

2. INDONESIAN CONSUMERS

Overview

- Indonesia has a young and increasing population. Half of the population is under 25 and 30% are under 14. Purchasing power has recovered in recent years as solid economic growth has been restored.
- The country is urbanising rapidly, which is leading to mixing and melding of many traditions. It is also exposing consumers to international tastes and trends.
- In 2003, households with average monthly spending over Rp1 250 000 (approx. A\$200/month) accounted for 12% of households nationally and 26% of households in Jakarta.
- At lower incomes, typical diets include rice with some modest garnishing and vegetables. Moderately higher incomes permit a more varied diet with a significantly higher share of spending on fish, meat, eggs, dairy and fruit. Spending on prepared foods rises rapidly with income.
- Urban Indonesians have traditionally eaten out a lot. Their spending on convenience foods is also rising strongly.
- Almost 90% of Indonesians are Muslim. Most observe Islamic dietary laws.
- Although the Indonesian economy is recovering and growing steadily, the Asian economic crisis has left consumers with a stronger focus on value for money.
- Looking to the future, and assuming moderate economic growth, per capita consumption of temperate fruit, poultry, beef, other meat, baked products and dairy goods will grow most rapidly. Consumption of cereals will grow slowly, except for wheat (and flour-based products).
- Packaged goods likely to enjoy strong growth include baby food and confectionery. Sales of frozen and chilled foods as well as ready to eat meals will also grow, although off a low base.

Basic indicators

Indonesia is multi-ethnic with many languages and cultures, wide regional differences and fast-changing political and economic circumstances. However, modernisation is bringing the lifestyles of Indonesian urban consumers across the country closer together.

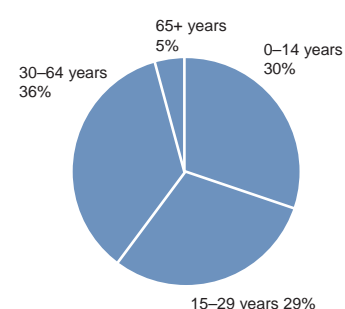
Internationalisation is also creating some similarities between consumption patterns in Indonesia and countries like Australia, although many big differences remain. Indonesia's diversity means that its people's eating habits defy any neat categorisation except in such obvious respects as the fact that Muslims generally adhere strictly to *halal* food rules.

While tradition exists and is important in Indonesia, its society is mobile both vertically and laterally. People move around the country and up and down the social ladder. Jakarta, the biggest single market, has people from every ethnic group in Indonesia. In this sense it is a good market to learn in.

Age

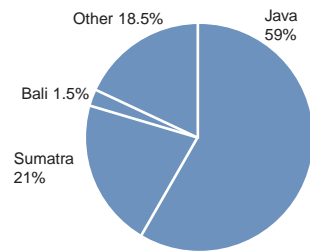
Indonesia's population is young – half the population is below the age of 25 and 30% under the age of 14. Only 5% are aged 65 years and over.

Figure 2.1
INDONESIA: AGE DISTRIBUTION



Source: Biro Pusat Statistik, 2000
Population Census, Statistics Indonesia,
Jakarta, 2000.

Figure 2.2
INDONESIA: POPULATION DISTRIBUTION



Source: : Biro Pusat Statistik, 2000
Population Census.

► **Chapter 4 comments on the spatial distribution of the food market.**

Distribution of population

Indonesia is an archipelago with a total of 17 000 islands, of which 6 000 are inhabited. One island, Java, has 59% of Indonesia's population and a further 21% live on Sumatra. Bali accounts for just 1.5% of the total population (Figure 2.2).

Just as Java accounts for the lion's share of Indonesia's population, so too it accounts for the bulk of economic activity.

Urbanisation

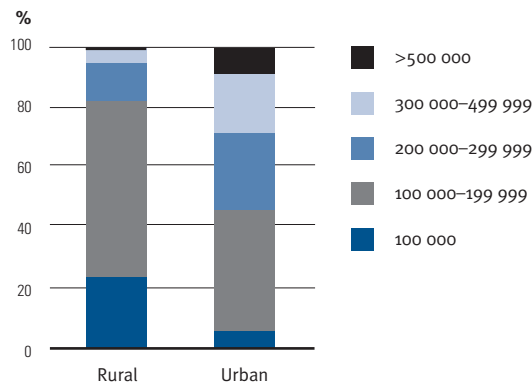
Urbanisation is a key factor in any assessment of food consumption trends. Over 11 million people live in Jakarta, 3 million live in Surabaya, and a further 3 million live on the island of Bali. Across the archipelago there are at least another six cities with populations over one million.

Indonesia's cities continue to swell as people move to urban centres to work and live. By 2010, the Indonesian urban population is expected to reach 51% of the total population, exceeding the rural population for the first time. ¹

Consumer segmentation

Household expenditure statistics are compiled and published by the Indonesia Central Bureau of Statistics annually. Figure 2.3, based on this official data, summarises the distribution of the Indonesian population by monthly per capita expenditure, for both rural and urban dwellers.

Figure 2.3 **MONTHLY PER CAPITA EXPENDITURE (Rp/MONTH)**



Source: Biro Pusat Statistik, *Expenditure for Consumption of Indonesia*.

In rural areas, 80% of the population has monthly per capita spending of less than Rp200 000 (approx. A\$40/month) whereas the majority of urban residents have a higher average expenditure.

About 27% of Indonesia's 90 million strong urban population spends over Rp300 000 (approx. A\$60) per month.

Aburizal – from Sumatra to Jakarta

Aburizal is a taxi driver with the leading taxi group in Jakarta. He apologises for not speaking English but is well informed about local affairs and not afraid to express his views. He worries that the government is not doing enough for the poorer people. He is originally from Sumatra, where he grew up in quite a small town, but now lives with his wife and family in Bekasi, a satellite city of Jakarta.

They have four children, two boys and two girls aged from two to thirteen. Education is a big cost for the family at around A\$25 per month for each child. His family prefers to shop at the supermarket because the quality of the branded goods is reliable and the price is fixed – no need to bargain. 'When you have to bargain you have to be clever and know about the commodities you are bidding for', he says. 'It is easy to be tricked by sly traders'. He likes the cleanliness and the air conditioning, too. He is a Muslim.

Source: INSTATE interviews, October 2003.

¹ Department of Foreign Affairs and Trade, *Subsistence to Supermarket II: Agrifood Globalisation and Asia Volume III: Asia's Agrifood Demand Trends and Outlook to 2010*, Department of Foreign Affairs and Trade, Canberra, 2004, p. 33.

Urbanisation and the rise in income associated with this transition is leading to lifestyle changes that are influencing consumer purchases and food and entertainment choices.

Households are shrinking due to the smaller number of children per family as well as the trend away from extended families. Today, meals in urban families are more likely to include just parents and children rather than a larger extended family. Single and married women are working more, leaving less time for shopping and cooking. This drives convenience shopping and eating.

Jabotabek: Greater Jakarta

Jabotabek refers to the cluster of cities centred on Jakarta that also includes Bogor, Tangerang and Bekasi, and has a total population of over 17 million.

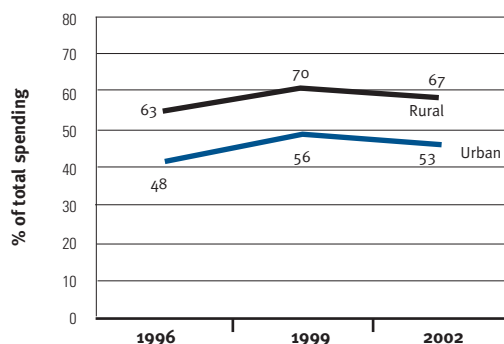
Jakarta is home to Indonesia's most affluent consumers and is a city of managers and professionals of every kind. In modern Jakarta two-career families are common and so time is the scarcest commodity, with long commuting distances in dense traffic. As a result, convenience is a big factor in the Jakarta life-style. Eating out and take-away is catered for at every level, from the simplest roadside stall or warung to high-class restaurants and five star hotels.

The Indonesian Food and Beverage Industry Association (GAPMMI) estimates income per capita in Jabotabek at around US\$3 500. This would make the area roughly equivalent to Malaysia in retail spending power.

Urban – rural differences

Food expenditure as a percentage of total consumer spending rose during the Asian economic crisis as disposable incomes contracted. In 1999 urban residents spent an estimated 56% of their total disposable income on food while spending by rural residents on food rose to 70%. But this has subsequently moved back towards the pre-crisis pattern (Figure 2.4).

Figure 2.4 CONSUMER SPENDING ON FOOD: URBAN RURAL DIFFERENCES



Source: Biro Pusat Statistik, *Expenditure for Consumption of Indonesia 2002*, Statistics Indonesia, Jakarta, 2002.

The difference between urban and rural expenditure spending on food reflects higher urban incomes. This is a common phenomenon in developing countries.

Religion

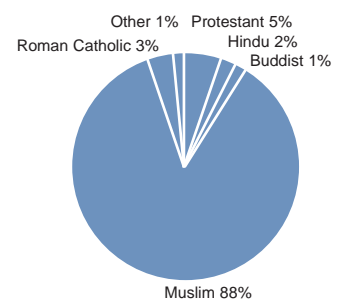
Almost 90% of the Indonesian population is of Muslim faith but there are significant numbers of believers in other faiths. Indonesians of Islamic faith generally adhere to accepted Islamic dietary restrictions.

Ahmed and Tuti – devout Muslims living comfortably

Ahmed is a teacher living and working in a university in East Java. He has a degree from a leading Indonesian university. His wife, Tuti, is also tertiary educated and they have their first child. They shop at the traditional or wet market where they buy mainly fresh produce and rice. They do not use the supermarkets or mini markets which are available in their city but seem too expensive given their salaries. The couple has a small car but otherwise live frugally. Mohammed is aware of the opportunities in the private sector for well-qualified people like himself but prefers academic life although the salary is less.

Source: INSTATE interviews October 2003.

Figure 2.5 INDONESIA: RELIGIOUS BELIEFS



Source: CIA World Factbook.

► Chapter 5 explains halal certification.

Indonesians of Hindu belief do not follow a central set of dietary rules, but devout Hindus are lacto-vegetarian. That is, they consume no red meat, especially not pork or beef, and only consume milk-related livestock products, such as milk, curd, cheese and yoghurt. Some Indonesian Hindus do eat poultry and fish.²

The peak business periods for the food industry are during the religious holiday periods when consumer spending increases, driving up demand for basics such as flour, sugar, eggs, fresh and dried fruits, poultry and meat, and luxury and snack items such as cheese, cakes, cookies and pastries. The most important holiday periods are:

- *Ramadan* – the month-long Muslim fasting period in which, surprisingly, food consumption goes up significantly
- *Lebaran* (also known as *Idul Fitri*) – the celebration of the end of Ramadan
- Chinese New Year.

Stores also take advantage of the Christmas season and decorate and promote festive foods such as special fruits, sweets and pastries. Western celebrations, such as Valentine's Day, have also become trendy among upper-level restaurants in Indonesia.³

Ramadan 2003

In October 2003 Jakarta retail outlets were bulging with stock in preparation for the fasting period or Lebaran. During this period Indonesian Muslim families rise at 3 am and have breakfast then say the first prayers of the day (devout Muslims recite set prayers five times each day) then go to work in the normal way. They do not eat again until after 6 pm when it is officially after sundown. During Ramadan, evening meals are often social affairs when family, friends and neighbours may be invited to join in. Also, gift hampers are presented. These practices increase considerably the demand for food products during Ramadan and especially for the feast at Idul Fitri, which marks the end of the fast. Retail stores increase their stock by around 20–30% in preparation for this period and alleged over-charging through price rises during this period is a perennial political issue.

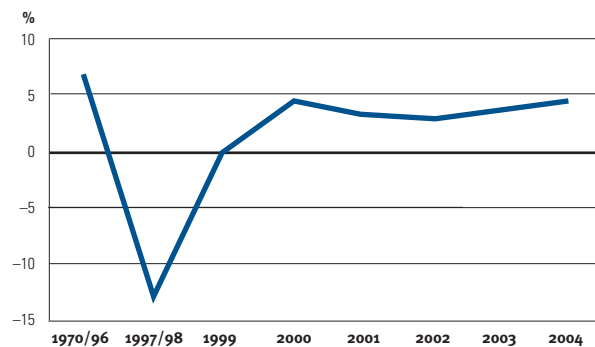
Source: INSTATE interviews October 2003.

GDP growth

From 1970 to 1996, Indonesia's Gross Domestic Product (GDP) increased at an average rate of 7% per annum, resulting in a tenfold increase in per capita GDP during this period.

Beginning in late 1997 however, Indonesia experienced a dramatic collapse in its economy, culminating in a GDP contraction of over 13% in 1998.

Figure 2.6 **INDONESIA: GDP GROWTH, 1970–2003**



Sources: Asian Development Bank, *Indonesia's Economic Growth to Slow Down Slightly in 2002*, Asian Development Bank, Manila, 2002, viewed 20 September 2003, <<http://www.adb.org/Documents/News/2002/nr2002043.asp>>; Consensus Economics, London, 2003, viewed 19 August 2003, <<http://www.consensusconomics.com/>>.

GDP growth has recovered to an estimated 3.9% in 2003 and is forecast to reach 4.5% in 2004.⁴ Per capita GDP in 2003 was US\$3460 (calculated on a purchasing power parity basis).⁵

² Department of Foreign Affairs and Trade, *Subsistence to Supermarket II: Agrifood Globalisation and Asia Volume III: Asian Agrifood Demand Trends and Outlook to 2010*, Table 1.12.

³ United States Department of Agriculture Foreign Agricultural Service, *Indonesia Exporter Guide Annual 2002*, Global Agriculture Information Network Report #ID2027, Jakarta ATO, 2002, p. 2.

⁴ International Monetary Fund, *Indonesia: Eleventh Review Under the Extended Arrangement – Staff Report; and Press Release on the Executive Board Discussion*.

⁵ International Monetary Fund, Washington, 2003, viewed 20 August 2003, <<http://www.imf.org/>>.

AC Nielsen conducts its own proprietary research on household expenditure in Indonesia's main cities and produces figures based on the following categories, which retailers refer to when discussing the segmentation of their customers. *

For 2003/2004 Nielsen Media Research classifies monthly household expenditure as set out in Table 2.1.

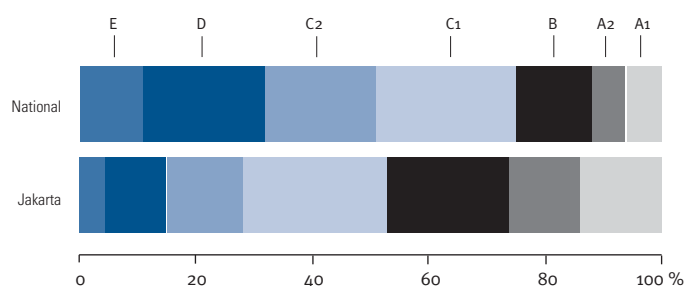
Table 2.1 **Demographic segments**

Segment	Monthly household expenditure
A1	Rp2 250 001 above
A2	Rp1 750 001 – Rp2 250 000
B	Rp1 250 001 – Rp1 750 000
C1	Rp800 001 – Rp1 250 000
C2	Rp600 001 – Rp800 000
D	Rp400 001 – Rp600 000
E	Rp400 000 below

Source: AC Nielsen, *AC Nielsen SES Data*, 2003.

Jakarta, as the most affluent city, has the largest concentration of higher income demographic segments (Figure 2.7).

Figure 2.7 **DEMOGRAPHIC DISTRIBUTION: AC NIELSEN DATA (Rp/MONTH)**



Source: AC Nielsen 2003, correspondence with P Dawson.

More detailed data on the distribution of households among the Nielsen demographic segments is set out in Table 2.2.

Table 2.2 **Indonesia: size and distribution of demographic segments (% total in city)**

	A1	A2	B	C1	C2	D	E
Jakarta	14	12	21	25	13	11	4
All Java	6	6	13	23	19	21	12
Jakarta Bandung Surabaya Medan	12	10	19	28	15	12	4
National	6	6	13	24	19	21	11

Source: AC Nielsen 2003.

Modern retailers typically target the groups from A1 to C2:

- In the case of Jakarta, they are targeting 85% of households.
- For the four main cities of Jakarta, Bandung, Surabaya and Medan they are targeting 84% of the population.
- While the more affluent A1 and A2 consumers represent only 12% of the population nationally, for the 4 main cities outside Jakarta, the proportion is 22%.
- Jakarta alone has around 2.2 million A1 and A2 consumers.

* The Nielsen data is based on households and thus not strictly comparable to the BPS data used in Figure 2.6.

Halimah – a commuting professional in Jakarta

Halimah is a young graduate, still single. She commutes each day from one of Jakarta's satellite towns to Jakarta to work each day in a commercial research organisation. It takes two hours in the morning to get to work and three hours in the evening to get home. 'The buses are really crowded,' she says, 'so sometimes you have to stand up all the way.'

She shops at the nearest supermarket, Hero, in her home town. Halimah says: 'I just don't have the time to shop around'. She likes the cleanliness, too. Halimah is a Muslim so she checks packages to see what the ingredients are and to see if the product is certified halal. She says her Muslim friends do the same. Halimah's mother still does most of her shopping at the wet markets where she can get things more cheaply.

Halimah and her family are in the B demographic.

Source: INSTATE interview, October 2003.

What Indonesians eat

Differences among income groups

Table 2.3 sets out data on food spending for a range of different income and spending groups.

Key points to note include:

- At lower incomes typical diets include rice with some modest garnishing and vegetables.
- Moderately higher incomes permit a more varied diet with a significantly higher share of spending on fish, meat, eggs, dairy and fruit.

Table 2.3 Average per capita monthly expenditure by commodity group, 2002 (Rp)

Commodity Group	Expenditure Class					
	80 000– 99 999	100 000– 149 999	150 000– 199 999	200 000– 299 999	300 000– 499 999	>500 000
cereals	22 334	22 770	23 750	24 215	24 287	22 851
tubers	620	762	978	1 323	1 775	2 258
fish	4 061	6 744	9 708	12 910	17 289	23 253
meat	1 004	2 456	4 919	8 651	15 050	26 165
eggs and milk	2 275	4 154	6 147	9 807	14 880	24 887
vegetables	6 221	7 441	9 262	11 468	14 174	17 315
legumes	3 332	3 986	4 430	4 915	5 776	6 269
fruits	1 623	2 886	4 598	7 176	12 229	22 782
oil and fats	2 913	3 547	4 356	5 179	6 236	7 561
beverages	3 230	4 167	5 119	6 195	7 568	10 087
spices	1 777	2 361	3 038	3 771	4 901	6 148
other food items	1 108	1 866	2 622	3 941	5 771	8 443
prepared food and beverages	7 099	12 156	18 023	27 460	46 792	89 187
alcoholic beverages	23	37	108	133	206	702
tobacco and betel	5 447	9 022	13 052	16 623	21 103	25 643
Total av. food spending (Rp / month)	63 067	84 355	110 110	143 767	198 037	293 551

Source: Biro Pusat Statistik, *Expenditure for Consumption of Indonesia*.

- Spending on prepared foods rises steadily with income: the top income group spends 12 times as much as the bottom income group in money terms and three times as much in terms of the share of food spending.
- Cereals, including wheat, corn flour and rice, remain the staple for all groups and spending on these staples in money terms is quite steady at all income levels.

Table 2.4 below presents the percentage shares of spending on various commodity groups for each income group.

The Tanujaja family – affluent but careful

Iwan Tanujaja and his wife, Dewi, operate a furniture manufacturing and export business based in a satellite town of Jakarta. They have two daughters. Iwan's father is Javanese and a Muslim so Iwan is a Muslim too and Dewi has converted to Islam although her parents are Chinese Indonesians, as is Iwan's mother. They observe the main Muslim practices including the fast of Ramadan.

Dewi mainly shops at Matahari and Makro. Makro prices are good, possibly cheaper than Hero and both stores are close to her house. They eat Chinese and Indonesian dishes with more chicken than beef or lamb. She buys some imported meat when that is the best kind for the recipe – also sometimes, imported fruit. They are in the A1 demographic but they live simply outside the main city. 'It is important for our girls to get a good education', says Iwan, 'and that is very expensive.'

Source: INSTATE interview, October 2003.

Table 2.4 Average per capita monthly expenditure by commodity group, 2002
(% share of total spending on food)

Commodity Group	Expenditure Class					
	80 000– 99 999	100 000– 149 999	150 000– 199 999	200 000– 299 999	300 000– 499 999	>500 000
cereals	35%	27%	22%	17%	12%	8%
tubers	1%	1%	1%	1%	1%	1%
fish	6%	8%	9%	9%	9%	8%
meat	2%	3%	4%	6%	8%	9%
eggs and milk	4%	5%	6%	7%	8%	8%
vegetables	10%	9%	8%	8%	7%	6%
legumes	5%	5%	4%	3%	3%	2%
fruits	3%	3%	4%	5%	6%	8%
oil and fats	5%	4%	4%	4%	3%	3%
beverages	5%	5%	5%	4%	4%	3%
spices	3%	3%	3%	3%	2%	2%
other food items	2%	2%	2%	3%	3%	3%
prepared food and beverages	11%	14%	16%	19%	24%	30%
alcoholic beverages	0%	0%	0%	0%	0%	0%
tobacco and betel	9%	11%	12%	12%	11%	9%
Total	100%	100%	100%	100%	100%	100%
Share of income on food spending in each class	70%	67%	63%	58%	50%	< 50%

Source: Biro Pusat Statistik, *Expenditure for Consumption of Indonesia*.

Recent growth trends

Consumption of meat has grown steadily in line with economic development. Chicken in particular is the meat of choice — Indonesians now eat twice as much chicken as beef. Beef consumption fell sharply during the late 1990s but has since recovered quite strongly.

Consumption of milk almost tripled in the three decades to 1997. Consumption of other dairy products has increased significantly, but from a tiny base (see Table 2.5).

Fruit, and temperate fruit in particular, represents an increasing part of the diet of urban Indonesians.⁶

Packaged food sales have grown quite strongly in nominal terms during the past five years.⁷ However a good part of this nominal growth has been offset by inflation. Per capita sales of



Image 2.1 Meat display, Hero supermarket



Image 2.2 Indomilk display, Kemang

6 FAOSTAT Statistical Databases, Food and Agriculture Organisation of the United Nations, 2003, viewed 2 October 2003, <<http://apps.fao.org/>>.

7 Euromonitor, *Packaged Food in Indonesia*, London, 2003, viewed October 2003, <http://www.euromonitor.com/Packaged_Food_in_Indonesia>.

► **Chapter 3 also identifies products sought by particular companies and outlet types.**



Image 2.3 Fruit display, Jakarta supermarket



Image 2.4 Durian fruit, Carrefour, Jakarta



Image 2.5 In-store bakery, Carrefour, Jakarta

packaged food in 2002 were estimated at US\$29, just over 10% the level of nearby Singapore. That said, packaged food sales are growing very rapidly. Between 1998 and 2002, sales of bakery products grew by 31% in value terms (32% in volume terms). Other fast-growing categories during that time included:

- packaged noodles: sales up 31% (39% volume growth).
- confectionery: sales up 83% (36% volume growth).
- savoury snacks: sales up 88% (42% volume growth).
- oils and fats: sales up 21% (39% volume growth).

Smaller categories that have grown strongly include:

- baby food: sales up 90% (50% volume growth).
- ice-cream: sales up 70% (22% volume growth).
- ready-to-eat meals: sales up 37% (36 volume growth).

Hot climate, cold refreshment

'Walls' ice cream dominates the local market with over 40% market share. Its competitors are local brand ice creams including 'Diamond' and 'Campina'.

Walls is manufactured by Unilever which, as in many other markets, has a very diversified operation in Indonesia producing oils and fats, ice cream and sauces, dressings and condiments.

Source: INSTATE research.

Convenience foods

Indonesian consumers are increasingly purchasing convenience food. More urban women are entering the workforce and working after marriage and having children. With less time available for shopping and cooking, they have a growing focus on convenience.

More generally, the rising pace of modern life in urban centres is driving up demand for ready-to-cook / ready-to-eat food, and Indonesians returning from study or work abroad are also importing the tendency to eat on-the-run. The increase in sales of prepared foods evident in Tables 2.3 and 2.4 above illustrates this fast growing trend.

The trend towards convenience foods is also consistent with the traditional Indonesian love of snacking. Markets and shops offer a wide range of snacks, such as fried, baked and sweet foods, including many traditional cakes and jellies.

Instant noodles

Consumption of instant noodles grew strongly during the first half of the 1990s, rising from 4.7 billion packs in 1992 to almost 8.6 billion packs by 1997, making Indonesia the world's second largest consumer of instant noodles, behind only China.

Consumption was hit by the economic crisis and fell from 42 packs per capita in 1997 to 39 packs in 1998, but has since bounced back strongly and reached 48 packs per capita by 2002.

Indofood, the market leader, has the factory capacity to make 13 billion packs of instant noodles per year (which would weigh in at 3.6 million tonnes). Indofood had a market share of 88% in 2002.

During the lean times, Indofood produced cheaper products, to retain what market share it could, but more recently it has been concentrating on premium products more precisely targeted to market segments to increase its margins. One successful strategy has been to offer instant noodle flavours based on traditional flavours from the various regions of Indonesia.

Sources: United States Department of Agriculture Foreign Agricultural Service, *Indonesian Grain and Feed Annual 1999*, Global Agriculture Information Network Report #ID9031, Jakarta ATO, 1999; Euromonitor, *Packaged Food in Indonesia*, London, 2003, viewed October 2003, <http://www.euromonitor.com/Packaged_Food_in_Indonesia>; PT Indofood Sukses Makmur Tbk, PT Indofood Sukses Makmur Tbk Annual Report 2002, Jakarta, 2002; INSTATE interview; Department of Foreign Affairs and Trade, *Subsistence to Supermarket II: Agrifood Globalisation and Asia Volume III: Asian Agrifood Demand Trends and Outlook to 2010*.

Eating out

The number of household appliances in Indonesia for cooking is low. For example, in the capital city of Jakarta, only an estimated 43% of households have a refrigerator, 27% have a gas stove and 10% have a microwave oven.⁸ So Indonesians eat a lot away from home.

⁸ United States Department of Agriculture Foreign Agricultural Service, *Indonesia Exporter Guide Annual 2002*, p. 3.

This is partly traditional, roadside food stalls for example, have always been common in Indonesian cities.

In Jakarta it is also a matter of the lifestyle imposed by the nature of the city. Many workers in Jakarta have left families behind in Central Java, East Java, even Sumatra, and visit them only a few times each year. In the meantime they live in boarding houses or dormitory-type accommodation in Jakarta. Often employers provide such accommodation to their staff and, in some cases, meals are provided at a dining hall. If not, then out-of-town employees eat at food stalls or restaurants of various kinds, depending upon income.

Many more Jakarta residents, including many middle-class professionals, live in satellite towns such as Bogor, Tangerang or Bekasi. It is quite usual for these workers to commute two or more hours in each direction to attend work. They are natural customers for prepared food outlets of various kinds, depending upon income.

Urban and higher income Indonesians are eclectic eaters who try the 30 or more different cuisines from within the huge archipelago as well as imported tastes, including Asian and western flavours.

Fast food boomed in the early and mid-1990s as the population developed a taste for Western foods and food on-the-run. Fast food, and especially higher end food service outlets declined for several years following the Asian economic crisis and were again buffeted by more recent events such as the Bali bombings.

Shinta – A taste for style

Shinta, a young Indonesian mother, settles in to study the menu at Tony Roma's, an upscale restaurant chain, while her nursemaid attends to her baby. She has been married for only a year. Her father is a general in the army and they live in a big house in Menteng. There is a flat for her and her young husband and the baby. Her husband works in the finance industry in Jakarta. Soon he joins her. The restaurant is fairly full by 8pm and the manager says it will improve after that time. This is a restaurant for the A1 demographic. This group can also be found in the stylish restaurants and coffee shops of five star hotels like the Grand Hyatt and the Regent and in the designer label stores of Plaza Indonesia.

Source: INSTATE interview, October 2003.

Packaging

The Asian economic crisis caused consumers to be much more price-conscious than previously and they remain so. Suppliers and retailers have addressed this challenge in various ways:

- Products have been offered in smaller packs—an example is the sale of disposable nappies in single unit packs. Packs of many other personal products including cosmetics remain small.
- Large 'economy packs' of daily essentials have become popular with lower income consumers.
- New forms of cheap packaging for products traditionally bought in bulk have gained popularity—for example, soft pouch packs of cooking oil.
- Cheaper alternatives to foreign-made or foreign-branded products with simpler packaging have emerged. The energy drink powder Hema, which is a substitute for canned soft drink, is enjoying increasing market share and is a good example of this phenomenon.

More generally, however, the trend in consumer preference to packaged and branded product still has strong momentum, even for staple products that were traditionally sold in bulk at the wet markets. Branded product is perceived as carrying an assurance of quality and health protection.

Future trends

A recent Australian Government report, *Subsistence to Supermarket II: Agrifood Globalisation and Asia Volume III: Asian Agrifood Demand Trends and Outlook to 2010*, provides estimates of likely per capita consumption growth trends to 2010.

► **The food service sector is described in more detail in Chapter 3.**

Impact of the Asian economic crisis

A lot of publicly available commentary on the Indonesian food market highlights the impact of the crisis on food consumption patterns. Some of the effects were relatively short-lived and have now faded. These include:

- compression of urban income levels (as the more affluent were hardest hit)
- a lessened focus on nutrition versus price*
- a downturn in eating out
- a slowing in modern retail development as shoppers sought cheaper products through traditional shops and markets

Other changes have been more long lasting. These include:

- an increased consumer focus on value for money
- the continued growth of generic brands
- a wider range of packaging options—including smaller packages
- a reduction in brand loyalty.⁹

Prior to the crisis, affluent Indonesians were described as more concerned about taste, freshness and packaging than price.¹⁰ Whether or not that was true then, it applies to few Indonesians now. One in-market operator commented recently that 'The market is very price sensitive. Although Australian beef sold in supermarkets is of better quality, wealthy shoppers will readily go to the wet market if the price climbs too high.'

Source: INSTATE research and interviews, October 2003.

Under its medium growth scenario the report forecasts that growth will be strongest in per capita consumption of:

- temperate fruit
- poultry, beef and other meat
- dairy products.

Growth is likely to be slowest in consumption of cereals, although wheat consumption is forecast to grow considerably more rapidly than rice.

According to Euromonitor,¹¹ in the packaged goods segment, likely trends include:

- steady but not spectacular growth in staples such as grains and oils
- moderating growth in sales of noodles
- continuing growth in sales of baked products
- strong growth in sales of dairy products, baby food and confectionery
- in smaller categories, reasonable, but not spectacular growth in sales of frozen and chilled foods as well as ready-to-eat meals.

The next chapter describes trends in retail and food service in Indonesia, while Chapter 4 describes the supply chains to the Indonesian market.

* see for example, the assessments in United States Department of Agriculture Foreign Agricultural Service, *Indonesia Exporter Guide Annual 2002*, p 4.

⁹ United States Department of Agriculture Foreign Agricultural Service, *Indonesia Exporter Guide Annual 2002*, Global Agriculture Information Network Report #ID2027, Jakarta ATO, 2002, p 2.

¹⁰ K Easton, G Bell & F Ng, *Exporting Food to Indonesia: A Guide for Australian Small to Medium Enterprises*, CSIRO and RIRDC, Sydney, 1997.

¹¹ Euromonitor, 2003.