



Deeper Look into Indonesian Consumers

Leveraging Route-to-Market Approach
to Win the Market



APAC Consumer Market Continues to Grow

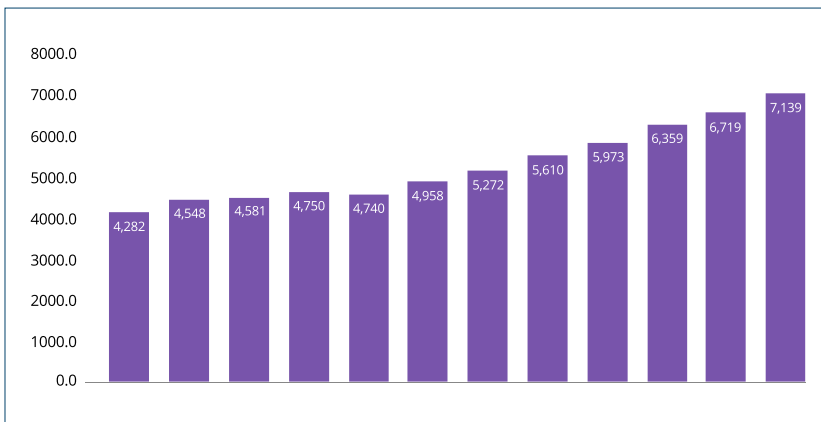
For Fast-Moving Consumer Goods (FMCG) companies, Asia is indisputably the fastest growing market. Accenture estimates that APAC will still see some USD 7,200 billion worth of retail growth by 2020ⁱ.

The APAC market splits into three different sub-markets – Mature markets, evolving markets and traditional marketsⁱⁱ.

The first is the mature markets like Australia, South Korea and Japan, with the modern channel being already dominant and online digital commerce getting mature. In this typical market, the digital is not replacing or working against the traditional market, but integrating more with the existing physical infrastructure.

The second is the evolving market. In this group internet penetration and the infrastructure are maturing, which will make the digital market hold a significant role. The growth of digital channels and online supply infrastructure is faster than that of the physical store in this country. China is the best example, where the lower-tier cities have significantly improved on their online businesses.

The third is the traditional markets, like Indonesia, India, and Vietnam. In this segment, the general traders are still the majority. But with the growing internet penetration and the more mature of digital infrastructure, Indonesia will be like Thailand and China in the future.



APAC Retail Growth (In USD Billion)
Source: Accenture Analysis

ⁱ ASEAN's Limited Time Offer: One Hundred Million New Consumers to Win and a \$770 billion Reasons to Move Now, Accenture Strategy, 2015

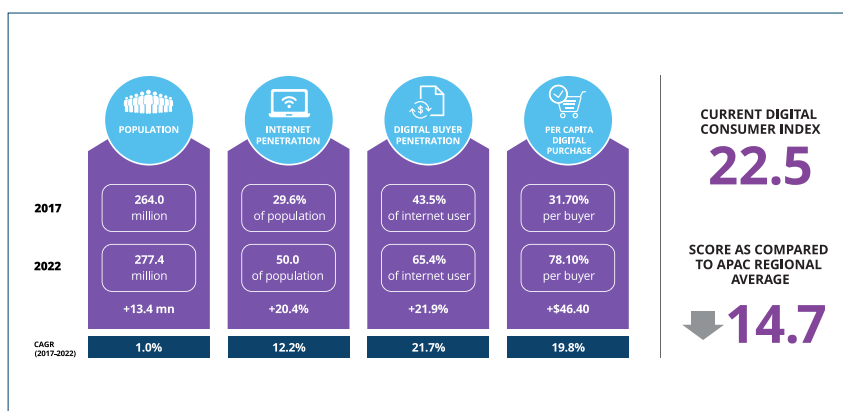
ⁱⁱ Stark, Edward, "Insight to Digital Commerce", Accenture Research, 2017

	COUNTRY	MODERN GROCERY RETAILER	TRADITIONAL GROCERY RETAILER
MATURE MARKET	JAPAN	80.9%	19.1%
	AUSTRALIA	76.3%	23.7%
	SOUTH KOREA	76.6%	23.4%
EVOLVING MARKETS	CHINA	67.3%	32.7%
	THAILAND	47.2%	52.8%
	TAIWAN	45.9%	54.1%
INDUSTRY AVERAGE	APAC	49.4%	50.6%
TRADITIONAL MARKETS	INDIA	2.2%	97.8%
	VIETNAM	5.1%	94.9%
	INDONESIA	17.7%	82.3%

Store Distribution based on Grocery Retail in 2017
Source: Accenture Analysis

Millennial Generation as a Main Driver for Indonesian Market Makeover

Indonesia has been defined as APAC’s digital laggard with low internet penetration on its 264 million population. But based on the forecast, the additional 13.4 million by 2022, the digital consumer index should rise rapidly. One majorly thing typical of millennial generation is putting time efficiency on top of the cost savings, whereby 72% of Indonesian consumers choose to purchase online rather than offline to save time rather than moneyⁱⁱⁱ.



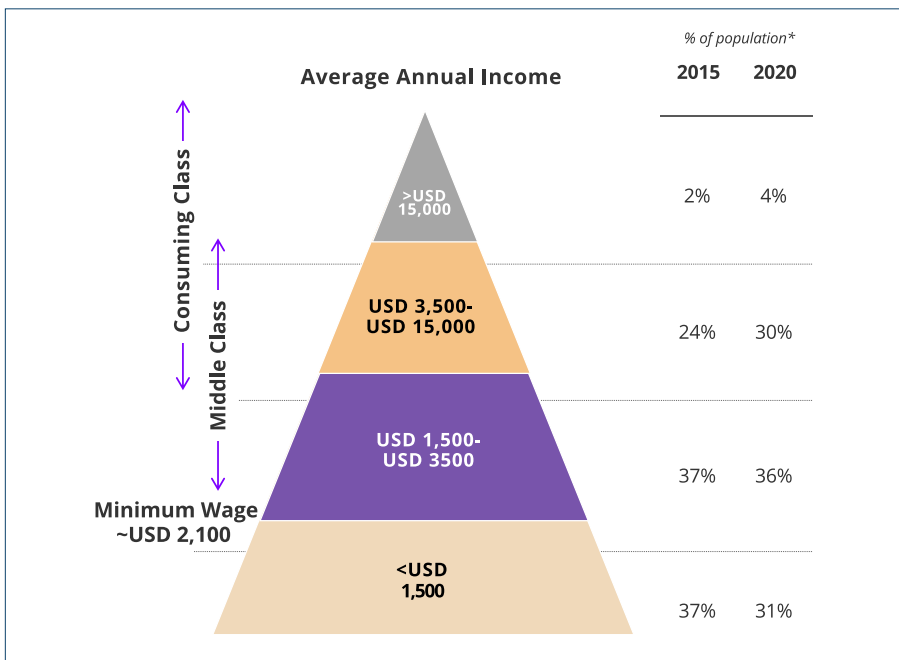
56 million new digital buyer opportunities in 2022 await the Indonesian Digital commerce market
Source: Accenture Analysis

ⁱⁱⁱ <https://www.slideshare.net/sinichi33/indonesian-online-shopping-consumer-behavior>

Indonesian Consuming Class

Indonesia today is one of the world's most dynamic and fastest growing markets for FMCG. Accenture estimates that the country's consumer goods and services market is projected to grow by 40% in 2020 to reach 69 million people, which also grow from \$1.3 billion in 2015 to US\$ 7.9 billion by 2020, a six-fold increase^{iv}.

These figures take account of the country's large 260-million plus population, rapid urbanization, and rising income per capita. Despite inflationary and trade pressures, currency pressures and macro-political volatility, the fundamentals remain solid, as reflected by its stable growth over the last few years in the region of five percent, above that of most other countries.



Indonesia's Consuming Class
Source: Accenture Analysis

iv Gupta, Sonia, "Route-to-Market Strategy – The Key to Delivering the Indonesian Growth Agenda", Accenture, 2015

Route-To-Market^v

“The gap between sensing and shaping demand is great, but the benefits of bridging that gap are even greater.”

“It used to be that big eats small. But now it’s a world where fast eats slow. What’s important is that we **get to the future first.**”

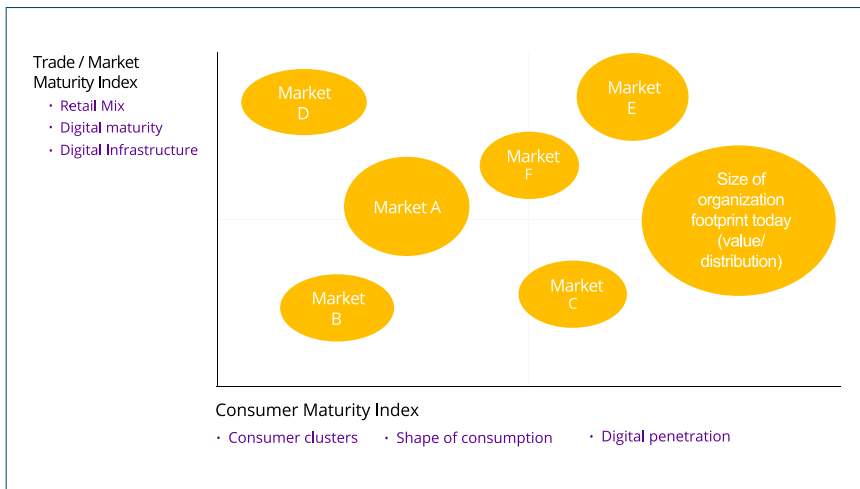
Based on the market potential in APAC and specifically Indonesia, it’s very important to have the understanding about *who buy what, by when, in where, and how*, because the winners in this new world will be companies that have an RTM strategy that’s fit for purpose in this changing landscape. Route-to-Market is basically the knowledge to understand the behavior of the certain typical buyer towards certain typical store types.

The five key questions on Route-to-Market (RTM) analysis are:

1. Who are the consumers: How best do we reach and engage this new consumer/shopper in store?
2. Where are they: How do we ensure that we have the right products, where they are when they need it, while balancing revenue growth and cost to serve?
3. What will they buy?
 - a. What should we sell them that’s in line with their preference?
 - b. What should we sell them that will optimize our margin mix?
4. Where will they buy: What should our ‘Channel mix/options’ be by category and consumer cluster given revenue potential and cost to serve? What should RTM mix be to deliver what they need when they need it?
5. How will they buy: How do we deliver an omni-channel experience that’s reflective of consumer’s path to purchase?

To start doing the RTM analysis, the very first thing to do is categorizing or clustering the typical traders and consumers. So, within a market, there is a need to identify the archetypes and the needs that are to be catered to. Then the next action is about the mapping of each type of consumers with the type of the trader itself.

v Ibid



Illustrative of Market & Consumer Identification

As such, Indonesia poses both challenges and opportunities for retailers. One on hand, well-positioned retailers can expect to tap rapid growth. On the other hand, retailers must also contend with problems of infrastructure and distribution exacerbated by the country’s island geography. The emergence of digital commerce as a purchasing channel, though still representing only a small portion of purchases, has further complicated the already fragmented landscape. In this dynamic market, proper positioning will determine FMCG companies’ competitive success for years to come.

In 2017, to better understand the Indonesian consumer shopping patterns, Snapcart provided data and analysis for Accenture to carry out a consumer research study in Indonesia on shopper behavior and preferences covering more than 8 million consumer transactions at more than 6,500 modern trade outlets across the nation^{vi}.

Snapcart’s innovative methodology, which uses shopping receipts uploaded by users to the Snapcart app, captures individual consumer transactions including purchase time and basket composition. This method allows offline consumer purchasing behavior to be recorded and analyzed with unprecedented granularity. Besides collecting data from receipts, Snapcart also carries out targeted in-app surveys to better understand consumers’ motives.

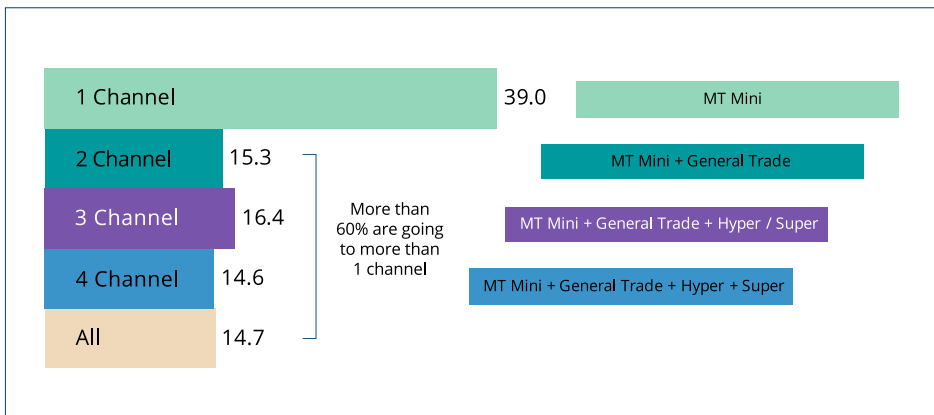
vi A complete breakdown of the data respondents and scope is appended to this paper.

Will Online Shopping Replace Offline Shopping?

The rise of digital technology has created pressing questions for the future of retailing. Will online shopping eventually replace offline shopping? Will brick and mortar stores be eventually replaced by clicks? What is the price perception for each shopping channel? To uncover and understand this more, Snapcart delved into this question by setting up a survey and interviewed more than 3,700 respondents in Indonesia during the month of April 2017.

- **Indonesian shoppers use multiple channels to source their needs**

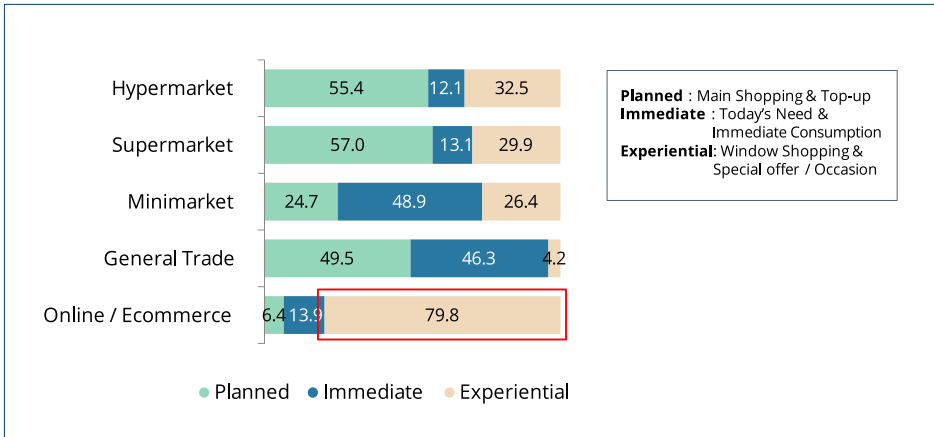
In terms of offline channels, the Snapcart survey suggests that Indonesian shoppers continue to be multi-channel buyers when it comes to sourcing their grocery needs, utilizing a combination of Minimarts, Hypermarkets/Supermarkets, and General Trade. No one purchasing channel dominates the landscape, with more than 50 percent of respondents using more than one channel.



Channel Duplication
Source: Snapcart Survey

- **Shoppers go to different channels for different purposes**

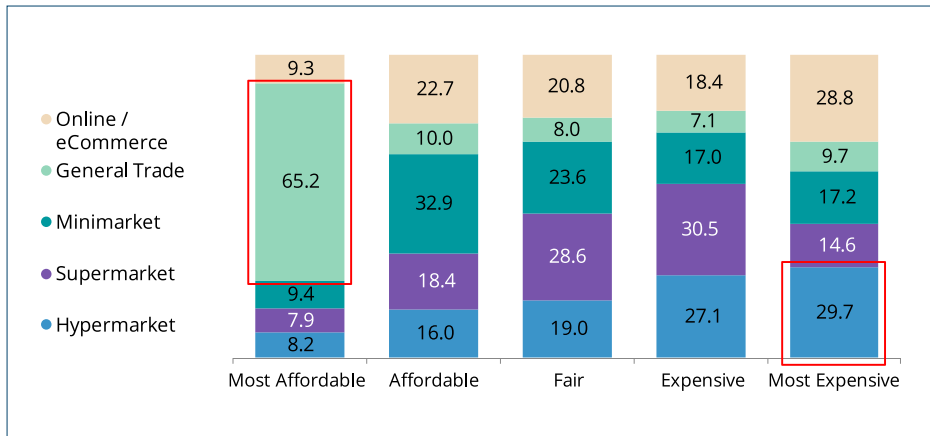
The Snapcart data shows that Indonesian consumers prefer to shop at Hypermarkets and Supermarkets for planned purchases like their grocery needs, but prefer to shop at Minimarkets for their immediate needs. But the vast majority of online grocery purchases comprise experiential purchases, where consumers are attracted by the variety and promotions on offer.



Purchase Purpose
Source: Snapcart Survey

- **General Trade is perceived as the most affordable channel**

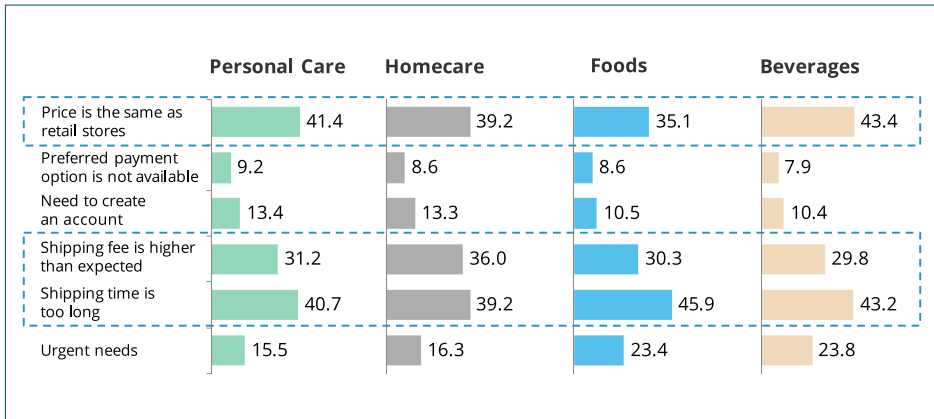
General Trade is widely perceived as the most affordable channel by a wide margin, with 65.2 percent of Snapcart's respondents viewing General Trade as having the most affordable prices. At the end of the spectrum, consumers ranked Hypermarkets as the most expensive channel while online purchases as the second most expensive.



Price Perception
Source: Snapcart Survey

- Other barriers to going online: time, practicality and cost

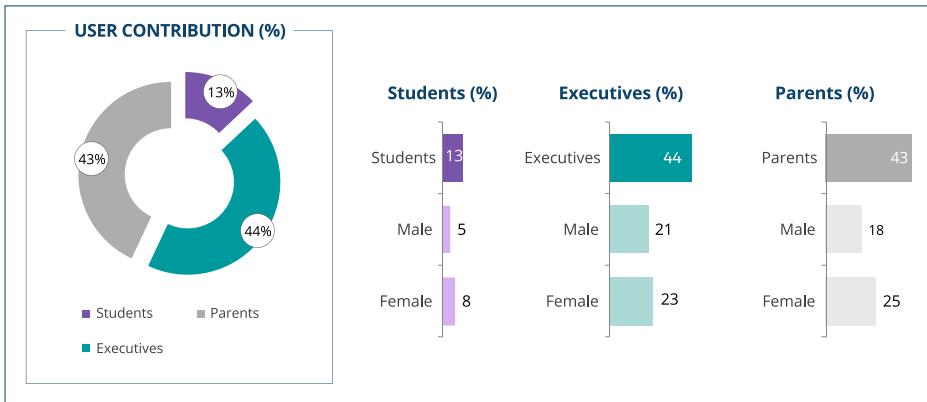
Online purchases of FMCG goods in Indonesia are moreover hampered by a number of barriers such as price indifference, issues with preferred payment options, the need to create accounts, shipping fees and shipping time. These constraints appear to have similar importance across all product categories. Shoppers appear reluctant to pay additional shipping fees in exchange for the convenience of online shopping.



Source: Snapcart Survey

Do Different Shopper Groups Have Different Shopping Behavior?

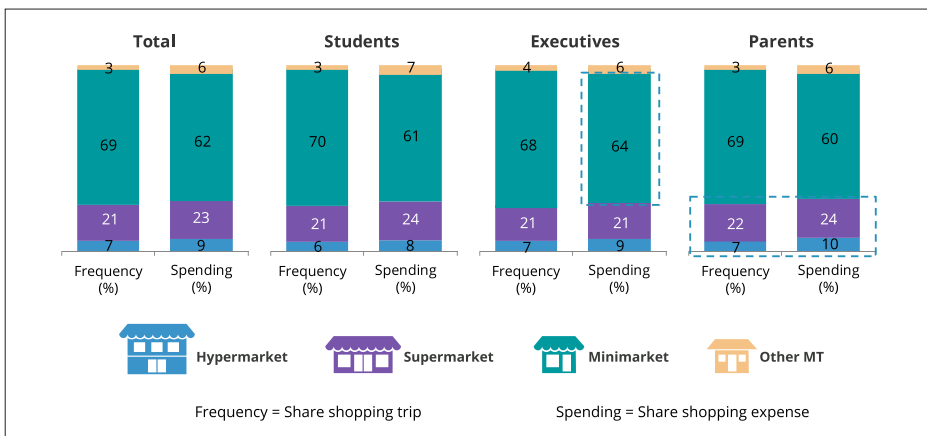
We divided our panel into 3 shopper groups, which are Students, Executives and Parents. Of these, the Parent and Executive shoppers are currently the two biggest buyer groups.



Source: Snapcart Panel Data 2017

- Frequency and spending are concentrated in Minimarkets

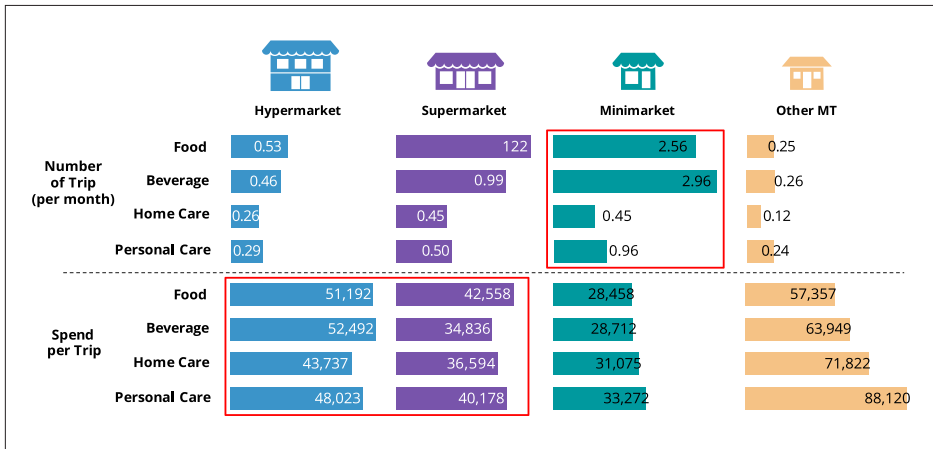
The Snapcart panel data showed that all consumer groups exhibited concentrated frequency and spending at Minimarkets. Executives had the highest loyalty to Minimarkets, whereas the Parent group was the most loyal to Hypermarkets and Supermarkets. Parents also visited Minimarkets, but spent less there compared to Executives.



Source: Snapcart Panel Data 2017

- Different formats have different advantages

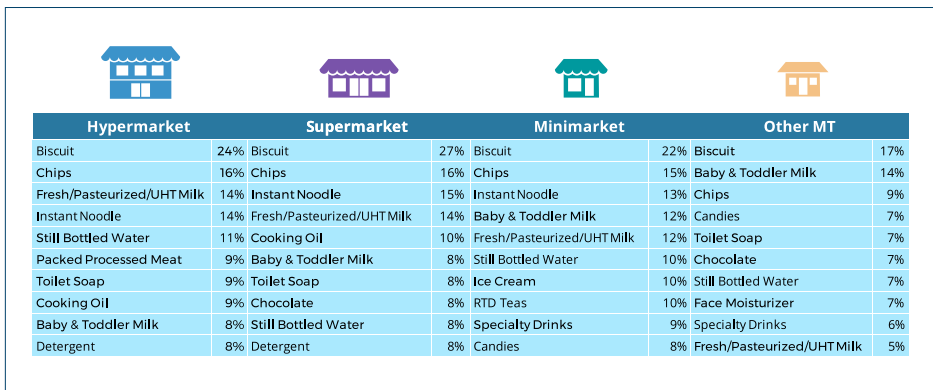
Looking at shopper behavior by format, let us take a deeper look into four main categories which are: Food, Beverage, Home Care and Personal Care. Shoppers spend the most at Hypermarkets ahead of Supermarkets, suggesting that bulk purchases still take place at Hypermarkets and Supermarkets. In terms of frequency of trips, however, Minimarkets are the format that attracts the most traffic.



Source: Snapcart Panel Data 2017

- Different shopper groups respond to different traffic drivers





Different shopper groups prioritize different products. Apart from impulse products (Biscuit, Chips, Still Bottled Water) and Instant Noodles, Dairy Beverages – Fresh / UHT Milk as well as Baby & Toddler Milk – are also important traffic drivers for this buyer group.



Purchase Frequency by Categories (%) - Parents

Source: Snapcart Panel Data 2017

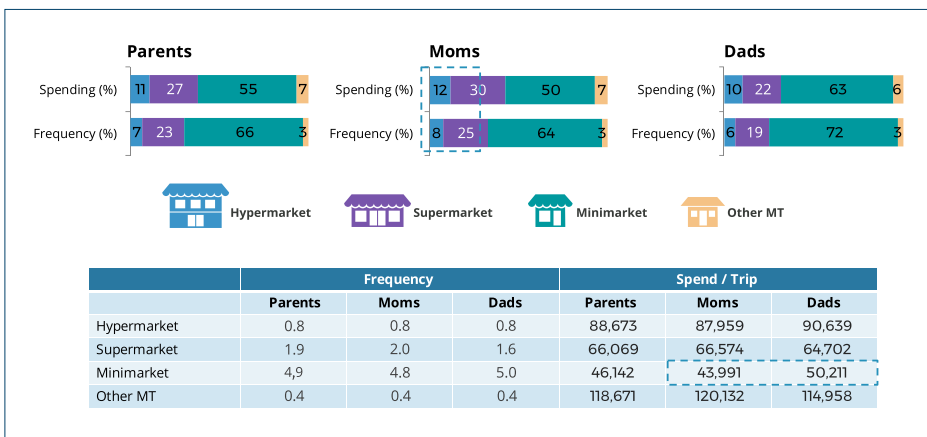
Executives mostly purchased Snacks (Biscuits and Chips) and RTD drinks, similar though not identical to Students.

							
	Hypermarket	Supermarket	Minimarket	Other MT			
Biscuit	22%	Biscuit	25%	Biscuit	22%	Biscuit	17%
Chips	16%	Chips	16%	Chips	17%	Chips	11%
Instant Noodle	14%	Instant Noodle	15%	Instant Noodle	13%	Still Bottled Water	11%
Still Bottled Water	12%	Fresh/Pasteurized/UHT Milk	12%	Still Bottled Water	13%	Face Moisturizer	10%
Fresh/Pasteurized/UHT Milk	12%	Still Bottled Water	10%	Fresh/Pasteurized/UHT Milk	12%	Toilet Soap	9%
Toilet Soap	10%	Toilet Soap	9%	RTD Teas	11%	Candies	7%
Shampoo	8%	Cooking Oil	8%	Specialty Drinks	10%	Face Cleanser	7%
Sanitary Napkins	7%	Chocolate	7%	Ice Cream	9%	Specialty Drinks	7%
Detergent	7%	Candies	7%	Coffee	8%	Sanitary Napkins	7%
Packed Processed Meat	7%	Specialty Drinks	7%	Candies	7%	Chocolate	6%

Purchase Frequency by Categories (%) - Executives
Source: Snapcart Panel Data 2017

- Basket sizes are correlated to gender and purchase channels

Within the Parent group, Moms appear to be the Purchase Decision Makers (PDM) with high spending in Hypermarkets and Supermarkets, meaning that loyalty to Hypermarkets and Supermarkets is driven by Moms, while Dads lean more towards Minimarkets.



Source: Snapcart Panel Data 2017

Conclusion

Indonesia today is one of the world's most dynamic and fastest growing markets for FMCG. The Indonesian shopper landscape is very segmented and nuanced, with different drivers and preferences for each group. Companies need to urgently keep abreast of the rapidly changing landscape. Aligned with Route-to-Market approach, companies need to identify their target: *who buy what, by when, in where, and how*. Whereas traditionally companies could rely on 'spray and pray' marketing, to stay relevant in an increasingly competitive market and optimize marketing spend, companies have to know who their target shoppers are.

In doing so, FMCG companies will find that real-time data market research and analytics tools such as Snapcart's Consumer Analytics and Retail Tracking (CART) and Offline Purchase Tracking and Insights (OPTI) offerings can provide invaluable analysis of channel growth opportunities, brand growth analysis, and quantify media spend, towards securing a share of Indonesia's fast-growing consuming class.

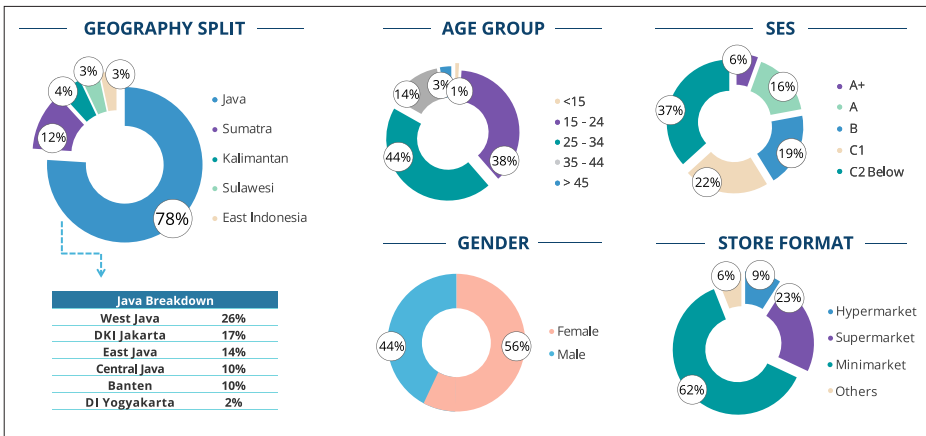
Methodology and Respondent Profile

Data was compiled from Snapcart’s panel data and survey.

Survey: Interviewed more than 3,700 users in Indonesia during the month of April 2017.

Panel data: Shopping receipt data was compiled by the Snapcart app from January to December 2017, capturing transactions at more than 6,500 modern trade outlets comprising Hypermarkets, Supermarkets, Minimarkets, Convenience stores, Modern Health and Beauty stores and other Modern Trade independent stores across the nation, including Maluku and Papua.

The receipts were obtained by incentivizing users to upload their shopping purchase receipts to the Snapcart app, in return for cashback rewards. Subsequently, the data is then scanned using Artificial Intelligence-based OCR and translated into real-time dashboard. This method is superior to time and cost-consuming manual data collection through surveys or interviewing retailers about their customers’ buying behavior.



Panel Demographic Profile

About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world’s largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 435,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives.

Visit us at www.accenture.com.

About Snapcart

Snapcart provides real-time offline shopper and consumer insights for brands. Through its receipt-scanning cashback mobile application, Snapcart collects billions of data points at an individual shopper level, an unprecedented level of data granularity in the market research industry. This brings brands much closer to a holistic understanding of shoppers than ever before. Snapcart can identify optimal promotion level to maximize revenue, help evaluate media spend effectiveness, deep dive into purchasing habits, and many more. It is recognized globally and hailed as the top 22 most disruptive companies in the world by Disrupt 100. Snapcart has partnered up with over 75 brands of fast-moving consumer goods companies.

For more information, visit www.snapcart.global.

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