumers of street stalls/kiosks will also have been harder hit by the economic impact of the pandemic. Thus, when they budget their spending, the purchase of these street stall/kiosks fo is no longer likely to be a priority. It may be cheap, but it is still an indulgence for many.

Meanwhile, drinks like bubble tea are priced at a slightly higher price than would be seen at similar limited-service restaurants. Although it may seem expensive, these outlets are able to gain consumer interest through collaborations with food delivery platforms. They often offer special discounts through these platforms, making such items seem mo affordable. Nevertheless, seeing as the main target group is middle- to upper-income consumers (who tended to be l financially affected by the pandemic), drinks such as bubble tea are likely to continue seeing strong demand in the forecast period.

Rising popularity of grab-and-go expected to present opportunities

With the consumer foodservice industry having strongly shifted towards takeaway at the peak of the COVID-19 pandemic, grab-and-go formats came to the fore benefitting street stalls/kiosks to some extent. This led many of the channel's top players, notably Kopi Janji Jiwa, to focus on pushing the grab-and-go elements of their foodservice conc This involved explicitly encouraging consumers to leave immediately after receiving their coffee orders, rather than providing them with a place to sit or linger at the location. Whilst there are opportunities for growth for street stalls/kiosks within delivery, this lacks the spontaneousness of impulse purchasing - a large contributor to street stalls/kiosks sales in the pre-COVID-19 era.

Nevertheless, digitalisation is set to become increasingly strong in this category as operators build their online preser to meet consumers' increasingly technological lives. There are expected to be an increasing volume of interesting promotions, especially through apps and online payment systems. However, seeing as most street stalls/kiosks brand are mainly operated in franchise formats, the presence of all brand outlets is not guaranteed on food delivery platforr Listing a product on a food delivery app also requires players to pay a service fee or commission fee that is a percenta of their food cost, making the cost even higher. For products that target low- to middle-income consumers through lo prices, this additional fee is not favourable. Hence, whilst movement online could be preferable for mid- to higher pric products, it is a difficult decision for outlets offering only lower priced items.

Diversification of menus expected to attract attention and manage 'fad' trends

Another area of innovation that is likely to prove crucial in the channel during the forecast period is the development more interesting and wider menus. Although this is expected to impact the wider consumer foodservice industry, it expected to be particularly evident in street stalls/kiosks. Many of the leading chained players in the channel specialis one or two specific beverages or dishes, thus it is expected that these players will offer an increasingly wider range of products within their respective areas of expertise. At the same time, independent operators are likely to begin offerir wider range of options to become more competitive, both within the channel and with other competing consumer foodservice formats. However, short-term fads are a trend in this category so innovations (in both product variants ar packaging) will need to be carried out to prevent current businesses from becoming a momentary trend.

Apart from bubble tea, contemporary drinks struggle to maintain consistent demand in street stalls/kiosks in Indones The selling price of such products is quite high, and most consumers lose curiosity after trying it, with the price often in line with their expectations. With many contemporary beverages stalls relatively deserted by customers during the pandemic, it is unlikely that brands will heavily invest in new outlets. Therefore, outlet growth is anticipated to slow ev more in the coming years.

Top ten foodservice companies

In 2021, Yum! Brands Inc was the Indonesia's top food service company with value sales of US$584.2 million, representing a 2.6% share of the foodservice market. McDonald's Corp was the second largest foodservice company w value sales of US$316.5 million, followed by Restaurant Starbucks Corp (US$82.8 million), Eka Bogainti PT (US$82.7 million), and Sederhana Citra Mandiri PT (US$71.3 million). These top 5 company's, accounted for 4.8% of the total foodservice market in Indonesia.

Top 10 foodservice companies in Indonesia by value sales and share 2021, in US$ millions, fixed 2021 exchange r

Companies	US$ million	Share in 20
Yum! Brands Inc	584.2	2.
McDonald's Corp	316.5	1.
Starbucks Corp	82.8	0.
Eka Bogainti PT	82.7	0.
Sederhana Citra Mandiri PT	71.3	0.
La Kaffa International Co Ltd	65.2	0.
Bumi Berkah Boga PT	60.3	0.
Johnny Andrean Group	59.6	0.
Luna Boga Narayan PT	52.7	0.
Nabati Group	47.5	0.
Subtotal - top 10 foodservice companies	**1,422.8**	**6.**
Total foodservice	**22,860.0**	**100.**
Source: Euromonitor, 2022		

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Resources

Euromonitor International, 2022

Euromonitor International, Country Report. 11 October 2021: *Income and Expenditure: Indonesia*

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Foodservice profile in Indonesia
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