Three Potentials of Indonesia Water Purifier Market

In the midst of East-Asian economies soaring, the world market is compelling Indonesia that has shown tremendous growth since Asian Financial Crisis (AFC). According to 2016 and 2017 financial report from the leading research institutions such as World Bank, ADB, IMF, they all anticipate that Indonesia will maintain their high-growth rate at 5.1% to 5.2%.

But, although its economic growth, Indonesia constantly confronts problems of the poor quality of a drinking water as underground water is contaminated. The access rate of improved-water supply facilities (here in after water supply) rural area is below 10%. Thus the demand for a bottled water is growing rapidly. For this reason, in 2015, Indonesia government announced the policy for the expansion of infrastructures for the water supply.

It can be assumed that the market of water purifier which is currently infant industry of Indonesia will be expanded for the evidences of the increases of the upper-middle classes due to the economic growth, government’s active investment for the infrastructure, and unprecedented growth of bottled water market. This article will look into three points, 1) market Potential 2) business Opportunity 3) target Customer to evaluate the attractiveness of the water purifier market entry.

1. Market Potential

To examine market potential, the access rate of water supply and government plan for an improvement need to be scrutinized. Besides, the region that has highest market potential need to be selected based on the data. Moreover, the characteristics or trend of this region need to be investigated. Currently, the water supply infrastructure of Indonesia is undeveloped compare to neighboring countries. However, with metropolitan as the central figure, water supply access rate is highly improving at the moment.

Securing the water quality over certain level is the essential part for the water purifier for the household. Thus, the target region should be the area where water supply system is well constructed. Presently, Indonesia water supply access rate is poor as below 30%. However, the infrastructure is highly improving especially in the major city like Jakarta. Particularly for major cities, the accessibility of water supply facilities is concentrated in the wealthy class region such as the central business district, new town and newly constructed apartment. For the primary target area, the rich class region within metropolitans, of which water supply infrastructure is well constructed, needs to be targeted. Therefore, B2B sales region should be the central business district within Jakarta and B2C sales region should focus on the apartment and newly constructed area. Besides, the sales strategies need to be established in the targeted region accordingly.

- Current State of Water Supply Access Rate of Indonesia

Upon investigation, there was a large difference of water supply access rate and the accessibility of it among income classes. Regardless of regions, it has shown that an accessibility of water supply for a low-income class is below 10%. But high-income class has 50% accessibility within the downtown area and 29% for rural area. Also, depending on the degree of development there was a huge difference of water supply access rate as 40% for a high-income group and below 10% for a low-income group. Indonesia government has recognized those issues and promised to expand water supply. The high-income class of the developed downtown area (Jakarta) should be classified as a potential customer for a water purifier. This potential customer is expected to increase in the future along with the infrastructure improvement.
Entering Jakarta market, marketing strategies by living sphere need to be established

As entering Jakarta market, marketing strategies should be established after analyzing target customer’s living sphere: residence, shopping and business.

Efficient sales strategies can be formed by dividing target customer’s residence type as apartment and house. Many houses have their own water purification system for the building maintenance and direct sales marketing is limited for the security reason. While in case of the apartment, sales efficiency can be maximized by marketing to cluster of people in the specific area as known as area marketing.

When establishing market’s strategies of retail commerce, area marketing for the middle classes is possible as most of the consumption is focused on shopping mall which exists about 70 in total.

The target region to secure B2B sales channel is the central business district of Indonesia where most of the core companies are concentrated in which high-quality lifestyle is led. The sales strategies for all community places stated above can improve efficiency of the customer management for such as sales cost, filter replacement, repair and other services.

2. Business Opportunity

Indonesia’s bottled water market is highly developed, compared to GDP, and the consumption per person of bottled water is still growing annually. As Indonesia income per capita increases, the needs for improved water also have risen. Thus, we can expect that the demand for water purifier will rapidly increase in the near future. Regarding to the price of a water purifier, there is a high possibility that the customers of premium cold and hot water dispensers will replace them to water purifier henceforward. In other words, those customers are the potential customers of the water purifier market. For target marketing, the strategy of emphasizing on features of water purifier and complementing price competitiveness need to be considered.

Potential customer can be expanded by securing water purifier’s features and price competitive advantage, compared to water dispenser. Future business opportunity can be captured by substituting bottled water customer for water purifier customer by investigating the market size, growth rate, competitive composition and the use pattern of bottled water.

Market Size of Indonesia Bottled water

The demand for bottled water of Indonesia has significantly increased since 2012 and has ranked as 4th highest in worldwide in 2015. By considering Indonesia’s compound average growth rate (CAGR) is 12.2% which is quadruple for Mexico which ranked as 3rd for bottled water market, two times of the world average, it can be seen that bottled water market still has a high potential for the growth. Increasing of consumption per capita of the bottled water is originated from the increased of living standard as economic growth and resistance of the contaminated underground water. This can be interpreted as the expansion of the potential market that is replaceable for the water purifier.
Customer group of high-end water dispenser can be seen as the potential customer.

Affluent and elite groups in Jakarta are the target customer.

Target customer group is expected to enlarge in the near future.

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**Indonesia Water Dispenser Market (Potential Customer of Water Purifier)**

Bottled water product can be categorized as small (below 1L) and large capacity. Most of the Indonesian has a water dispenser to use large capacity water bottle in their house. Water dispenser market and large capacity water bottle market is growing together as a complementary. And water dispenser is produced in a wide spectrum from low-price to premium line by satisfying all customer’s income quintile. Water dispenser is regarded as an important asset of the water supply for Indonesia household. Especially the customers who buy the high-end product, are the potential customers that will buy water purifier at a high possibility. For the target marketing, the strategy needs to focus on the feature of the water purifier and complementing price competitiveness, compared to the water dispenser.

3. **Target Customer.**

To select target customer in accordance with income level, water purifier price level within Indonesia and the ratio of the expenditure for drinks and credit card by income level needs to be investigated. Since water purifier is a relatively expensive product, affluent and elite (4% of population) that has monthly expenditure over 5 million IDR (₩400,000) and monthly income over 10 million IDR (₩800,000) are the groups affordable to buy it. Monthly expenditure for drinks and credit card of high-income class is ₩23,500 and ₩37,500 respectively. As installment plan generally take in place for 36 months, it is regarded that those groups have enough purchasing power to buy the water purifier.

As an economic growth, it is expected that the target customer group (Elite/Affluent) is going to be expanded from 9 million to 23 million by 2020. It means that total size potential customer will be enlarged. In addition, as those groups and Jakarta GRP per capita is similar, it can be assumed that target groups are located in Jakarta region.
### Target Customer by Expenditure Level

**Indonesia monthly expenditure by income quantile ('15)**

<table>
<thead>
<tr>
<th>Monthly Income (US$ million)</th>
<th>&lt; 1.0</th>
<th>1.0</th>
<th>2.0</th>
<th>2.5</th>
<th>2.5</th>
<th>3.0</th>
<th>4.0</th>
<th>5.0-7.5</th>
<th>7.5-10</th>
<th>10+</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 1</td>
<td>31%</td>
<td>11%</td>
<td>5%</td>
<td>11%</td>
<td>11%</td>
<td>7%</td>
<td>7%</td>
<td>8%</td>
<td>4%</td>
<td>3%</td>
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<tr>
<td>1.0</td>
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<td>5%</td>
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<td>11%</td>
<td>11%</td>
<td>7%</td>
<td>15%</td>
<td>11%</td>
<td>3%</td>
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<td>2.0</td>
<td>27%</td>
<td>6%</td>
<td>5%</td>
<td>6%</td>
<td>11%</td>
<td>5%</td>
<td>4%</td>
<td>6%</td>
<td>12%</td>
<td>4%</td>
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<tr>
<td>2.5</td>
<td>28%</td>
<td>5%</td>
<td>4%</td>
<td>5%</td>
<td>5%</td>
<td>7%</td>
<td>5%</td>
<td>12%</td>
<td>5%</td>
<td>4%</td>
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<tr>
<td>3.0</td>
<td>28%</td>
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<td>7%</td>
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<td>4.0</td>
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<td>6%</td>
<td>3%</td>
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<td>5%</td>
<td>7%</td>
<td>12%</td>
<td>7%</td>
<td>11%</td>
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<td>5.0-7.5</td>
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<td>7.5-10</td>
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<td>10+</td>
<td>18%</td>
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<td>6%</td>
<td>5%</td>
<td>10%</td>
<td>6%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Legend:
- Food
- Drink
- Tobacco
- Clothing
- Tobacco
- Other
- Communication media
- Transportation
- Housekeeping
- Leisure
- Credit card
- Taxing

Reference: Deloitte Consumer Insights

### Expenditure item by Income Level

**Population by expenditure level ('12)**

<table>
<thead>
<tr>
<th>Monthly expenditure (unit million USD)</th>
<th>Expected population by expenditure level ('20) (unit million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.5 Elite</td>
<td>6.9</td>
</tr>
<tr>
<td>6.8 Affluent</td>
<td>18.5</td>
</tr>
<tr>
<td>23.2 Upper middle</td>
<td>49.3</td>
</tr>
<tr>
<td>41.6 Middle</td>
<td>68.2</td>
</tr>
<tr>
<td>44.4 Emerging middle</td>
<td>50.5</td>
</tr>
<tr>
<td>85.4 Aspirant</td>
<td>47.9</td>
</tr>
<tr>
<td>64.5 Poor</td>
<td>28.3</td>
</tr>
</tbody>
</table>

Reference: ECI (Indonesia's Rising Middle Class and Affluent Consumer)
Appendix: Major Players of Water Purifier within Indonesia

**Pureit**

**Pureit Introduction**
- **Company type:** Water purifier manufacturer
- **Business area:** Water purifier
- **Product:** Excelsa 9L, Pureit Ultimate 418, Pureit Classic 5 L, Pureit Ultimate Hot, Marvela Hot, Marvela 9L, Pureit Classic 9L
- **Website:** https://www.pureitwater.com

**Note**
- Pureit is the world’s best-selling brand since its launching in 2008 by selling over 12 countries.
- Pureit attached the license of water safety over 20 countries’ laboratories and is evaluated as completely harmless from bacteria and virus by EPA (Environmental Protection Agency).
- Sales department exists within Indonesia and selling through phone, e-mail, website, e-commerce, retail channel of shopping mall.
- Market leader for household type water purifier in Indonesia.

**Advance**

**Advance Introduction**
- **Company type:** Distributor
- **Business area:** Health product
- **Product:** Water, Health, Relax, Fit
- **Website:** http://www.advanceproduct.com

**Note**
- Dealing with a large range of products that are applied with innovative technology, design, and technology.
- Opened in over 70 showrooms nearby major cities.
- Take positioning as apprehending customer’s needs through skilled sales staff in the market.
- Except water purifier Advance offer health-related products such as massage chair, massage tool, fitting accessory

**Hydro**

**Hydro Introduction**
- **Company type:** Industrial/Household Water purifier manufacturing
- **Business area:** Water purifier
- **Product:** HYDRO 2000, HYDRO 4000, HORYO 6000, HYDRO REVERSE OSMOSIS R-200
- **Website:** http://hydro.co.id

**Note**
- Founded in 1999 by Chemistry professor Teguh Wibowoanto at University of Indonesia.
- Originally founded for procuring chemistry products for laboratory, but by seeking opportunity of the poor water quality, Hydro launched household and industrial purifying solution in 2003.
- Providing over 20,000 customers through 60 employees and 10 branches.
- Sales branch, tele-marketing, website are sales channels.
- Largest size for Indonesia local water purifier company

**Kangen Water**

**Kangen Water Introduction**
- **Company type:** Distributor
- **Business area:** Water purifier
- **Product:** Leveluk R, Leveluk JR11, Leveluk SD501, Leveluk SD501 Platinum, Leveluk Kangen 8, Leveluk Super 501, Pompa Portable Blackjet
- **Website:** http://enagic.co.id

**Note**
- Kangen product belongs to Japanese premium line and have a history of selling water purifier since 1990.
- Various price range as $1770-$4800.
- Successfully entered market by selling 300 products at the first year by establishing Indonesia branch in 2013.
- For household type water purifier, Kangen sells products in connect with lots of resellers. For industrial type water purifier, Kangen directly sells product.