



Deloitte Consumer Insights

Dawn of the digital age in Indonesia

January 2020

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Foreword

Over the last five editions of the Deloitte Consumer Insights, we have observed the evolution of the Indonesian consumer as they become more discerning about product attributes, and increasingly moved towards greater adoption of Modern Trade and e-commerce channels.

In this sixth edition of the Deloitte Consumer Insights, we explore some of the latest consumer behaviour patterns emerging from the results of our survey conducted during the first quarter of 2019 across 1,500 households through face-to-face interviews in five major cities: Bandung, Jakarta, Makassar, Medan, and Surabaya.

We will begin by examining the overall consumer sentiment and plan for future expenditure, and observe how they vary between the various cities. One interesting finding was that consumer sentiment and plan for future expenditure may not always be correlated: according to our findings, some survey respondents who expressed negative sentiments may in fact plan to increase their future expenditure.

Next, we explore some of the latest trends in spending patterns. What we found was a significant uptick in the amount of expenditure allocated to Consumer Electronics categories, particularly amongst survey respondents with average monthly household income levels. We also noted a desire to purchase more premium products, as well as an interest in exploring alternative product options for the next purchase.

In terms of buying channels, we observed that survey respondents utilised a diverse mix of retail channels across the entire spectrum from Modern Trade to Traditional Trade, with Warungs maintaining their dominance as the most preferred retail channel. Although survey respondents continue to rely on traditional media as their preferred communication channel, we are also witnessing the growing importance of online reviews, especially for online marketplace platforms.

Finally, we examine the e-commerce landscape in Indonesia in the context of its rising digital economy. Home to many of Southeast Asia's unicorns, Indonesia's vibrant and dynamic technology start-up scene has introduced a number of new business models to the e-commerce market, which have in turn fundamentally changed the expectations and behaviours of the Indonesian consumer.

We hope that this report will provide you with some insights into the evolution of the Indonesia consumer, and the considerations that you will need to make at the dawn of this digital age.

Pua Wee Meng

Consumer Industry Leader
Deloitte Southeast Asia

Dawn of the digital age

Young and digitally savvy, Indonesian consumers are also growing increasingly conscious about their health and wellness. As urbanisation continues to accelerate, consumer companies will also need to grapple with several urban-specific challenges.

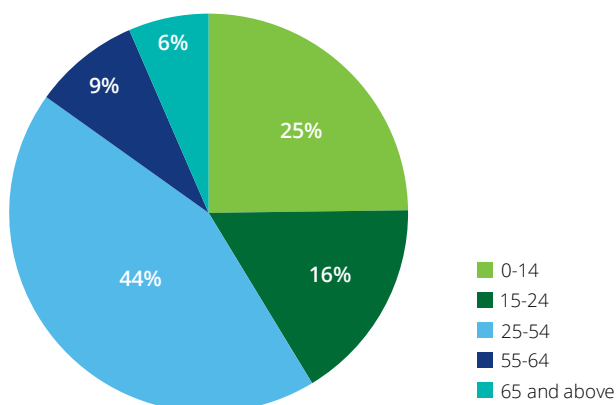
Young and digitally savvy

As the fourth most populous economy in the world after China, India, and US, Indonesia has an estimated population of 267 million, with this figure expected to reach 300 million by 2033¹. The majority of this population are also young: more than 40% of Indonesia's population are under the age of 24, and 85% are under the age of 55 (see Figure 1)².

For consumer companies, this demographic composition – unlike the ageing populations of many other regional economies such as China or Japan – tilts heavily towards the digitally savvy Generation X, Millennials, and Generation Z segments, and implies the need for customisation to cater to these consumers' unique characteristics and lifestyle preferences, including an increased emphasis on instant gratification, digital customer experiences, and "on-the-go" consumption.

From product selection, to check out, payment, and delivery, the market is experiencing the introduction of new technological solutions that have been designed provide consumers with the convenience of conducting their transactions whenever, and wherever. With Indonesia now home to five out of nine Southeast Asian unicorn start-ups – Bukalapak, Go-Jek, Ovo, Tokopedia, and Traveloka – we are also witnessing the development of a vibrant technology start-up scene, and accompanying higher consumer expectations for digital journeys with the proliferation of mobile application solutions designed to enrich every step of a digital customer journey.

Figure 1: A projection of Indonesia's age distribution (2019)



Source: Central Bureau of Statistics

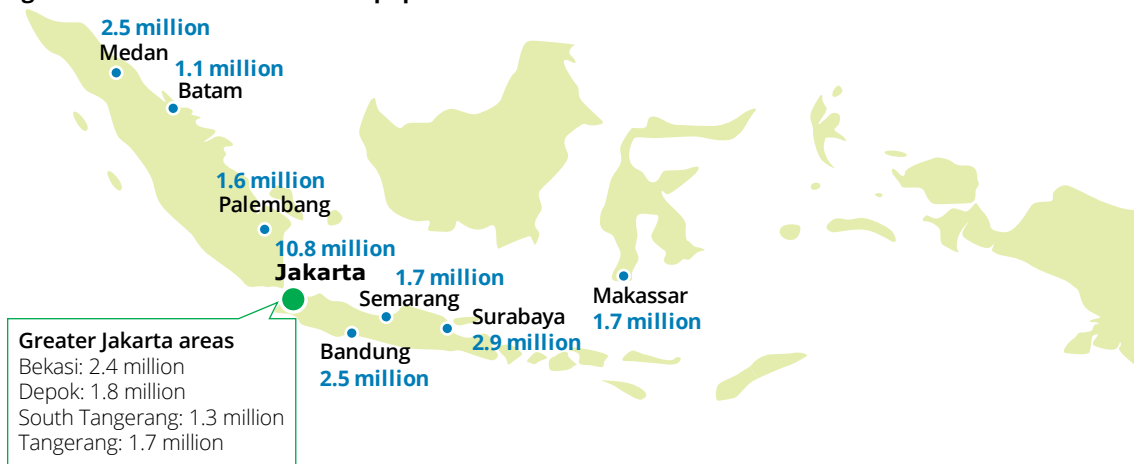
¹ "Inter-census Population Survey 2015". Central Bureau of Statistics. <https://www.bps.go.id>

² "Inter-census Population Survey 2015". Central Bureau of Statistics. <https://www.bps.go.id>

Adoption of urban habits

By 2020, urban consumers will account for about 57% of Indonesia's total population³. These consumers are likely to be concentrated in its 12 large cities – including Jakarta, Medan, and Surabaya – that currently have populations of more than 1 million (see Figure 2)⁴.

Figure 2: Cities in Indonesia with populations of more than 1 million



Source: Ministry of Home Affairs

As compared to their rural counterparts, urban consumers exhibit a set of very different behaviours. For instance, they tend to be more digitally savvy, and have higher expectations for customer and service levels. They are also likely to spend more on necessities as well as discretionary items, such as travel, welfare, and leisure items on a per capita basis, and prioritise convenience, with a greater reliance on Modern Trade outlets and e-commerce deliveries.

However, with greater urbanisation and migration to urban centres, several urban-specific challenges are also beginning to pose challenges for many consumer companies. These include the need to cope with frequent traffic congestion and floods in a megacity context, such as Jakarta, with more resilient logistics and operation systems.

Increased focus on health and wellness

Indonesian consumers are also increasingly conscious about the way the food that they consume is produced, and prioritising healthier choices in their purchase decisions. In many Tier 1 cities, for example, healthy and organic products have been gaining popularity despite their hefty price tags and limited distribution channels.

The fitness sector, including fitness centres, health supplements, and wearables, is also experiencing an uplift. The wearables market, in particular, is expected to witness a double-digit growth rate of about 16% in 2019⁵. This opportunity has not escaped the attention of players across a variety of different industries: for instance, the Indonesian ride-hailing giant, Go-Jek, has begun to offer fitness classes through its mobile application platform.

Indeed, consumers are leveraging the use of technology for their health and wellness needs. App-based health care services, for instance, are gaining widespread adoption on the back of the growth in smartphone and mobile Internet penetration rates. In 2019 alone, Indonesian health care start-up Halodoc raised USD 100 million in funding⁶, while its competitor, Alodokter, raised USD 33 million⁷.

3 "Urban Population by Province". 2010-2035. Central Bureau of Statistics. <https://www.bps.go.id/statistictable/2014/02/18/1276/persentase-penduduk-daerah-perkotaan-menurut-provinsi-2010-2035.html>

4 "Population of Cities in Indonesia (2019)". World Population Review. <http://worldpopulationreview.com/countries/indonesia-population/cities>

5 "Sector Capsule: Wearable Electronics in Indonesia". 2019. Euromonitor.

6 "Healthcare firm Halodoc raises about US\$100m in Series B, B+ rounds". The Business Times. 25 July 2019. <https://www.businesstimes.com.sg/garage/healthcare-firm-halodoc-raises-about-us100m-in-series-b-b-rounds>

7 "Indonesia's healthcare superapp Alodokter raises \$33M in Series C funding". MobiHealthNews. 16 October 2019. <https://www.mobihealthnews.com/news/asia-pacific/indonesia-s-healthcare-superapp-alodokter-raises-33m-series-c-funding>

Deloitte Consumer Insights



In this sixth edition of the Deloitte Consumer Insights, we capture some of the latest preferences and behaviours of the Indonesian consumer uncovered by the recent consumer survey conducted by Deloitte in Bandung, Jakarta, Makassar, Medan, and Surabaya in the first half of 2019. We begin by examining the overall consumer sentiment and spending patterns, before delving into specific buying behaviours and brand preferences. Finally, we will analyse their communication channels and buying channels.

Methodology

The survey was conducted during the first half of 2019 across 1,500 households through face-to-face interviews in five major cities: Bandung, Jakarta, Makassar, Medan, and Surabaya. The respondent sample was constructed to be representative of Indonesia's overall population in terms of age, gender, monthly household income level, and geographical distribution.

Respondents were surveyed on their consumer sentiment, spending patterns, buying behaviours, communication channels, and buying channels across the following product categories:

Basic Necessities

- Packaged Foods
- Confectionery
- Beverages (Non-Alcoholic)
- Beverages (Alcoholic)
- Clothing & Footwear

Housing & Transportation

- Transportation
- Communications & Media
- Housing & Utilities

Consumer Electronics

- Audio & Video Electronics
- Household Appliances (Major)
- Household Appliances (Small)
- Mobile Phones, Digital Cameras & Other Gadgets

Household & Personal Care

- Household Cleaning Products
- Personal Hygiene Products
- Cosmetics & Beauty Products

Welfare & Leisure

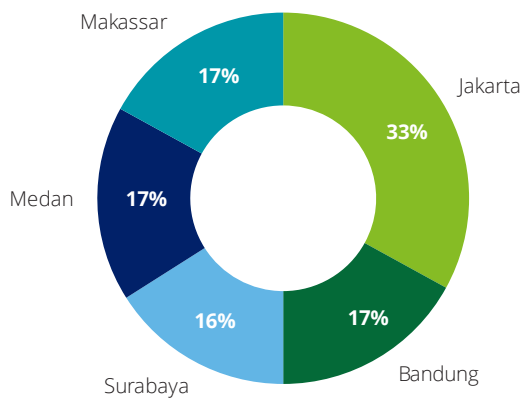
- Welfare & Savings
- Leisure & Holidays
- Credit Card Instalments
- Books
- Tickets

Others

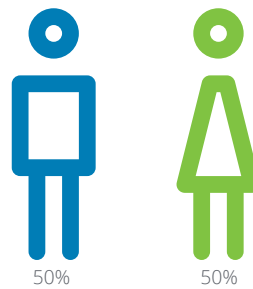
- Tobacco
- Pet Food

Demographics of survey respondents

Geographical distribution

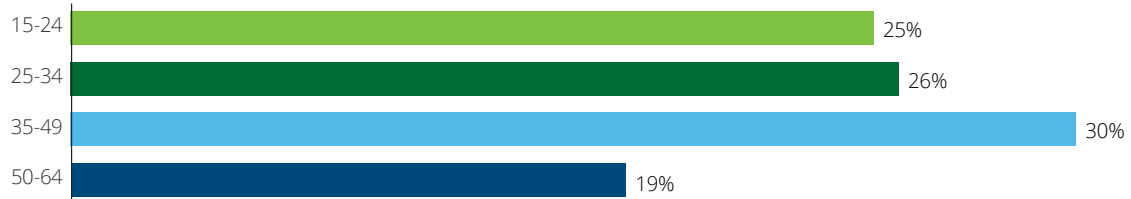


Gender distribution



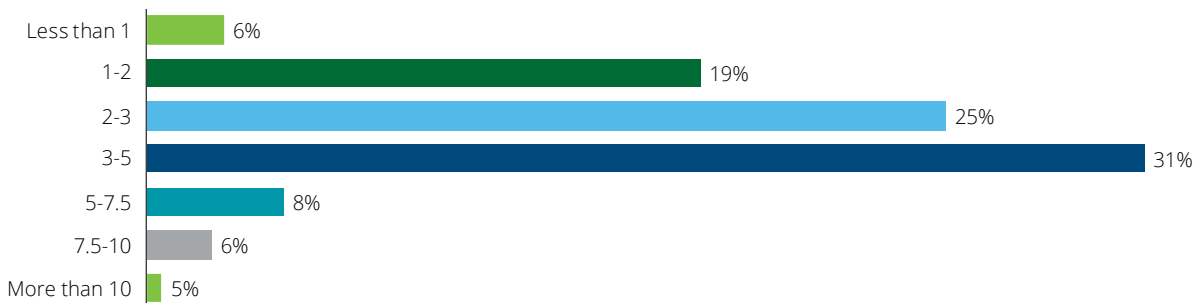
Age distribution

Age group, years



Monthly household income distribution

Monthly household income level, IDR million



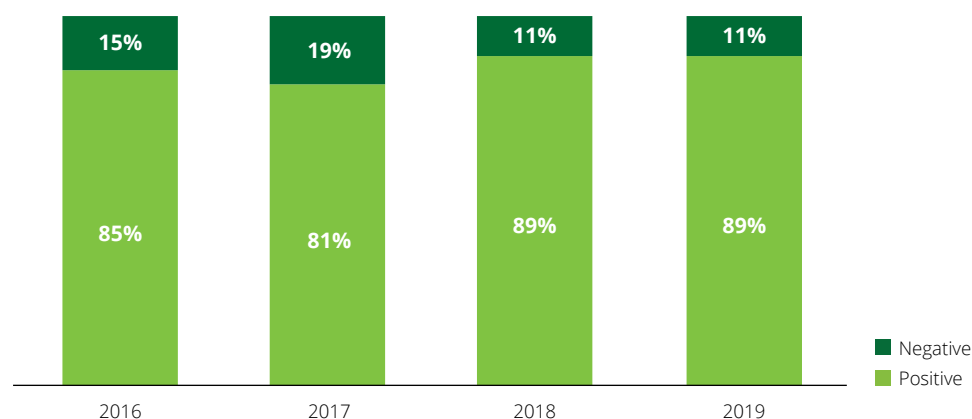
1. Overall consumer sentiment

Overall optimism levels remain unchanged from the previous edition of the survey, but geographical differences are highly correlated with levels of infrastructure development.

Varying sentiments across cities

Overall, optimism levels remained constant from 2018 levels, with 89% of survey respondents indicating a positive sentiment (see Figure 3). This optimism is likely a reflection of the current pace and stability of Indonesia's economic growth: for the last 14 consecutive quarters, Indonesia has consistently maintained its economic growth rate within the narrow range of 4.9-5.3%⁸.

Figure 3: Overall consumer sentiment



Source: Deloitte Consumer Insights Survey (2016, 2017, 2018, and 2019)

This sentiment, however, is not evenly distributed across cities. Specifically, while levels of optimism have increased amongst survey respondents in Jakarta and Surabaya during the last three years, they have decreased amongst survey respondents in Bandung, Makassar, and Medan (see Figure 4).

Of note is the fact that these differences in consumer sentiment are highly correlated with the levels of major infrastructure activity in these cities. In Jakarta, for instance, the first phase of the Mass Rapid Transit system was launched earlier in 2019, with several other projects, including the Light Rapid Transit⁹, and Jakarta Outer Ring Road 2 tollway, due to be completed by early 2020¹⁰. In Makassar, on the other hand, the expected launch date of its railway track project has been delayed from 2018 to 2020¹¹.

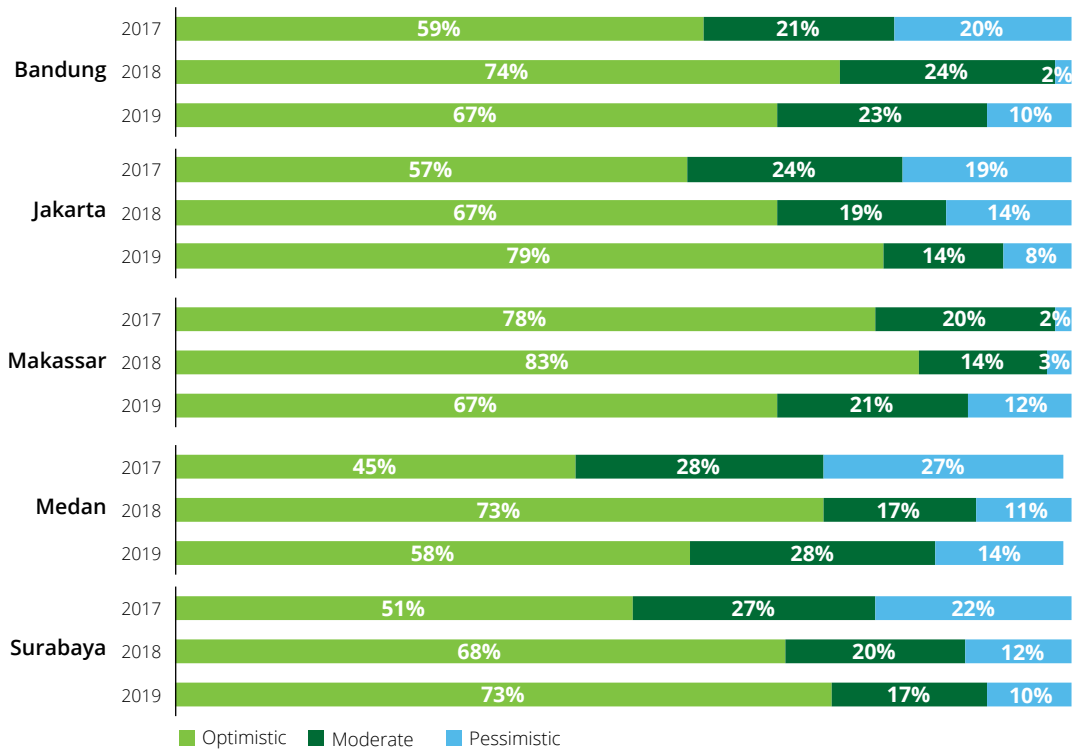
⁸ "June 2019 Indonesia Economic Quarterly: Oceans of Opportunity". The World Bank. 1 July 2019. <https://www.worldbank.org/en/country/indonesia/publication/june-2019-indonesia-economic-quarterly>

⁹ "Administrative Issues; Jakarta LRT Launch Delayed Again". Tempo. 3 June 2019. <https://en.tempo.co/read/1211948/administrative-issues-jakarta-lrt-launch-delayed-again>

¹⁰ "Three sections of JORR 2 toll roads will be completed in March 2020". IDN Financials. 23 September 2019. <https://www.idnfinancials.com/news/28791/sections-jorr-toll-roads-completed-march>

¹¹ "Indonesia Infrastructure Report, Q3 2019". Fitch Solutions.

Figure 4: Consumer sentiment by city (2017-2019)

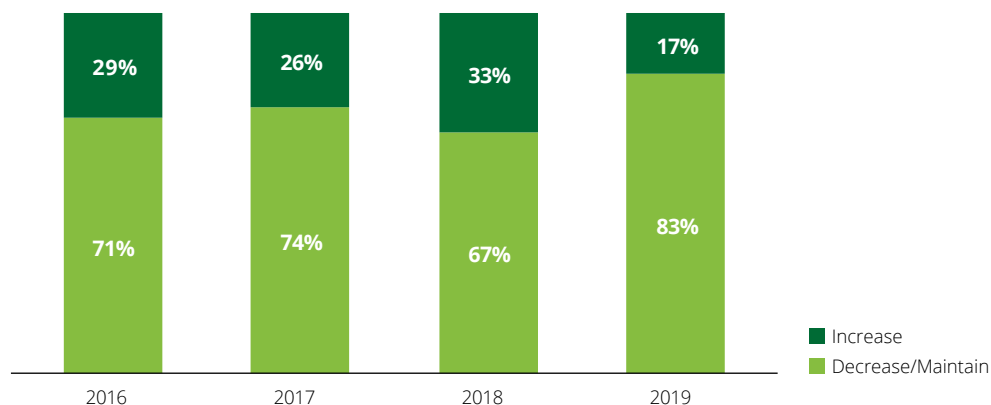


Source: Deloitte Consumer Insights Survey (2017, 2018, and 2019)

Prudence reigns

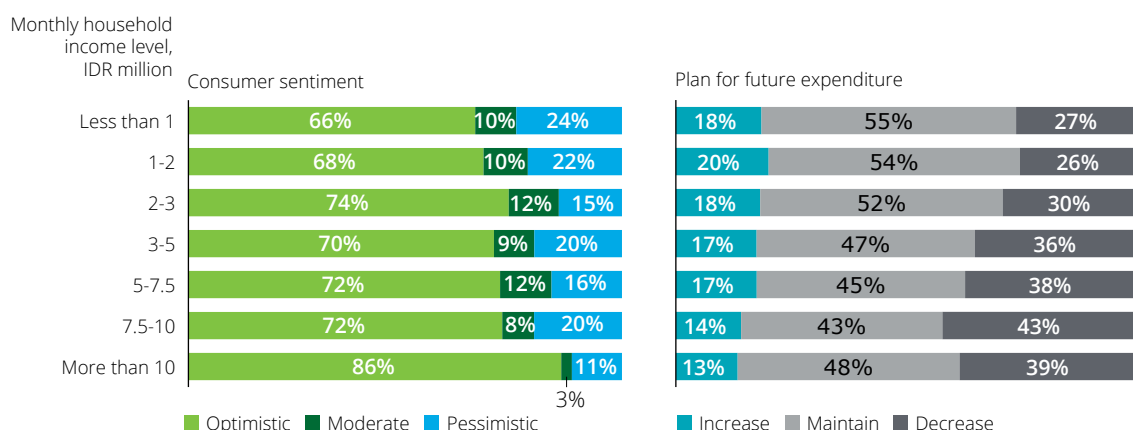
Despite their optimism, survey respondents continue to demonstrate prudence in their plans for future expenditure, with only 17% indicating plans to increase their expenditure (see Figure 5). This prudence is evident across all monthly household income levels. Indeed, even amongst survey respondents with the highest monthly household income levels – who also express the highest optimism levels – plans for increased expenditure remain fairly conservative (see Figure 6).

Figure 5: Overall plan for future expenditure



Source: Deloitte Consumer Insights Survey (2016, 2017, 2018, and 2019)

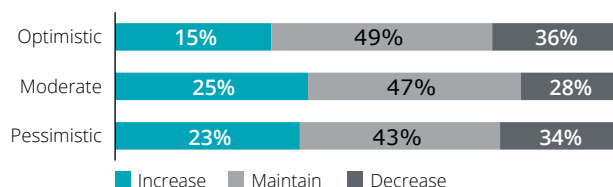
Figure 6: Consumer sentiment and plan for future expenditure by monthly household income level



Source: Deloitte Consumer Insights Survey (2019)

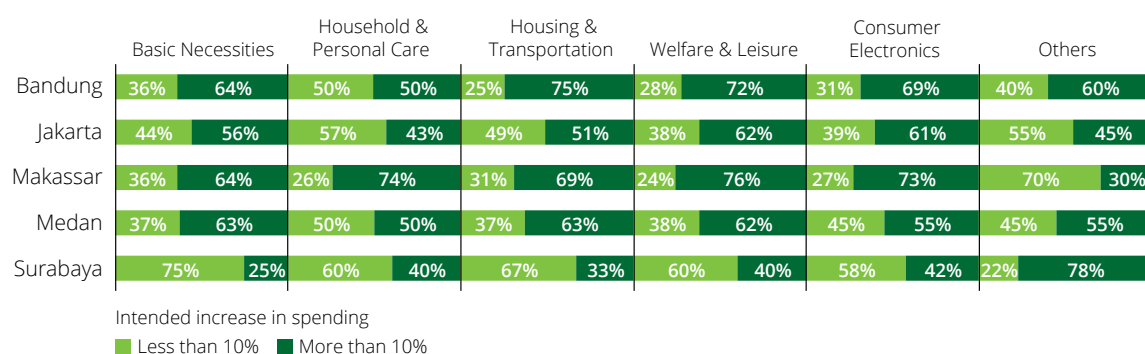
One interesting observation, however, is that even a negative consumer sentiment may not necessarily translate into plans for decreased future expenditure: amongst the optimists, only 15% plan to increase their expenditure; while amongst the pessimists, 23% of them intend to do so (see Figure 7). Overall, survey respondents in Bandung are keen to spend more across all product categories, while survey respondents in Surabaya appear to be the most conservative (Figure 8).

Figure 7: Plans for future expenditure by consumer sentiment



Source: Deloitte Consumer Insights Survey (2019)

Figure 8: Plans for future expenditure by city

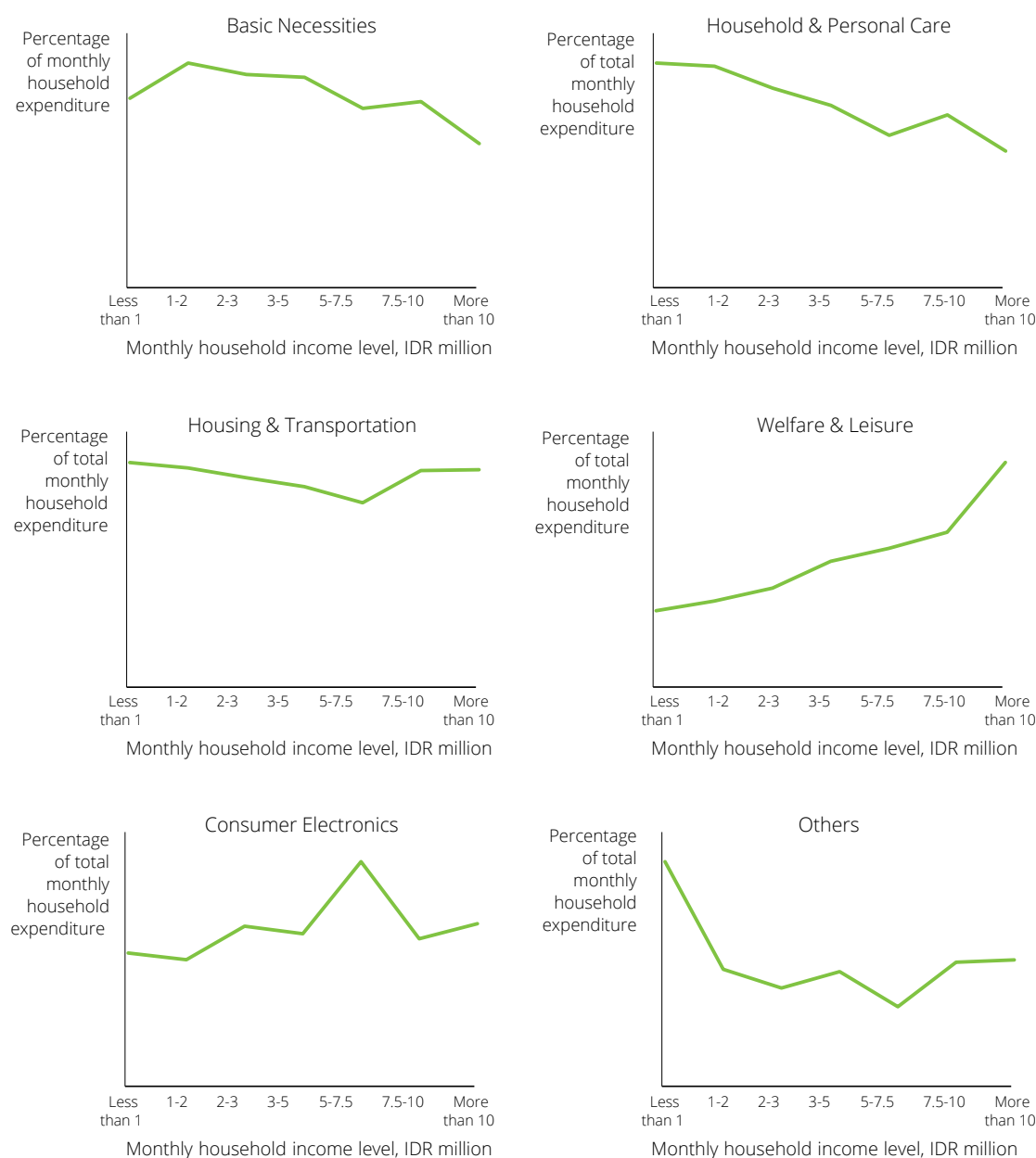


Source: Deloitte Consumer Insights Survey (2019)

Different expenditure patterns across income and cities

Overall, several differences in expenditure patterns can be observed across the different monthly household income levels. For example, survey respondents with higher monthly household income levels tend to allocate more towards Welfare & Leisure, while survey respondents with average monthly household income levels spend more on Consumer Electronics, and those with lower monthly household income levels spend more on Tobacco (see Figure 10).

Figure 10: Expenditure patterns across product categories



Source: Deloitte Consumer Insights Survey (2019)

3. Brand preferences and buying behaviours

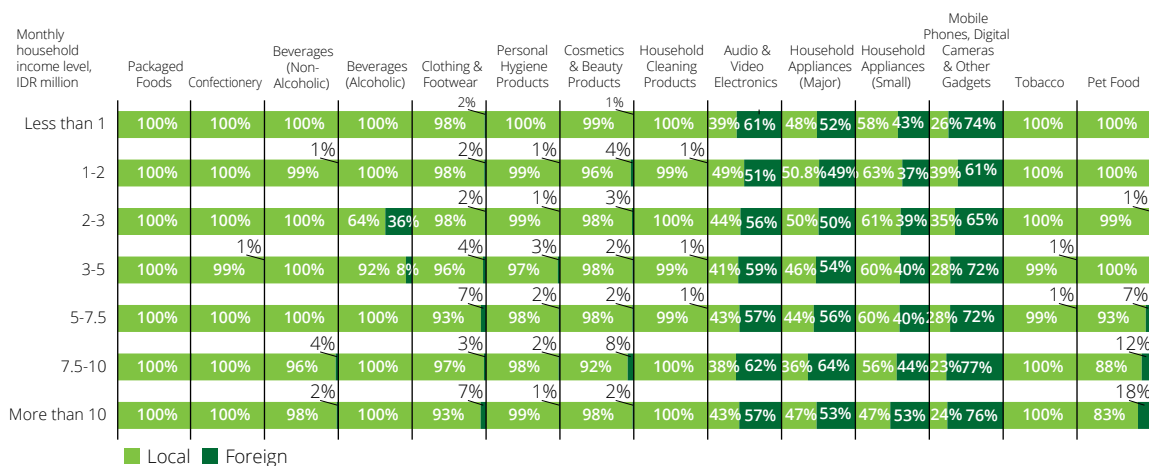
A desire to purchase more premium products was observed across all monthly household income levels. Survey respondents also expressed an interest to explore alternative options for their next purchase.

Perception matters

A number of common Foreign brands, particularly in the Household & Personal Care category, are often perceived by survey respondents to be Local. As a result, Local brands continue to dominate brand preferences across most product categories, except in the Audio & Video Electronics, and Mobile Phones, Digital Cameras & Other Gadgets categories, where Foreign brands are preferred. In other Consumer Electronics categories, such as Major Household Appliances and Small Household Appliances, Local brands seem to be almost as competitive as Foreign brands (see Figure 11).

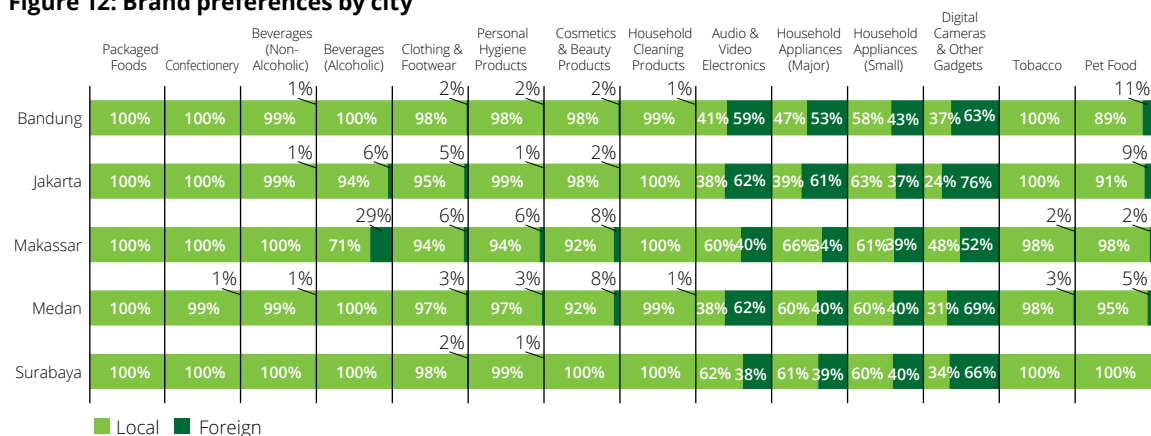
A significant difference in brand preferences, however, can be seen at a city level. Specifically, survey respondents in Jakarta – the commercial hub and most populous city in Indonesia – expressed the highest preference for Foreign brands (see Figure 12). This result could be the combination of a higher exposure to Foreign brands in this megacity, as well as higher levels of disposable incomes.

Figure 11: Brand preferences by monthly household income levels



Source: Deloitte Consumer Insights Survey (2019)

Figure 12: Brand preferences by city



Source: Deloitte Consumer Insights Survey (2019)

Push for premiumisation

Our survey findings revealed that 19% of survey respondents have chosen to purchase higher-priced products amongst their purchase options within the same product category (see Figure 13), an increase of 4% from 2018.

Furthermore, the drive to purchase more premium products is not only limited to survey respondents who intend to increase their expenditure. Although only 20% of survey respondents indicated plans to increase their consumption within the next two years (see Figure 14), 45% of survey respondents indicated that they would purchase higher-priced products on their next purchase.

Figure 13: Preference for different price options



Source: Deloitte Consumer Insights Survey (2019)

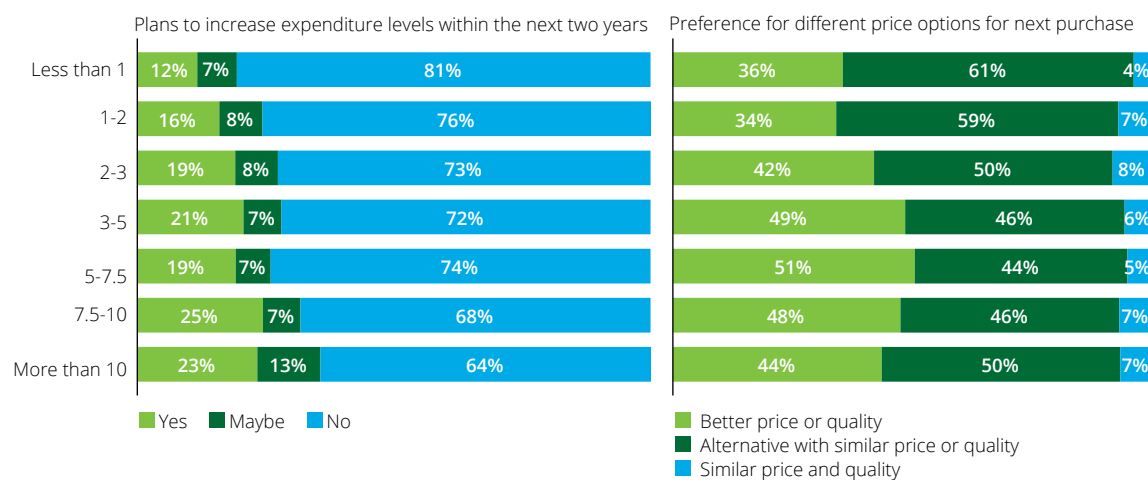
Figure 14: Plans to change expenditure levels within the next two years



Source: Deloitte Consumer Insights Survey (2019)

This trend can be observed across all monthly household income levels, but is especially pronounced in the IDR 5-7.5 million segment, where more than half would consider a more premium option for their next purchase (see Figure 15). For consumer companies, this represents a latent opportunity to introduce more premium options that offer better quality products at higher prices.

Figure 15: Plans to increase expenditure levels within the next two years and preference for different price options for next purchase by monthly household income level

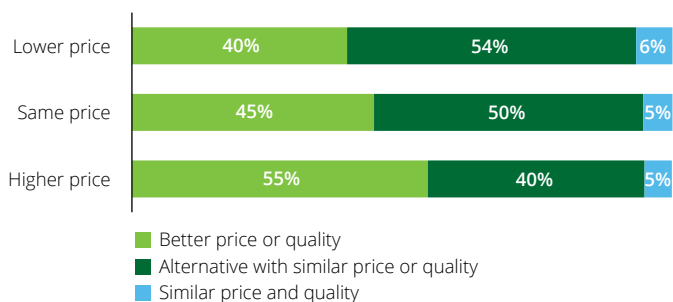


Source: Deloitte Consumer Insights Survey (2019)

Demand for alternatives

At the other end of the spectrum, about 72% of survey respondents indicated that they do not have plans to increase their expenditure levels. However, more than half of them indicated that they are considering the purchase of alternative products. Specifically, 54% of survey respondents who have purchased lower-priced options and 50% of those who have purchased similar-priced options are exploring the purchase of alternative products for their next purchase (see Figure 16).

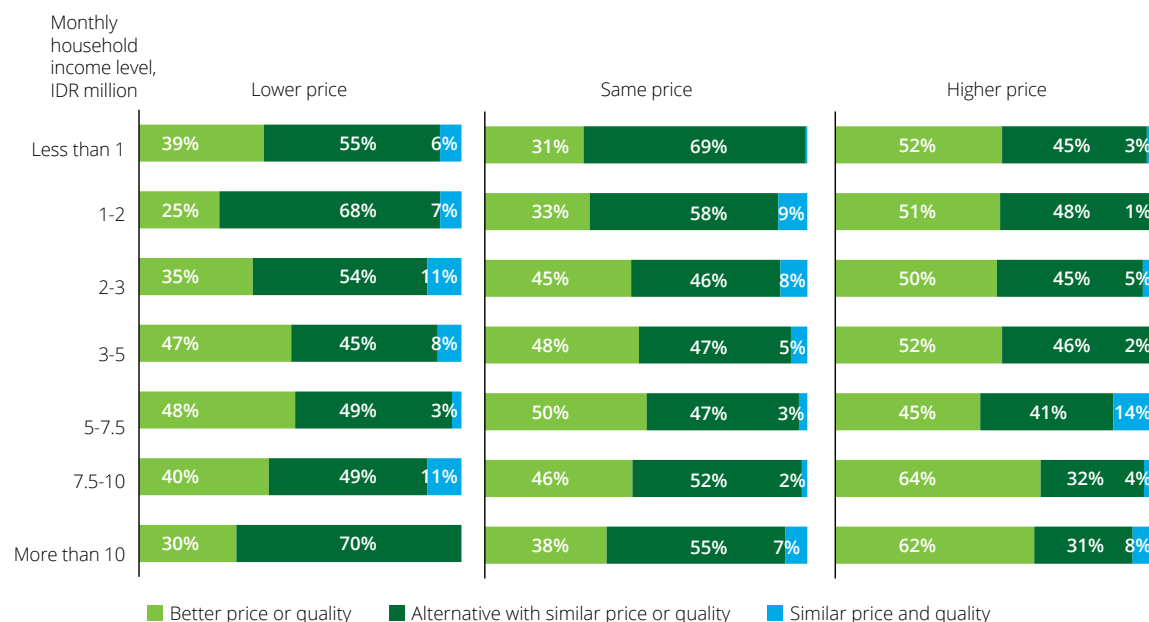
Figure 16: Preference for different price options for next purchase amongst survey respondents who have made similar purchase decisions



Source: Deloitte Consumer Insights Survey (2019)

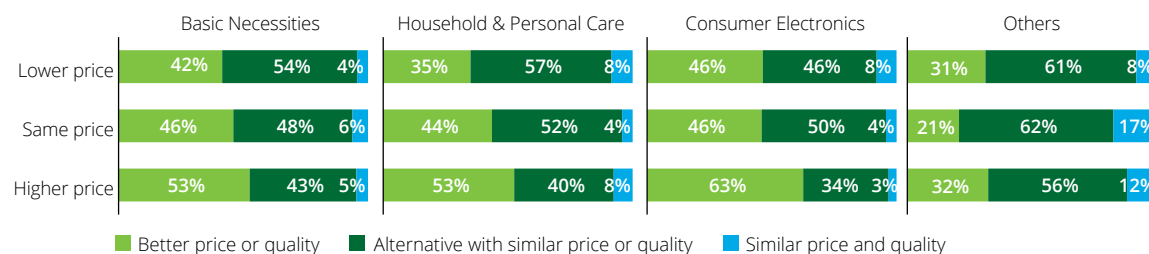
In addition, we observed that survey respondents with average monthly household income levels appear to be more willing to purchase a higher-priced product in the future, as compared to survey respondents with lower or higher monthly household income levels (see Figure 17), which perhaps indicates their aspirations and desires for an improved standard of living. Although evident across all product categories, survey respondents across all monthly household income levels also express a pronounced interest in purchasing higher-priced options for the Consumer Electronics categories (see Figure 18).

Figure 17: Preference for different price options for next purchase amongst survey respondents who have made similar purchase decisions by monthly household income level



Source: Deloitte Consumer Insights Survey (2019)

Figure 18: Preference for different price options for next purchase amongst survey respondents who have made similar purchase decisions by product category

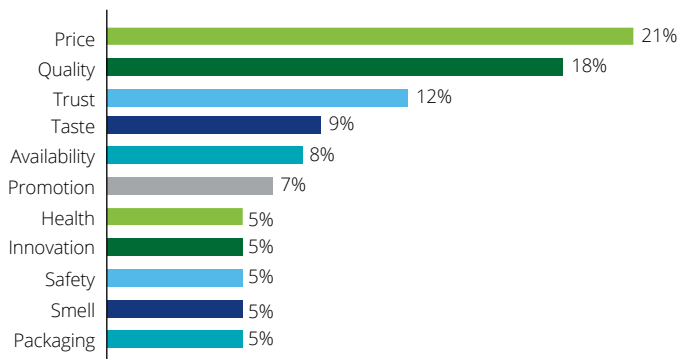


Source: Deloitte Consumer Insights Survey (2019)

Decision drivers

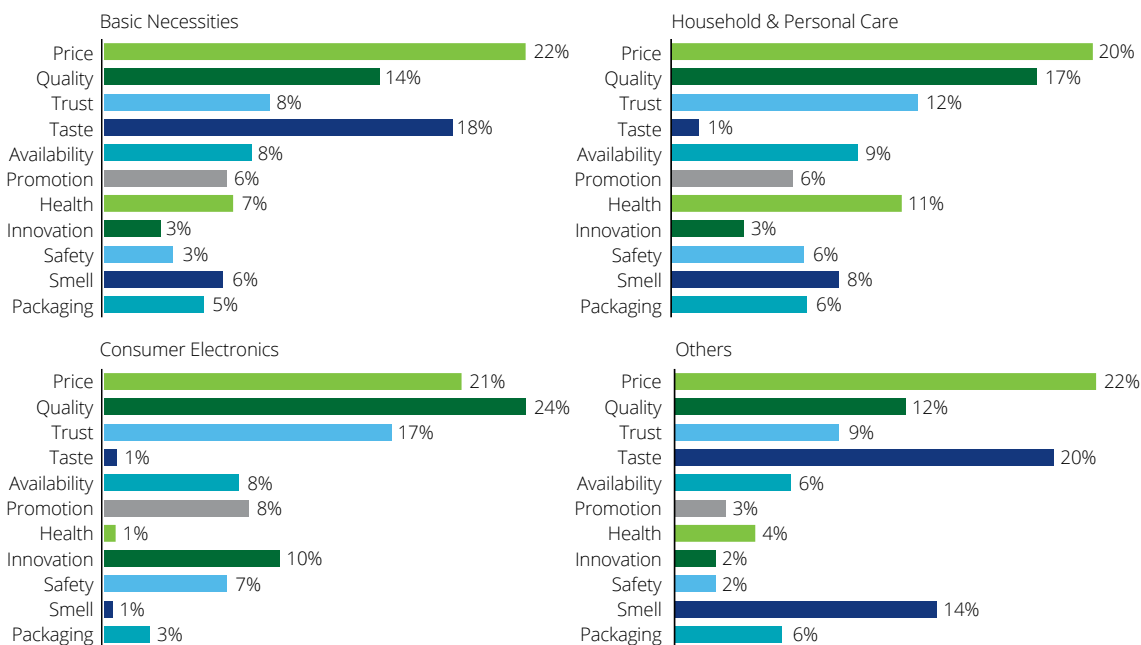
Overall, Price and Quality remain the key purchasing decision drivers for survey respondents (see Figure 19). More specifically, Price plays the most important role for Basic Necessities and Household & Personal Care categories, while Quality, Price and Trust are more important considerations for Consumer Electronics categories (see Figure 20).

Figure 19: Overall purchase decision drivers



Source: Deloitte Consumer Insights Survey (2019)

Figure 20: Purchase decision drivers by product category



Source: Deloitte Consumer Insights Survey (2019)

A detailed analysis by product category

As purchase decision drivers vary between product categories, we will examine several product categories in greater detail, and explore some of the untapped opportunities that exist for consumer companies.

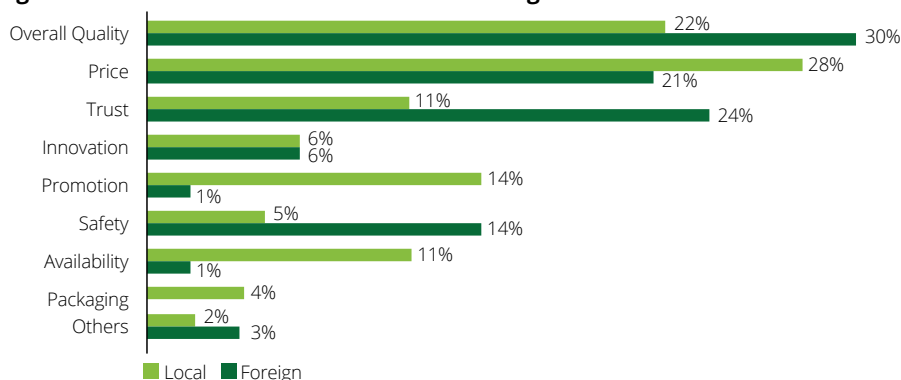
Clothing & Footwear

Most survey respondents preferred Local brands in the Clothing & Footwear category. Our survey revealed that a whopping 96% of survey respondents expressed this preference, a significant increase from 86% in 2018.

However, preferences and share of mind do not always converge: both Local and Foreign brands appear to have equal share of mind amongst survey respondents, with five Local brands and five Foreign brands making up the top 10 purchased brands in this category. One possible explanation for this could be the fact that Local brands tend to be preferred for their affordability in terms of Price and Promotion, whereas Foreign brands tend to be preferred in terms of Quality and Trust (see Figure 21).

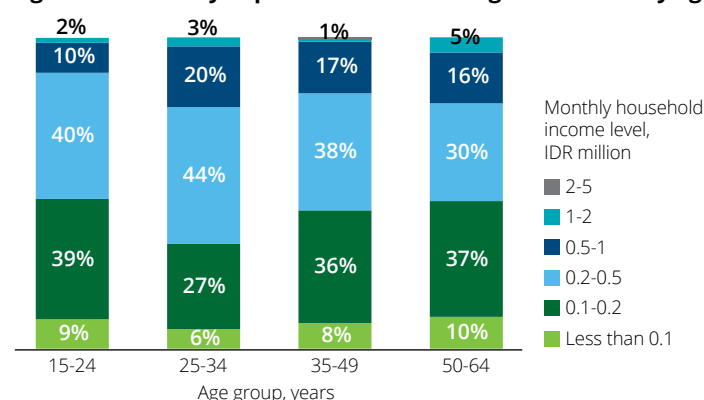
The majority 70-80% of survey respondents spend about IDR 0.1-0.5 million per month on Clothing & Footwear, with the proportion varying significantly by age group (see Figure 22). Specifically, survey respondents aged 25-34 tend to allocate larger amounts to this product category, and tend to be more willing to purchase higher-priced items. In terms of frequency, about 87% of survey respondents indicated that they prefer to purchase Clothing & Footwear items on a quarterly basis.

Figure 21: Purchase decision drivers for Clothing & Footwear



Source: Deloitte Consumer Insights Survey (2019)

Figure 22: Monthly expenditure on Clothing & Footwear by age group



Source: Deloitte Consumer Insights Survey (2019)

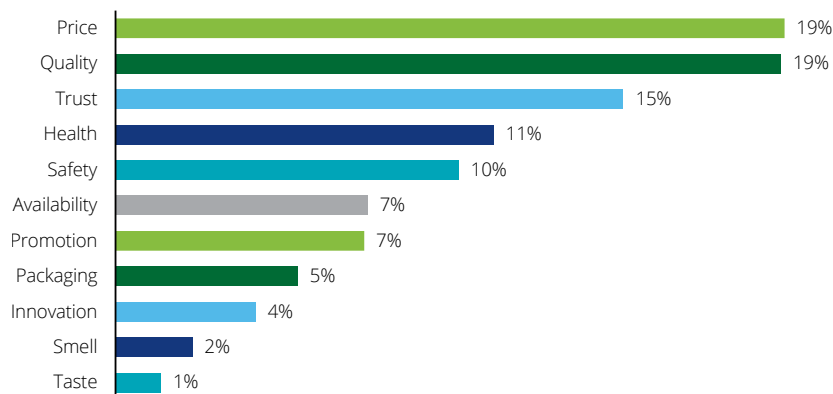
Cosmetics & Beauty Products

Overall, Local brands are overwhelmingly preferred in the Cosmetics & Beauty Products category. This trend is evident across all monthly household income levels, but appears to have gained the most traction in the segment with monthly household income levels of more than IDR 10 million, where the preference for Local brands increased by about 15% from 2018.

Four out of the five top purchased brands in this category are Local, with a Local Halal brand dominating the charts. This observation reflects the rise of Halal Cosmetics & Beauty Products in Indonesia, as many Muslim individuals believe it is their religious duty to use Halal cosmetics.

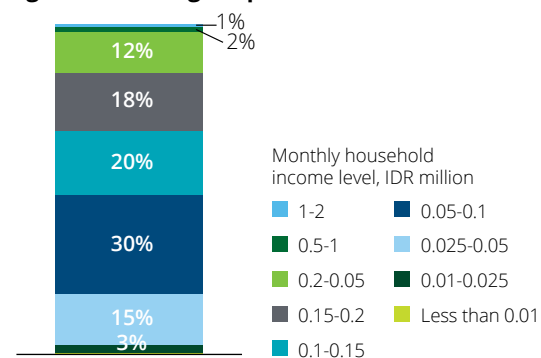
Amongst female survey respondents – who accounted for the majority of Cosmetics & Beauty Products purchases – Price, Quality, and Trust were the most important considerations (see Figure 23). On average, each Cosmetics & Beauty Products purchase was worth about IDR 0.05-0.1 million (see Figure 24). In terms of frequency, the majority 67% preferred to make purchases on a monthly basis, while 22% preferred to make the purchases quarterly. This suggests room for consumer companies to market products that are packaged in bulk or large packs, instead of the small and medium pack sizes that are currently the most dominant form of packaging.

Figure 23: Purchase decision drivers for Cosmetics & Beauty Products (female survey respondents only)



Source: Deloitte Consumer Insights Survey (2019)

Figure 24: Average expenditure on Cosmetics & Beauty Products per purchase



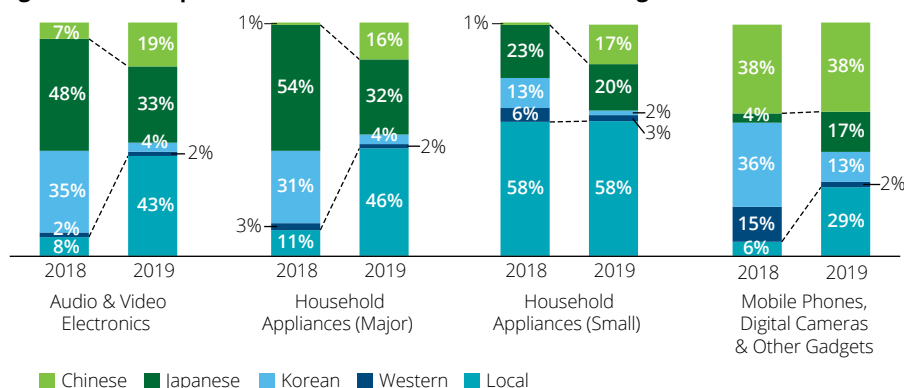
Source: Deloitte Consumer Insights Survey (2019)

Consumer Electronics

The preference for Local brands in the Consumer Electronics categories saw a significant increase in this edition of the survey, except in the Small Household Appliances category, where the high levels of preference for Local brands have been consistently maintained (see Figure 25).

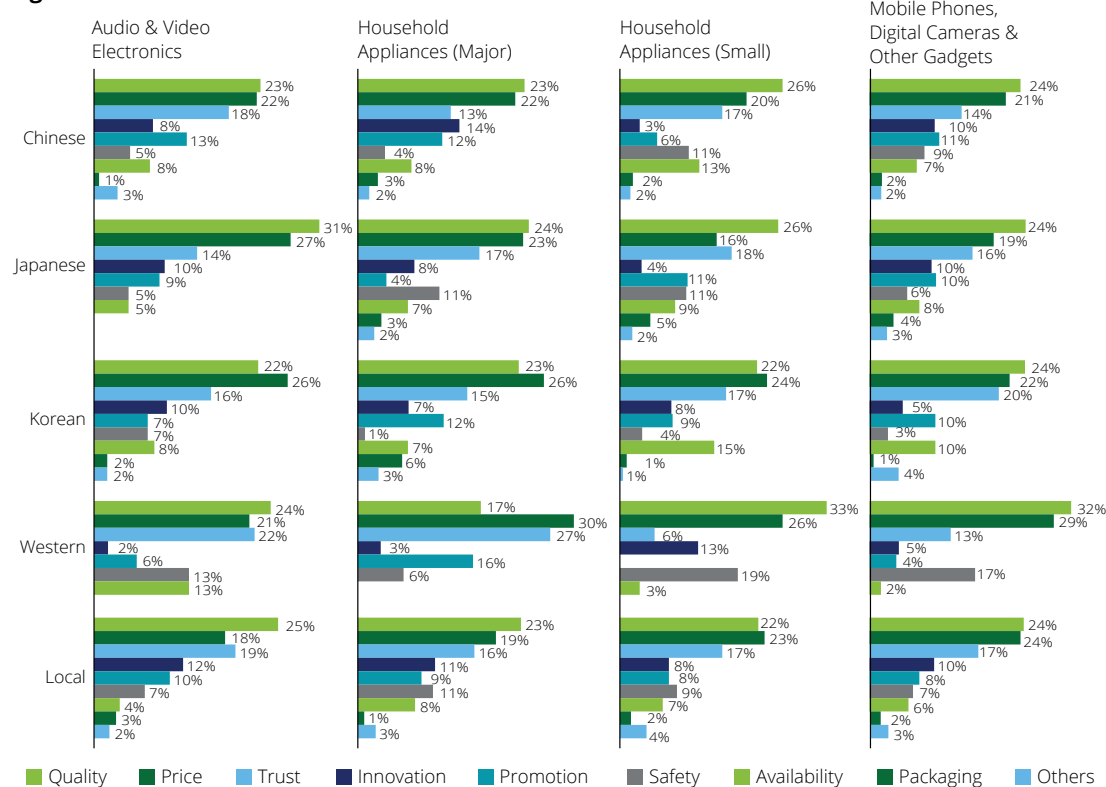
Across all Consumer Electronics categories, we also observed the rise of Chinese brands. One reason for this could be the ability of Chinese brands to strike the right balance between affordability and range of technological capabilities, as survey respondents continue to prioritise Quality, and Price in their purchase decisions (see Figure 26).

Figure 25: Brand preferences for Consumer Electronics categories



Source: Deloitte Consumer Insights Survey (2018, 2019)

Figure 26: Purchase decision drivers for Consumer Electronics

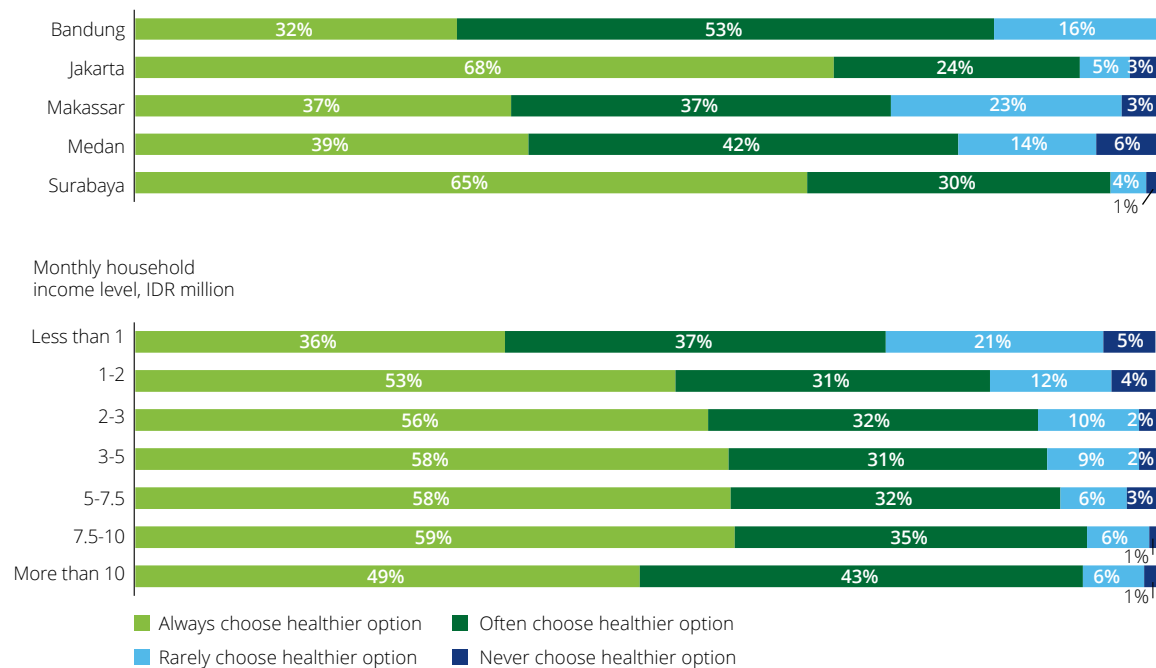


Source: Deloitte Consumer Insights Survey (2019)

Making healthier choices

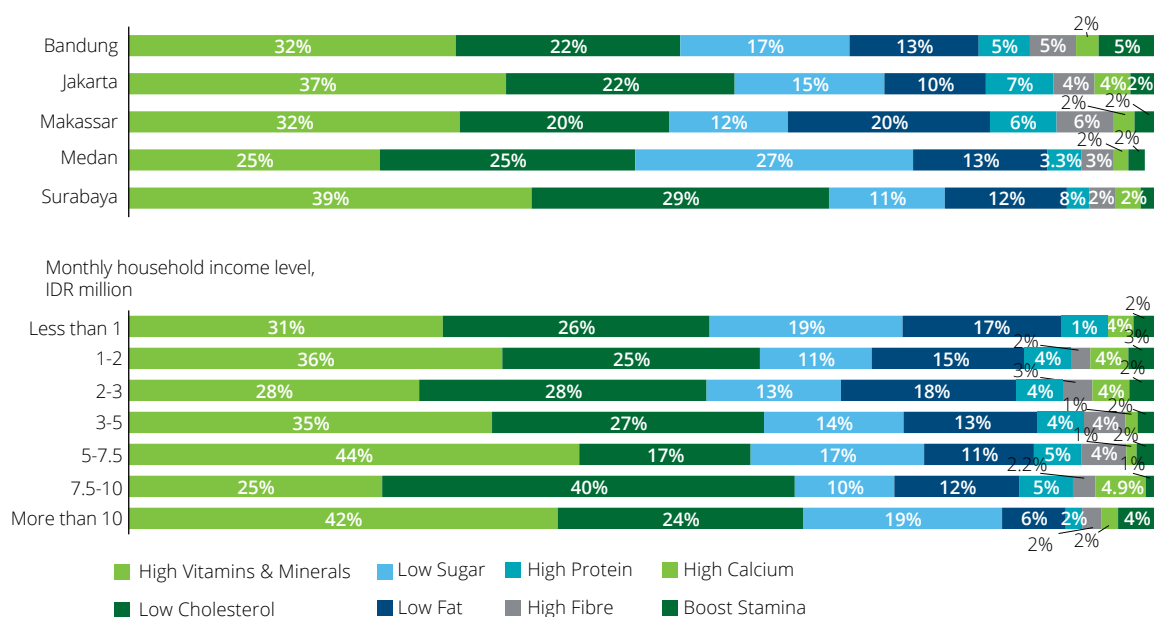
Overall, we observed a general trend towards greater health-consciousness. Despite their premium pricing, healthier options in Food & Beverage categories are gaining popularity amongst survey respondents. Survey respondents in Jakarta and Surabaya, in particular, expressed the highest preference for healthier options. In addition, an overall greater level of health-consciousness was also observed amongst those with higher monthly household income levels (see Figure 27). In terms of health considerations, survey respondents tend to prioritise four key features: High Vitamins & Minerals, Low Cholesterol, Low Fat, and Low Sugar (see Figure 28).

Figure 27: Preference for healthier options in Food & Beverage categories by city and monthly household income level



Source: Deloitte Consumer Insights Survey (2019)

Figure 28: Health considerations for Food & Beverage categories by city and monthly household income level



Source: Deloitte Consumer Insights Survey (2019)

4. Buying channels

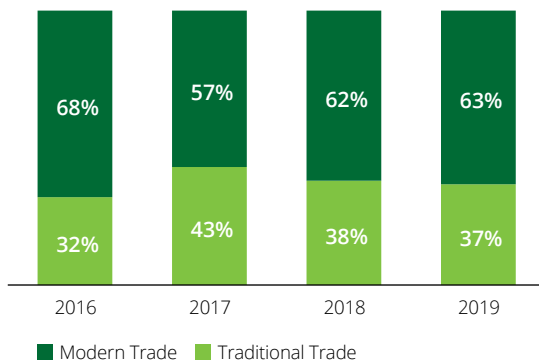
With the proliferation of various retail formats, including e-commerce, capturing the Indonesian consumer's share of wallet requires consumer companies to be at the right place, at the right time.

A diverse channel mix

Although Modern Trade channels have continued their rapid expansion across Indonesia's retail landscape, Traditional Trade channels such as Warungs, Wet Markets, and Street Hawkers continue to hold their ground (see Figure 29). In particular, since the 2016 edition of this survey, Warungs have maintained their dominance, emerging as the top preferred buying channel amongst survey respondents (see Figure 30).

Ultimately, Indonesian consumers utilise a diverse mix of retail channels: while Modern Trade channels appeal to them with consistent branding, and a diverse range of products, Traditional Trade channels are better able to cater to localised demand amongst small bases of regular customers. For example, Warungs offer small store formats with higher penetration rates in residential areas, where they can be closer to the consumer. Warungs also benefit from the perception of lower prices, and offer consumers the option of buying products in smaller packaging sizes.

Figure 29: Overall preference for Modern Trade and Traditional Trade channels



Source: Deloitte Consumer Insights Survey (2016, 2017, 2018, and 2019)

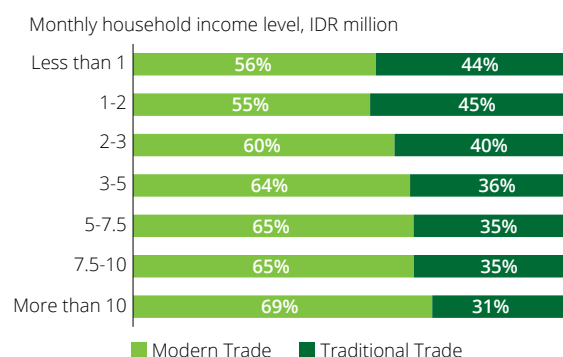
Figure 30: Preference for buying channels



Source: Deloitte Consumer Insights Survey (2019)

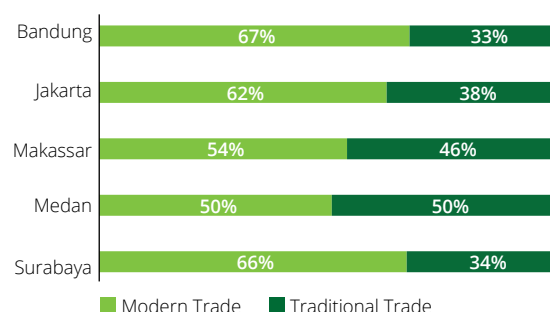
The preference for Modern Trade and Traditional Trade channels, however, varies by monthly household income level and city. Overall, we observed a positive correlation between a preference for Modern Trade channels and monthly household income levels (see Figure 31), as well as a stronger preference for Modern Trade channels in Bandung and Surabaya (see Figure 32).

Figure 31: Preference for Modern Trade and Traditional Trade channels by monthly household income level



Source: Deloitte Consumer Insights Survey (2019)

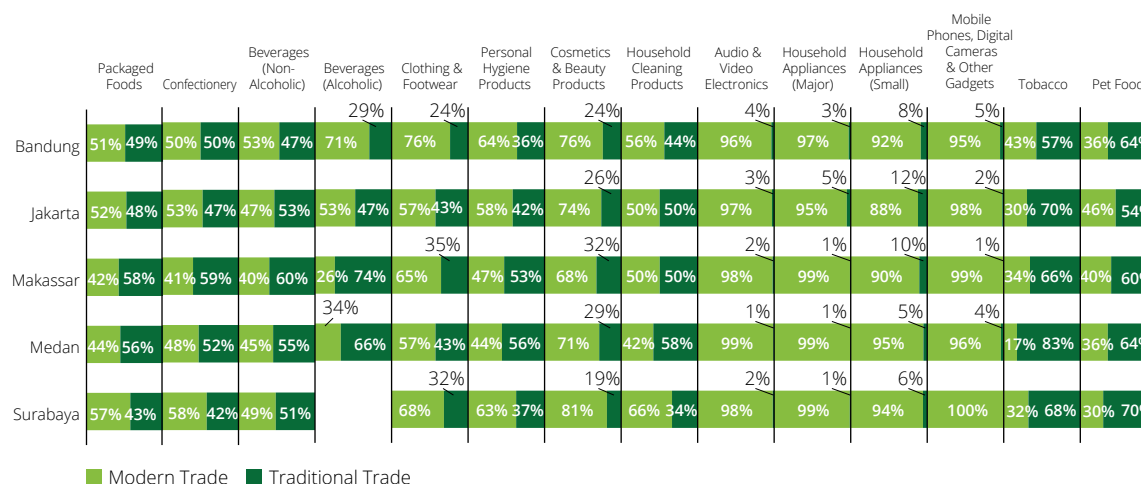
Figure 32: Preference for Modern Trade and Traditional Trade channels by city



Source: Deloitte Consumer Insights Survey (2019)

In terms of product categories, our survey revealed that a mix of Modern Trade and Traditional Trade channels are generally preferred for the purchase of Basic Necessities, with Makassar and Medan showing a stronger preference for Traditional Trade channels. Modern Trade channels are typically preferred for the purchase of Personal Hygiene Products and Household Cleaning Products, and nearly exclusively preferred for the purchase of Consumer Electronics (see Figure 33).

Figure 33: Preference for Modern Trade and Traditional Trade channels by product category and city



Source: Deloitte Consumer Insights Survey (2019)

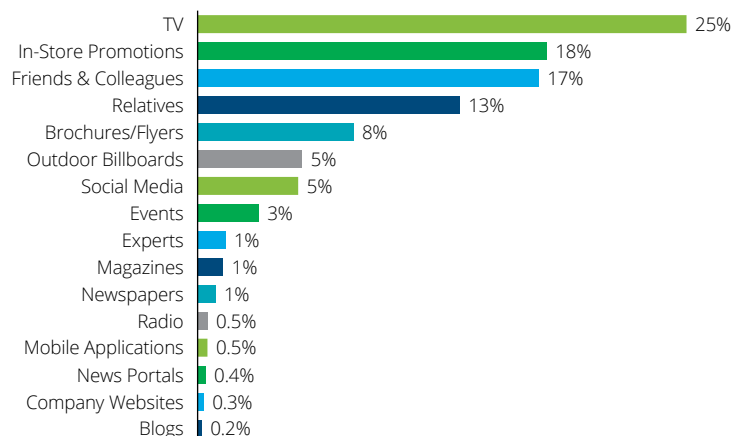
5. Communication channels

Although traditional media channels continue to be preferred, we are also witnessing the growing importance of online reviews in influencing the consumer's purchase decision, particularly on online marketplace platforms.

Traditional media maintains dominance

Despite the continued growth in the uptake of digital and online media, traditional media continues to dominate, with TV, In-Store Promotions, and Friends & Colleagues remaining the preferred communication channels (see Figure 34). One reason for this could be the Indonesian consumer's heavy reliance on endorsements from their inner circles, and these in turn tend to still be strongly influenced by traditional media campaigns.

Figure 34: Preferred communication channels



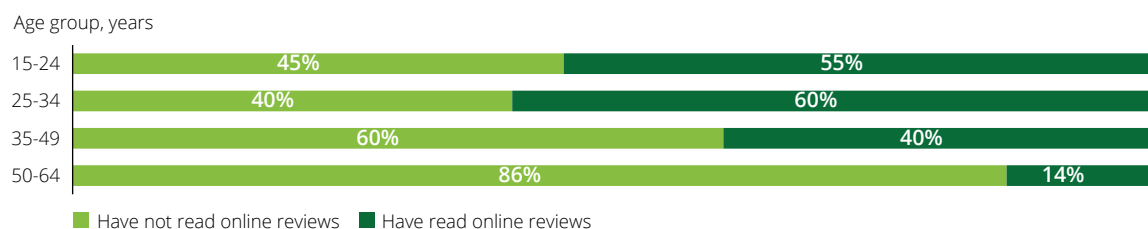
Source: Deloitte Consumer Insights Survey (2019)

Online search behaviour

Overall, 45% of survey respondents have relied on online reviews when making purchase decisions, with younger survey respondents showing higher reliance (see Figure 35). When searching for online reviews, survey respondents also typically preferred to use marketplace platforms, such as Lazada, Shopee, and Tokopedia, perhaps due to the wide range of alternative products available for comparison (see Figure 36).

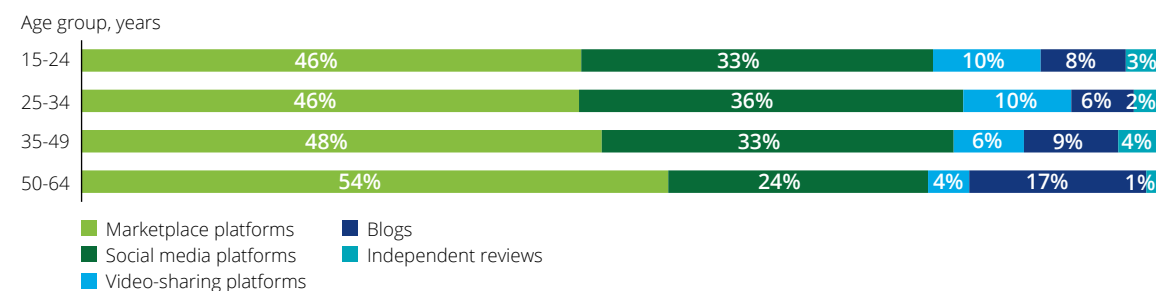
Social Media platforms, on the other hand, appear to be less frequently used: our survey results indicated that only 5% of survey respondents prefer to use Social Media channels in their search for product information. One reason for this could be the perception that these channels are reserved for communicating or staying in touch with friends or relatives. However, as consumers become more tech savvy and sophisticated in their product search, we expect Social Media channels to play a more important role in the near future.

Figure 35: Online review activity by age group



Source: Deloitte Consumer Insights Survey (2019)

Figure 36: Online review channels by age group

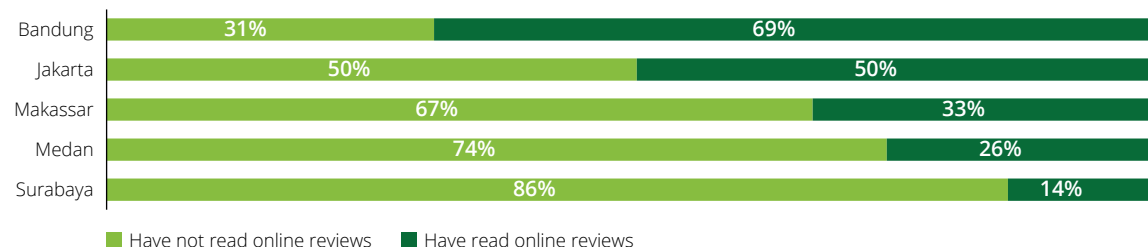


Source: Deloitte Consumer Insights Survey (2019)

One city that stood out in terms of its level of online review activity was Bandung, where survey respondents relied significantly more on online reviews than survey respondents in other cities when making their purchase decision (see Figure 37).

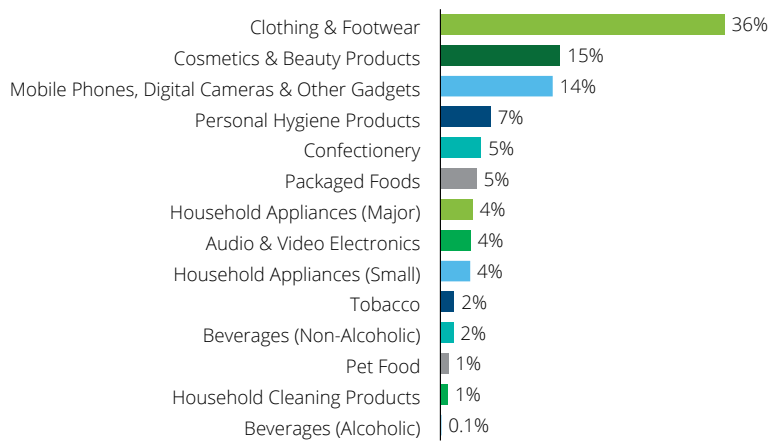
Online reviews also played a more important role for certain categories where it may be more difficult to ascertain quality and fit, including Clothing & Footwear, Cosmetics & Beauty Products, and Mobile Phones, Digital Cameras & Other Gadgets categories (see Figure 38). But the importance of online reviews should also not be underestimated in other product categories typically seen as commodities, such as Beverages and Tobacco, where a significant proportion of survey respondents check online reviews on a daily basis (see Figure 39).

Figure 37: Online review activity by city



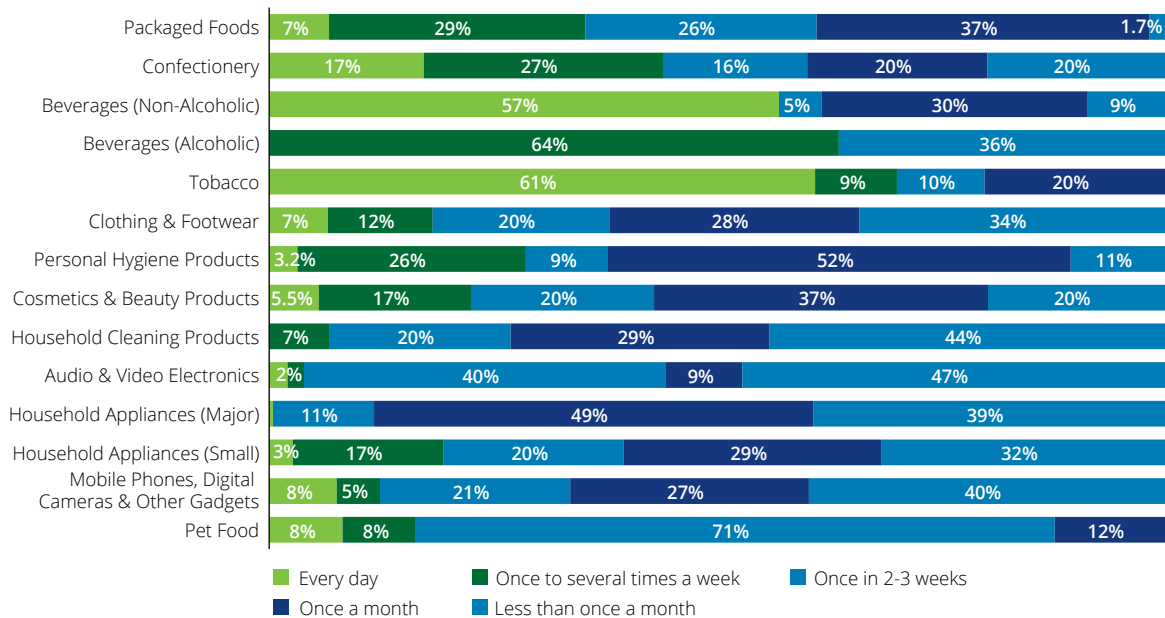
Source: Deloitte Consumer Insights Survey (2019)

Figure 38: Online review activity by product category



Source: Deloitte Consumer Insights Survey (2019)

Figure 39: Frequency of online review activity by product category



Source: Deloitte Consumer Insights Survey (2019)

6. e-Commerce

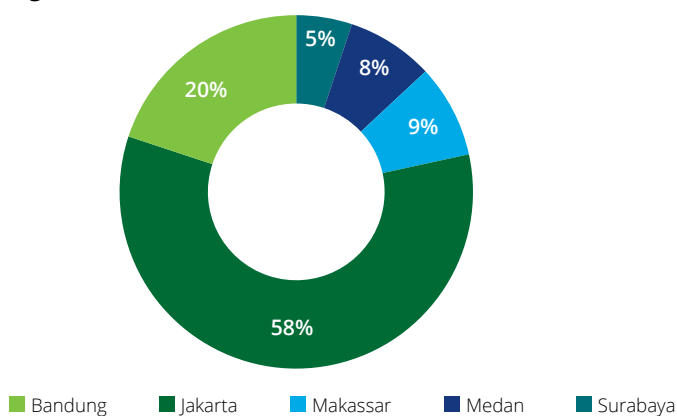
With the introduction of new digital business models, Indonesia's rising Internet economy is fundamentally changing the way its consumers behave. Looking ahead, the rise of digital payments are also likely to transform Indonesia into a cashless and cardless economy.

Rise of the digital economy

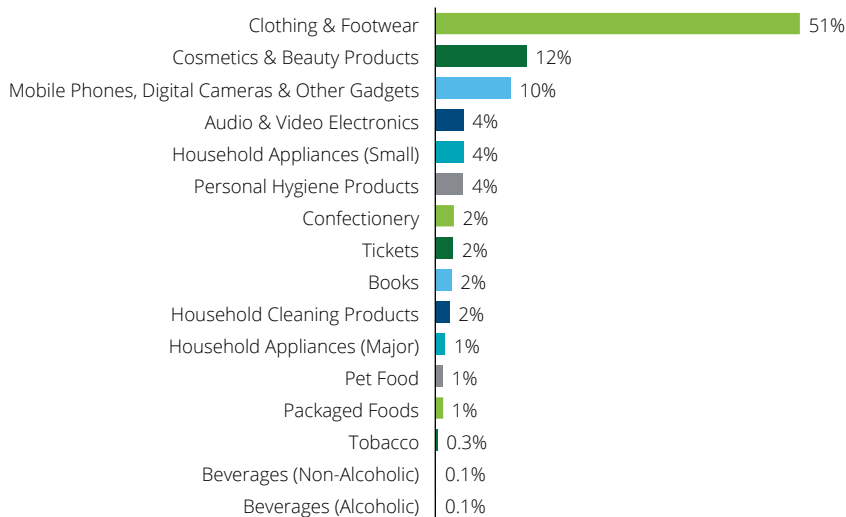
High Internet and mobile penetration rates in Indonesia have resulted in the rapid growth of its e-commerce market, and these developments have in turn altered the Indonesian consumer's purchasing behaviours and expectations. Survey respondents in Jakarta and Bandung, in particular, have been particularly quick in their uptake of e-commerce, as compared to survey respondents in the other cities (see Figure 40).

In terms of product categories, Clothing & Footwear, Cosmetics & Beauty Products, as well as Mobile Phones, Digital Cameras & Other Gadgets are the most common items purchased online by survey respondents (see Figure 41).

Figure 40: Distribution of e-commerce users



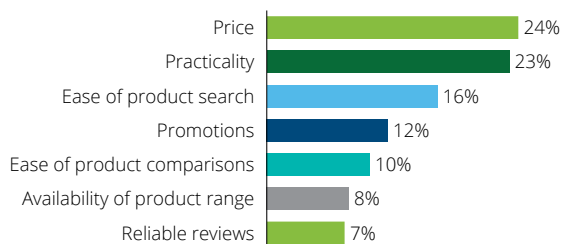
Source: Deloitte Consumer Insights Survey (2019)

Figure 41: Online shopping activity by product category

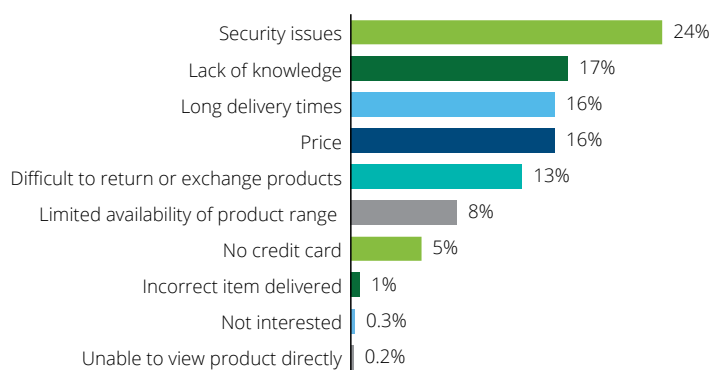
Source: Deloitte Consumer Insights Survey (2019)

Drivers and deterrents

According to the survey results, the main drivers for online shopping are lower prices, and ease of searching for products (see Figure 42). On the other hand, several deterrents also continue to persist, including security concerns, lack of knowledge about the online shopping process, and long delivery times (see Figure 43).

Figure 42: Drivers for online shopping

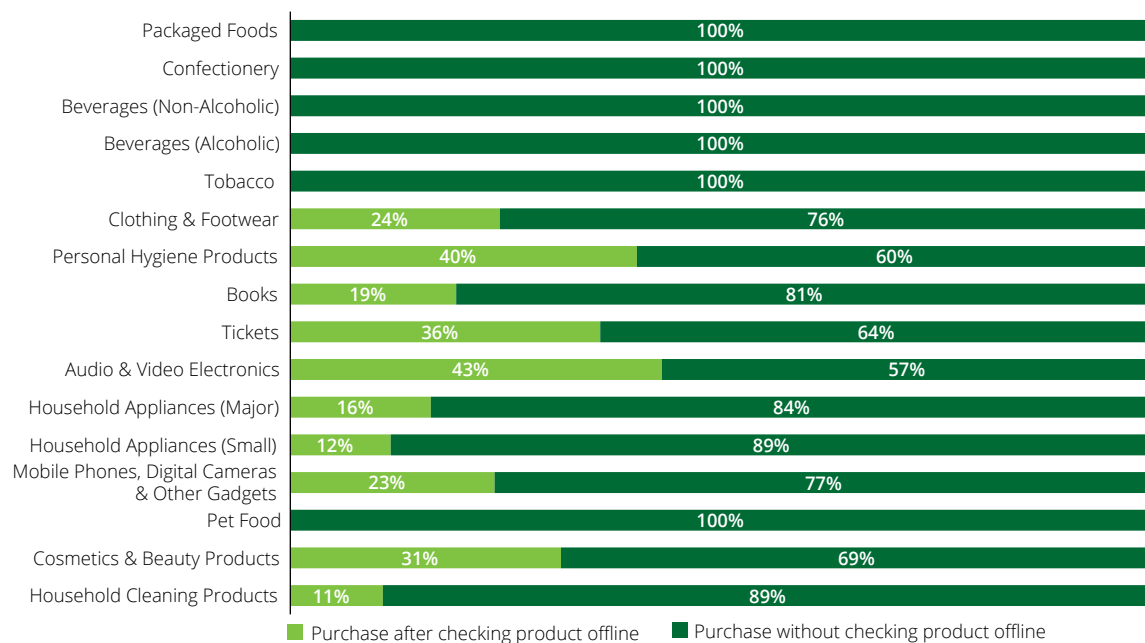
Source: Deloitte Consumer Insights Survey (2019)

Figure 43: Deterrents for online shopping

Source: Deloitte Consumer Insights Survey (2019)

Overall, survey respondents also appear to be comfortable with making online purchases. For example, the majority of them make online purchases without performing offline checks, even for product categories such as Clothing & Footwear and Consumer Electronics where it may be more difficult to ascertain fit and quality (see Figure 44).

Figure 44: Online shopping behaviour

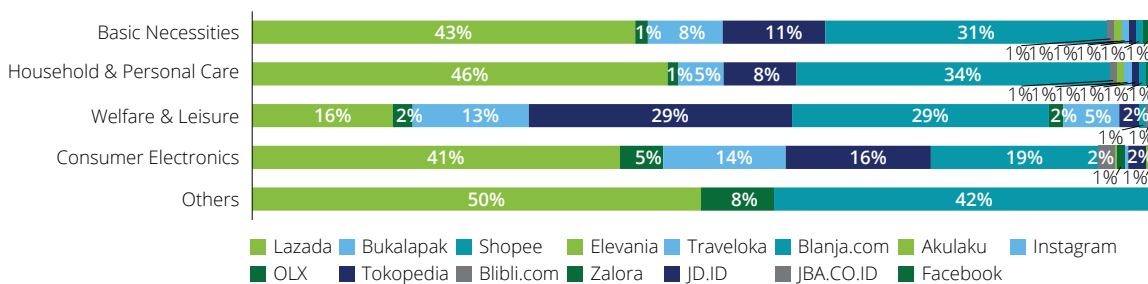


Source: Deloitte Consumer Insights Survey (2019)

New business models

Across all product categories, two platforms – Lazada and Shopee – have emerged as the most preferred e-commerce platforms in this edition of the survey (see Figure 45). Although Shopee is a new entrant to Indonesia's e-commerce scene, it has been able to gain market share within a short span of time through the use of attractive promotions.

Figure 45: Preferred e-commerce channels by product category



Source: Deloitte Consumer Insights Survey (2019)

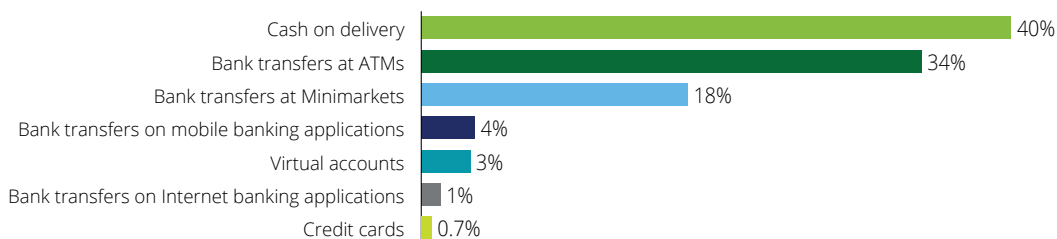
Other new entrants in the market also include several technology players, such as Go-Jek and Grab, who have evolved from a single-service business model to make forays into the e-commerce market. Several other players have also begun to introduce new digital business models in markets such as groceries, such as Happy Fresh and SayurBox; travel booking, such as Pegipegi, tiket.com, and Traveloka; as well as payments and digital financial services, such as Akulaku and Kredivo.

Fundamentally, these innovative start-ups are changing the way consumers behave in Indonesia. In the context of the notorious traffic congestion in Indonesia's cities, mobile applications such as Go-Jek provide consumers with convenience and enable them to save time across a variety of different tasks, including ride-hailing, last-mile delivery, financial services, and even cleaning activities.

Back to cash

In terms of methods of payment, an overwhelming majority of survey respondents indicated that they prefer to use cash on delivery options and bank transfers for their online shopping. Indeed, this edition of the survey witnessed a significant increase in the preference for cash on delivery options from only 3% in 2018 to 40% in 2019 (see Figure 46), a reflection of the growing concern over issues related to fraud and security. This reliance on cash, however, looks set to change in the near future with the rise of mobile wallets and digital payments.

Figure 46: Preferred payment channels for online shopping

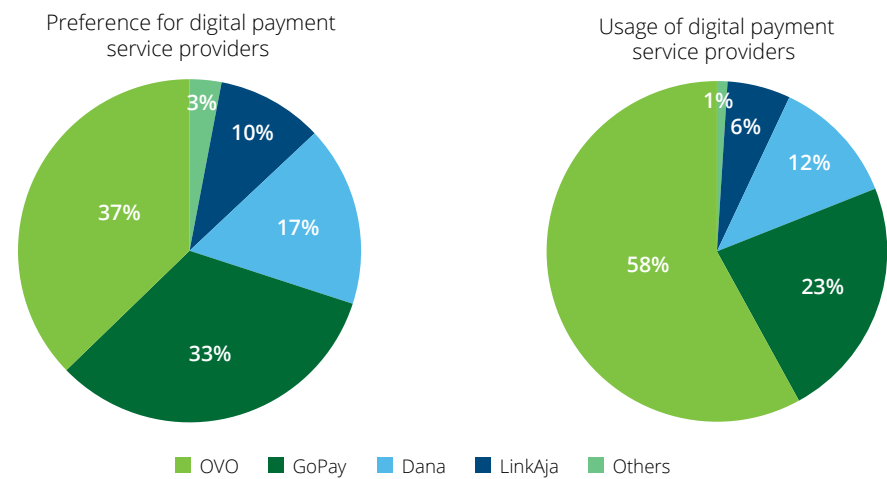


Source: Deloitte Consumer Insights Survey (2019)

Digital payments take off

In recent years, we have witnessed the dramatic rise in the use of e-wallets, which overtook the use of ATM and debit cards in 2018. With the entry of new digital payments players, such as Go-Pay and OVO, the financial services landscape in Indonesia is rapidly transforming into a cashless and cardless one. Amongst the competition, survey respondents indicated the strongest preference and usage for OVO, followed by Go-Pay, Dana, and LinkAja (see Figure 47).

Figure 47: Preference and usage of digital payment service providers



Source: Bank Indonesia (2019)

Looking ahead



In this sixth edition of the Deloitte Consumer Insights, we explored some of the latest consumer behaviour patterns uncovered by the recent consumer survey conducted in five major cities: Bandung, Jakarta, Makassar, Medan, and Surabaya.

There are three key takeaways. Firstly, we are witnessing a significant push for premiumisation, as consumers seek out higher quality products with a greater willingness to pay. This desire to purchase more premium products is consistent across all monthly household income levels, but is especially pronounced amongst the middle-income segment, which perhaps indicates their aspirations for an improved standard of living.

Secondly, the discerning Indonesian consumer is also showing a greater demand for alternative product options, implying a latent opportunity for consumer companies to introduce a wider range of products across the entire spectrum of price and quality. These include healthier products, particularly in the Food & Beverage categories, to cater to the Indonesian consumer's growing health-consciousness and focus on wellness.

Finally, the rise of the digital economy is fundamentally changing the expectations and preferences of consumers in Indonesia. The entry of new technology start-ups and introduction of their innovative business models to the e-commerce market has not only enabled consumers to feel more comfortable with making online purchases, but also augmented their product search journey with a greater reliance on online reviews, especially for online marketplace platforms. With the dramatic rise in the usage of digital payments, such as e-wallets, we expect e-commerce activity to continue to accelerate in the near future.

Ultimately, as the digital era takes off in Indonesia, companies will need to focus on offering differentiated solutions to meet consumer needs across a greater range of product options, and keep up with the dynamic and ever-changing Indonesian consumer by constantly communicating with them at the right place, and at the right time.

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