

An analysis of beauty in Indonesia

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Indonesia offers much potential for growth for beauty players, despite the market's complexity and a difficult regulatory environment

With high inflation impacting purchasing power and questions around the regulatory context ahead of the introduction of mandatory Halal labeling on cosmetics in 2026, the Indonesian market is facing its share of challenges. "Launching a brand is not simple; government regulations are complex and it's difficult to navigate," sums up distribution company LUXASIA Country Manager Lia Amelia.

"At the beginning of the year, the market slowed down a bit because of the presidential election," she comments, followed by Ramadan, typically a slower period for beauty sales. "Things started to pick up in April," she says. "We are looking at double-digit growth, because we are doing a lot of expansion, both with new brands and in new channels," she says.

The country's inflation rate has slowed from a high of 6% in September 2022 to an average of 2.6% in 2023, while GDP grew 5% last year and is expected to gain 4.9% in 2024, according to data from the World Bank.



Department stores are still the dominant channel for beauty in Indonesia, but are seeing more competition from brand boutiques and online. Above the Burberry counter at Metro Plaza Senayan

Growth potential

With its large population, beauty companies see Indonesia as a major white space for growth. “Being the fourth most populated country in the world at 275 million, the prestige beauty market remains small at \$164m,” says Groupe Clarins Executive Vice President for Southeast Asia Guillaume Nagy. “For us as a company, it’s a very interesting space,” comments LUXASIA Managing Director for Southeast Asia Alwyn Chong.

The Indonesian population is growing by around one million people each year, and sources see the prestige market potentially doubling in the mid-term. “It has a lot of potential and we’ve invested a lot,” says Chong. “It’s the largest urbanizing population in Southeast Asia.”

While the country’s geography and infrastructure are complex—it has around 17,000 islands—prestige beauty consumers remain largely concentrated in urban areas, even for e-commerce. “There is a concentration of wealth in specific pockets,” says LUXASIA Chief Operating Officer Satyaki Banerjee. “If you’ve got the top-10 cities, including Jakarta and Surabaya covered, you’re probably reaching a lot of your target audience.”

Unlike in much of Southeast Asia, where fragrance has been the fastest-growing category for the past few years, make-up has been driving prestige gains in Indonesia, sources say. The category’s average compound annual growth rate between 2021 and 2023 was 64%, compared with 22% for fragrance and 5% for skincare, the largest prestige category representing 52% of sales. In fragrance, niche and luxury products are driving growth, and are a significant area of expansion.

“Indonesian consumers have always been very focused on make-up,” says Amelia. “We launched Huda Beauty last year and it’s doing very well. The product fits well with the Indonesian consumer in terms of colors and because we have hot weather and the products are long-lasting.”

But consumers are also showing more interest in skincare, and routines are complexifying. “Beauty regimes are evolving. They used to be very basic, but now people are using more products,” says Amelia. Demand for sun care and acne care products is strong, according to Asia Cosmelab Project Manager for Southeast Asia Héloïse Lefebvre du Prey. “Brands are engaging a lot in consumer education around ingredients in skincare,” she says.

Local brand development

The past few years have seen a flurry of local brand development, especially in make-up and fragrance, with rapid development times and a trend-focused offering. The Indonesian government has acted to promote local players, imposing new import tariffs on cosmetics last year, for instance, as well as the obligatory Halal labeling requirements for cosmetics expected to enter force from 2026 in what is the world’s most populous Muslim country. Cosmetics companies are monitoring the situation closely.

“Consumers have been trading down due to inflation and less discretionary spending. Consumers are attuned to promotions from retailers—discounts or samples or gwps from DTC channels”

Groupe Clarins Executive Vice President for Southeast Asia Guillaume Nagy

The challenge local brands represent to international players, especially in prestige, remains to be seen. “Domestic companies have a growing presence [...] thanks to their affordable prices and in-depth knowledge of local needs and cultural preferences,” Euromonitor International wrote in its most recent report on the Indonesian market. “These mass brands are likely to pose a threat to their premium counterparts, especially in categories such as color cosmetics, where the increasing influence of social-media platforms will enable them to grow their sales.” Lefebvre du Prey highlights brands like Somethinc and Dear Me Beauty, as well as more established players like Wardah, as driving competition.

Amelia believes international brands will keep their aspirational appeal. “We look up to international brands,” she explains. “It doesn’t affect prestige beauty, because they are educating the customer to use additional products, and the basket for each individual consumer is increasing,” she says. “There’s room for everyone.”

Nevertheless, consumers in Indonesia are extremely value-conscious, observers say. “Consumers have been trading down due to inflation and less discretionary spending, for example using a cleanser from a masstige brand and an anti-aging moisturizer from a prestige brand,” Nagy observes. “Consumers are attuned to promotions from retailers—discounts or samples or GWPs from DTC channels,” he adds. “Indonesian consumers are very sensitive to discounts and value, unlike in other markets in the region where premium products appeal more,” Lefebvre du Prey concurs.

Department stores lose traction

As for distribution, Indonesia’s department stores, while still dominant, are losing traction, according to market observers. “Dependence on department stores as a preferred distribution channel is reducing,” says Clarins’ Nagy. “Some brands are opening quality standalone formats offering consumers an upgraded brand experience in the key cities of Jakarta and Surabaya, while others are capitalizing on the potential of online marketplaces.”

LUXASIA's Amelia comments: "The expansion of boutiques is quite significant. Consumers are in the malls, but going into department stores is not so trendy any more—although loyalty programs do bring consumers in."

Retail development is ongoing outside the major cities. "Apart from Jakarta, Surabaya and Medan, Bali is a great place for retail as well," comments Chong. Multibrand players are also expanding.

Sephora continues to grow its footprint and e-commerce platform Sociolla has developed a network of around 60 boutiques, although its focus is more on local brands and entry-level Japanese and South Korean products.

Online, the marketplace model remains dominant. "Consumers are more attuned to purchasing from marketplaces due to their value-for-money mindset," says Nagy. While investing in brand.com is challenging given necessary investments and infrastructure, he believes that it is an avenue to explore for the long term so as to serve as a platform for full communication about the brand's DNA and build a relationship with customers.

The online ecosystem has also been impacted by government intervention recently. TikTik Shop, which had been developing strongly, was banned last year as the government looked to crack down on Chinese imports. TikTok owner ByteDance subsequently invested in local marketplace Tokopedia. "Social commerce is big, but the average order values are extremely low and therefore it's having a major impact only in some specific categories and segments," says LUXASIA Chief Operating Officer Satyaki Banerjee.

"We are monitoring the suitability for prestige brands to use social-selling channels. However, to make online work for us, we are leveraging our huge network of KOLs to communicate authentically with our consumers," comments Amelia. Facebook and Instagram are also important communication tools for brands and retailers.

Complex regulations and government protection remain challenges to doing business for international brands in Indonesia. However, beauty players are confident about the market's future potential, especially given Indonesian consumers' increasingly savvy appetite for beauty.

Indonesia's key retailers

Mitra Adiperkasa (MAP)

Mitra Adiperkasa operates the **Sogo** (17 stores), **Seibu** (1 store, considered the country's most premium) and **Galleries Lafayette** (1 store) department stores as well as **Sephora** (18 stores) in Indonesia. The company is growing Sephora's footprint this year with three new stores. The retailer has been extremely active in the past few years in amplifying its omnichannel capabilities.

Metro

The Metro chain currently operates 16 stores.

Central

Thai group Central has one store in Jakarta, in the East Mall of Grand Indonesia.

C&F Beauty

Perfumery chain C&F has around 120 stores in cities across Indonesia, offering a broad range of prestige and lesser known brands.

Sociolla

Founded in 2015, local e-commerce player Sociolla, which got investment from L Catterton in 2022, has been expanding its brick-and-mortar presence fast, and now has around 60 retail locations in 40 cities. Its beauty offer is mainly made up of entry-level Korean and Japanese brands, as well as local brands.

Tokopedia

Tokopedia is reportedly Indonesia's largest marketplace for beauty. After TikTok Shop was banned in the country last year when the Indonesian government cracked down on social selling, Tokopedia merged with TikTok owner ByteDance, which took a 75% stake in Tokopedia late last year.

Shopee

Shopee is the second-most important marketplace for beauty in Indonesia and has been making moves to grow in the prestige beauty space.

Indonesia beauty and personal care sales

Category	2023 sales \$	% change 2023/2022	2024 sales forecast \$	% forecast change 2024/ 2023
Skincare	2.33bn	+3.0	2.49bn	+6.9

Color cosmetics	717.7m	+5.1	770.3m	+7.3
Fragrance	514.7m	-1.9	557.8m	+8.4
Premium beauty and personal care	602.6m	-0.7	637.5m	+5.8
Total beauty and personal care	7.44bn	+1.2	7.89bn	+6.1

Source: Euromonitor International, retail sales at constant 2023 prices. Total includes categories not listed in chart

Indonesia prestige beauty market forecast

Category	% 2024 sales growth	% 5-year CAGR forecast (2024-2028)
Prestige skincare	+5.5	+5.9
Prestige color cosmetics	+5.0	+5.7
Prestige fragrance	+4.0	+3.6
Prestige haircare	+7.5	+7.9

Source: LUXASIA

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