Indonesia CPG Insight Report

Opportunities Beyond COVID-19

pomona

Supported By:

Vynn Capital

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POMONA

Social Commerce platform to empower Micro E-conomy

zeeus

Micro-brands distribution & enabler to help businesses level the playing field against incumbents

In this report, we aim to capture the changing dynamics of consumer behavior, and how businesses are adapting towards the new normal.

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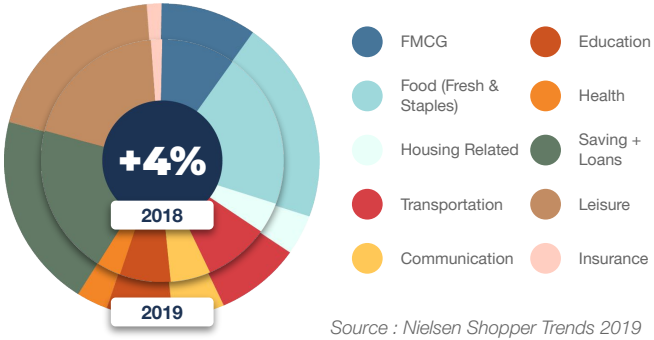
Section 1

INDONESIA BEFORE COVID-19

CONSUMER SPENDING INCREASED FROM 2018 - 2019

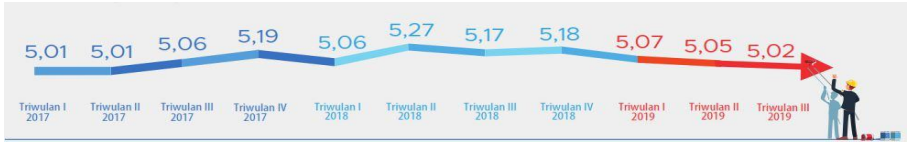
Indonesian Middle Class was growing while increasing their spending in consumers goods and services, especially beyond Java Island



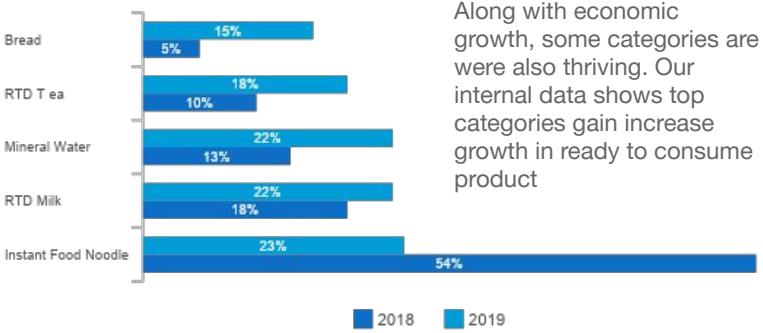
Source : Nielsen Shopper Trends 2019

2019 Q2 shows increase on Moving Annual Total is 4% within Q2 2019 based on Nielsen data. It represents economic growth in Indonesia which also stated by Indonesian Statistic, by 5,02% compared to 2018

Year-on-year GDP Growth in percentage

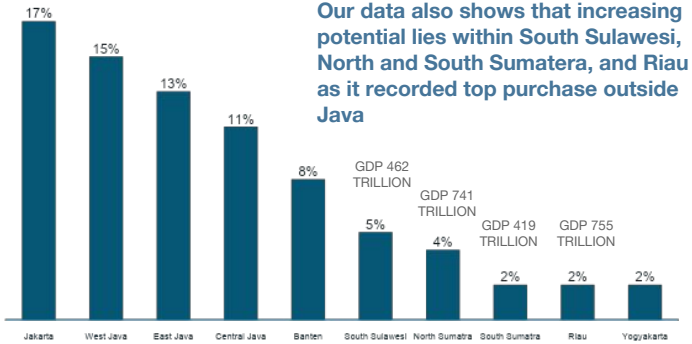


Source : Indonesian Statistic Report no. 89/11/Th. XXII



Along with economic growth, some categories are were also thriving. Our internal data shows top categories gain increase growth in ready to consume product

Source : POMONA Data Top Categories Purchase



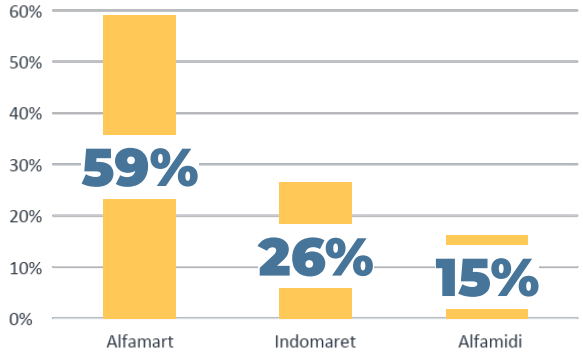
Our data also shows that increasing potential lies within South Sulawesi, North and South Sumatera, and Riau as it recorded top purchase outside Java

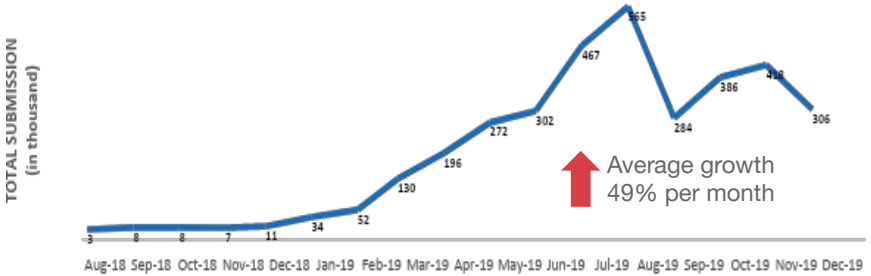
Source : POMONA Data Purchase Location, GDP by Indonesia Statistic

ONLINE WAS RISING AS THE "NEW NORMAL".

While sales mainly happened offline, consumers started to move online.

Top 3 Consumers Preferred Channels Recorded in Our Platform

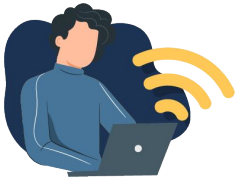




Source : POMONA Submission Data

Kantar Report Shows

INCREASE IN ONLINE HOUSEHOLD PURCHASE BY 8,9%



3,1% By 2018 → **8,9%** By 2019

Top category consumers usually buy through online method

1. Cosmetics
2. Face Care
3. Body Care
4. Baby Diapers

Source : Kantar Report Winning Omnichannel 2020

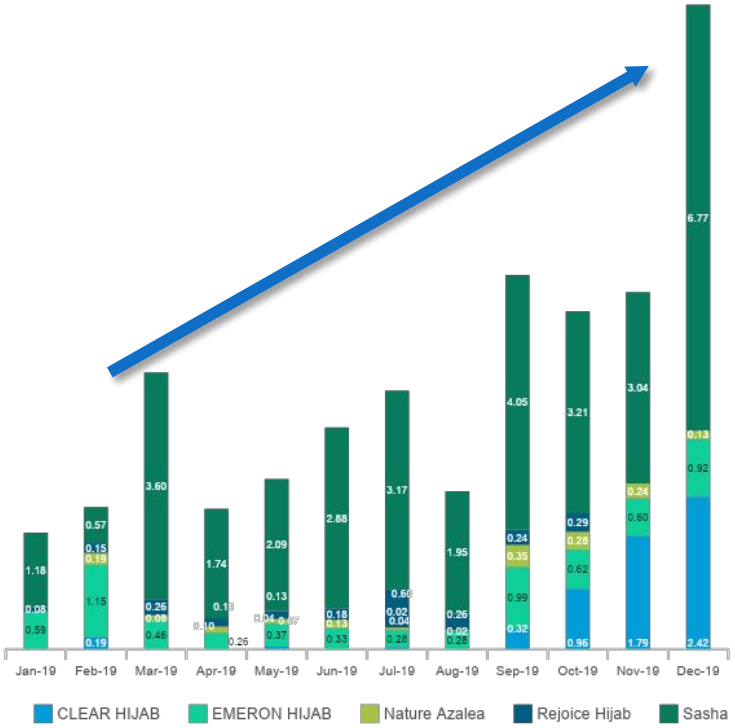
SHARIA WAS THE NEW TREND.

Along with shifting of behavior, consumers also became much more picky to purchase product that is relevant to their persona

Sharia-Themed Products become more Popular Along with Growing Economic and Consumers Spending

Growing number of e-commerce businesses start to incorporating sharia elements, including the top players with their Sharia-themed products, which grown 3,6% in 2019 compared to previous year

Source : KataData – Memotret Potensi Industri Halal Tanah Air



Source : POMONA Source Data

Among all the trends, Sharia products shows the most significant increase in sales within our platform. The trends is emerging through 2019 and with the new brands coming, including old brands with new variants of Sharia-themed product, the trend will likely to sustain through 2020

Sharia-themed product's trend gradually increased in 2019, with Sasha toothpaste amongst the leaders

NEW PLAYERS ADOPTS

DIRECT-TO-CONSUMER APPROACH.

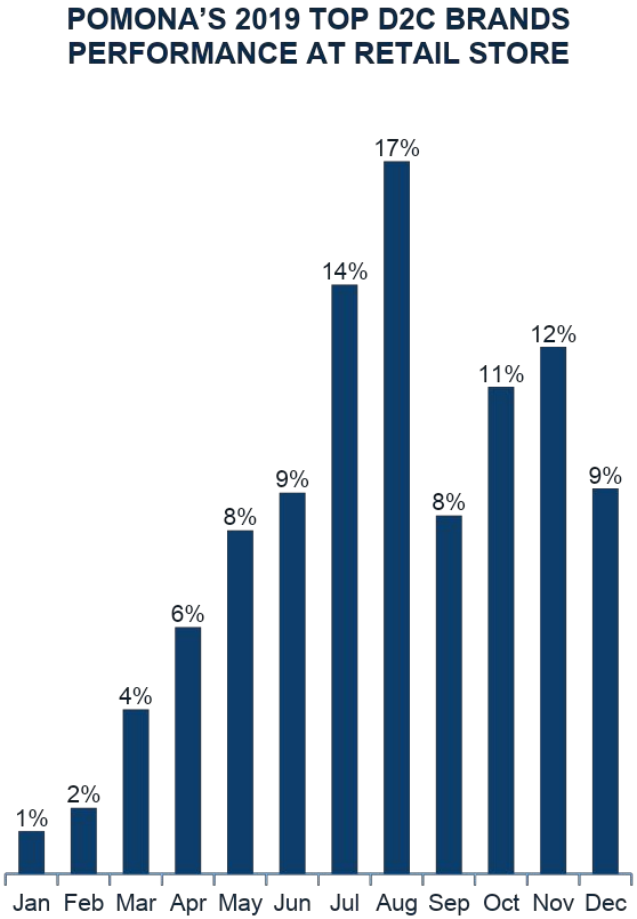
New Industry players adopts the trend to deliver products at the convenience of consumers

Some new brands mainly sells its product directly to consumers through online and remote purchase without retailers. The increase numbers of online purchase become great opportunities for Direct to consumer (D2C) brands and the method to thrive.

We see in 2019, some direct consumers brand penetrate offline market and anchored their brands towards consumers awareness. **D2C brands expands their outreach to consumers through O2O distribution**

rasalokal lemonilo.com

Source : POMONA Submission Data



SUMMARY

The Indonesian market holds a huge potential for online market, DTC approach, and distribution beyond Java

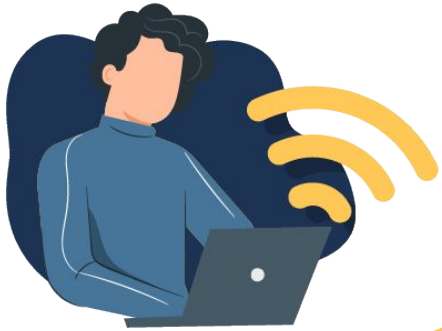
POTENTIAL MARKET TO TAP BASED ON WHAT HAPPENED IN 2019.

CATEGORY	Expand product through Direct to Consumer Approach
PRODUCT	Expand Sharia-related products amongst the list of businesses product innovation
AREA	Explore new market beyond Java as the potential distribution expansion

OMNI-CHANNEL APPROACH

Online purchase momentum and so does consumers' adoption. This allows brands to reach new market scalably

While online thrives, new players should not dismiss the offline market potential as a potential for new sales channel expansion.



Section 2

COVID-19: BUSINESS NOW

IMPACT OF COVID-19

Covid-19 has tremendously reduce consumers confidence to spend, increasing reliance towards online purchase, as well as media consumption

LESS CONSUMER SPENDING POWER AS THEIR INCOME DECLINES

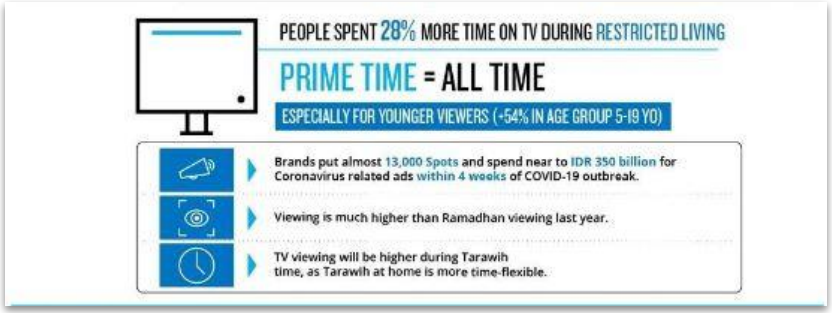
Online purchase is rising and consumers moving towards online / remote. Begin to penetrating online market help brands to be more easily reach certain segments and area

ONLINE PURCHASE ADOPTION GROWS EXPONENTIALLY

Consumers shifts their daily goods consumption towards online purchase; providing the perception of safety & convenience

INCREASING MEDIA CONSUMPTION

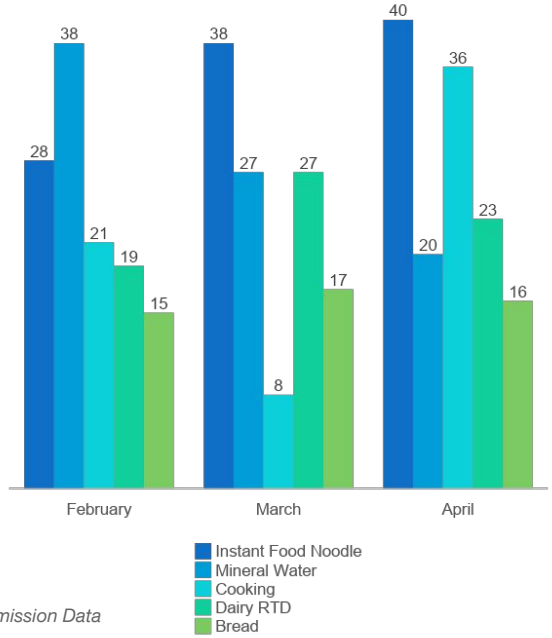
People goes back to consume TV & increase digital consumption as a measure to find news and entertainment during this time.



CONSUMERS RETHINKING THE CATEGORIES THEY PURCHASE

Pharmaceutical category surged exponentially as people prioritize healthy, while household/ cooking related product also increased in popularity as people spend more time at home

POMONA TOP SUBMITTED CATEGORY SCORE

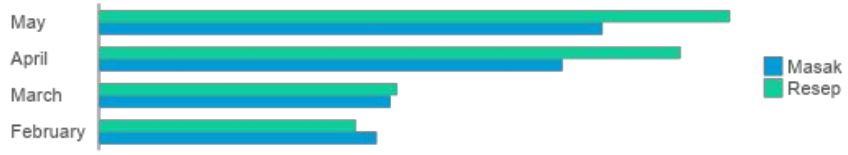


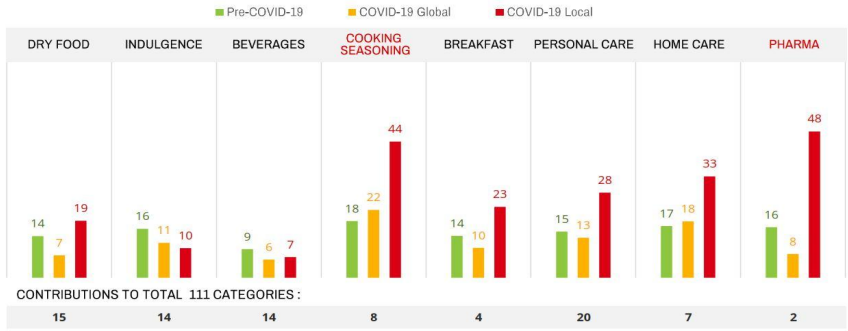
Source : POMONA Submission Data

HOME-COOKING GAINS POPULARITY

- As public are hesitant to go out and starting to reduce unnecessary spending, they tend to do home cooking and thus affects the increase of cooking supply categories.
- Cooking category also boosted as self-consumption means and the rise of micro entrepreneurs started selling products from home to earn extra income
- Moreover, consumers tend to be more aware of health issues as pharma sees growth after local Covid-19

GOOGLE TRENDS SHOWS THE INCREASE 'RECIPE' AND 'COOK' KEYWORDS

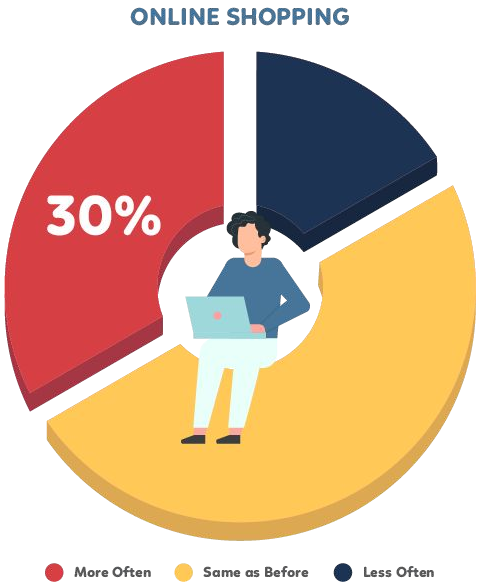




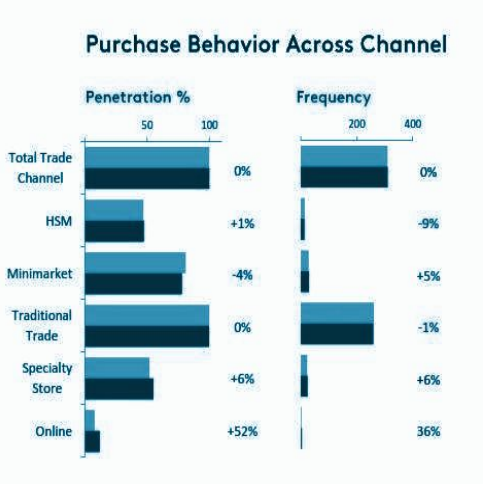
Source: ScanTrack | Value Growth vs YA
Growth at COVID-19 Local stage will be updated when available.

ONLINE COMMERCE ADOPTION GROWS EVEN FASTER

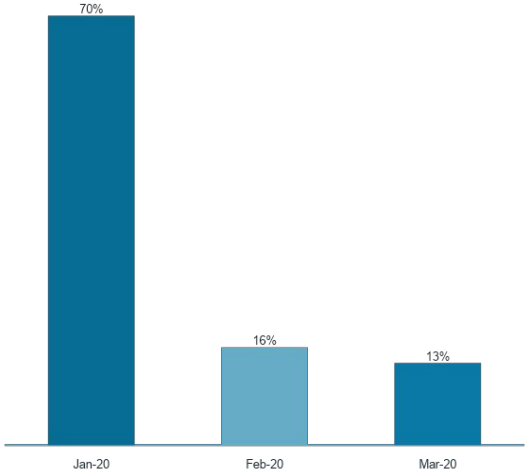
Commerce platforms gives freedom to compare the product and brand while also offers convenience for consumers



Source Nielsen Report – Race Against the Virus



Source – Kantar FMCG Monitor Q1 2020



AVERAGE SALES GROWTH	
FEBRUARY	-74%
MARCH	-31%

Source : POMONA Submission Data

Covid-19 itself sparked rapid exponential growth faster than initially predicted. Limited mobilization, social anxiety , and rise of micro-entrepreneurs selling products from home might drive consumers to shift online more than ever.

CONSUMER MOBILE CONSUMPTION AT AN ALL TIME HIGH

Brands need to address consumers through digital and TV, as people stay at home and gain most information from it

HOW DO CONSUMERS GET INFORMATION ON COVID-19?

NEWS **61%** Check the news multiple times per day

TOP 3 SOURCES OF UPDATES

80%	77%	56%
Social Media	News on TV	Online Search Engine

TV viewing among younger audience increased more than 20%

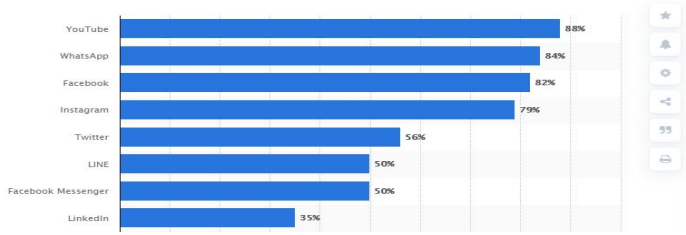
After the government announced the distance learning policy

Being in the headlines, consumers look for information about Covid-19 intensively.

Nielsen's data shows they mostly got the information from Social Media, TV, and Online Search Engine

Digital based media, such as TV, computer/laptop and smartphone plays a huge importance more than ever for brand to address consumers' demands or concerns.

SOCIAL MEDIA PENETRATION IN INDONESIA 2019



In the process, digital is growing at a breakneck speed and mostly through social media (example would be the recent emergence & growth of TikTok which were able to successfully penetrate the global market)

This phenomenon becomes the new landscape that plays an important role for a means of communication with consumers. It also offers a low-cost avenue for new emerging brands to utilize and exploit.

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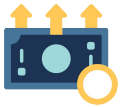
Section 3

OPPORTUNITIES TO ADAPT

PRE-COVID VS COVID SITUATION

PRE-COVID CONDITION



CONSUMERS SPENDING WERE RISING GRADUALLY IN SOME CATEGORIES
Market were passionate since some categories show an increase on demand

VARIOUS TRENDS WERE EMERGED AND GAIN POPULARITY ON THE MARKET
In 2019, we saw an upward trend of popularity amongst some such as Sharia, health-related, and sustainable products

ONLINE PLATFORM AND DIRECT TO CONSUMERS METHOD ARE BECOMING WIDELY ACCEPTED
Online purchase and transaction activities increased heavily in 2019 as technology infrastructure solidifies and thus increase consumers' confidence level

DURING COVID CONDITION

CONSUMERS SPENDINGS DECREASED
Uncertainty about the future and continuous lay-off phenomenon resulted in a decline of income, cautious spendings and the need to make side income to sustain

CONSUMERS SPENDING ARE MORE RESTRICTED TOWARDS CERTAIN PRODUCT
During Covid-19, health related product, packaged consumption, cooking product, and personal care becomes the primary category to thrive

HYPERGROWTH IN ONLINE PENETRATION, AND DTC BECOMES A NORMALITY
After Covid-1, online become the most viable way for consumers to get the goods safely and thus driving industry players to extend their reach into direct to consumers method which prioritizes convenience

CONSUMERS NEEDS AND PAIN POINTS ARE CHANGING

Hygiene become priority. Cautious spending behavior

CONSUMERS PAIN POINTS DURING NEW NORMAL

- Less digital-savvy consumers were left with no option to adapt
- Limited options of food & entertainment due to the government social distancing policy

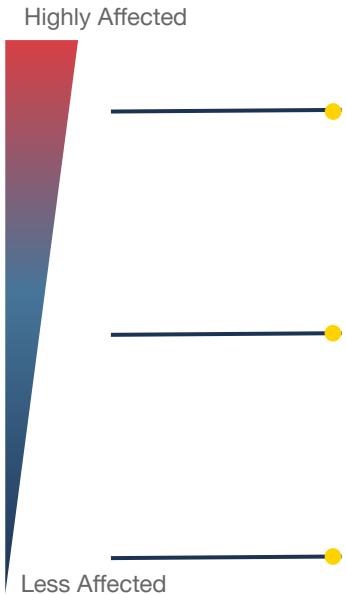
CONSUMERS NEEDS DURING NEW NORMAL

- Hygiene became the number one priority for any means of consumption
- Getting product timely with minimum mobility
- Earn extra income to sustain through the pandemic

Source – Kantar World Panel Indonesia

BUSINESSES ARE EVOLVING TO ADAPT WITH SITUATION

Brands need to address consumers through digital and TV as people stays at home



OUT OF HOME SERVICE (TRAVELIO, WAHYOO)

As the consumers shows hesitance to go out as enforced by large scale social restriction, it greatly impacts their respective line of businesses (travel & f&b)

HOW DO THEY ADAPT?

- Expand to a new vertical that thrives
- Answering consumers demand by providing hygiene & convenience

RETAILERS (MINIMARKET, SUPERMARKET)

Although they were least impacted, number show a decline as the government imposed restrictions limits retail visits occupancy

HOW DO THEY ADAPT?

- Adopts a new delivery model & put extra emphasis on hygiene
- Collaborate with logistic players to adapt to the new consumer demands

DIRECT TO CONSUMERS BRAND

Direct to consumer which placed less emphasis on retail truly thrives. Lemonilo expands its product match consumers demand towards cooking ingredients product

HOW DO THEY ADAPT?

- Offering affordable packaged parcel offers to suit consumers spending power
- Expand to new line of products suitable to the market demand

DELVE INTO CONSUMER'S ACTIVITIES – MEDIA CONSUMPTION

Digital advertisement provides a viable option for smaller brand to win the market & engage with consumers

FURTHER STRATEGY

GAMIFICATION AND TARGETED CONSUMERS

To further engage with consumers, some activities such as gamification could be generated

Such as Unique Code strategy placement on ads and upload it to brands' to get some discounted promotions

Be specific and over communicate on hygiene

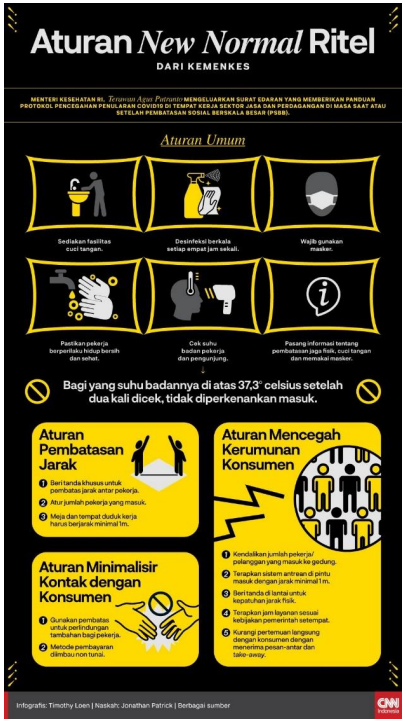
The advantage of digital is the ability to target different consumers we see fit. Communication could be adjusted to different consumers within the target segment, without losing its brand's DNA and still emphasize products' safety

FOCUSING ON DIGITAL

- As digital become more popular among consumers nowadays and is more accessible for smaller emerging brands, presence across omni-platform is key
- Social media presence (official account) is a must. Understanding trending platform such as TikTok and exploit the market

DELVE INTO CONSUMER'S ACTIVITIES – GROCERY SHOPPING

Groceries are amongst the primary needs during this pandemic and brands shall ride on the trend



Source – CNN Indonesia

TRANSFORMATION IN PACKAGING IS NEEDED

- Over communicate hygiene, such as using seals or properly packaged plastic bags
- Communicate heavily on availability across platform
- Consumers should get an access digitally, such as website, to navigate more detailed process and method, along with purchase option in-store (in-bulk product, package, or individually)

FURTHER STRATEGY
QR CODE TO NAVIGATE THE SITES

DIRECT ACCESS TO THE SITE, WHICH GIVES:

- Detailed process to buy the product online
- Informational short video about the safety processing of the product
- Offers more affordable packaged options to suit the market situation

DELVE INTO CONSUMER'S ACTIVITIES – MOBILITY

Collaboration with ride hailing or transportational services could unlock new opportunities of convenience

WHAT BOOST PEOPLE MOBILITY?

1. Work from office implemented back with shift system
2. Shopping mall opening their business
3. Public transportation

FURTHER STRATEGY
COLLABORATE WITH TRANSPORTATION SERVICE

Introduce brands and selling the product through taxi-like transportation

Offline by means is still a big market to truly explore, and thus combining mobility and convenience could be an interesting avenue to explore.

RIDE HAILING & PRIVATE TAXI SEEN AS A SAFER OPTION FOR COMMUTERS

ADJUST TO THE CURRENT DEMANDS & NEEDS OF CONSUMERS

Emerging trends such as cooking could be an avenue to exploit for brands

CONSUMERS ARE MORE COMFORTABLE COOKING, BRANDS NEED TO BE ADAPTIVE

Selling cooking ingredients by package alongside recipes could provide an extra advantage to win over consumers. Recipes could be an asset for brands to provide an extra touch for consumers who may want to be home-preneurs and resell food related products

EXPLORE OMNI-CHANNEL DISTRIBUTION APPROACH

Brands should utilize both online & offline distribution approach beyond traditional channels. Struggling Hotels, Restaurants, or Cafes are more than ever open for new revenue opportunity and thus brands could do cross-selling and be available in their respective online platforms such as Go-food/ Grab-food

CONSUMERS TURN TO HOME-PRENEURS TO SUSTAIN THROUGH THIS TOUGH PERIOD

Encourage consumers to market their cooking. Some steps could be taken

- Provide additional recipes when they purchase specific amount of product
- Provide them with an opportunity to re-sell product and get commission margin to help them be an ‘advocate’ of your business

SMALL BUSINESS COULD GROW BY TAPPING THE RIGHT MARKET

By distributing and promoting to the right channel, there lies a huge opportunity for Micro-businesses to thrive in

Pomona new service, Zeeus, has helped micro-brands to thrive amidst the pandemic.

MIX AND MATCH DISTRIBUTION
Data driven distribution to ensure the product will be delivered to suitable channel and minimize dead stock

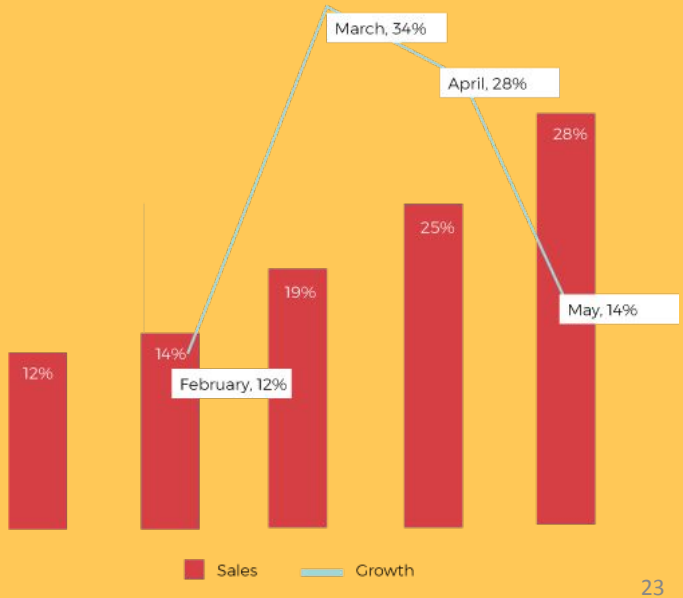
OMNI CHANNEL DISTRIBUTION
To distribute it across available channel both online and offline

BRAND LEVERAGE
Provides an opportunity for cross-marketing and packaging with other micro-brands

Zeeus also empower local / small store by help them getting high quality product and allowing partners to get free returns for non performing products and get it replaced by another alternative.

"PRESENCE, GUIDANCE AND ASSURANCE, COULD BE DONE BY INTERVENE CONSUMERS NEW BEHAVIOR THROUGH THEIR MEDIA CONSUMPTION, GROCERY SHOPPING, AND MOBILITY"

PERFORMANCE OF POMONA'S SISTER PLATFORM 2020



Section 4

APPENDIX

EXTERNAL DATA SOURCE

Nielsen's Shopping Trend Report 2019

Total Sample : 4,283 Grocery Shoppers
across 12 major cities in Indonesia

Nielsen Report – Race Against the Virus, TV Audience Measurement

Total Sample : 8000+, People Meter, daily
Across 11 major cities in Indonesia

Nielsen Report – Race Against the Virus, Consumer's Study

Total Sample : 502 Total Indonesia
with national gender representation

Kantar FMCQ Monitor – Q1 2020

Kantar Winning Omni-channel – 2020 Prediction

Indonesian Statistic Report no. 89/11/Th. XXII

KataData – Memotret Potensi Industri Halal Tanah Air

ScanTrack Indonesia Value Growth

THANK YOU

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