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Beauty and Personal Care in Indonesia

EXECUTIVE SUMMARY

Consumer Behaviour Shifts in Beauty and Personal Care

Indonesian consumers' purchasing power in 2017 experienced a shift, directly affected by the slowdown in the economy, yet the major factor influencing this was consumer behavior. Indonesian consumers tend to invest more in buying experience, rather than actual products. For instance, purchasing a return flight ticket instead of buying premium skin care. This trend resulted in slower current value growth for premium beauty and personal care in 2017 compared to the review period CAGR, whereas mass beauty and personal care experienced a slightly faster rate than over the review period as a whole. Skin care continued to become one of the most popular products in beauty and personal care, evident by the increasing number of skin care brands that emerged during the review period.

Intense Competition from Internet Retailing

Internet retailing plays an increasingly important role in the distribution of beauty and personal care. Many companies and brands compete intensely to get their products onto internet retailing sites. During the review period, many internet retailing sites emerged such as Sociolla and online websites such as watsons.co.id. This has led many brands to increase their presence in the channel to boost sales. Looking at this trend, Indonesian banks are also participating in the competition by offering discounts when consumers purchase using their credit/debit cards. Companies are expected to continue their promotional activities through establishing distribution in their online official stores on the e-commerce platform and on their own websites.

International Brands Compete with Domestic Products

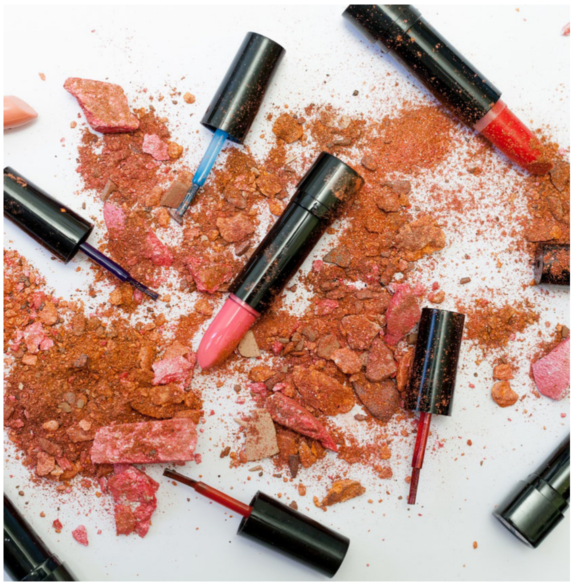
Within beauty and personal care, international brands compete directly with domestic brands. Unilever continued to lead the overall market in Indonesia in 2017. Local brands are all thriving however, especially within color cosmetics. Local brands such as Wardah have been strong competitors of international brands. Halal and natural are the main drivers of local purchases with many brands continuing to issue halal certification such as Mustika Ratu and Pixy. Reflecting on this, consumers are becoming increasingly aware of the halal brand presence in Indonesia and are choosing to purchase these products. As a result, international brands that had not acquired halal certification at the end of the review period will begin to do so, such as brands by Mandom.

New Product Development Revolves Around New Packaging

New product development in Indonesia revolves around new packaging. Rejoice shampoo for instance, changed its packaging from its regular strong green colour to mild green with additional flowers to attract a higher number of female consumers. The new packaging in Indonesia is deemed necessary due to low purchasing power in 2017. Manufacturers tend to offer consumers a new image for their products to encourage sales during a low economic period.

Positive Outlook for Beauty and Personal Care Albeit Slower Growth

Indonesian beauty and personal care is expected to a have positive outlook over the forecast period. Consumers are expected to continue to purchase beauty and personal care, albeit increasingly looking for discounted products. This indicates that many brands will be offering bundled packages, such as Bioderma and Oriflame. Retailers are also expected to boost their sales by adding a greater number of discounted products in their stores, as consumers' buying habits are shifting, as evident in many drugstores such as Watsons or Guardian. ■



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