



Understanding the Indonesian Consumer

McKinsey&Company

CONFIDENTIAL
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What does the Indonesian consumer want? The 4 Trillion question

Ranking by overall GDP

Ranking 1990		Ranking 2000		Ranking 2010		Ranking 2030		Trillion USD 2010 PPP trillion
1	US 	1	US 	1	US 	1	China 	38.49
2	Japan 	2	Japan 	2	Japan 	2	United States 	24.62
3	Germany 	3	Germany 	3	China 	3	India 	23.27
4	France 	4	UK 	4	Germany 	4	Japan 	5.55
5	Italy 	5	France 	5	France 	5	Brazil 	5.28
6	UK 	6	China 	6	UK 	6	Russia 	4.82
7	Canada 	7	Italy 	7	Brazil 	7	Indonesia 	4.28
8	Spain 	8	Canada 	8	Italy 	8	Germany 	4.05
9	Brazil 	9	Mexico 	9	India 	9	United Kingdom 	3.67
10	China 	10	Brazil 	10	Canada 	10	Mexico 	3.20
...	...	...	...	...	...			
25	Indonesia 	28	Indonesia 	18	Indonesia 			

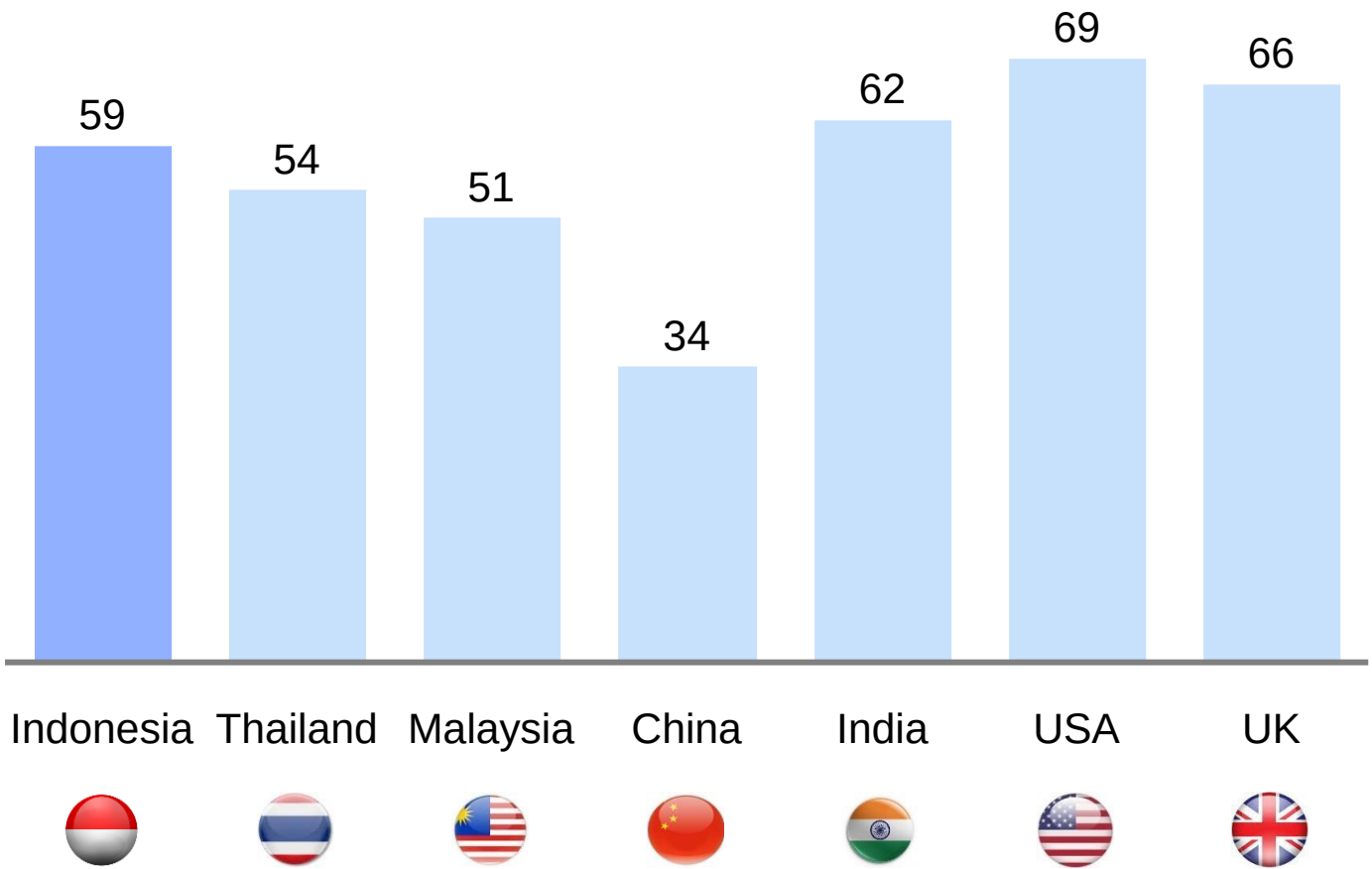
Indonesia projected to transform from a top 30 to a top 10 economy in just 25 years

Private consumption is a significant contribution to GDP in Indonesia, understanding Indonesian consumers is fundamental to driving growth

Contribution of private consumption to GDP, 2013

Percent of total GDP

Private consumption



Private consumption remains a primary driver of Indonesia's growth, underlining the importance of understanding 'consumerism' in Indonesia

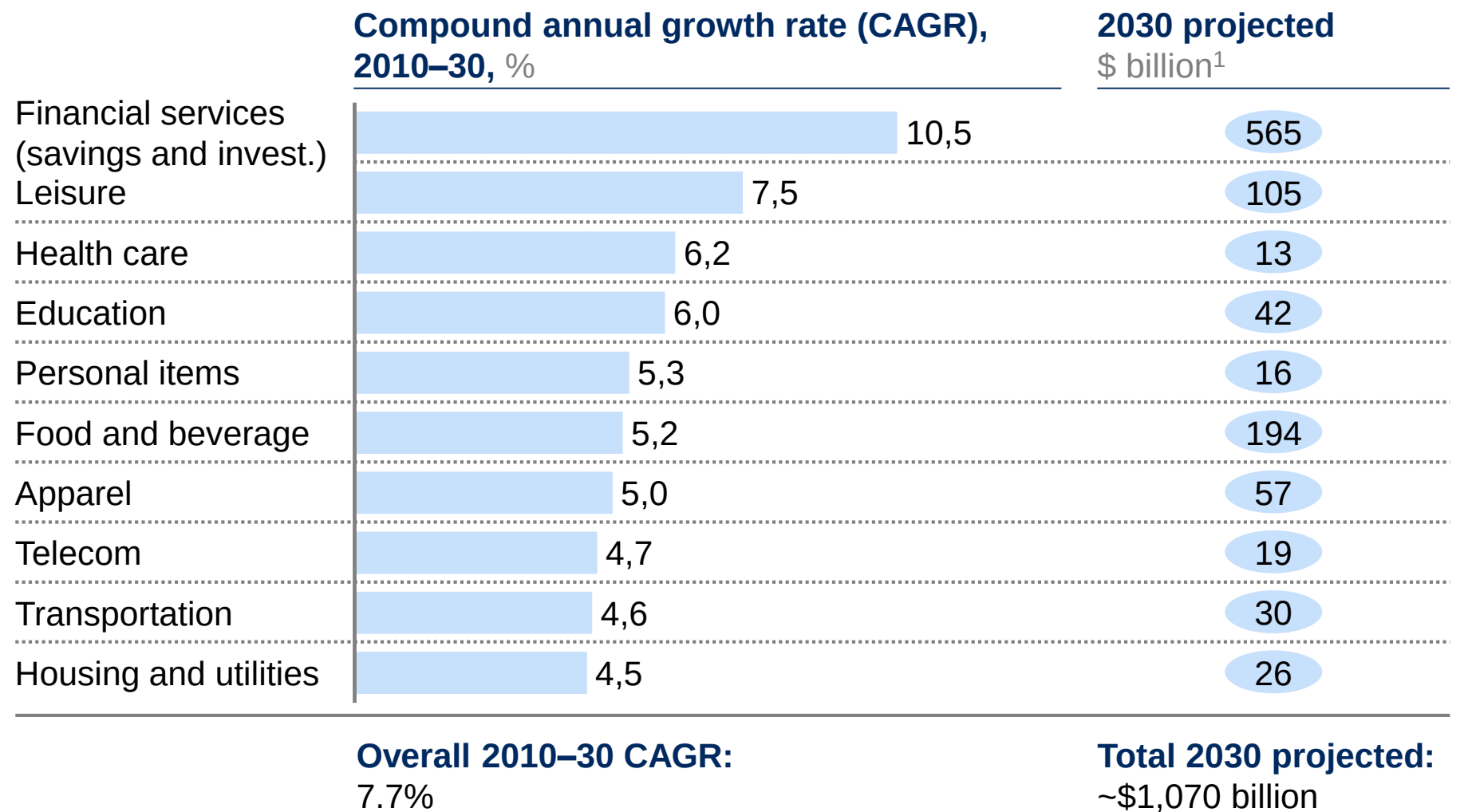
Indonesian consumers are the second most optimistic in the world

Consumer confidence index (>101 optimism)



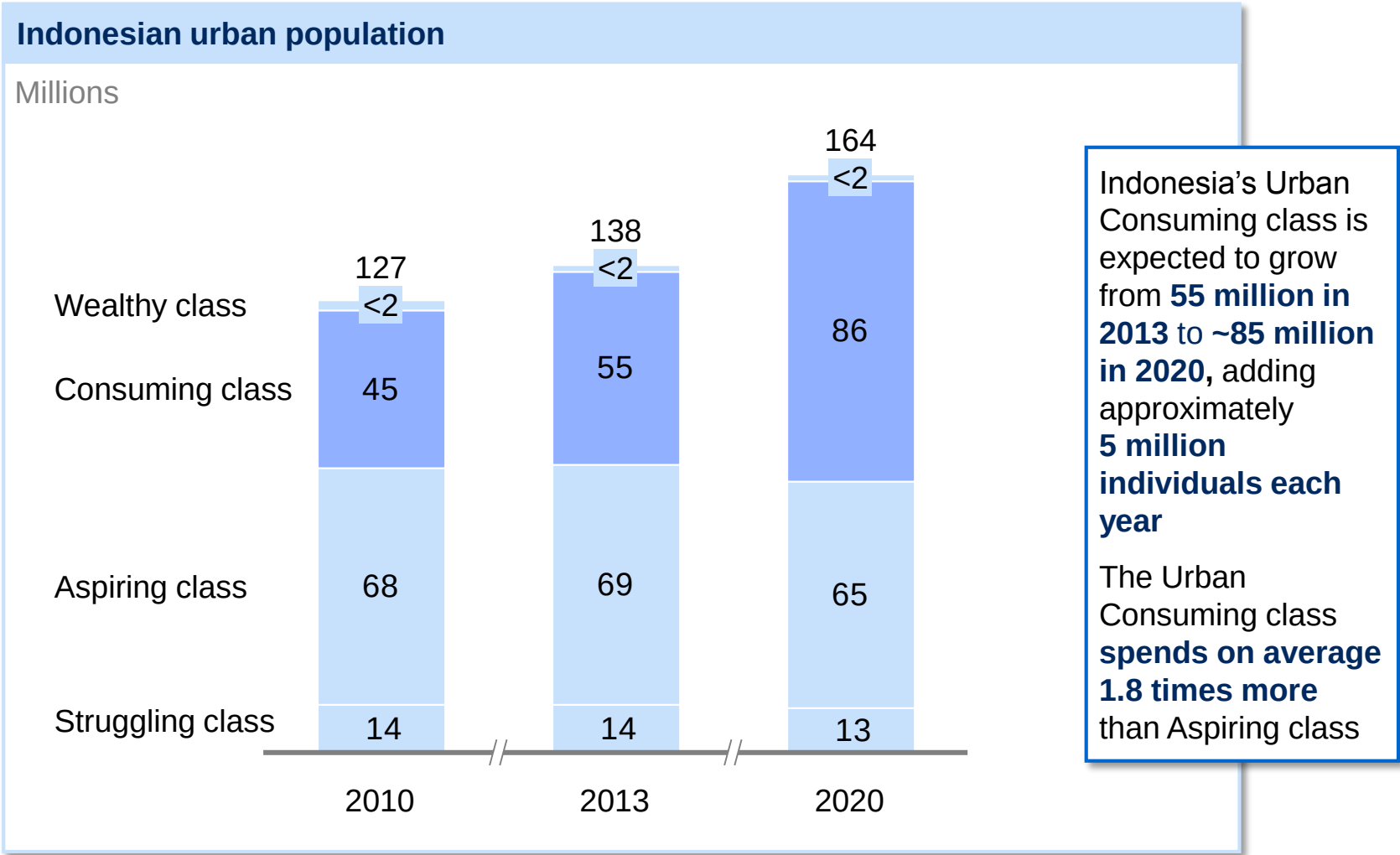
Between now and 2030, a wide range of Indonesian consumer markets should experience rapid growth

Annual consumer spending in Indonesia



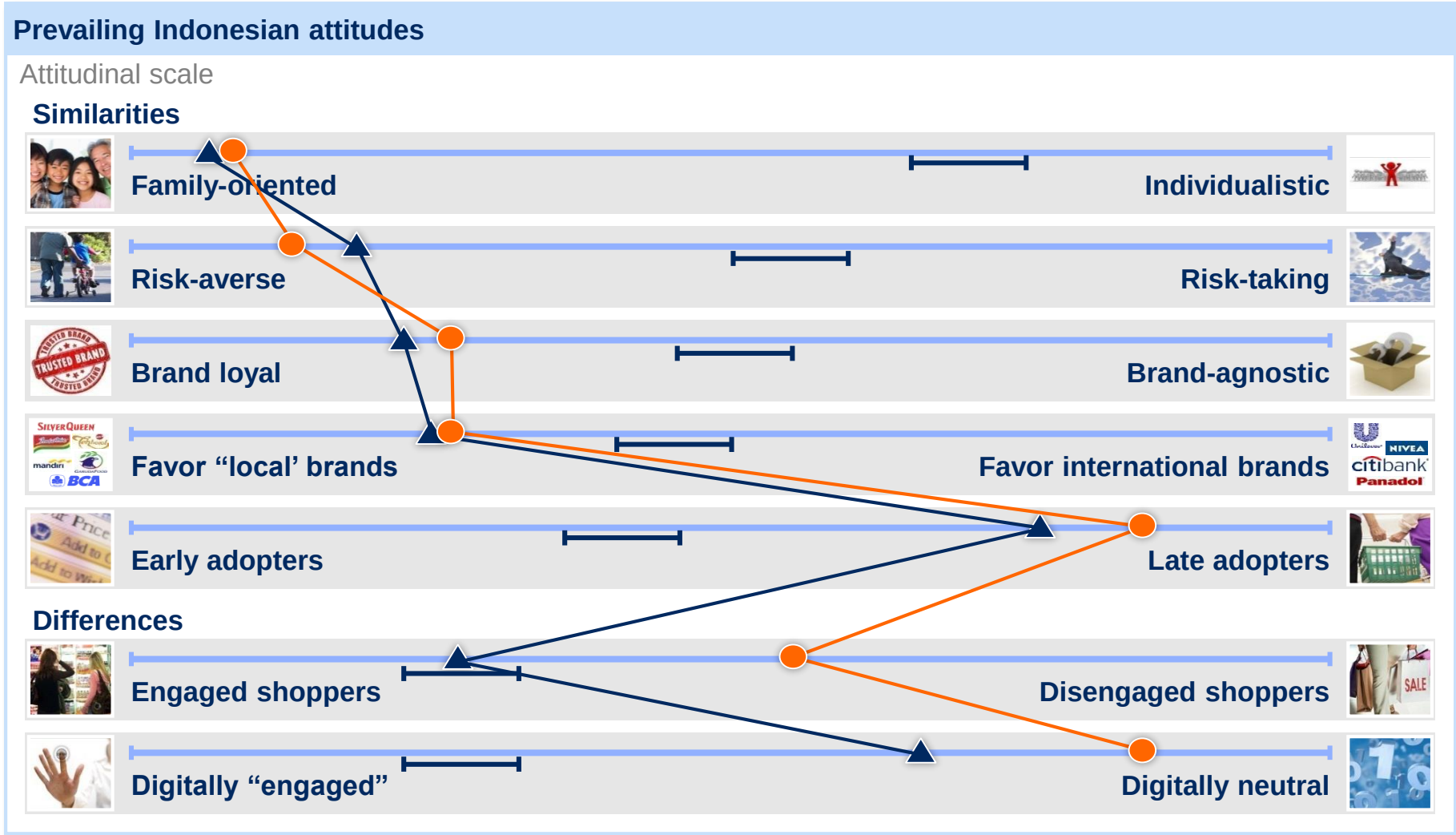
1 In 2010 prices

The Urban Consuming Class presents a sizeable and growing market: adding a population equivalent to that of Singapore’s each year



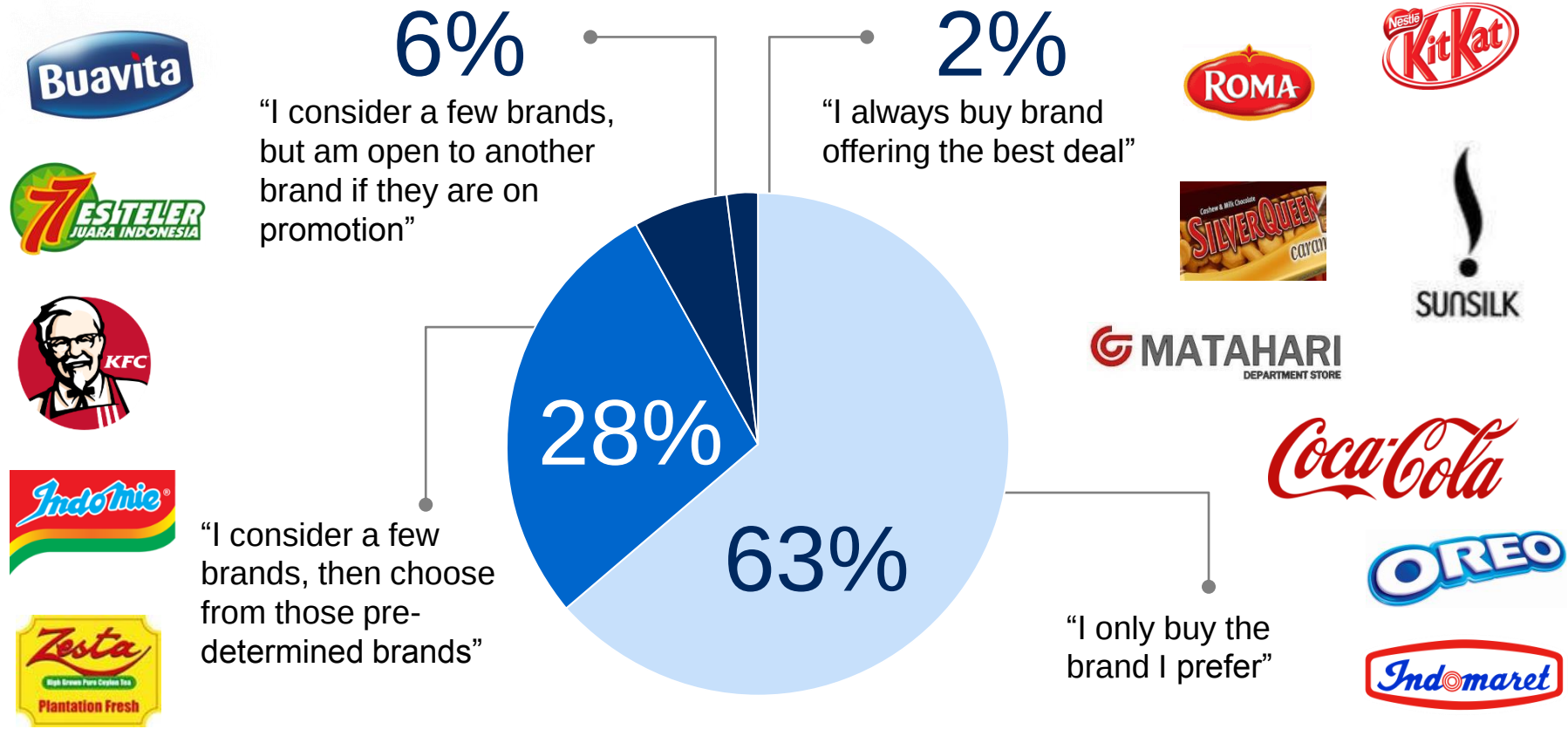
Independent of social class, Urban Indonesians share defining consumer characteristics – but differ in some shopping behaviors

— = China ▲ = Consuming class
● = Aspiring class



Indonesians display very high affinity to purchase branded products and are highly brand loyal

% of people when buying food and beverage in Indonesia



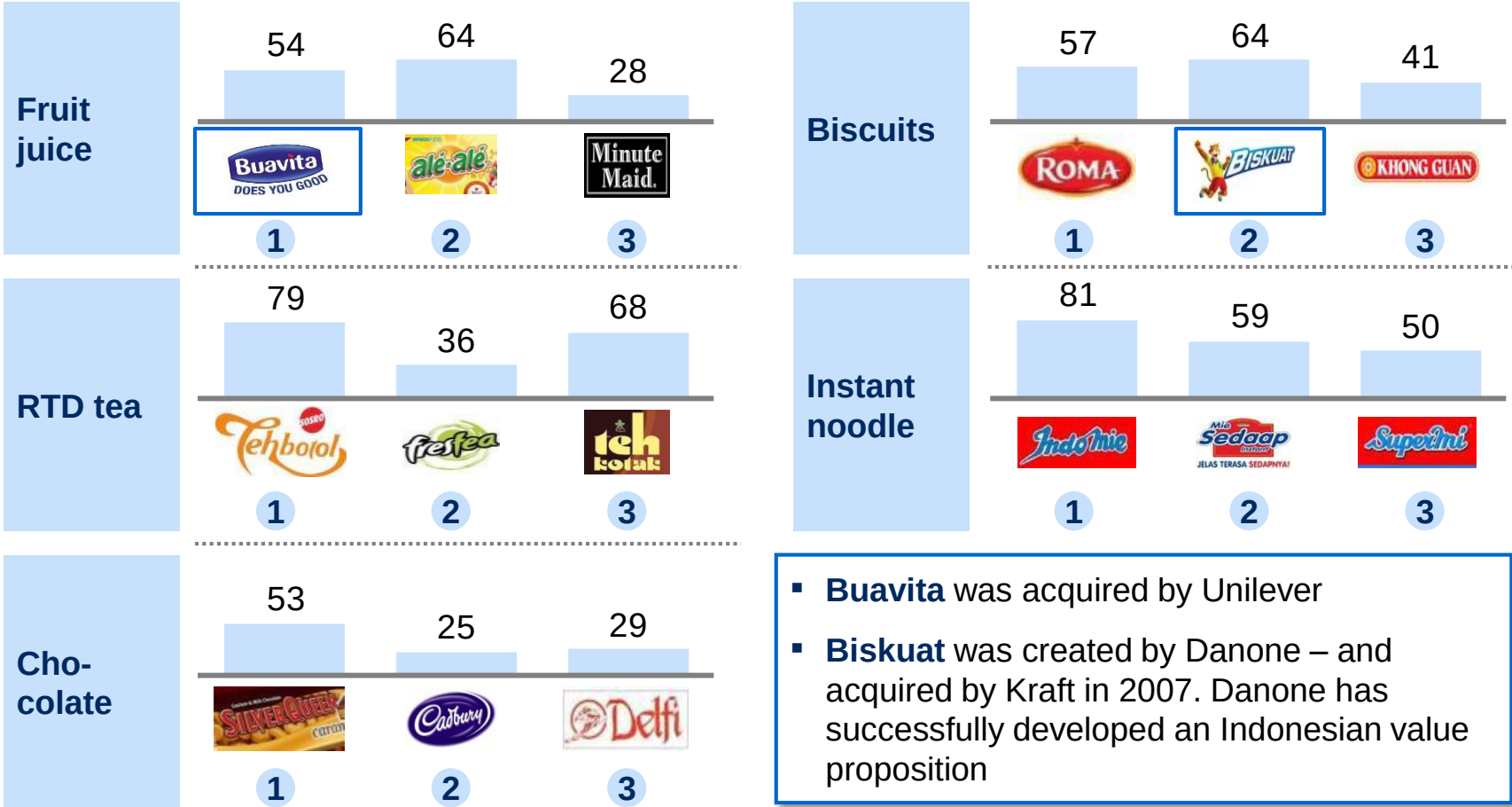
Urban Indonesians are risk averse and brand-loyal; They pick brands and products they know and trust. **Private label penetration of grocery is 1.5%¹** versus regional peers – Thailand 2.5%, Malaysia 2.6%, Singapore 3.2%

1 Categories: grocery, beauty and home, hygiene

And in fact, brand loyalty is highest towards brands perceived as local

“It is a local Indonesian brand”

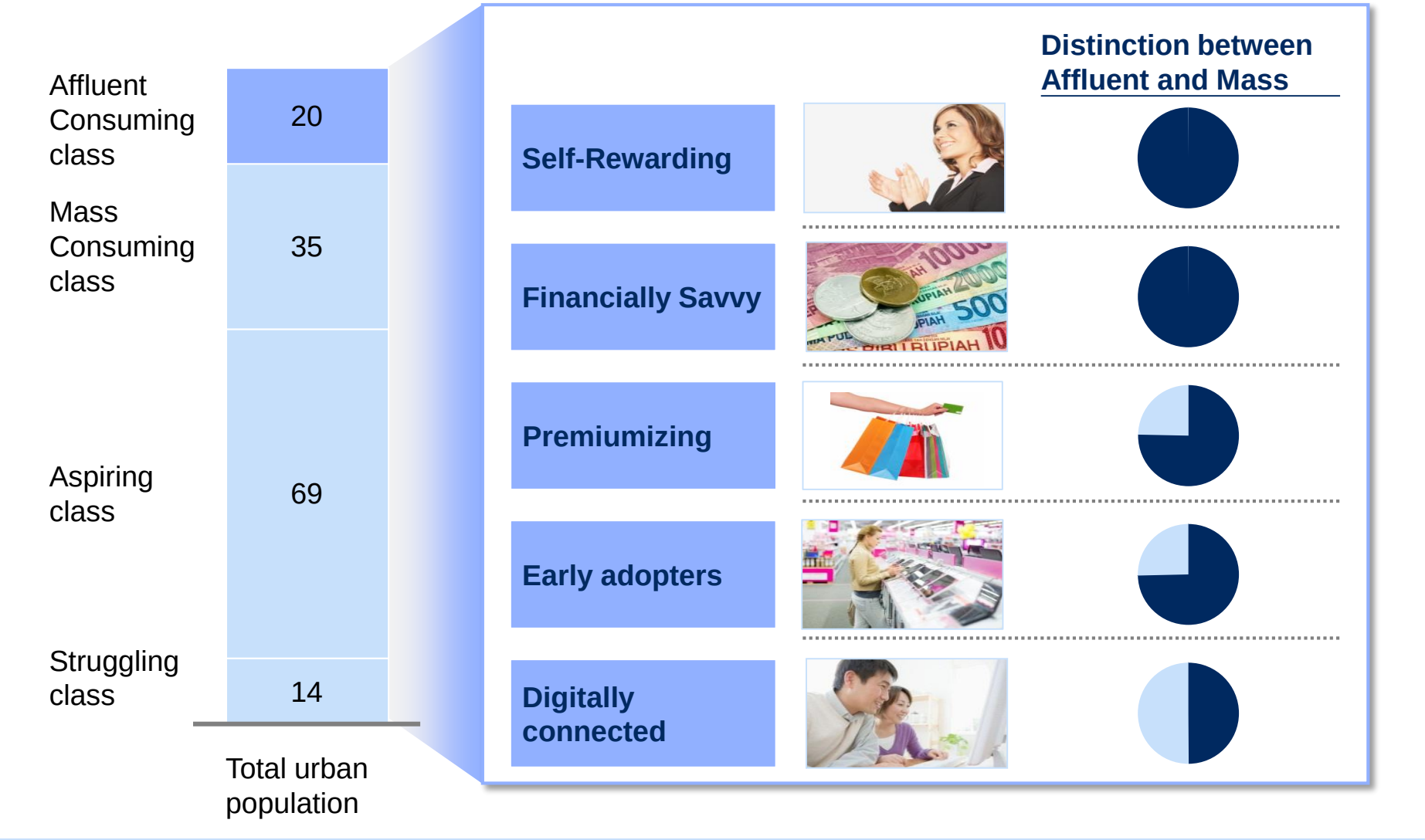
% that answered positively



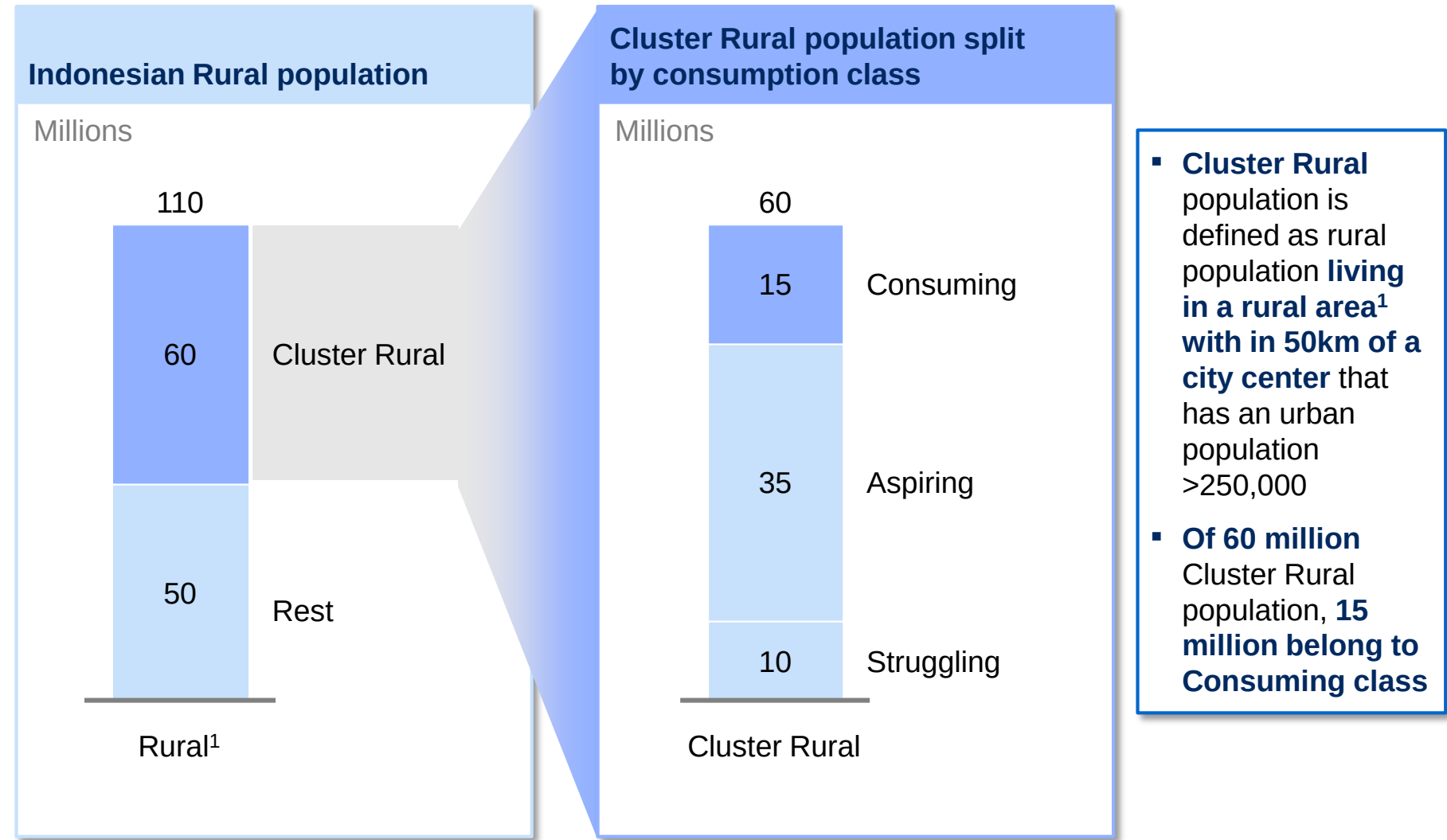
The upper echelon of the Consuming class – the Affluent Consuming – is starting to break away in their attitudes towards consumption

Urban population, in million people, 2013

● Maximum distinction ● No distinction



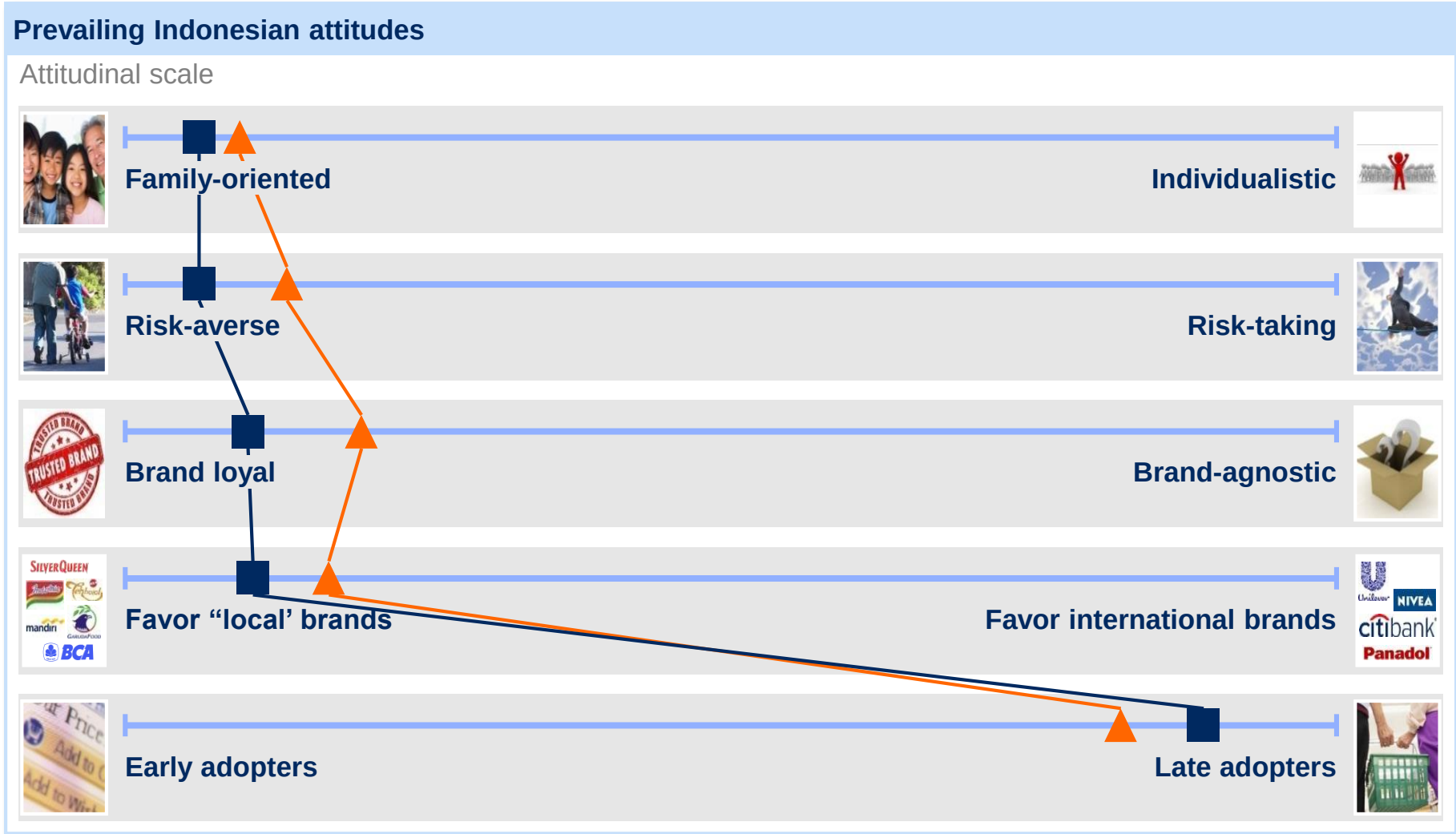
Cluster Rural presents a commercially attractive segment of the population with 15 million individuals in the Consuming class



1 Rural classification based on BPS

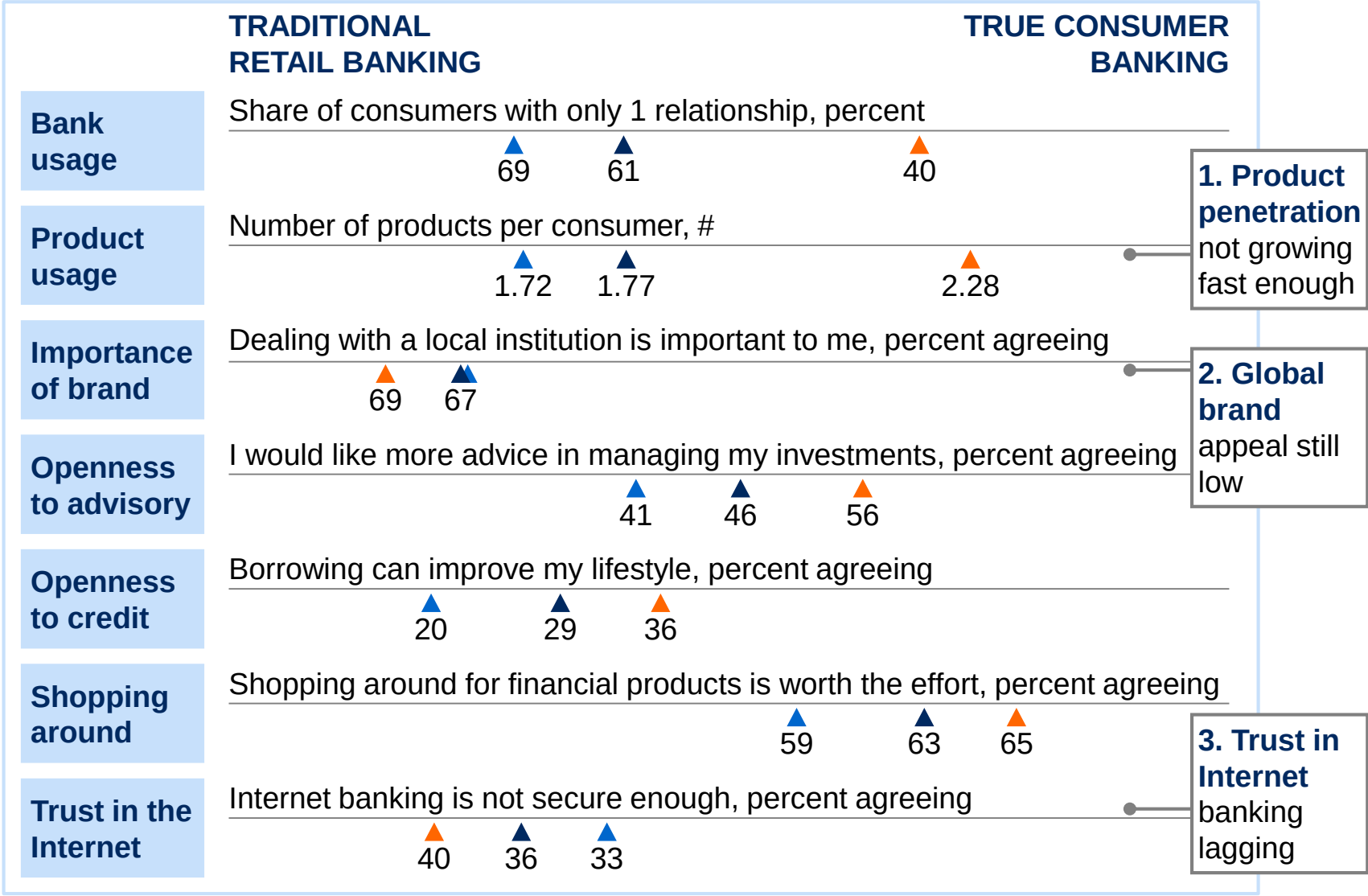
Cluster Rural Consuming class exhibits largely similar attitudes as the Urban Consuming class on prevailing Indonesian characteristics

Cluster Rural Consuming class Urban Consuming class



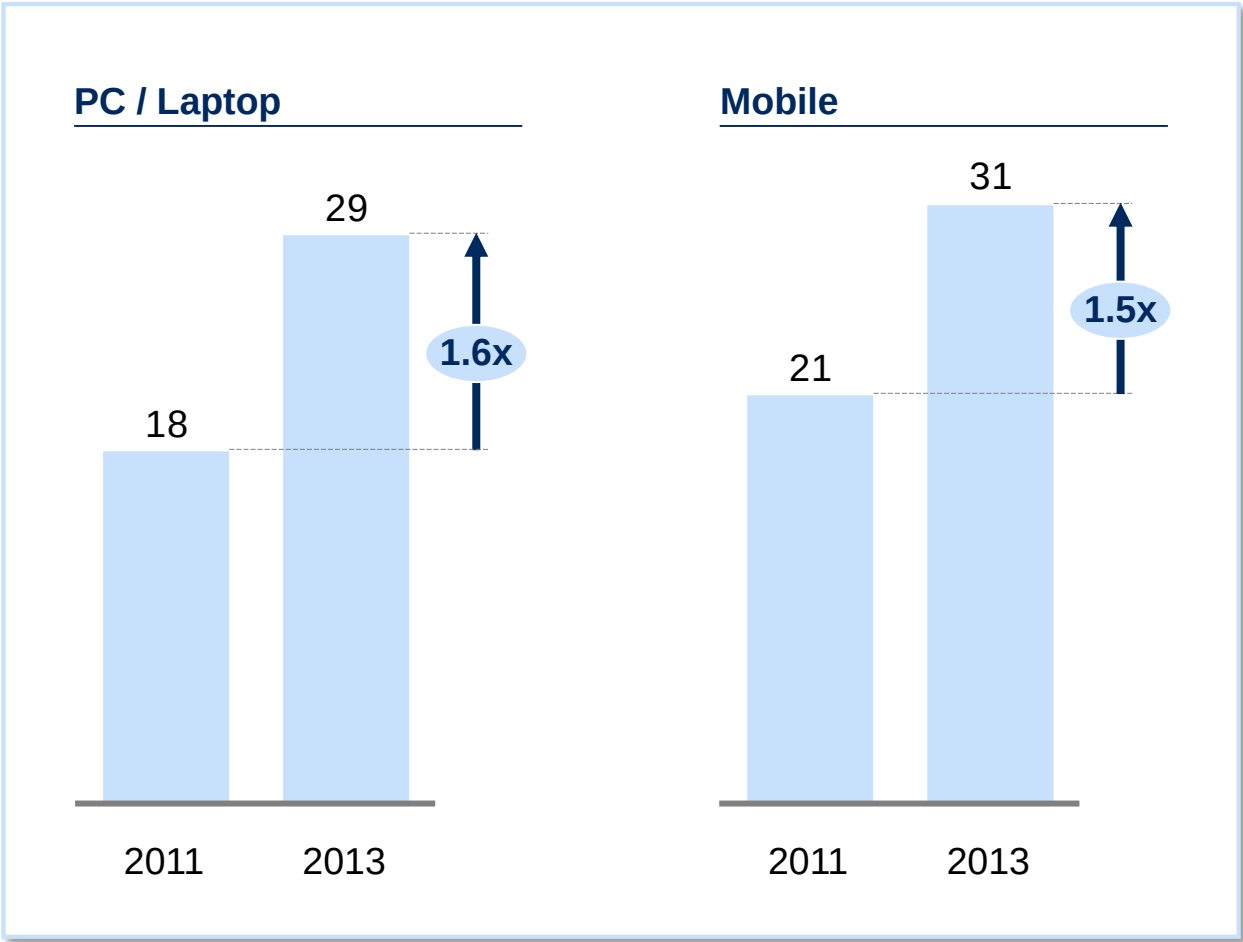
From traditional retail to true consumer banking – product usage, Internet banking and appeal of global brands continue to lag

▲ 2011 ▲ 2013 ▲ 2013 SES A



Internet usage in urban Indonesia has grown by 40% over the past 2 years

Did you use the internet in the past 12 months through a PC, laptop or mobile phone?¹
Percent of respondents in urban population answering 'yes'



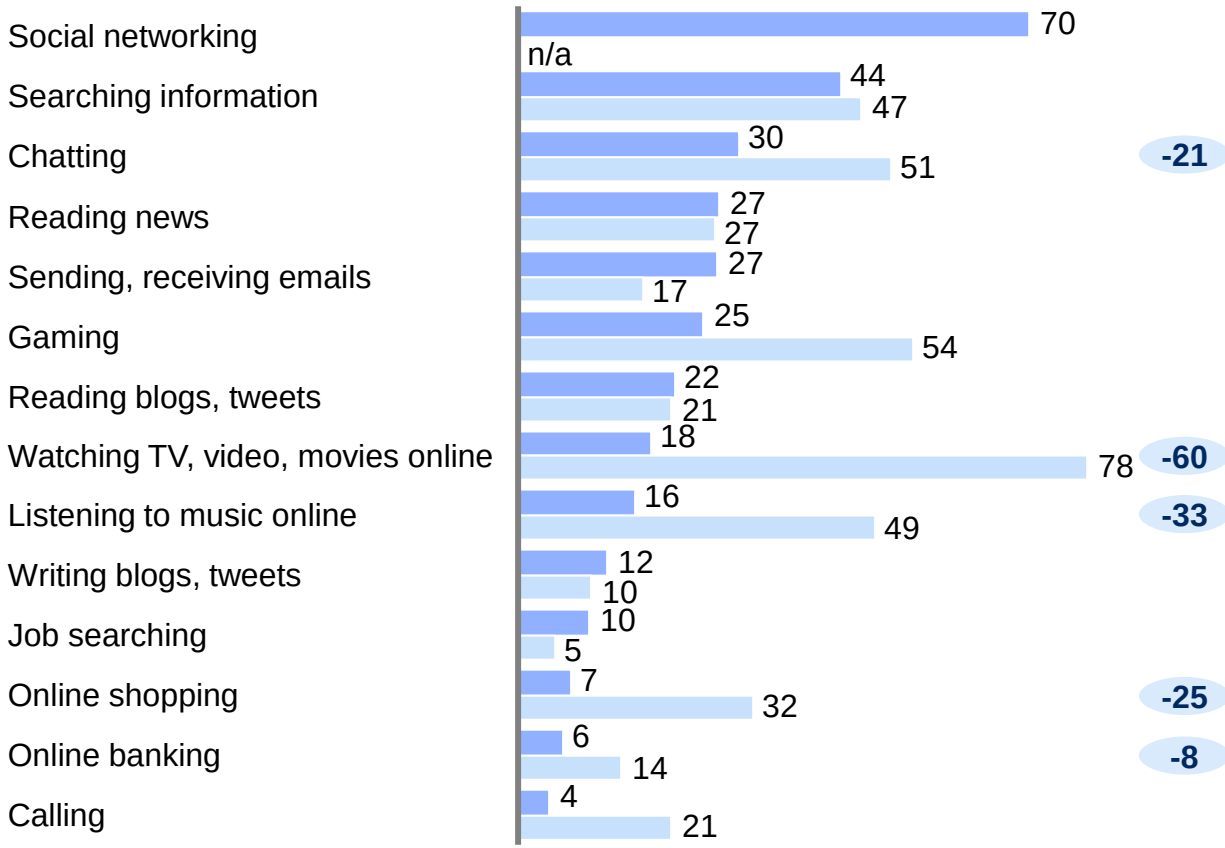
¹ Of urban population between ages 18-65

Social networking is by far the leading use of the internet – commercial activities or media consumption have not yet boomed

xx Difference to Chinese mass market Urban Indonesia Chinese mass market

Have you done the following activities on a PC/laptop the last 12 months?¹

Percent responding “Yes”



- **Social networking and searching information** predominant use of internet
- **Opportunity for marketers to drive further digital media consumption in Indonesia**
- **Commercial activities** such as online shopping and banking continue to have a **low penetration**, especially **relative to Chinese mass market**

¹ Question asked to the 29% of the population that cited using internet via PC/laptop in past 12 mos.

Smartphone banking in Indonesia is growing rapidly; penetration has already exceeded desktop-based Internet banking

Question: Penetration of banking channels¹

Indonesia

N = 720 (2011)

N = 1,103 (2014)



Developed Asia

N = 2,448 (2011)

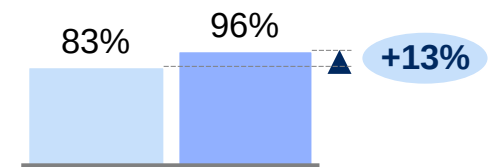
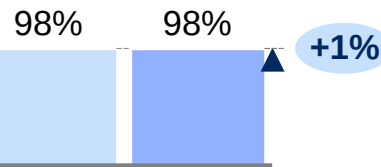
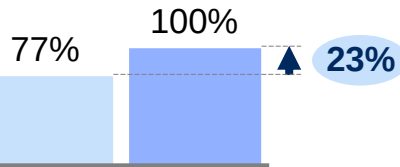
N = 4,562 (2014)

Emerging Asia

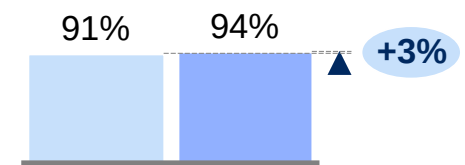
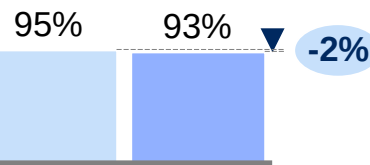
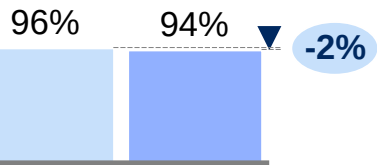
N = 8,424 (2011)

N = 10,467 (2014)

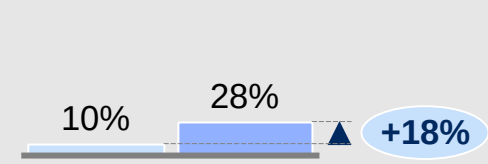
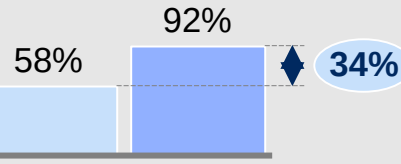
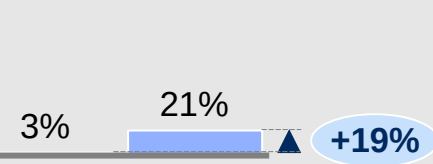
ATMs



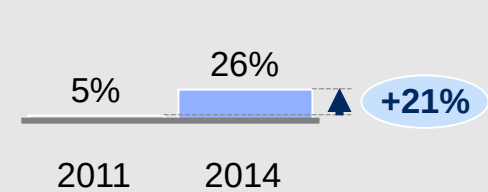
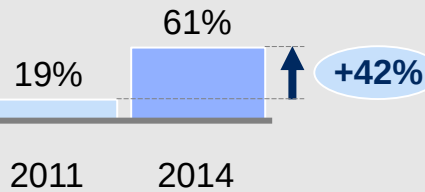
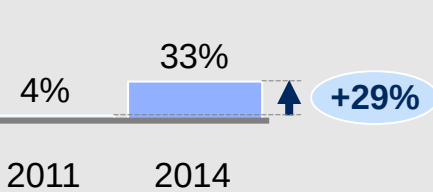
Branch/
Call
center



Internet
banking

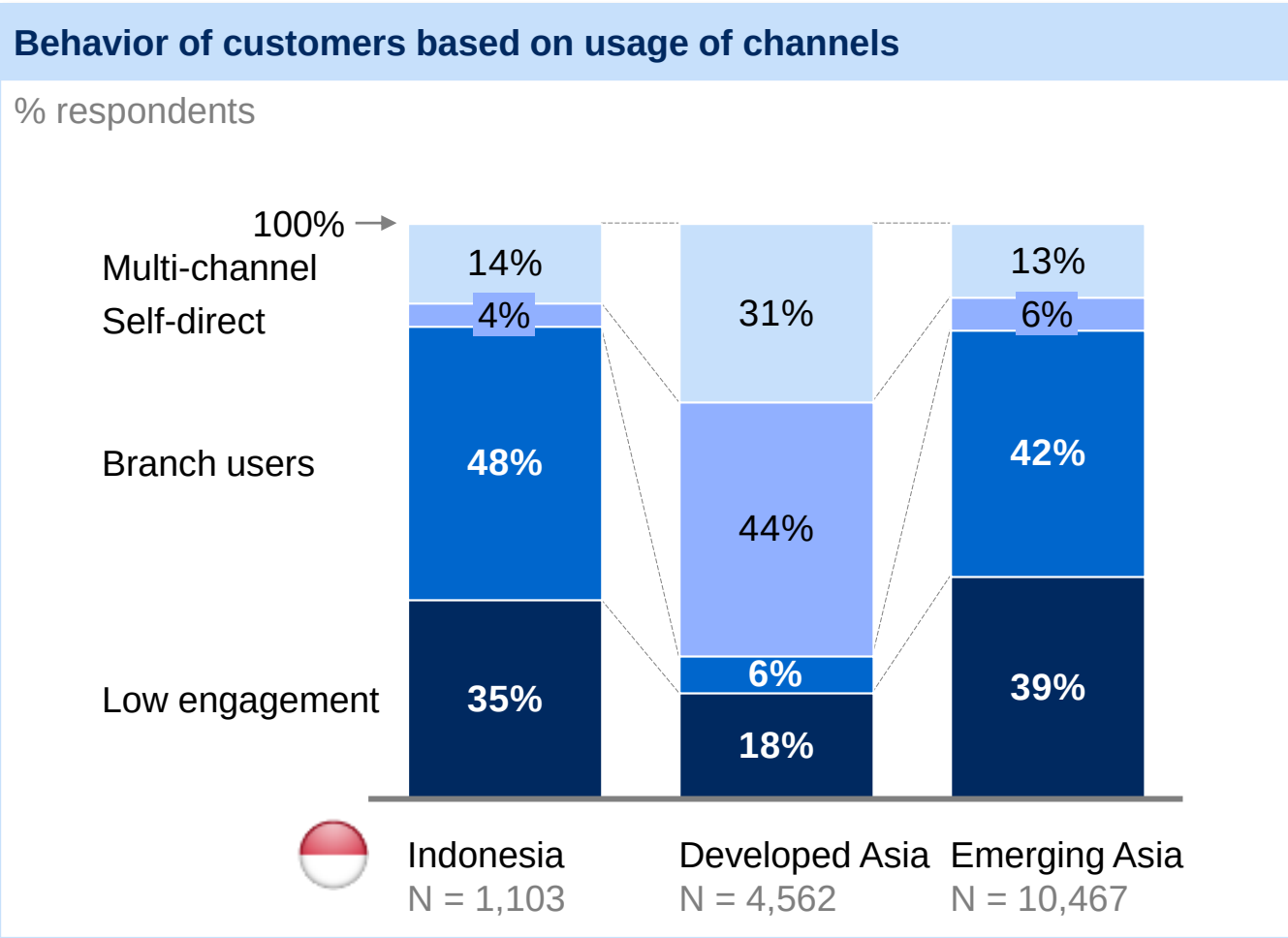


Smart-
phone



¹ Penetration based on whether respondent uses the following channels or not

Most consumers still use branches at least once a month



- 1 **Multi-channel:** Visits a branch at least every month and uses digital banking at least once every 2 weeks
Self-directed: Uses digital banking at least once every 2 weeks, but visits branch less than once every month
Branch users: Visits branch at least once every month, but uses digital banking less than once every 2 weeks
Low engagement: Visits branch less than once every month and uses digital banking less than once every 2 weeks

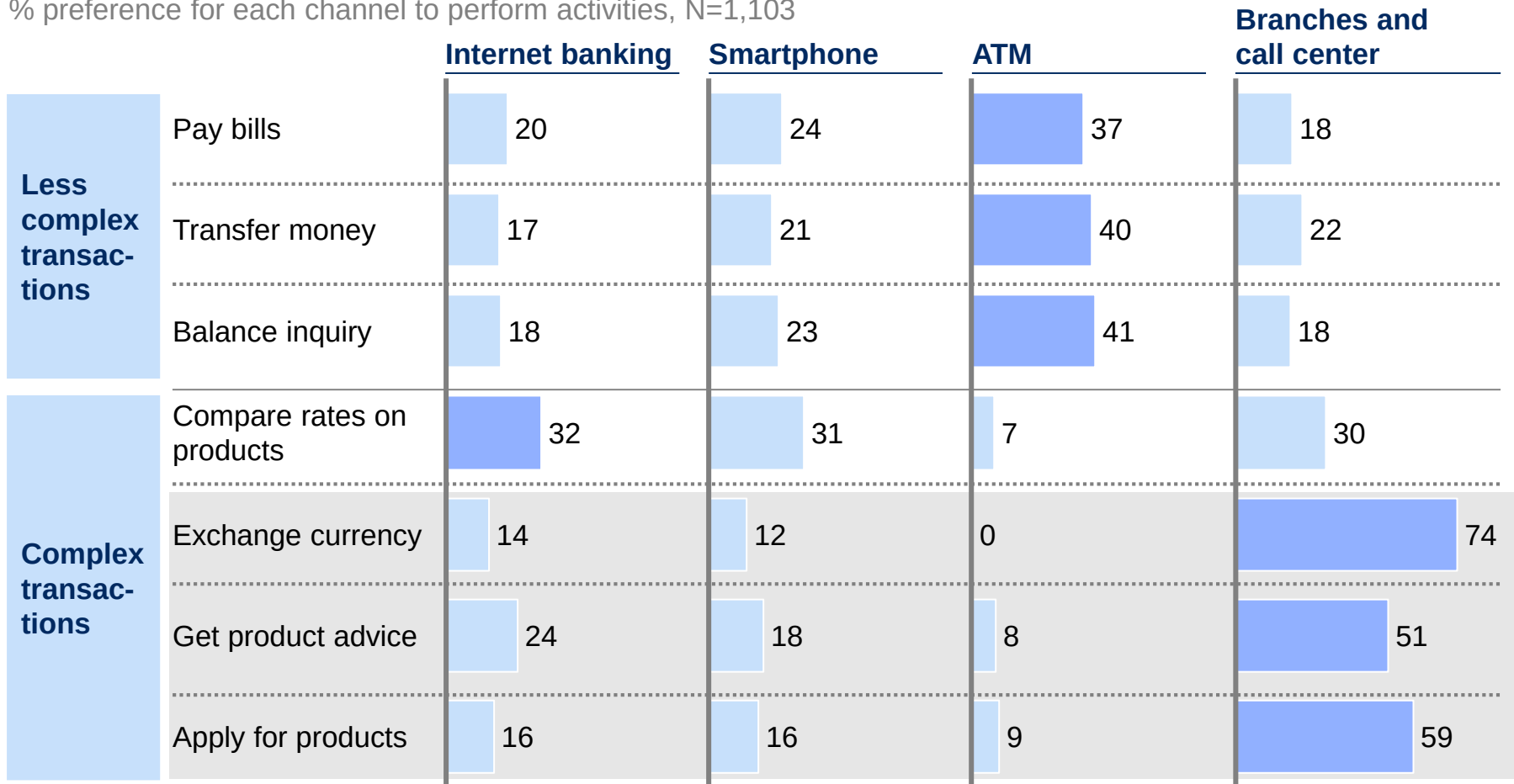
Branches are used for more complex services; however, digital platforms fast becoming comparison-shopping channel of choice



■ Top channel

Consumers intend to perform the following banking activities via different channels¹

% preference for each channel to perform activities, N=1,103



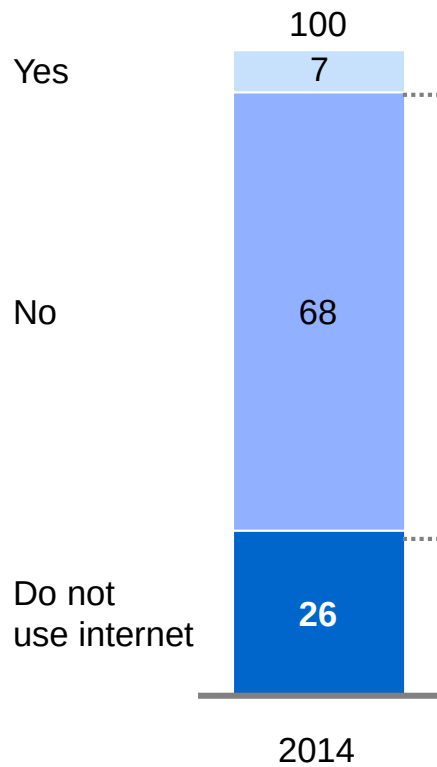
¹ Question asked was likelihood of performing the following activities via different channels in the next 12 months

The main issue is digital security



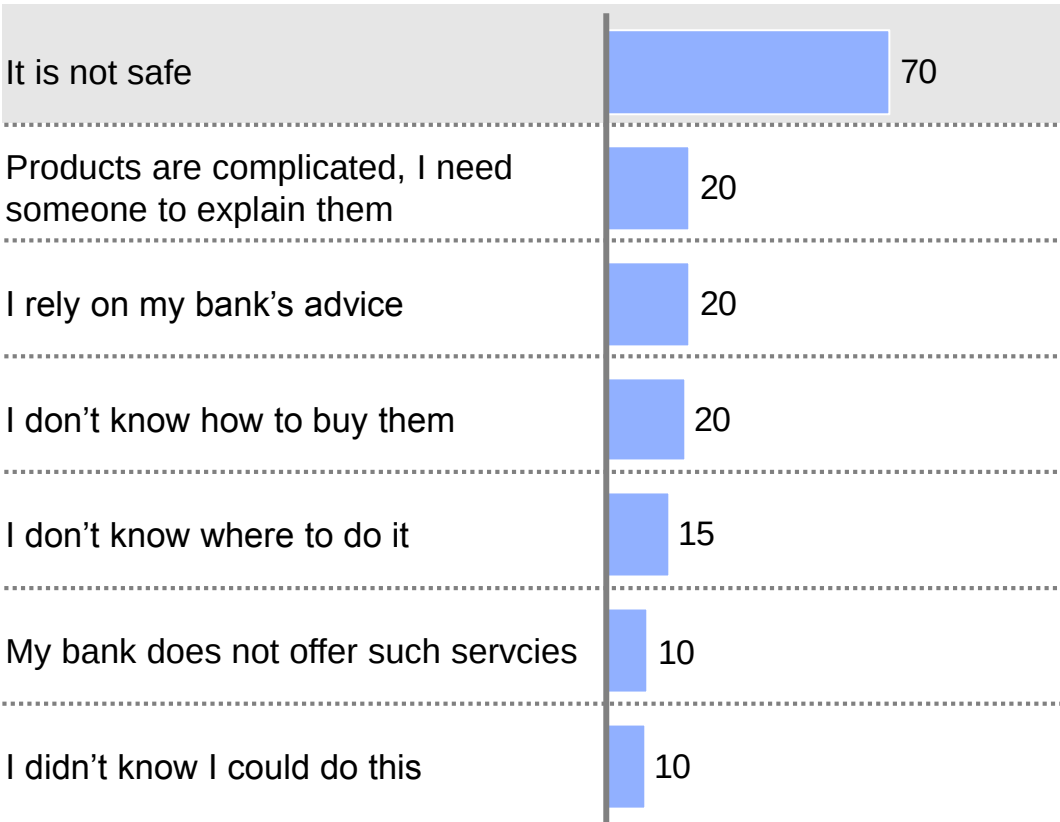
Q: Have you ever bought a basic banking product via internet?

% of respondents, N=1103



Q: Why have you not done so?

% of respondents; N = 748



Thank You