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Business and Industry
Updates

Brewing success in Indonesia's coffee industry





Overview of Indonesia's coffee industry

Recent years have seen an intensified focus on the quality and quantity of coffee production, on the back of the rapid growth trajectory of global coffee consumption levels. As one of the largest coffee producers in the world after Vietnam, Brazil, and Colombia, Indonesia is well-positioned to capture a share of this growing global market.¹

Recent statistics have placed Indonesia's coffee production at an estimated 774.6 thousand tonnes in 2021, which represents an average annual growth rate of 2.75%. There were, however, significant fluctuations in production levels between 2018 and 2020: production decreased from 756.05 thousand tonnes in 2018 to 752.51 thousand tonnes in 2019, before rising 1.31 percent to 762.38 thousand tonnes in 2020.²

Currently, most of Indonesia's coffee production is exported abroad, with the rest marketed domestically.³ However, as the world's fifth largest consumer of coffee, Indonesia continues to rely on imports of coffee for domestic consumption.⁴ Over the past five years, coffee bean imports have steadily been rising – 1.41 million kilograms were imported in January 2023, an increase of 81% from January 2022 – a trend that bodes well for the local coffee industry.⁵

In this publication, we will take a look at four major waves of evolution in Indonesia's coffee industry. Then, we will delve into some of the emerging trends that we have identified in the retail coffee business, before discussing the findings from a consumer survey conducted by Deloitte Indonesia in the third quarter of 2022.



¹"Coffee production by exporting countries". International Coffee Organisation (ICO). May 2021.

²"Produk Tanaman Perkebunan (Ribuan Ton), 2019-2021". Badan Pusat Statistik.

³"Statistik Kopi Indonesia 2020". Badan Pusat Statistik.

⁴"Konsumsi Kopi Indonesia Terbesar Kelima di Dunia pada 2021". Data Indonesia. 29 September 2022.

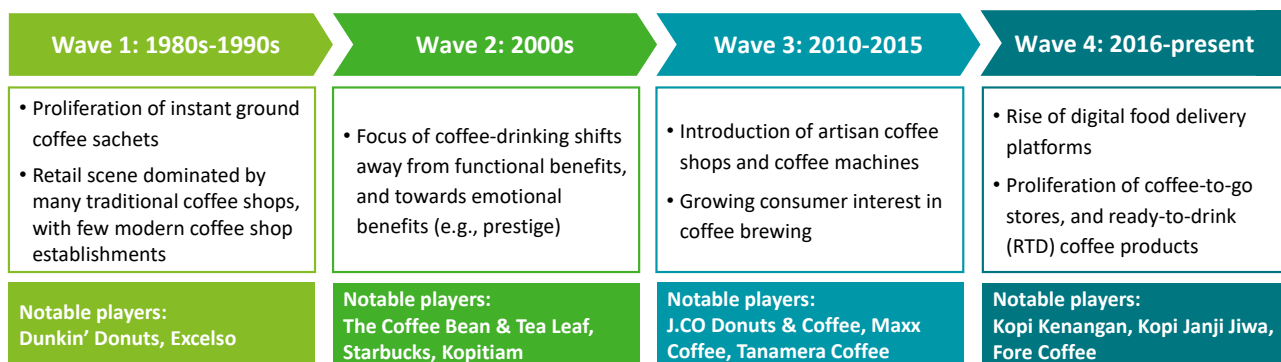
⁵"Statistik Kopi Indonesia 2022". Badan Pusat Statistik.

Four major waves of evolution

Several factors have been cited as contributing reasons for the rapid growth in Indonesia's coffee industry and its promising future potential.⁶ These include, but are not limited to, an Indonesian culture of socialising over a cup of coffee, increasing consumer purchasing power, and a preference for coffee amongst Generation Y and Generation Z consumers.

To better understand the evolution of Indonesia's coffee industry, it is perhaps instructive to consider its development along four major waves (see Figure 1).⁷

Figure 1: Four major waves of evolution in Indonesia's coffee business



Source: TOFFIN Indonesia

Wave 1

The first wave of widespread, mainstream coffee-drinking began in the decades between the 1980s-1990s with the proliferation of instant ground coffee sachets manufactured by players such as ABC, Kapal Api, and Torabika, and the introduction of unbranded brewed coffee in the retail scene. Traditional coffee shops dominated the retail scene for RTD coffee, although a few modern coffee shop establishments, such as Dunkin' Donuts and Excelso, also began to enter the market.

Wave 3 (2010-2015)

In the five-year period between 2010 and 2015, Indonesia witnessed the rise of a growing appreciation for artisan coffee shops and popularity of local specialty coffee variants that have continued to persist till today (see "Indonesia's diverse selection of local specialty variants"). Consumers became more interested in how a cup of coffee is made, from bean to cup, and the presence of an espresso coffee machine is entrenched as an iconic visual reference. Key players who joined the scene during this period included J.CO Donuts & Coffee (2013), Maxx Coffee (2015), and Tanamera Coffee (2013) for artisanal coffee.

Wave 2 (2000s)

Beginning in the 2000s, the second wave was marked by the foray of two major US players – The Coffee Bean & Tea Leaf (2001) and Starbucks (2002) – into the retail coffee scene. At the same time, Kopitiam, a local chain of Peranakan-Chinese style coffee shops, also began its expansion. During this period, the focus of coffee-drinking increasingly shifted away from its functional benefits and towards its emotional benefits, where a sense of prestige is associated with the act of enjoying a cup of coffee at a modern coffee shop.

Wave 4 (2016-Present)

The fourth or current wave began around 2016, when the size of the retail coffee market embarked on a trajectory of exponential growth. Countless coffee shops mushroomed across Indonesia, with chains opening tens to hundreds of new branches in every major city. Coffee-to-go concepts pioneered by brands such as Kopi Kenangan, Kopi Tuku, Kopi Janji Jiwa, and Fore Coffee also gained popularity with students and busy executives, with the momentum towards takeaways further compounding on the back of the rise of food delivery platforms and outbreak of the COVID-19 pandemic.

⁶ Andoko, Effendi, Zmudczynska, Edyta & Liu, Wan. "A Strategy Review of the Coffee Policies and Development by the Indonesian Government". FFTC – Agricultural Policy Platform. 2020.

⁷ Ibid.

Indonesia's diverse selection of local specialty variants

Key coffee-growing regions in Indonesia include the provinces of Aceh, Bengkulu, Central Java, East Java, Lampung, North Sumatra, South Sulawesi, and South Sumatra.⁸ An overwhelming majority or 95% of Indonesia's coffee plantations are cultivated by smallholder farmers, with the rest accounted for by state-owned and private plantations.⁹

Apart from the two primary variants of coffee beans – Arabica and Robusta – Indonesia also produces a small but diverse selection of specialty variants, such as Aceh, Luwak, Temanggung, and Toraja, that each possess their own unique set of characteristics. In total, coffee plantations cover a total area of approximately 1.24 million hectares, of which 933,000 hectares are Robusta coffee plantations and 307,000 hectares are Arabica plantations.¹⁰

Amongst Indonesia's specialty variants, Luwak is considered to be the most well-known and valuable. Made from beans that have passed through a fermentation process in the digestive tract of the Asian palm civet (known as '*luwak*', for which the beans are named after), Luwak coffee is thought to have a richer flavour profile. On the global market, the high prices for Luwak coffee can be attributed to the bean's highly labour-intensive production process as well as the variant's relative scarcity.

Of notable mention is also the Temanggung variant, which is named after its place of origin, Temanggung regency, located in the province of Central Java. Known for being a high quality, single origin bean, the Temanggung variant is processed with the wet processing method, which renders it with a moderate level of acidity, and a mild and spicy aroma that is considered to be more 'balanced' than that of its Sumatra and Sulawesi counterparts. As a major coffee-producing hub in Central Java, Temanggung regency accounts for approximately 24% of the province's total plantation area and 57% of its total coffee production.¹¹

During the COVID-19 pandemic, we observed that Indonesian consumers also demonstrated a significant, renewed appreciation for local variants of specialty coffee. In response to the pandemic's initial adverse impact on coffee prices – in Aceh, for example, coffee farmers faced a plunge of nearly 50% in selling prices – the Ministry of Industry, in collaboration with the Ministry of Tourism and Creative Economy, e-commerce player Tokopedia, as well as local coffee industry players, launched the popular *#SatuDalamKopi* (United in Coffee) movement to promote the archipelago's diverse variants of specialty coffee.¹²



⁸Andoko, Effendi, Zmudczynska, Edyta & Liu, Wan. "A Strategy Review of the Coffee Policies and Development by the Indonesian Government". FFTC – Agricultural Policy Platform. 2020.

⁹ Ibid

¹⁰ "Kopi". Indonesia Investments. 13 November 2017.

¹¹ "Jalin Kerja Sama Ekspor bagi Petani Kopi, Pemerintah Maksimalkan Potensi Industri Kopi Nasional". Coordinating Ministry of Economic Affairs. 19 October 2022.

¹² "Govt teams up with marketplace to boost coffee industry". IDN Financials. 20 April 2020.

Emerging trends in the retail coffee business

As the fifth largest consumer of coffee in the world behind the European Union, US, Brazil, and Japan, Indonesia consumes nearly 3 hundred million kilograms of coffee a year.¹³ Interestingly, recent statistics have also suggested that the onset of the COVID-19 pandemic has contributed at least in part to increasing levels of coffee consumption: before the pandemic, Indonesian consumers consume one cup of coffee per day on average; after the outbreak of the pandemic, the number had tripled increased to about three cups per day.¹⁴

In this section, we will examine several other emerging trends in the retail coffee business that we believe have altered, and will continue to alter, the ways in which Indonesian consumers perceive and consume coffee.

Growing popularity of coffee-to-go and Ready-to-Drink (RTD) concepts

Catering to consumers with busy lifestyles, Indonesia is witnessing the steady rise of coffee-to-go concepts. This represents a significant evolution of the retail coffee business, which had traditionally sought to provide consumers with a conducive ambience for meetings and social gatherings, and centred location strategies around common meeting points, such as mall entrances.¹⁵ With the shift towards coffee-to-go concepts, however, retail spaces are shrinking. The majority of such coffee-to-go outlets have few or no seats, and offer only limited selections of drinks and snacks on their menus.¹⁶

One such player, for example, is Point Coffee, a chain of coffee shops owned by PT. Inti Idola Anugerah in partnership with retailer PT Indomaret Prisma (Indomaret). Emphasising the use of fresh, domestically-produced coffee beans and intensive barista training, Point Coffee operates an extensive network of outlets in Bali, Java, Kalimantan, Sulawesi, and Sumatra, primarily in busy and high footfall areas such as train stations and office locations.¹⁷ Other notable players adopting a similar approach also include Bean Spot, a coffee-to-go chain operated by retailer PT Sumber Alfaria Trijaya (Alfamart).

At the same time, the growing popularity of at-home or on-the-go beverage consumption – accelerated at least in part by the COVID-19 pandemic – is also driving sales of RTD coffee. In 2022, 225 million litres of RTD coffee were sold in Indonesia, up 3.2% from 218 million litres in the previous year.¹⁸ This trend has no doubt caught the attention of several players:

retail coffee chains such as Starbucks, Kopi Janji Jiwa, and Fore Coffee can be observed to have recently introduced their own line of RTD beverages in large-sized, one-litre packaging to capitalise on this growing demand.

Rise of complementary non-coffee beverages

Apart from coffee, Indonesian consumers also enjoy a range of other sweetened, non-coffee beverages. According to the findings from a consumer survey conducted by Deloitte Indonesia in October 2022 (see “A deep dive into the Indonesian consumer’s coffee preferences” for more details), nearly two-fifths (39%) of respondents consume sweetened drinks – including but not limited to coffee, tea, and bubble tea – at least four times a week, while another two-fifths (41%) consume these drinks between one to three times a week.

¹³“Konsumsi Kopi Indonesia Terbesar Kelima di Dunia pada 2021”. DataIndonesia.id. 29 September 2022.

¹⁴“Hari Kopi Internasional, Begini Kebiasaan Ngopi Masyarakat Indonesia Selama Pandemi”. Kompas.com. 01 October 2020.

¹⁵“Tren Bisnis Kopi: dari "Hang-out" ke Aplikasi”. DetikNews. 06 April 2022.

¹⁶“Alasan Konsep Kedai Kopi Grab and Go Kian Diminati”. Kompas.com. 24 January 2020.

¹⁷“Gandeng Indomaret, Point Coffee Bidik Milenial”. BeritaSatu. 30 August 2019.

¹⁸“Ready-to-drink (RTD) coffee market size in Indonesia 2015-2022”. Statista. 15 December 2022

Recognising this trend, many coffee shops are increasingly expanding their menus to include a greater range of complementary non-coffee beverages to drive repeat visits. Kopi Janji Jiwa, for example, recently introduced traditional ginger drinks and *wedang ronde* (glutinous rice balls in ginger syrup) to its menu, in addition to a range of food items from snacks to heavier meals, which were well-received by its customers.¹⁹ Another major coffee shop player, Kopi Kenangan, also currently provides more than 14 different types of non-coffee beverages on its menu, including tea, chocolate, orange juice, and even bubble tea.

Adoption of digital innovation and omnichannel models

The COVID-19 pandemic has encouraged many Indonesian retail coffee players to embrace digital innovation, particularly in the form of proprietary mobile applications for payments and loyalty programs, as well as online marketing and food delivery models. One such player is Kopi Janji Jiwa, whose mobile application Jiwa+ enables customers to pre-order their items for pickup or delivery, and leverages the use of gamification elements in its loyalty program to reward customers with deals and promotions.

Other players who have also embraced more omnichannel ways of doing business include Starbucks, which pivoted away from its traditional focus on the dine-in experience during the pandemic, and towards an optimisation of food delivery platforms. Starbucks also introduced several other recent service innovations to the Indonesia market, including food trucks, mobile vans, lobby pick-up services, and drive-through services at certain outlets, as well as collaborations with e-wallet companies and renewed engagement of customers through its loyalty program.²⁰ Similarly, F&B unicorn Kopi Kenangan also doubled down on a mix of online and offline promotions that enabled it to experience a 20% increase in sales in 2021, even amidst the ongoing pandemic.²¹



¹⁹"Ini Cara Janji Jiwa Survive di Tengah Pandemi Covid-19". Kompas.com. 9 June 2020.

²⁰"Starbucks Indonesia Lakukan Perubahan untuk bertahan di Masa Covid-19". Iconomics. 17 October 2020; "Strategi Starbucks Hadapi Panasnya Kompetisi Bisnis Kopi di Indonesia". Bisnis.com. 8 August 2019.

²¹"Selama Pandemi Covid-19, Tren Bisnis Kopi Naik hingga 20 Persen". IDXChannel.com. 17 January 2022.

A deep dive into the Indonesian consumer's coffee preferences

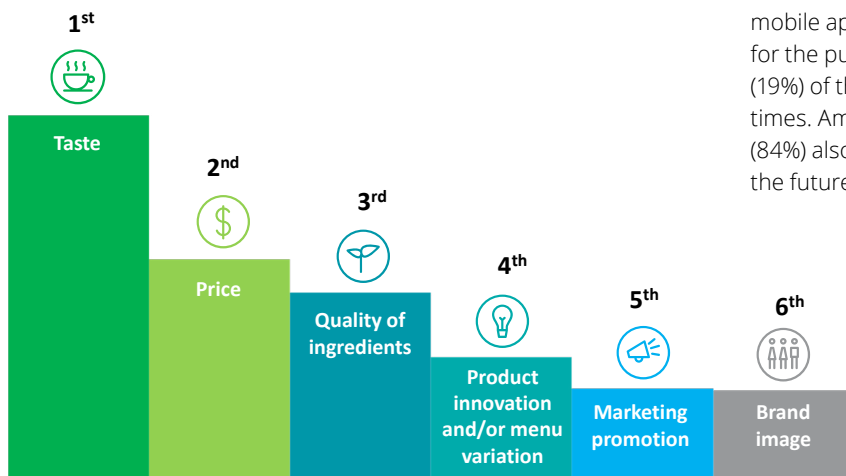
In the third quarter of 2022, Deloitte Indonesia conducted a survey with 448 respondents to obtain a deeper understanding of the Indonesian consumer's coffee preferences. More than half (58%) of survey respondents were between 26 and 50 years old, and nearly all (92%) of them lived in the Greater Jakarta area comprising Jakarta, Bekasi, Bogor, Depok, and Tangerang. In this section, we will explore some of the key findings from our survey and discuss their implications for the coffee business.

• Consumption patterns and purchase channels

Overall, the survey revealed a high level of coffee consumption amongst Indonesian consumers: about three-quarters (76%) of survey respondents have purchased coffee products within the last two years, with 59% of them consuming between 1 and 5 servings of coffee each week. Indeed, coffee was the beverage of choice for most consumers: 76% of survey respondents preferred coffee over other non-coffee beverages or even non-beverage options at coffee shops.

In terms of purchase channels, there was a marked preference to purchase both coffee and non-coffee products directly at coffee shops – that is, through the offline method – rather than through online methods, such as food delivery applications. The main consideration driving this purchase decision was the product's taste, followed by its price, quality of ingredients, product innovation and/or variety, marketing promotions, and brand image.

Figure 2. Respondents' coffee purchase drivers (highest to lowest)

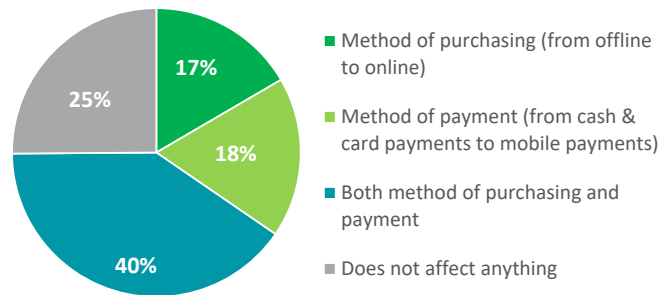


Consistent with this finding, we also found that a significant proportion (68%) of survey respondents would proceed with the purchase of their desired product even in the absence of any applicable price promotions or discounts.

• Impact of COVID-19 pandemic on purchase and payment methods

The COVID-19 pandemic has played a substantial role in influencing consumer preferences for both purchase and payment methods. Specifically, our survey revealed that significant proportions of respondents have switched from offline purchase methods to online purchase methods (17%), switched payment methods from physical cash and cards to mobile payments (18%), or switched both purchase and payment methods (40%) as a result of the pandemic. Only a quarter (25%) of them did not make any changes to their purchase and payment methods.

Figure 3. Impact of COVID-19 pandemic on coffee purchasing experience



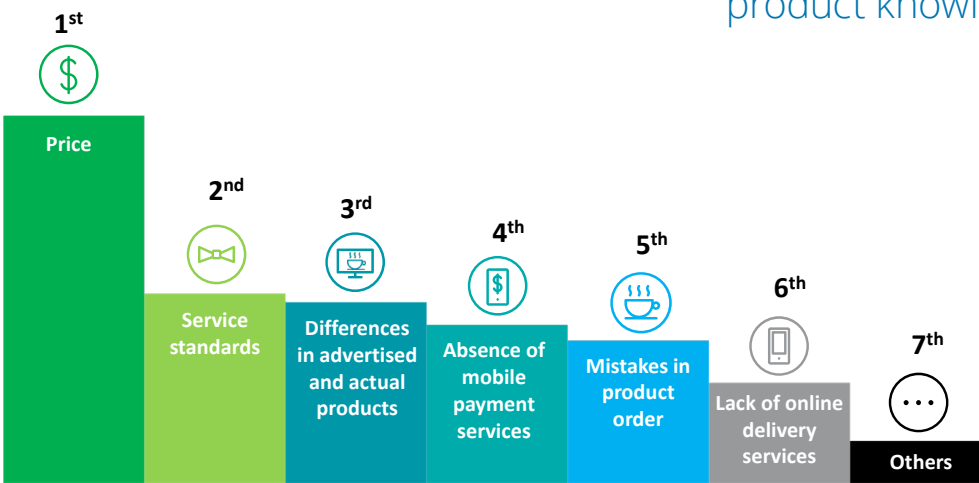
Proprietary mobile applications launched by coffee shops also appear to be gaining traction amongst consumers. More than one-third (36%) of survey respondents are familiar with such mobile applications and have used them between 1 and 10 times for the purchase of products, while another sizeable proportion (19%) of them have used such mobile applications more than 10 times. Amongst this group of users, an overwhelming majority (84%) also intend to continue using these mobile applications in the future.

However, despite their apparent popularity, mobile applications are not the most preferred payment method for most survey respondents. Nearly half (47%) of survey respondents still prefer to purchase their products through food delivery applications as compared to coffee shop mobile applications, while almost one-third (30%) prefer to purchase their products directly at coffee shops or make their own coffee.

Survey respondents recommended that coffee shop businesses improve their product quality, innovation, and menu variation, as well as their customer service standards, which include employee communication skills, hygiene, pace of work, and product knowledge.

• **Areas for improvement**

Figure 4. Respondents' concerns when purchasing coffee (highest to lowest)



In terms of areas of concern, survey respondents indicated pricing as their top priority, followed by service standards, differences in advertised and actual products, absence of mobile payment services, mistakes in product order, and lack of online delivery services.

Additionally, survey respondents recommended that coffee shop businesses improve their product quality, innovation, and menu variation, as well as their customer service standards, which include employee communication skills, hygiene, pace of work, and product knowledge.

Other recommendations also included improving order accuracy (customer receiving the product that they ordered), product accuracy (customer receiving the product as advertised), price accuracy (customer receiving a product that is reflective of its quality and quantity without being overly marked up); and increasing the use of technology by providing a greater variety of cashless and mobile payment methods, and deploying the use of technology-enabled service or production equipment.

Managing a retail coffee business

Having a clear, well-defined business model is critical for both new and established players in the coffee business. Depending on the business ownership model and funding structures they opt for, business owners may find themselves facing differing sets of tax and legal requirements, as well as roles, responsibilities, and revenue-loss distributions.

In this section, we will explore four types of business ownership models for the retail coffee business – franchising, licensing, partnership, and co-ownership – and briefly discuss the options for funding structures that players new to the retail coffee business could consider.

Business ownership structures

• Franchising and licensing

As with the wider food and beverage (F&B) sector, the most common business ownership structure in the coffee business is franchising. Under a franchising model, a brand (referred to as the ‘franchisor’) permits an individual or entity (referred to as the ‘franchisee’) to sell its products for commercial purposes. As the franchisor also provides the franchisee with supervision, guidance, and training on the brand’s operational procedures, such a model is a viable option for individuals or entities who are looking to leverage well-defined operating procedures and reduce the amount of effort and resources required to set up a business.²²

Similar to franchising, the licensing model also allows the individual or entity to use a product’s intellectual property rights for commercial purposes. However, the key differences between the two lie in the responsibilities owed by the main brand – that is, the franchisor or licensor – to the franchisee or licensee, and the relative degree of freedom that a licensee enjoys as compared to a franchisee (see Figure 5).²²



²²“Lisensi dan Franchise, Apa Bedanya?”. Kompas.com. 1 February 2021.

Figure 5: Common differences between the franchise and licensing systems in Indonesia

	Franchise	Licensing
Legal basis	Government Regulation No. 42/ 2007	Government Regulation No. 36/ 2018
Rights and responsibilities of franchisor/licensor (brand owner)	<ul style="list-style-type: none"> • Permit intellectual property rights licensing of the brand's product, service, or business format to be utilised and exercised for business/commercial purposes • Provide franchisee with supervision, guidance, and training on the brand's operational procedures and systems to maintain brand quality • Provide franchisee with support on operational activities, such as marketing programs and materials • Determine revenue target and timeline • Obtain initial fee and subsequent royalty fees from the franchisee 	<ul style="list-style-type: none"> • Permit intellectual property rights licensing of the brand's product or service for business/commercial purposes • Provide licensee with guidance on standards for the production or commercialisation of the brand's product, without any supervision • Obtain royalty fees from the licensee
Rights and responsibilities of franchisee/licensee	<ul style="list-style-type: none"> • Utilise and exercise the brand's intellectual property rights licence for business/commercial purposes. • Receive supervision and guidance from franchisor on the brand's operational procedures and systems to maintain brand quality • Achieve revenue target and timeline as determined by the franchisor • Pay initial fee and subsequent royalty fees to franchisor 	<ul style="list-style-type: none"> • Receive intellectual property rights licensing of the brand's product or service for business/commercial purposes • Produce and commercialise the brand's product or service based on the licensor's guidance on standards for production or commercialisation • Pay royalty fees to the licensor

• **Partnership and co-ownership**

Another business ownership model that appears to be gaining momentum in recent years is the partnership structure. Based on a formal agreement between two or more entities to share roles and responsibilities, partnerships can take several different forms:

1. General partnerships, with unlimited and evenly shared liability, control, involvement and revenue loss distribution; and
2. Limited partnerships or limited liability partnerships, with limited liability, control, involvement and revenue loss distribution based on an agreed distribution.

The co-ownership model is similar to the partnership model in that both involve a formal agreement between two or more entities. However, the key difference is that in a co-ownership, a co-owner – whether an individual or several individuals – may not necessarily form a partnership with the other co-owners. For this reason, co-owners are responsible for their own actions, and are not obliged to act in the collective interest of their shared asset. Nevertheless, co-owners are liable in the event that one or more co-owners diverge from their agreed shared interest in the asset.²³

²³ "Co-owner definition". Investopedia. 16 July 2022.

Funding structures

To pursue a franchising, partnership, or full ownership strategy, a business owner or its management will need to develop a business plan and realistic budget, and determine if they require a business loan. Other options could also include seed funding from investors, in the form of equity-based early-stage funding where investors obtain equity shares in return for their capital investment at an early stage of the business.

While adequate and sound financial management is vital regardless of the funding structure, business owners that opt for the investor seed funding route will do well to pay close attention to their cash flows and balance sheets, as these will be subjected to stringent audit procedures as they progress along the equity-based funding process (see Figure 6).

Figure 6: Equity-based funding process for start-up companies²⁴



- To attract investors for **Series A funding**, a start-up will need to demonstrate a strong business plan with the potential for sustainable, long-term profitability.
- For **Series B funding**, the start-up will be required to undergo a stringent audit process before investor funds are disbursed.
- At the **Series C stage**, the start-up is usually fairly mature. As a rule of thumb, investors typically expect to receive a 200% return on their investment.
- A major step in the equity-based funding process, an **IPO** will enable the start-up to raise funds from the general public



²⁴ "Seed Funding dan Cara Mendapatkan Investor untuk Perusahaan Startup". Alpha JWC Ventures. 25 March 2022.

Case study: Success story of an Indonesian coffee start-up

Established in 2018, Fore Coffee is an Indonesia-based coffee shop start-up. Serving coffee brewed by highly skilled baristas from premium beans sourced directly from farmers, Fore Coffee's modern and innovative approach has enabled it to clinch seed funding of approximately USD 39.5 million over three funding rounds as of April 2023.²⁵

Central to Fore Coffee's investor value proposition is the integration of its business model with Indonesia's digital economy.²⁶ In this section, we distil some of the lessons that we have learnt from Fore Coffee's experience, based on an interview conducted by Deloitte Indonesia with the brand's marketing manager earlier in September 2022.²⁷

- **An omnichannel business model**

Fore Coffee is a pioneer in integrating digital technology with traditional F&B customer service operations. Leveraging an online-to-offline (O2O) approach, it has a portfolio of coffee-to-go stores, online-order-only stores, 24-hour stores, and drive-through sources – all of which enable customers to receive their orders in an efficient, timely manner. This, coupled with the minimal physical contact and interaction required, has made the brand appealing to busy “hustle culture” customers, particularly during the COVID-19 pandemic.²⁸

As a digitally-enabled business, Fore Coffee was one of the first coffee shop players to introduce a proprietary mobile application to the market, even before the onset of the pandemic. This first-mover advantage eventually materialised in the form of the rapid acceleration in uptake during COVID-19, which resulted in a doubling in the number of its active users.

- **A focus on product innovation**

Recognising that customers are becoming increasingly health-conscious, Fore Coffee introduced a number of new menu items centred around the use of healthy ingredients. To this end, it launched seasonal menu items – such as coffee drinks with manuka honey, and other traditional health beverages – which were not only well-received by customers, but also enabled Fore Coffee to cement its reputation as a mindful brand. In addition, to capitalise on the trend towards on-the-go consumption, Fore Coffee also introduced a number of RTD beverages in one-litre packaging.²⁹

- **Business ownership structure and location strategy**

Fore Coffee does not leverage the franchising model, as it prefers to retain greater control over its store operations. The majority of stores are fully owned and operated by the brand; however, Fore Coffee has ventured into the partnership model for a limited number of stores. Currently, its expansion strategy is focused on cities outside Jakarta, such as Medan and Surabaya.



²⁵ “Our story”. PT Fore Kopi Indonesia; “Fore Coffee: Financials”. Crunch Base.

²⁶ “Fore Coffee raised US\$8.5 million funding”. East Ventures.

²⁷ Interview conducted with Randy Mulyana, Brand Marketing Manager, Fore Indonesia. 23 September 2022.

²⁸ “Fore Coffee raised US\$8.5 million funding”. East Ventures. 31 January 2019.

²⁹ “Mengintip Strategi Pengusaha Kopi Kekinian Bertahan di Tengah Pandemi”. Kompas.com. 22 May 2021.

Looking ahead

Fundamentally, coffee-drinking is not merely about its associated functional benefits: the act itself is a lifestyle and social activity. As a coffee-producing country, Indonesia has its own unique coffee culture – one that is centred around the archipelago's diverse selection of local specialty variants, and which continues to evolve in tandem with changing consumer lifestyles and popular culture.

To stay ahead in this competitive business, retail coffee players would therefore do well to ensure that they keep up with evolving consumer trends. In this report, we have alluded to some of these dynamics, including the need to adapt to busy, "hustle culture" lifestyles; introduce on-trend seasonal menu items and complementary non-coffee alternatives; and leverage digital technology for service innovation.

Looking further ahead to the long haul, however, retail coffee players in Indonesia should also consider how they can better meet consumer needs in their various coffee consumption scenarios, be it in the form of "slow coffee" scenarios such as premium coffeeshops, "fast coffee" scenarios in the form of coffee-to-go concepts at convenience stores, or otherwise.

In doing so, they would need to take into account the inherent heterogeneity in consumer demographics and preferences. Coffee connoisseurs, for example, may attach more importance to coffee quality, while newer and younger coffee drinkers may be more concerned about price and functionality, or a brand's identity and the store's overall ambience.

Ultimately, when all is said and done, it is the ability of retail coffee players to cater to these diverse sets of consumer preferences – and develop the differentiation strategies needed to clearly communicate their value propositions to their customers – that will play a pivotal role in determining their long-run success.





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