Pacific Food System Outlook Meeting
March 10 - 13 2005

Indonesia Food Retailing Perspective

Alan D. Stewart

Matahari

1. Demographics
2. Economy
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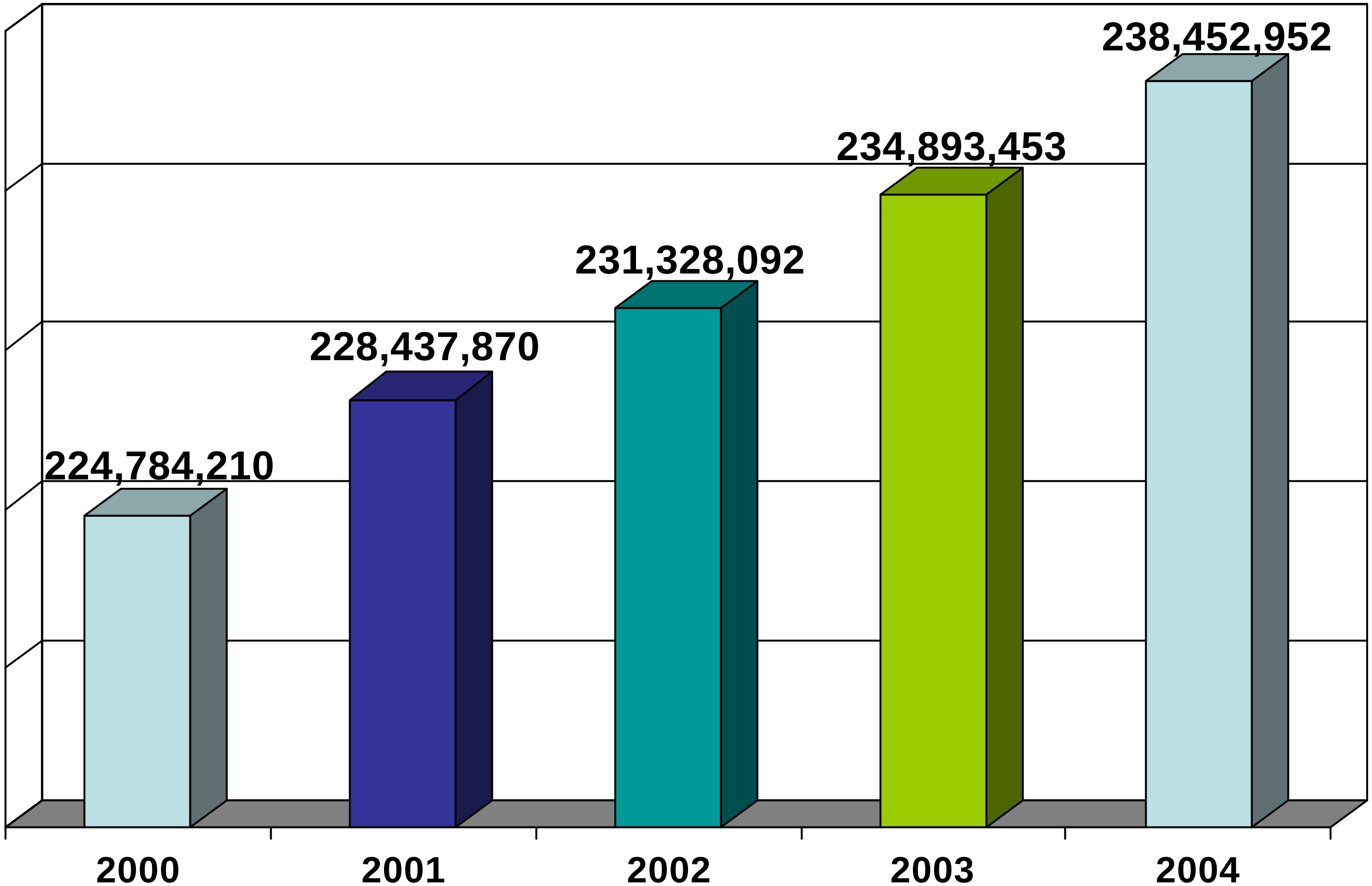
- ***233 outlets (Department Stores, Supermarkets and TimeZone)***
- ***More than 50 cities***
- ***16,000 employees and more than 6,000 suppliers***

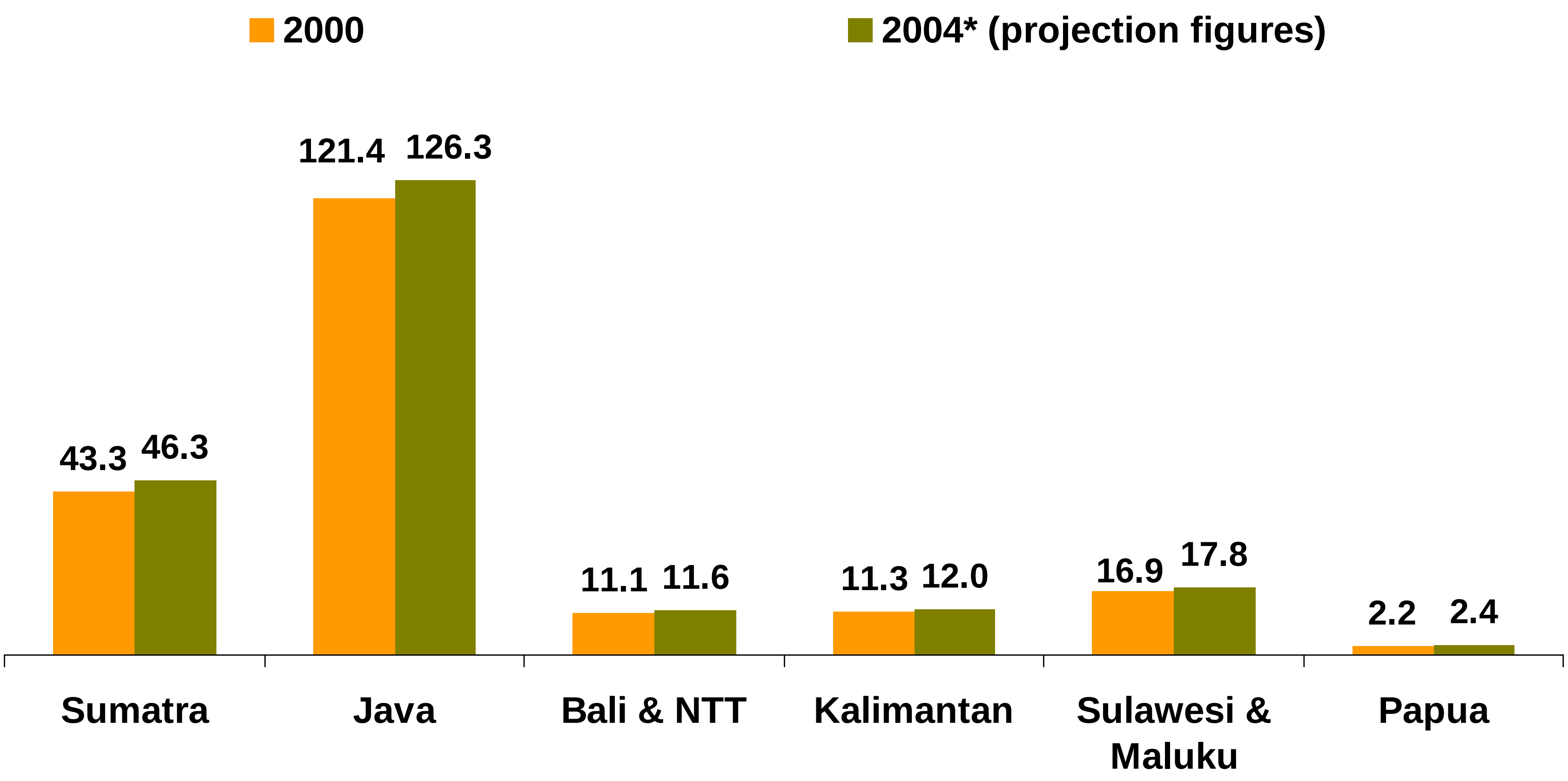
Total area: 773.380sqm

Indonesia Population



Source : CIA World Factbook
Unless otherwise noted, information in this page is accurate as of January 1,2004

Indonesia Population by Island (in million)



Source: Biro Pusat Statistik

Population by group age

Age	Indonesia
0 - 9	18.6%
10 - 19	19.8%
20 - 29	18.8%
30 - 39	16.0%
40 - 49	12.0%
50 - 59	7.4%
60 - 69	4.5%
70 - 79	2.9%

Source : ACNielsen & Biro Pusat Statistik

Number of Household members, excluding maid or servant

Number of person	All cities	Jakarta
ONE (1)	5%	6%
TWO (2)	10%	10%
THREE (3)	19%	19%
FOUR (4)	24%	23%
FIVE (5)	19%	18%
SIX (6)	11%	11%
SEVEN (7)	6%	6%
EIGHT (8)	3%	3%
NINE (9)	1%	2%
TEN or more	2%	2%

Source : **Nielsen Media Research - Media Index 2003**, all cities : Jakarta, Botabek, Bandung, Surabaya, Gresik, Bangkalan, Mojokerto, Sidoarjo, Lamongan, Semarang, Medan, Makasar, Yogya, Sleman, Bantulan, Denpasar, Palembang

Demographic – Monthly Household Expenditure

SES	All cities	Jakarta
A1	6%	11%
A2	6%	10%
B	12%	18%
C1	23%	25%
C2	18%	16%
D	21%	14%
E	14%	7%

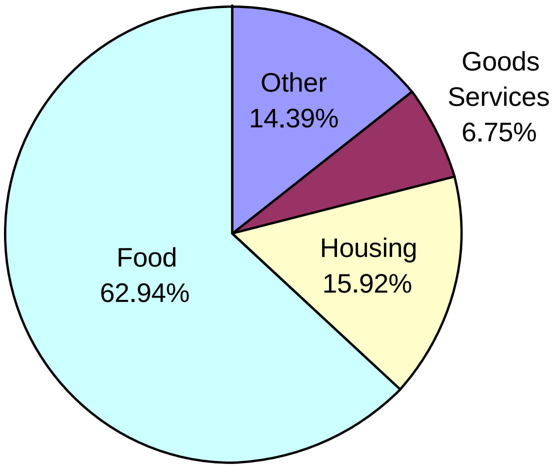
Each year, Nielsen Media Research classifies economy status of the respondents based on monthly household expenditure. The expenditure mentioned before was meant by the regular amount of money for living, that include daily groceries like food, drinks, children tuition, electricity expense, utilities, telephone expense, cigarettes, gasoline, rent expense and etc., not include entertainment expense, movie, recreation and any non regular cost.

For 2003/2004 Nielsen Media Research classifies monthly household expenditure (Socio-Economic Status) as follows:

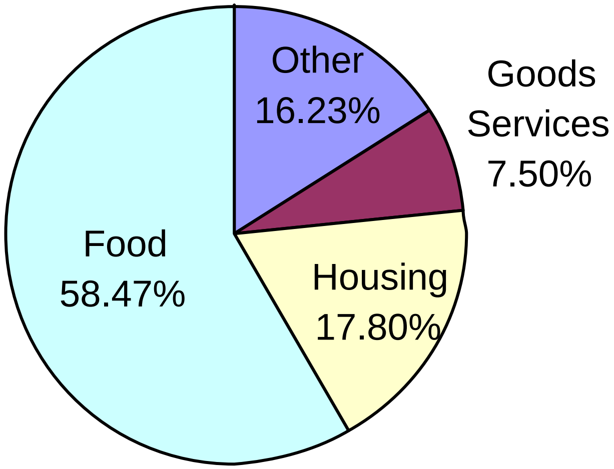
* A1 = Rp 2.250.001 above
* A2 = Rp 1.750.001 - Rp 2.250.000
* B = Rp 1.250.001 - Rp 1.750.000
* C1 = Rp 800.001 - Rp 1.250.000
* C2 = Rp 600.001 - Rp 800.000
* D = Rp 400.001 - Rp 600.000
* E = Rp 400.000 below

Disposable Income Expenditures

1999

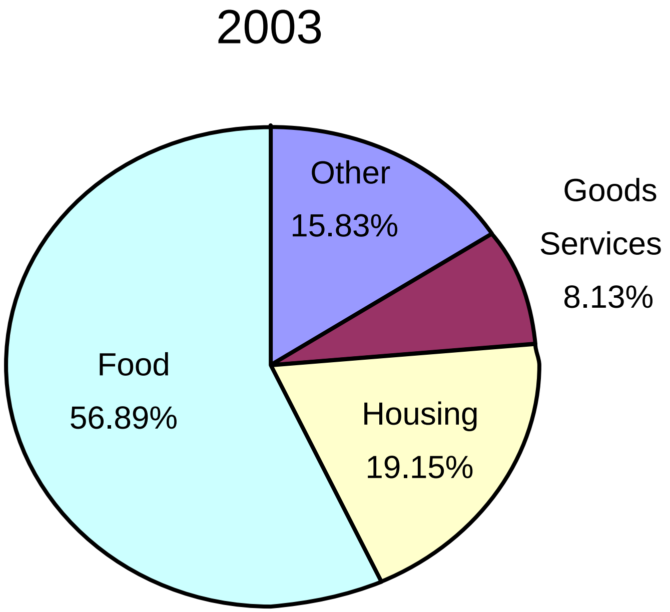


2002



Source : Biro statistic Indonesia

Disposable Income Expenditures



Source : Biro statistic Indonesia

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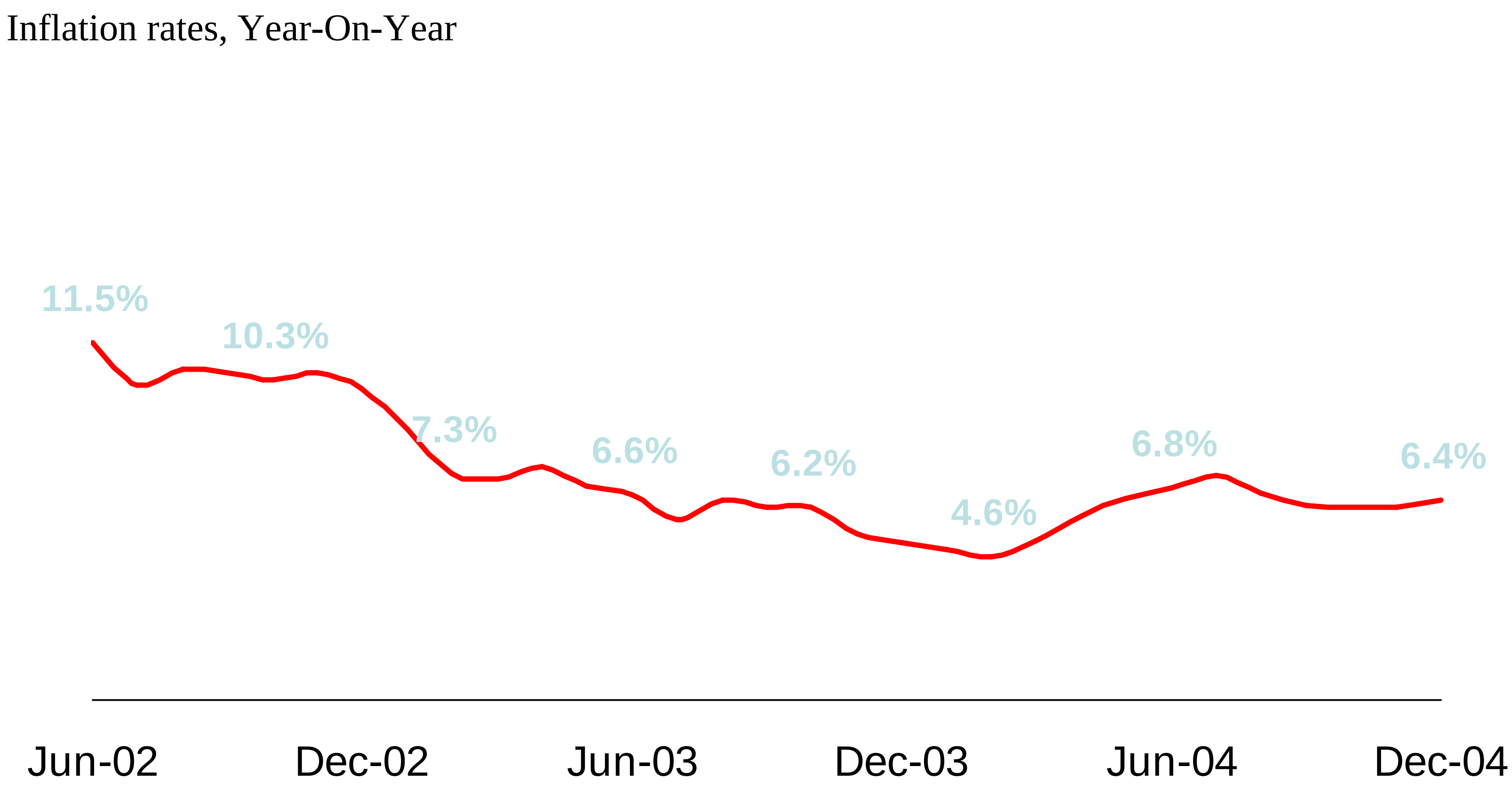
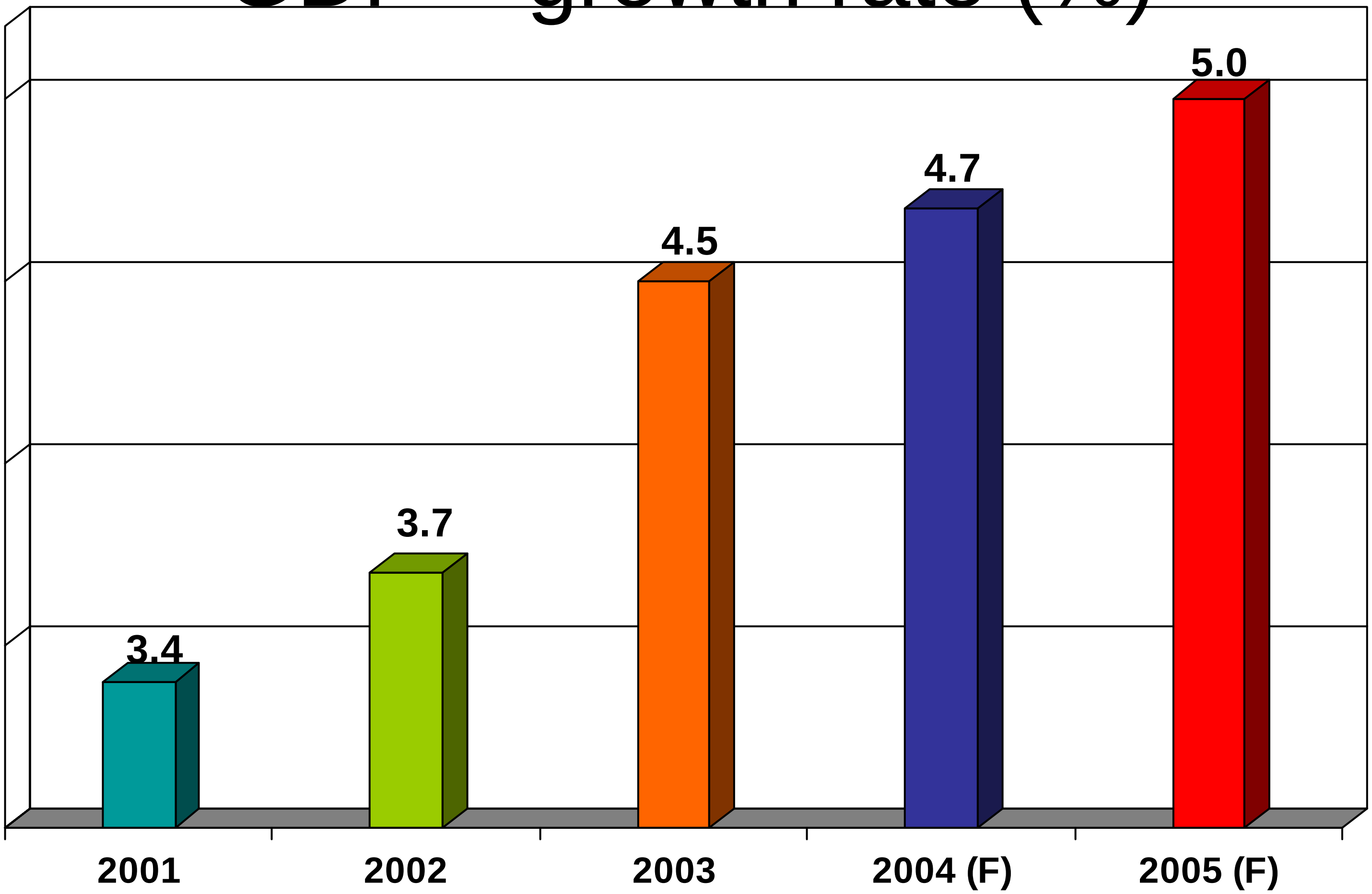
Inflation Rate is low and stable



Source : Bank Indonesia, BPS

GDP is rising

GDP – growth rate (%)

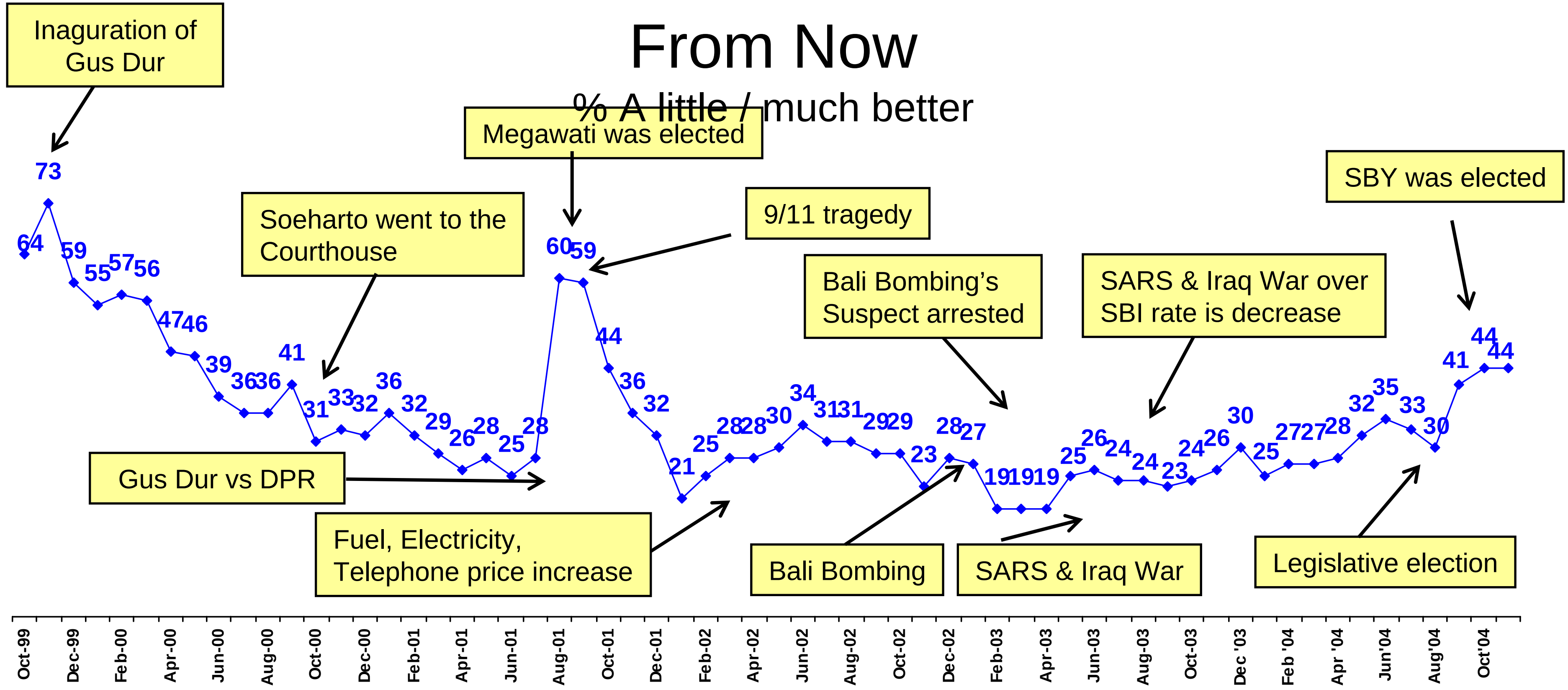


Source : Biro Pusat Statistik, Bank Indonesia, 2004-05 Castle Asia and IMA Asia forecasts

With a new President, consumer confidence is higher

Expectations of National Economic Conditions 6 Months From Now

% A little / much better



Base: All Adults; N=1,730

Q. Six months from now, how much better or worse do you think the economic situation will be … [SA]

Source: Danareksa Research Institute

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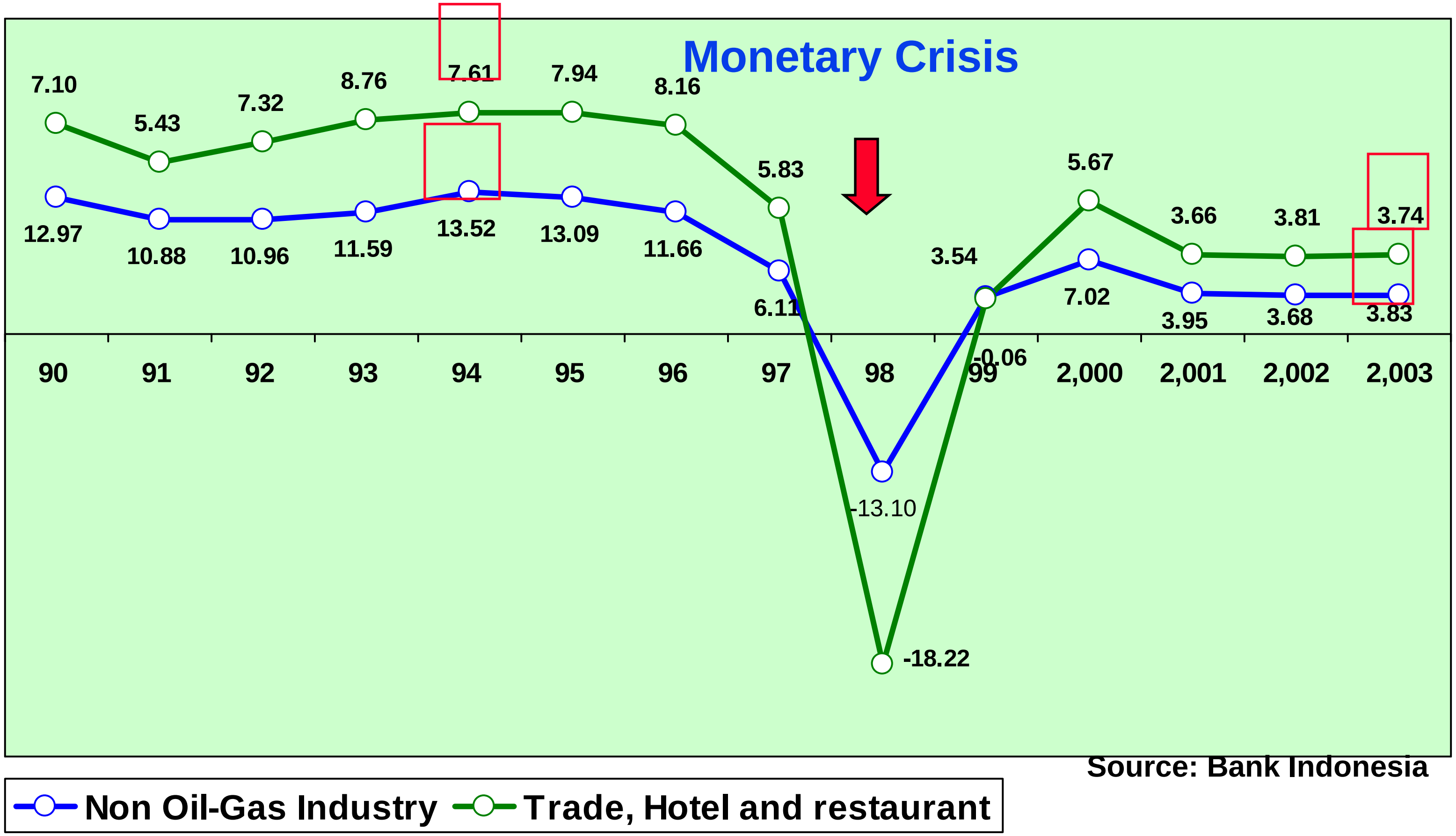
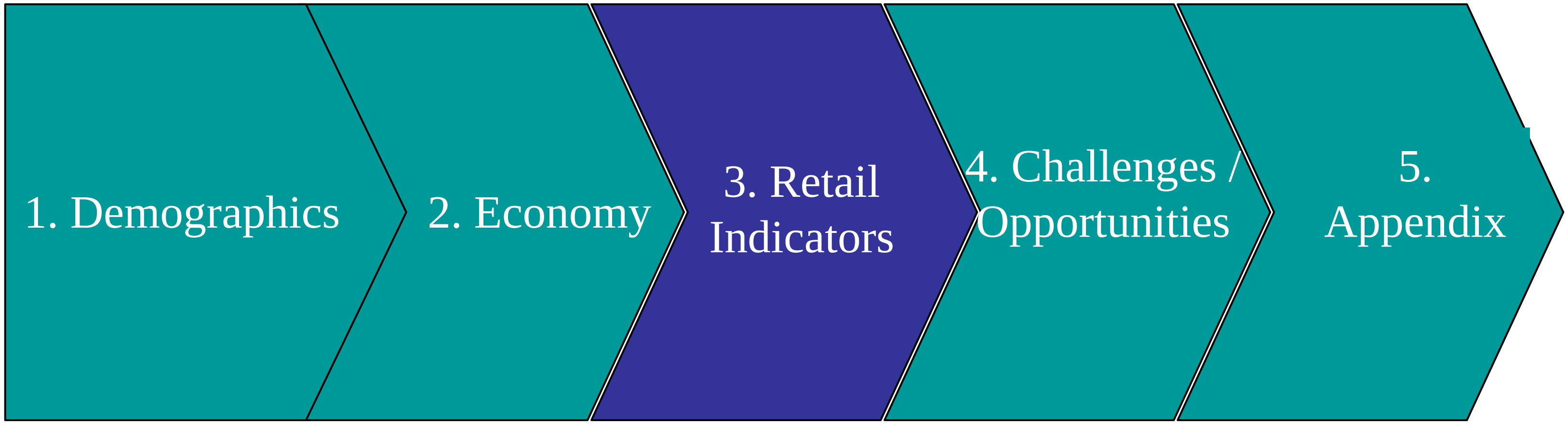
Growth of industry still below pre-crisis era

Industry and Trade Growth 1990-2003



Source: Bank Indonesia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Trade Sector Classification

TRADE SECTOR CLASSIFICATION & EXAMPLE STORES

- **Hypermarket (Large Format)**
  - Alfa
  - Carrefour
  - Clubstore
  - Giant
  - Hypermart
  - Indogrosir
  - Makro
- **Supermarket**
  - Borma
  - Diamond
  - Gelael
  - Griya
  - Hari Hari
  - Hero
  - Matahari
  - Naga
  - Ramayana
  - Sinar
  - Sogo
  - Superindo
  - Tip Top
  - Yogya
- **Minimarket**
  - Alfamart
  - Indomaret
  - ACI
  - Starmart
- **Department Store**
  - Matahari
  - Ramayana
  - Sogo
  - Yogya
- **Traditional Store**
- **Wet Market**
- **Grocery Cart**

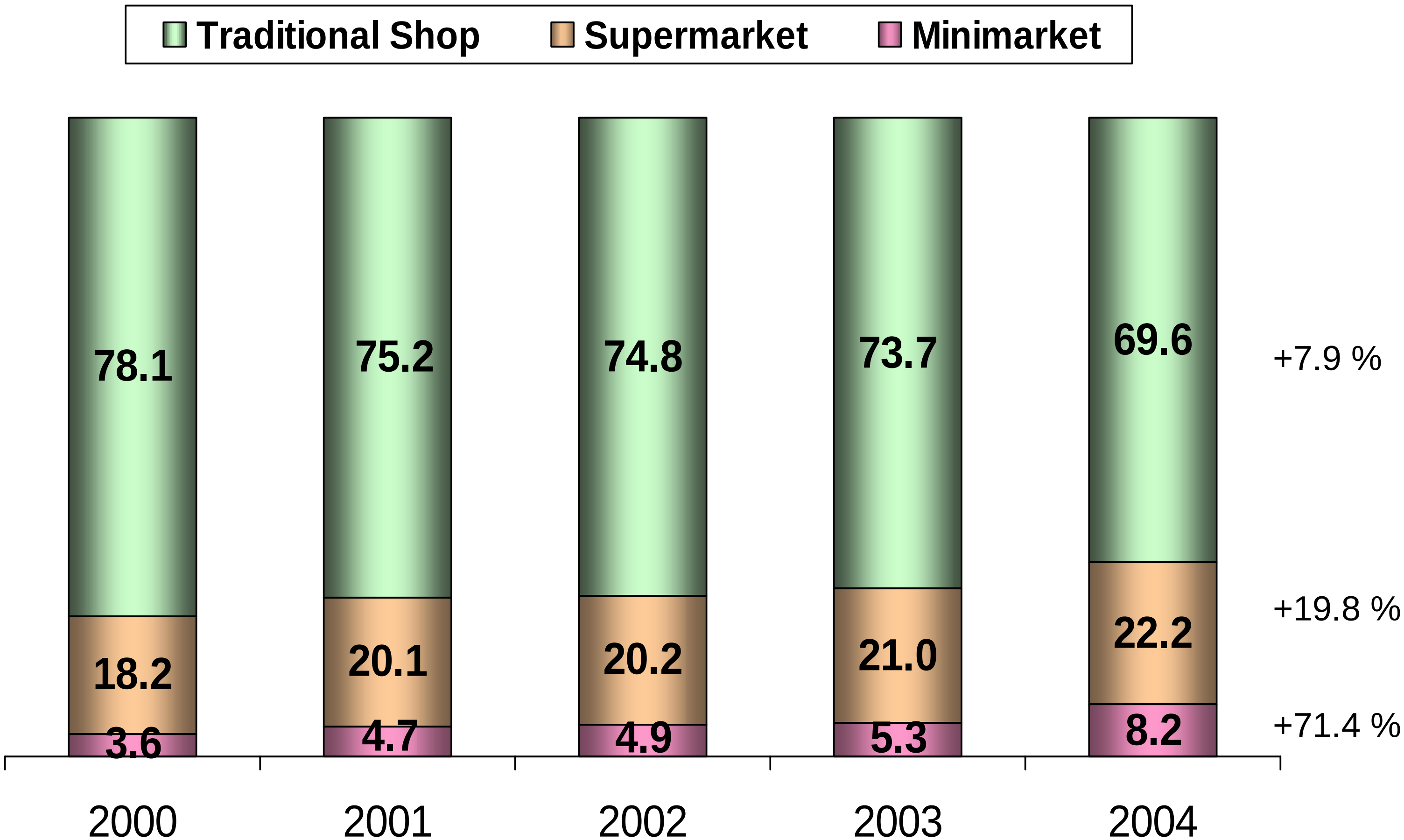
Changing Landscape

The changing face of retail: top 8 largest retailers

	1998		2003
1	Hero	1	Carrefour
2	Makro	2	Salim Group (Indomaret, Indogrosir & Superindo)
3	Alfa	3	Alfa Group
4	Salim Group (Indomaret, Indogrosir & Superindo)	4	Hero/Giant
5	Matahari	5	Makro
6	Ramayana	6	Matahari Supermarket
7	Continent/Carrefour	7	Ramayana Supermarket
8	Yogya Supermarket	8	Yogya Supermarket

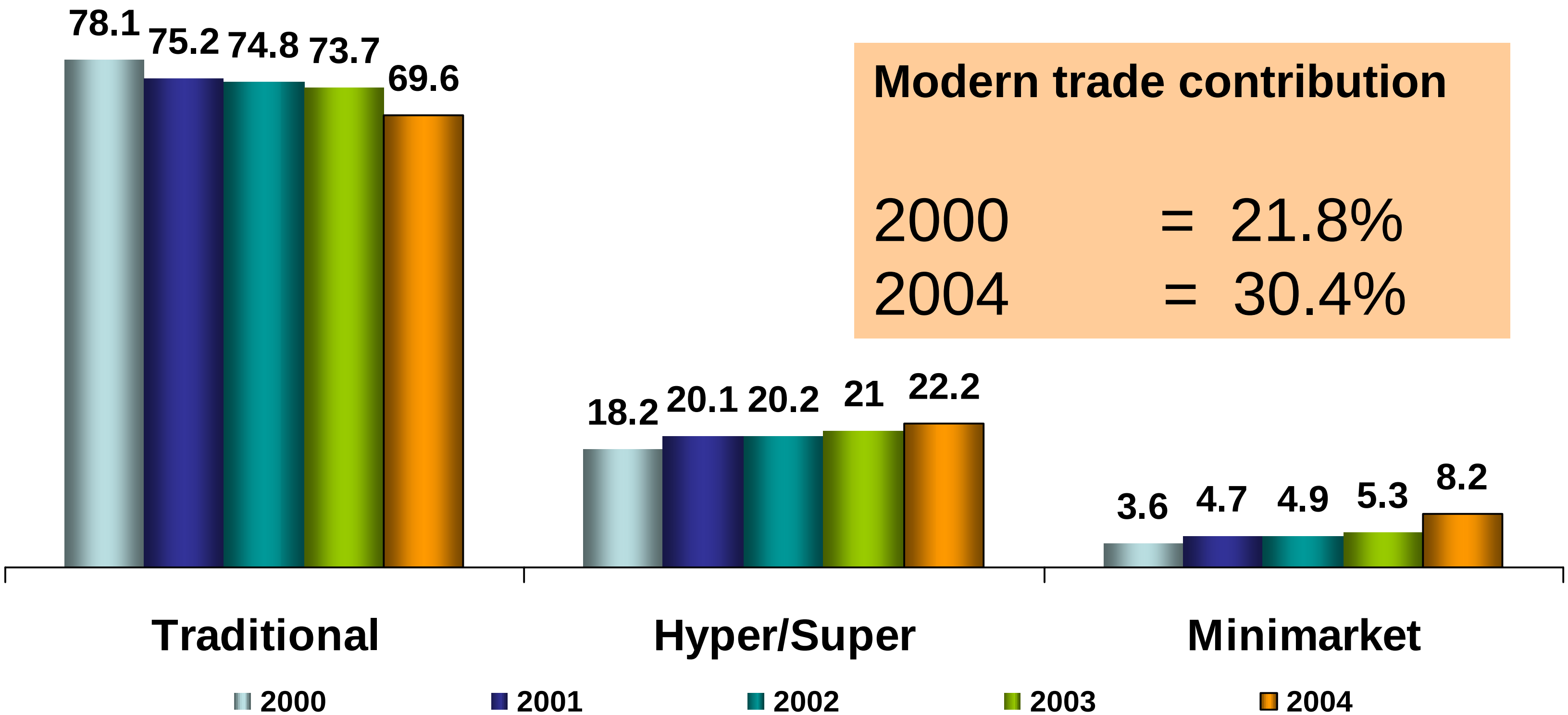
Up to date Indonesian MT is contributing 30.4% of total market and is increasing from year to year

Trade Channel Contribution, Based on 47 Categories Audited



Traditional trade still remains dominant nationally. However, Modern trade has passed 30% level of contribution

Share of trade, Nationwide, FMCG excl. cigarette, in terms of value, in %



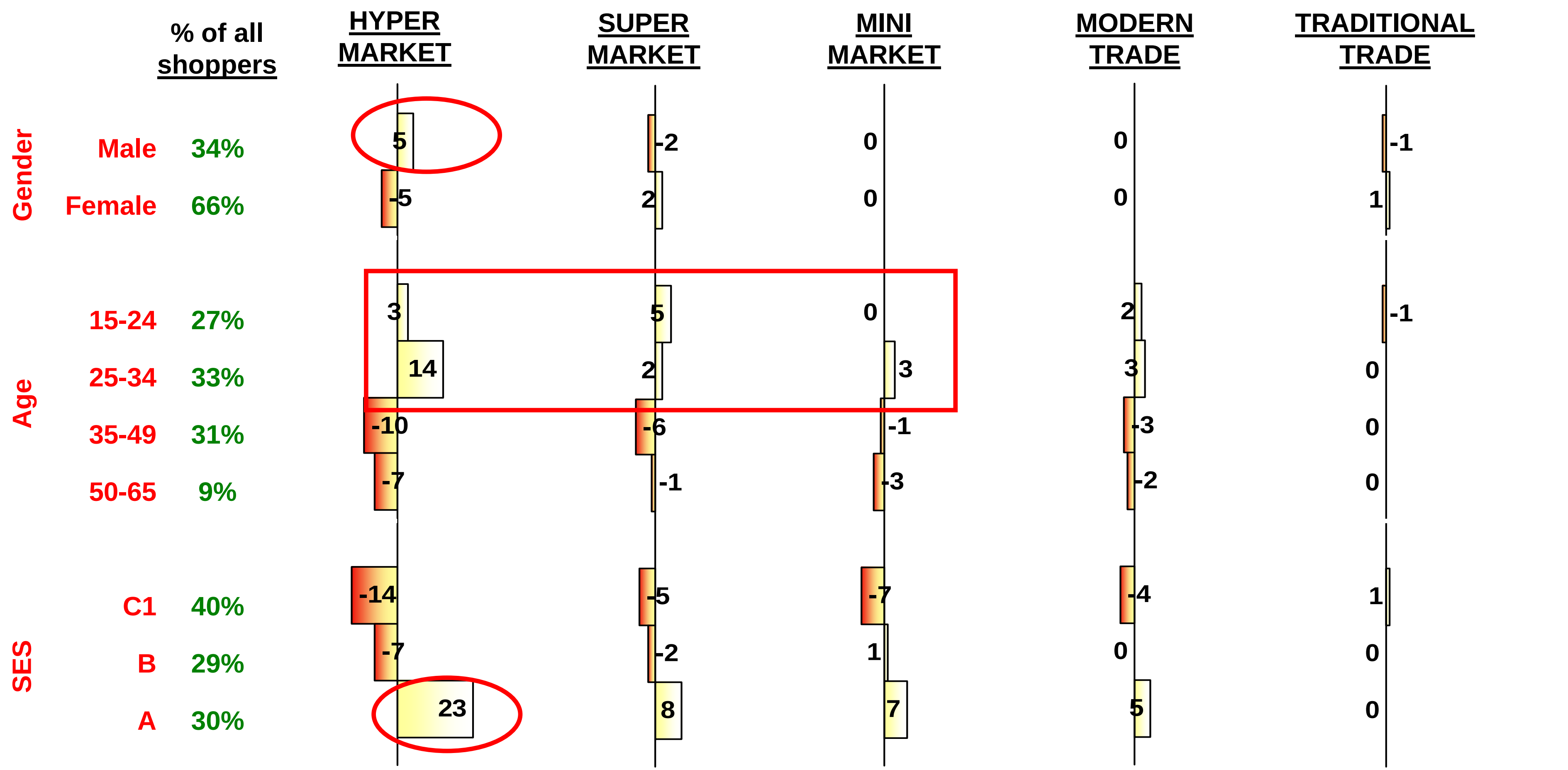
Modern trade contribution

2000 = 21.8%

2004 = 30.4%

Hypermarket is skewed towards

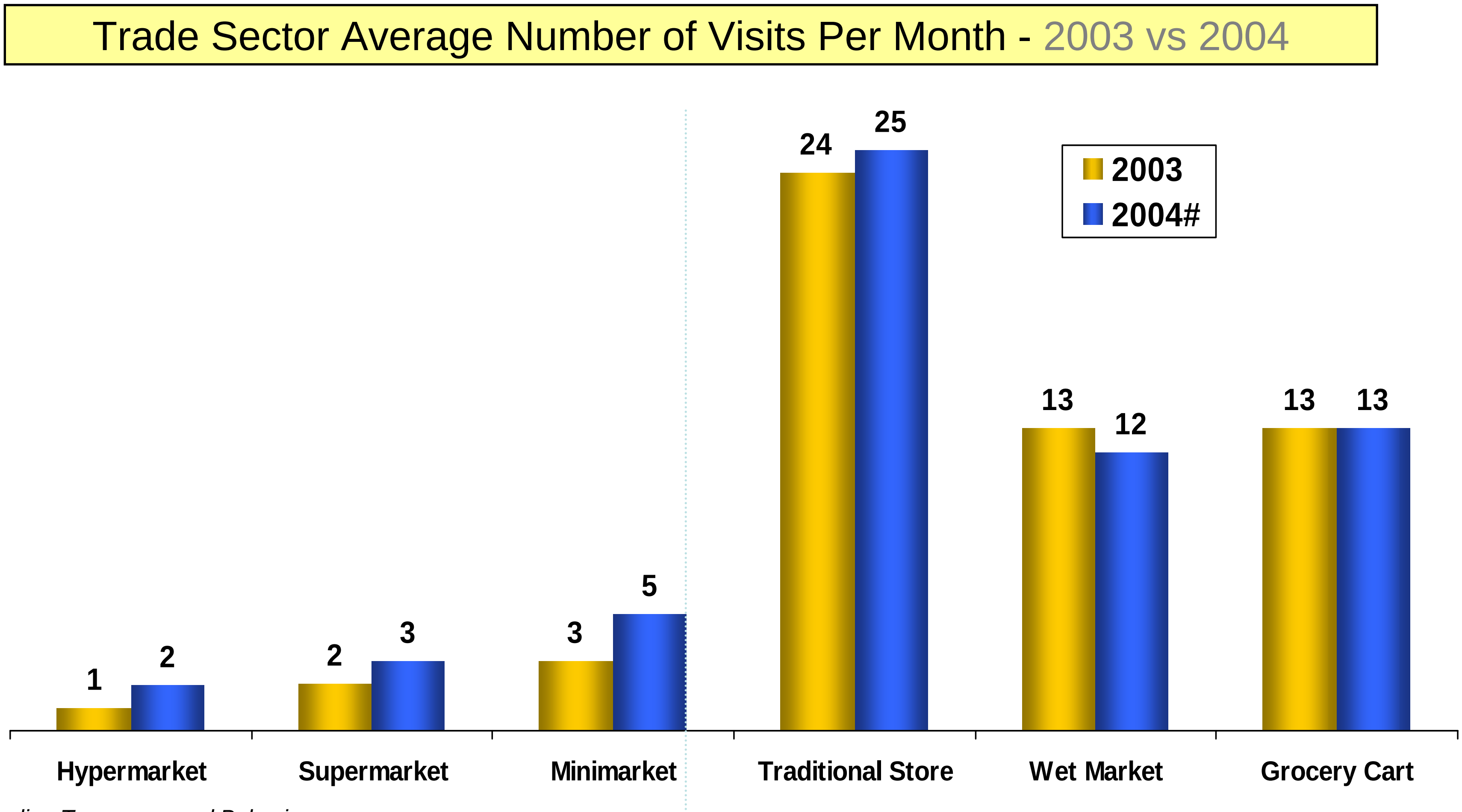
Demographic Skews by Trade Sector – 2004
Based on 'Used in Past 7 days'



Base: Used in Past 7 Days

Ref: Q3a, Q85, Q1, Q94

Visits to modern trade is up; however, still high penetration for traditional, wet and carts



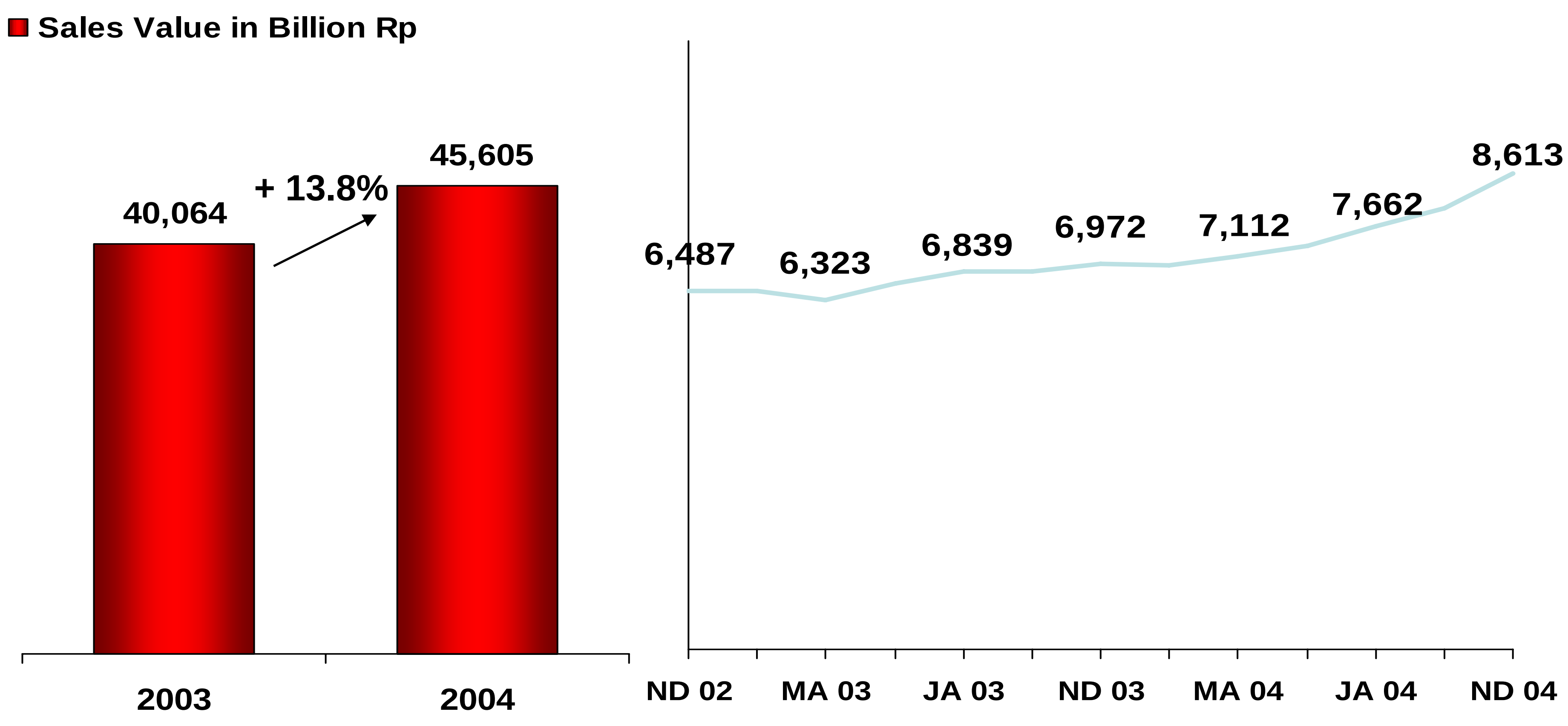
#Including Tangerang and Bekasi

Base: All respondents

Ref: Q6

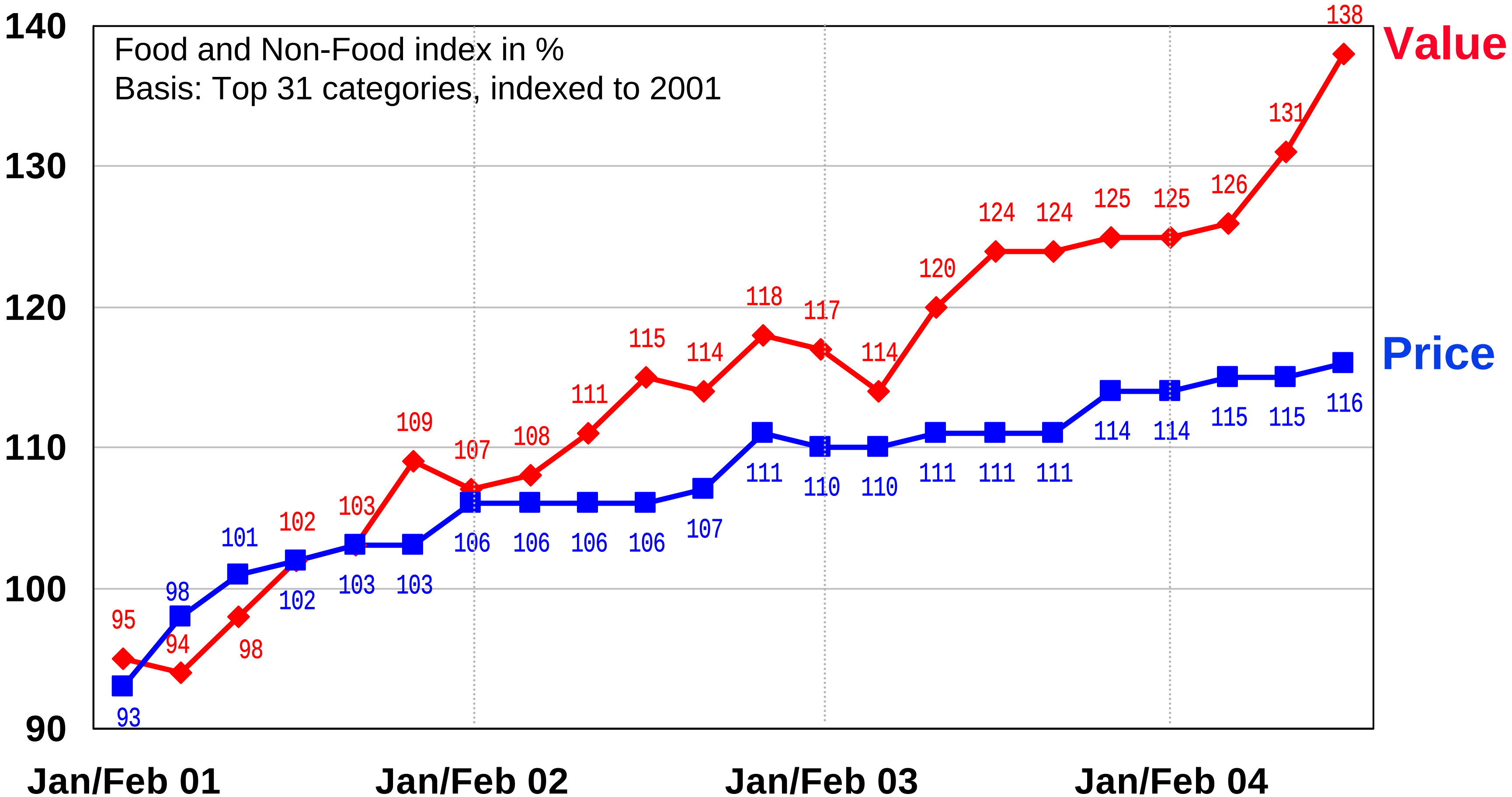
Total FMCG market grows double digits +13.8% compared to 2003 ; an almost doubled of last year growth (6.8%)

Indonesia Total Grocery - Based on 47 Categories Audited



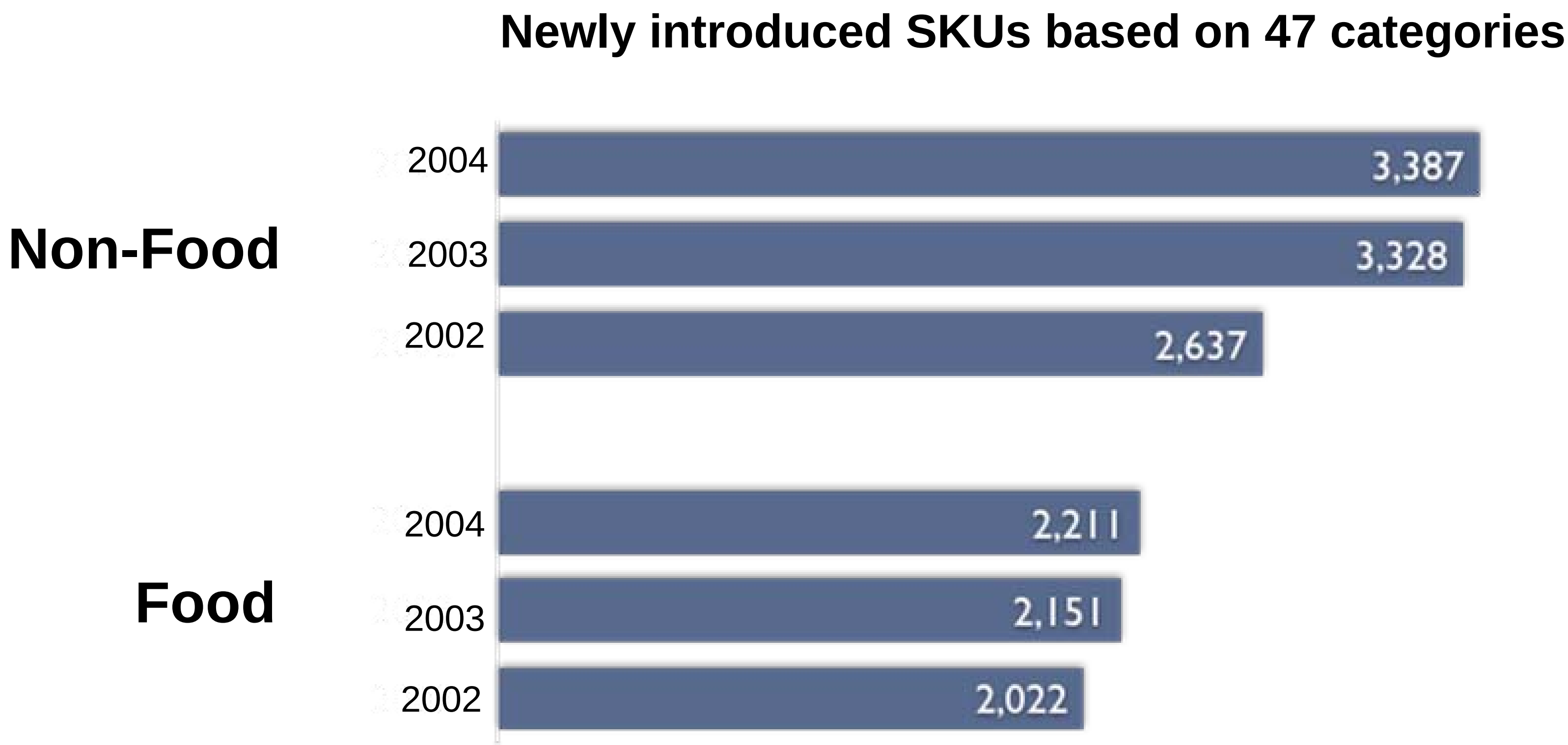
FMCG markets continue to grow

Recent period: July - August 2004



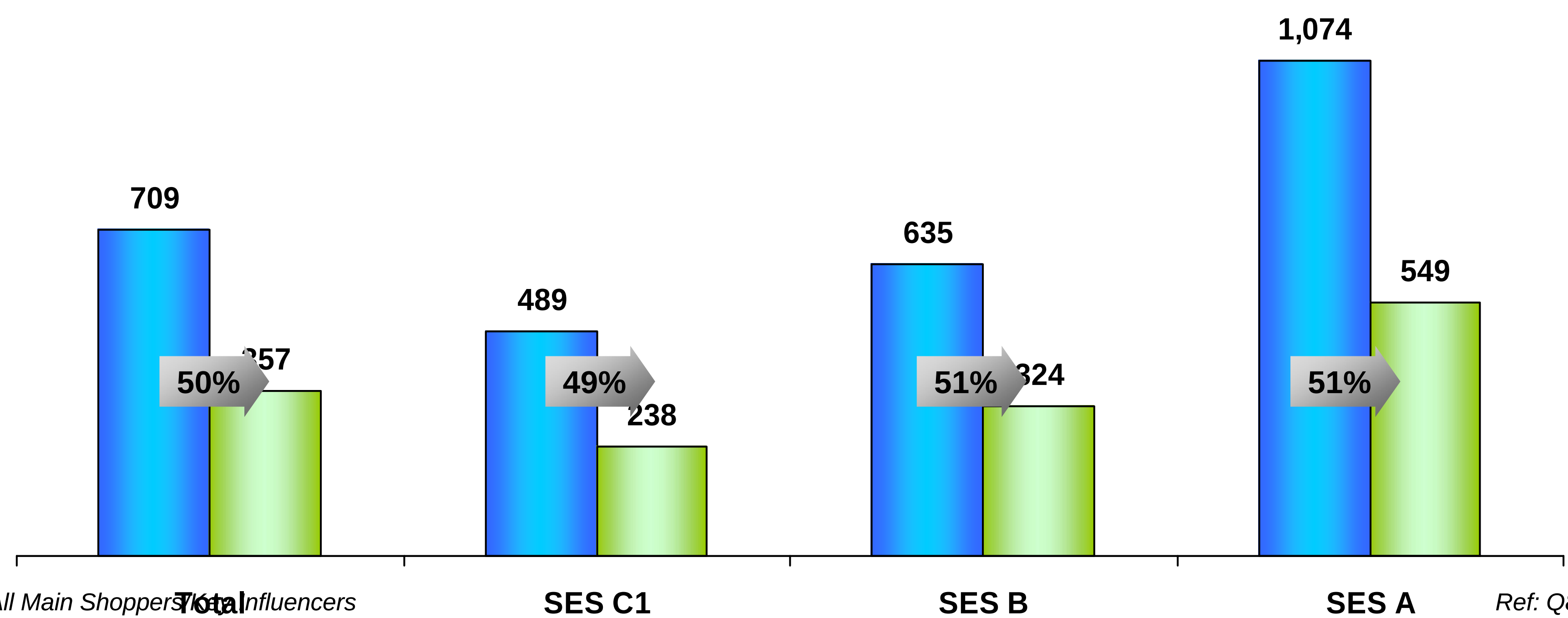
Source: ACNielsen Retail Index

More SKUs are tempting consumer to buy and Non Food is trying even harder than Food



Spending for fresh is about half of total monthly grocery budget

Average Monthly Spend on Food, Grocery & Personal Care Items
vs Fresh Food only - by SES



Base: All Main Shoppers/Key Influencers *Ref: Q8a, 8b*

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Drivers of Store Equity

Pricing & VFM (13%)

- Low prices for most items (0.274)
- Food and groceries are good value for money (0.186)
- Attractive and interesting store deals and promotions (0.149)
- Provides their own brands of groceries which is a good alternative to the main brands (0.141)

Store Accessibility (10%)

- Is close to home (0.215)
- Convenient to get to (0.175)

Large Store Format & Wide Selection (10%)

- Everything I need in one store (0.209)
- Wide product selection range and variety (0.167)
- Always have what I want in stock (0.157)
- Better selection of high quality brands and products (0.156)
- Modern and comfortable store (0.133)
- Spacious (0.127)
- Well presented display of products (0.114)

Efficiency/ Loyalty Program (9%)

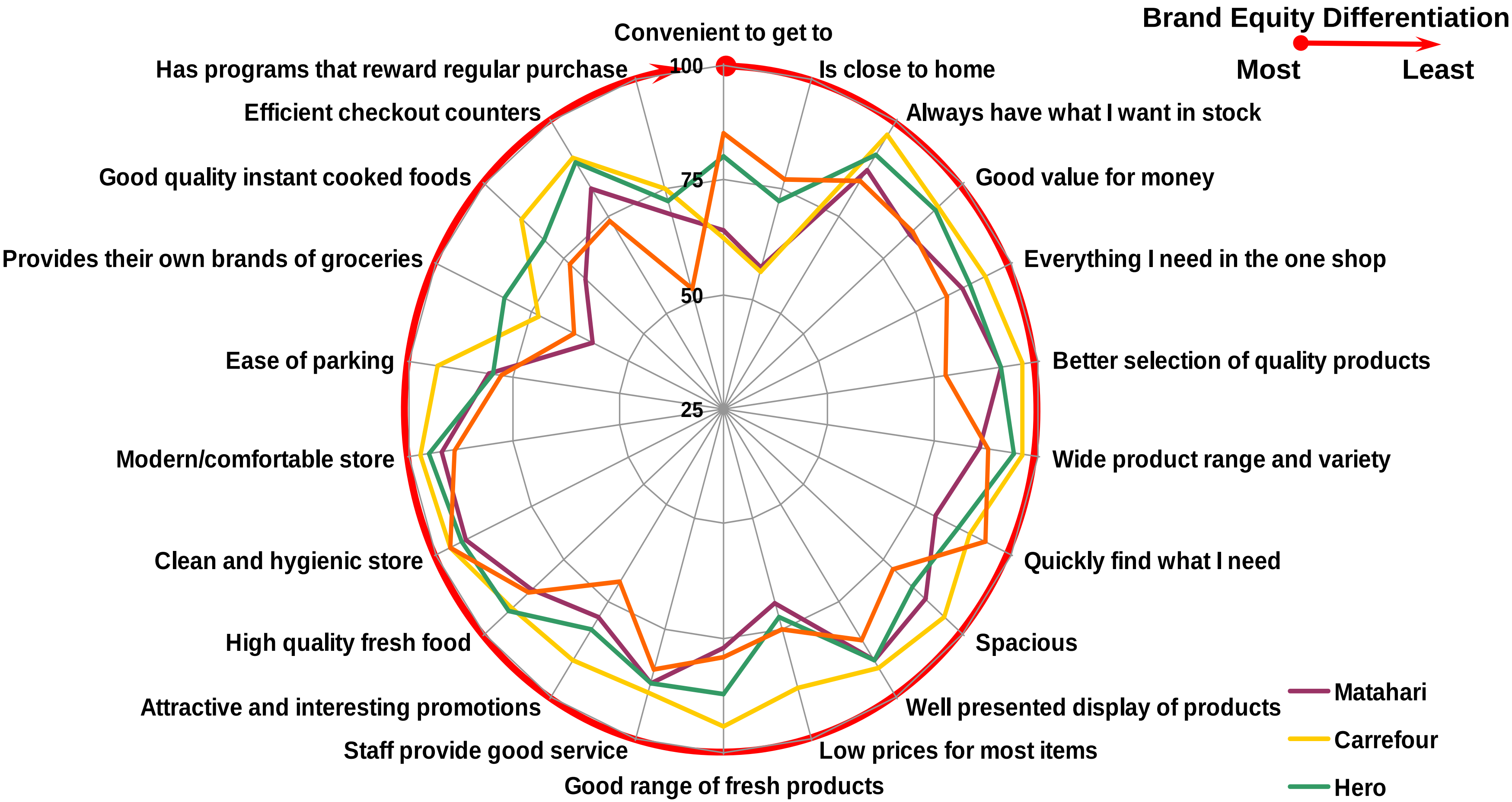
- Staff provides good service (0.173)
- A place where it's easy to quickly find what I need (0.151)
- Ease of parking (0.144)
- Efficient check out counters (0.092)
- Has programs that reward regular purchase of food and groceries (0.088)

Quality Products (8%)

- Clean and hygienic store (0.148)
- Good quality prepared foods (0.129)
- High quality fresh food (0.129)
- Good selection of fresh products (0.114)

Carrefour scores highly and leads on most most aspects in consumers minds, especially on Low Prices

Image Profile Analysis - Key Supermarket / Hypermarket Retailers – Total



Performance = % top two boxes out of 5 scale

Base: All Supermarket/Hypermarket Shoppers who rated the respective store

Ref: Q39

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Logistic / Distribution

- Limited supply chain expertise
- Chains with own distribution have advantage
- Poor cold chain management / high shrink
- Lack of supplier / retailer data sharing
- Inefficient stock rationalization
- Average supplier 70% in stock position
- Need to have right products, at right time
- Quantities and sizes at the right time

Changing Competitive Landscape

- Modern trade increasing double digit annual growth
- Hypermarkets and mini markets key drivers
- Hypermarkets raising customers expectation level
- International retailers entering market
  - Carrefour
  - Giant
- Strategy for national rollout important
- Regional outlets threatened

Technology

- The need real time data for decision making
- Limited EDI (Electronic Data Interchange)
- Limited EFT (Electronic Funds Transfer)
- Need CRM (Customer Relation Management) for monitoring loyalty

Energy

- Electrical cost rising at 20% annual growth
- Oil pricing driving up transportation, product (plastic) and bagging cost
- Both consumer and retailer squeezed
- Subsidies are being removed by government for gasoline and other goods

Changing Tastes & Preferences

- Growing consumer spending driving change
- Retail sales growing at 12% compounded annual growth
- FMCG growing at 12-15% annually
- Private label growing in acceptance
- Younger consumers looking for variety and are less cost conscious
- Consumer advertising growing rapidly and effecting decision making

Governmental Controls

- M.L labeling for imported packaged goods.
- Hypermarket growth limited to provincial capitals
- Traditional markets protected on purchasing basics, taxes and locations
- Political situation stable with new leadership

Other Issues

- Terrorism / bombings effecting mall shopping
- Natural disasters, flooding, earthquake, tsunami and volcanic activity effecting some regional markets

Health / Food Safety

- Obesity, diabetes, cholesterol key issues
- Cleanliness of stores important
- Avian flu outbreaks
- Many food borne diseases prevalent

2005 and Beyond

- Consolidation and rationalization of local players
- Rapid expansion of hypermarkets/mini markets
- Supermarkets will need to modernize to survive.
- Growth of category killers – hardware/electronics
- Growth of private label
- Price competition to intensify
- Growing trends in
  - Food safety
  - Hygiene
  - Life style and convenience
  - Ready to eat food
- Demand for trained, competent human resources
- More collaboration between suppliers & retailers
- Better category management

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Thank You