

Sporting goods market profile of Indonesia

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Abstract:

Indonesian sporting goods market size is currently more than 200 million US dollars. As predicted, the compound annual growth rate will be 11% in the coming 5 years; in 2017, the market size will reach 320 million US dollars. Among the sporting goods, the commercial market has a great potential, and the fitness equipment contains both advantages of market size and growth potential. In 2014, CDRI's research team has done an in-depth survey from the following three orientations, including channel structures of fitness equipment market in Indonesia, consumer behaviors and demands, and competition environment. In order to provide effective models and strategies for Taiwanese enterprises to enter the market, and to maintain or expand the competitive advantages, not only the relevant analysis of successful branding models in the Indonesian market but also probes of innovation models and marketing strategies are to be elaborated in this study.

Indonesia is the 4th most populated country in the world. According to CIA 2014 database, Indonesia, where 250 million people inhabit, becomes one of the highly-potential emerging markets in Asia. Indonesia's GDP grew 6.2% in 2012 and its domestic inflation rate has been steadily under control at around 5% after 2008 financial tsunami. Compared with 10% inflation rate in Vietnam, Indonesia has a rather stable economy (Euromonitor, 2013). Besides, the poor population in Indonesia decreases from 15% to 12% after 2008. Compared with the poor in Indian, where 30% of the total population, nearly one third, are poor people. As shown, the social development in Indonesia is comparatively stable (The World Bank, 2013).

In terms of social and economic development, Indonesia has grown stably. The local consumers have got rid of the basic needs for living. What's more, they look for better living quality, including personal health, leisure recreation and material enjoyment, etc. According to the statistics of Euromonitor (2013), among the twelve major spending items, except eating, living, transportation and other basic spending, Indonesians spend more money on leisure and recreation. The relevant value equals to 4.8% of its overall consumption value in 2012. As estimated, it will continue growing from 2012 to 2017, and average annual growth rate is 7.2%. This speed will be higher than the total consumption growth rate. As known, sporting goods consumption in Indonesia is treated as leisure and recreation activity. Thus, there will be evidently growing demands of sporting goods in the near future.



Table 1: Indonesian consumers' major spending items, percentages and compound annual growth rate (CAGR)

Unit : %

Category	2007	2012	2017	07-12CAGR	12-17CAGR
Food and Non-Alcoholic Beverages	32.6	33.4	32.6	12.3	5.7
Housing	17.2	17.6	17.7	12.3	6.4
Transport	10.4	10.2	10.1	11.3	6.1
Hotels and Catering	11.2	9.3	9.4	7.7	6.5
Alcoholic Beverages and Tobacco	4.8	5.4	5.1	14.6	5.0
Leisure and Recreation	5.4	4.8	5.1	9.3	7.2
Household Goods and Services	3.6	3.6	3.6	12.2	6.3
Miscellaneous Goods and Services	3.0	3.5	3.6	15.5	7.0
Education	2.4	3.4	3.6	19.6	7.9
Clothing and Footwear	4.0	3.2	3.0	6.8	4.7
Communications	2.8	3.1	3.3	14.4	7.5
Health Goods and Medical Services	2.7	2.6	2.7	10.8	7.5
Total	100.0	100.0	100.0	11.8	6.2

Source: Euromonitor (2013), edited by CDRI

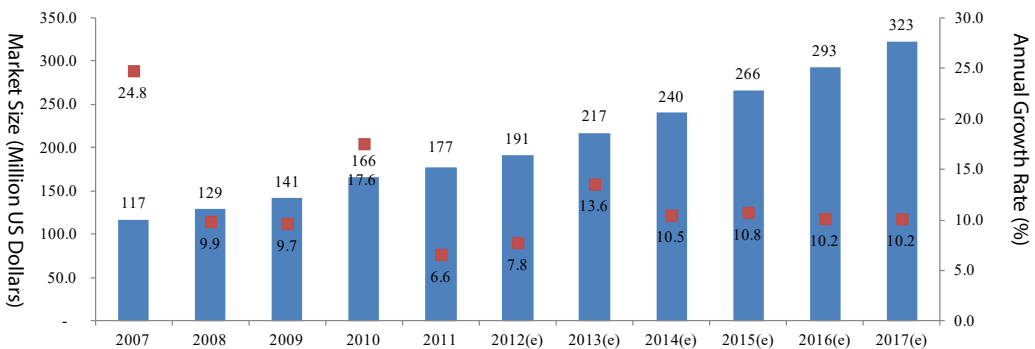


Figure 1 - Indonesian sporting goods market size

Source: Euromonitor (2013), edited by CDRI

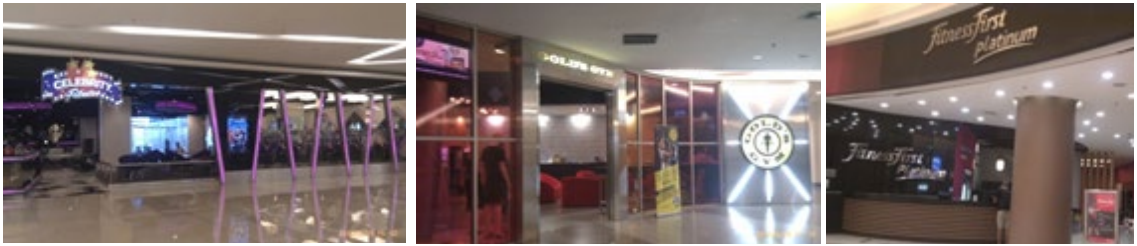


Figure 3 Top 3 Indonesian fitness clubs

Source: CDRI (2014)

According to the survey by Euromonitor (2013), the market size of the sporting goods in Indonesia is about 190 million US dollars. From 2007 to 2012, the compound annual growth rate is 10.3%. And as predicated, there will be about 11% growth rate in the next 5 years; in 2017, the market size will achieve 320 million US dollars as shown in Figure 1. In 2013, CDRI had done researches and surveys on the Indonesian health and beauty consumption. According to the research results, Indonesians fancy sweets and fried food; meanwhile, they also pursue perfect body figure and care for their cardiovascular fitness. 18% to 19% of females and males think that they have cardiovascular problems. Particularly, the group of 40-to-49-year-old males has very high demands of cardiovascular fitness and health. This year CDRI also conducts a further survey on the Indonesian market of the fitness equipment, exploring channel structure, consumption and demands, competition environment so as to help Taiwanese entrepreneurs to draft marketing strategies and hopefully, export performance will be enhanced.

Between the 2 categories of home-use and commercial fitness equipment markets, Indonesian home-use market has larger market; nevertheless, commercial fitness market has great potential. In 2012, home-use market is 61.0% of the fitness equipment market. But commercial fitness equipment is increasing yearly. From 2007 to 2012, its percentage has grown from 32.2% to 39.0%. It is predicted that it will grow up to 40.5% in 2017. The compound annual growth rate will reach 11.7% from 2012 to 2017, higher than the overall growth rate. As shown in Figure 2, home-use fitness equipment in the Indonesian sporting goods industry is still the mainstream right now. The uprising disposable income of Indonesian middle class makes doing sports as trendy. There are more demands of commercial fitness equipment in the Indonesian fitness clubs. Based on the field survey by CDRI in Jakarta Indonesia, there

are middle-or-large-sized chain fitness clubs in the major shopping malls of Jakarta, and there are also small-scaled membership fitness centers in most hotels. As known, 3 chain fitness clubs are Celebrity’s Fitness, Gold’s Gym, and Fitness First. The number of branch stores is increasing from 11 to 30 as showed in Figure 3. When CDRI researchers asked the white-collared class whether likes to join fitness clubs or not, at least 2 females mentioned if the club membership fees is around

NT\$2,000, it’s feasible for them to become a fitness club member. Besides, they also think that becoming a fitness club member would also benefit their social life. Although some international fitness clubs have signed the global contracts with their headquarters or European or American fitness brands, Taiwanese fitness companies would still have business opportunities in the local new fitness clubs.

Based on Euromonitor (2013), Indonesian sporting goods include 5 categories: water, fishing, skiing and skating, fitness and others. As shown in Figure 4, the highest growth rate in the future will be water sporting goods. Its compound annual growth rate is 13.1 % from 2012 to 2017, ranked as the highest among other categories. However, it has the smallest proportion. In 2017, its estimated proportion will be only 3.9%. By contrast, the 2nd highest growth rate is fitness equipment. Its compound annual growth rate will reach 11.4% from 2012 to 2017, and it has the second largest proportion. It is predicted that its proportion will grow up to 19.1% in 2017. No doubt, it has a remarkable market size and a potential growth. The other category includes balls, field tracks, hiking, gymnastic and other sporting goods. Though its proportion is more than 50%, it will decrease year after year. The future growth rates and market sizes of skiing and fishing products will not compete with fitness equipment. Fitness equipment for sure will have a great market size and growing potential in the Indonesian sporting goods market.

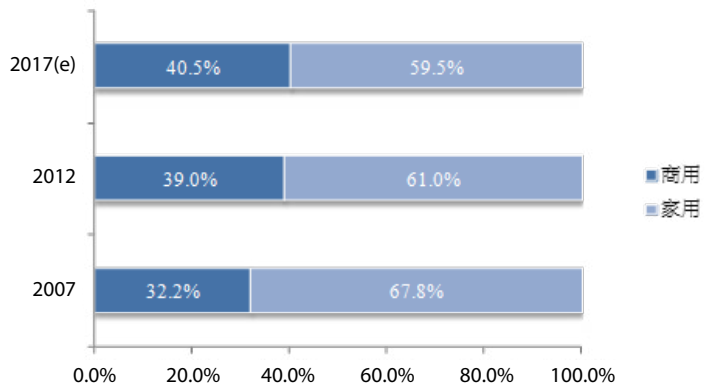


Figure 2 Indonesian commercial and home-use sporting goods percentages

Source: Euromonitor (2013), edited by CDRI

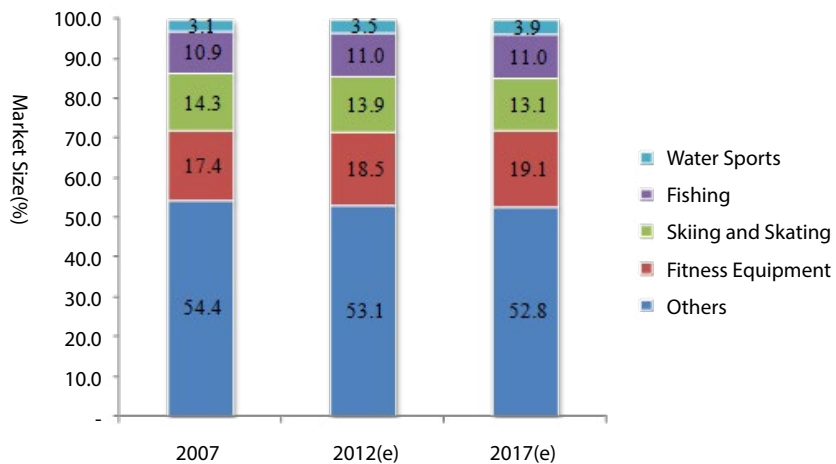


Figure 4. Indonesian secondary sporting goods and market size ratio

Source: Euromonitor (2013), edited by CDRI

Whether Taiwan's sporting goods will grab the business opportunities in the Indonesian market? Viewing Taiwan's export to Indonesia from its proportion and growth rate, Taiwan's sporting goods is 2.3% of Indonesian imported sporting goods value in 2012. From 2006 to 2012, the compound annual growth rate reached 12.4%. From 2009 to 2012, the compound annual growth rate even grew high up to 30.1%. The growth rate keeps going upward. As indicated, Taiwan's sporting goods will have tremendous potential in Indonesian market. Among the sporting goods, the fitness equipment is undoubtedly the shining star. Take Johnson Health Tech Co. as an example, it is the

leading fitness brand globally, and is awarded as Taiwan Top 20 Global Brands. For such a promising future, CDRI's research team works on in-depth surveys related to Indonesian sporting goods market, analyzing channel structure, consumer behaviors and demands, and competition environment. Furthermore, finding more successful branding models in the Indonesian markets. The study provides innovation models and marketing strategies so that Taiwanese sporting goods companies can better understand the marketing features and apply the relevant models or strategies to enter or expand the Indonesian markets and maintain the future competitiveness.