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Pharmaceutical-Cosmetic Sector Meeting
19 November 2014
Vismay Sharma
L'Oréal Indonesia

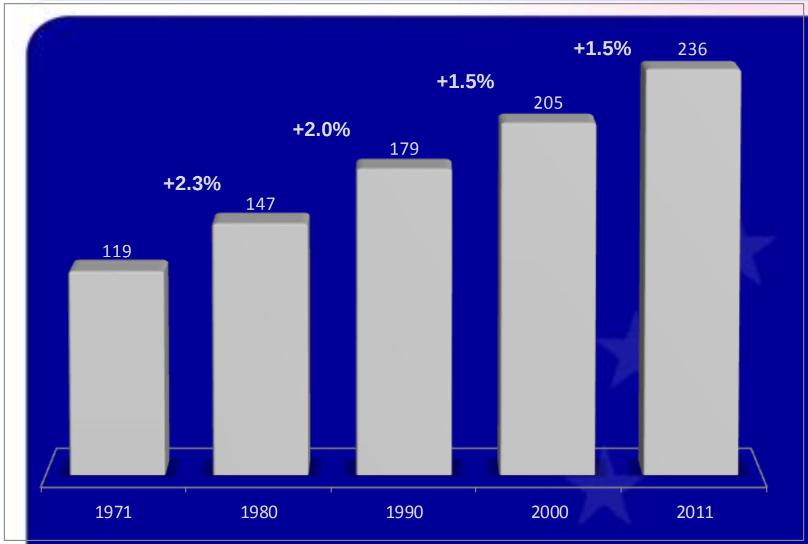
Pharmaceutical-Cosmetic Sector Meeting

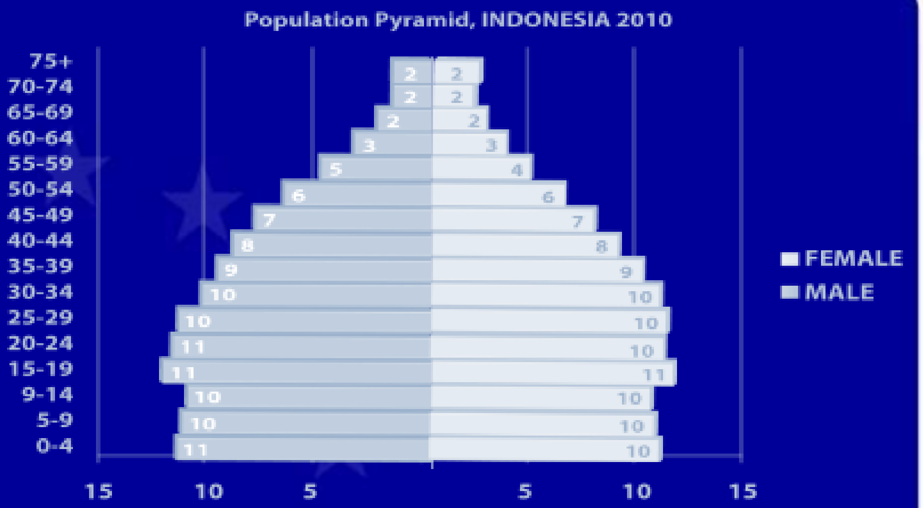
Agenda

- Indonesia – the context
- Potential of the beauty market in Indonesia
- Private Sector Participation
- Key challenges
- Recommendation

Indonesia – the context

The demographics of Indonesia



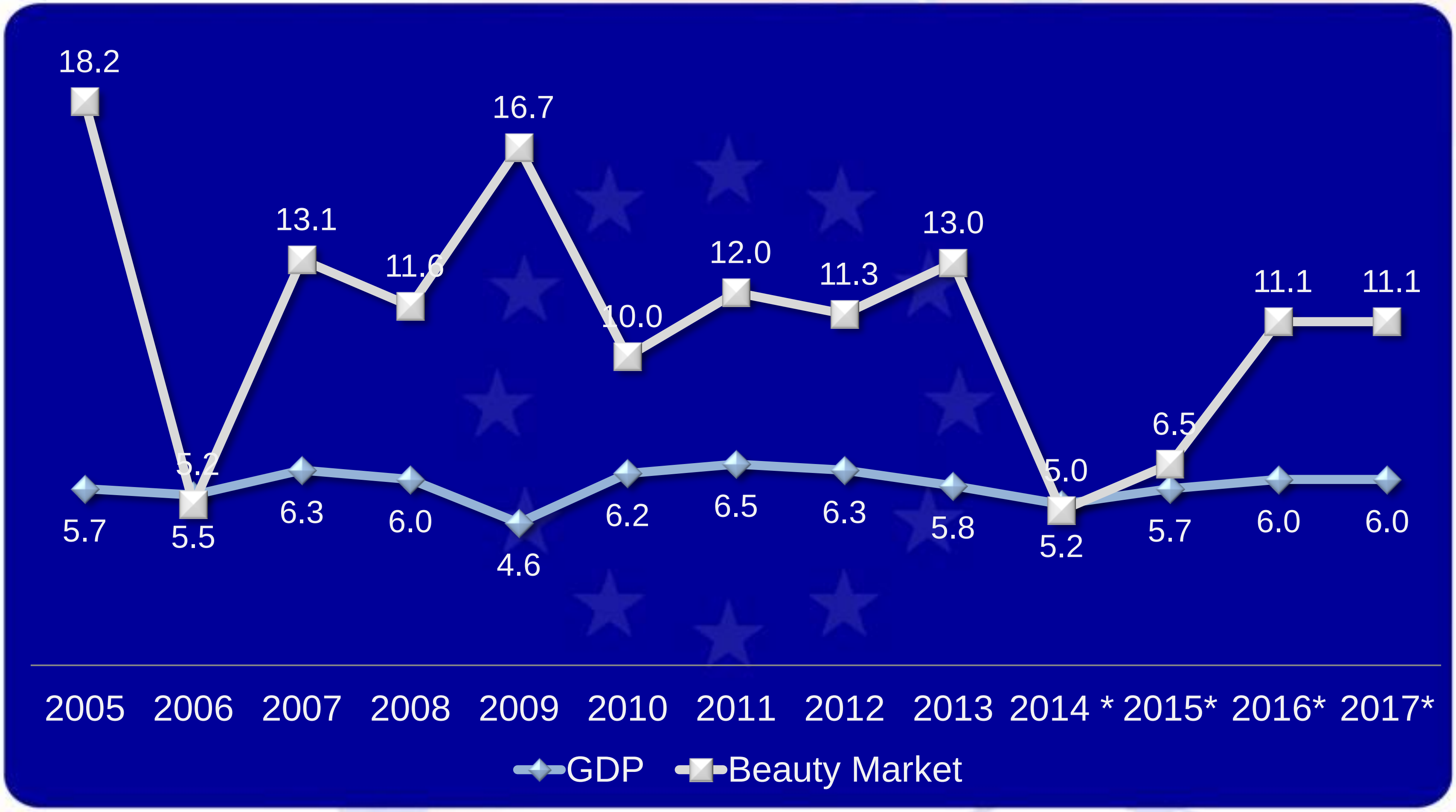


- 243 million people
- Average age 27
- 60 million are aged <15 year old: 7 million new consumers in middle class every year- increasing urbanisation
- 4 million new consumer each year for beauty market

Source: BPS – Govt. of Indonesia

Indonesia – the context

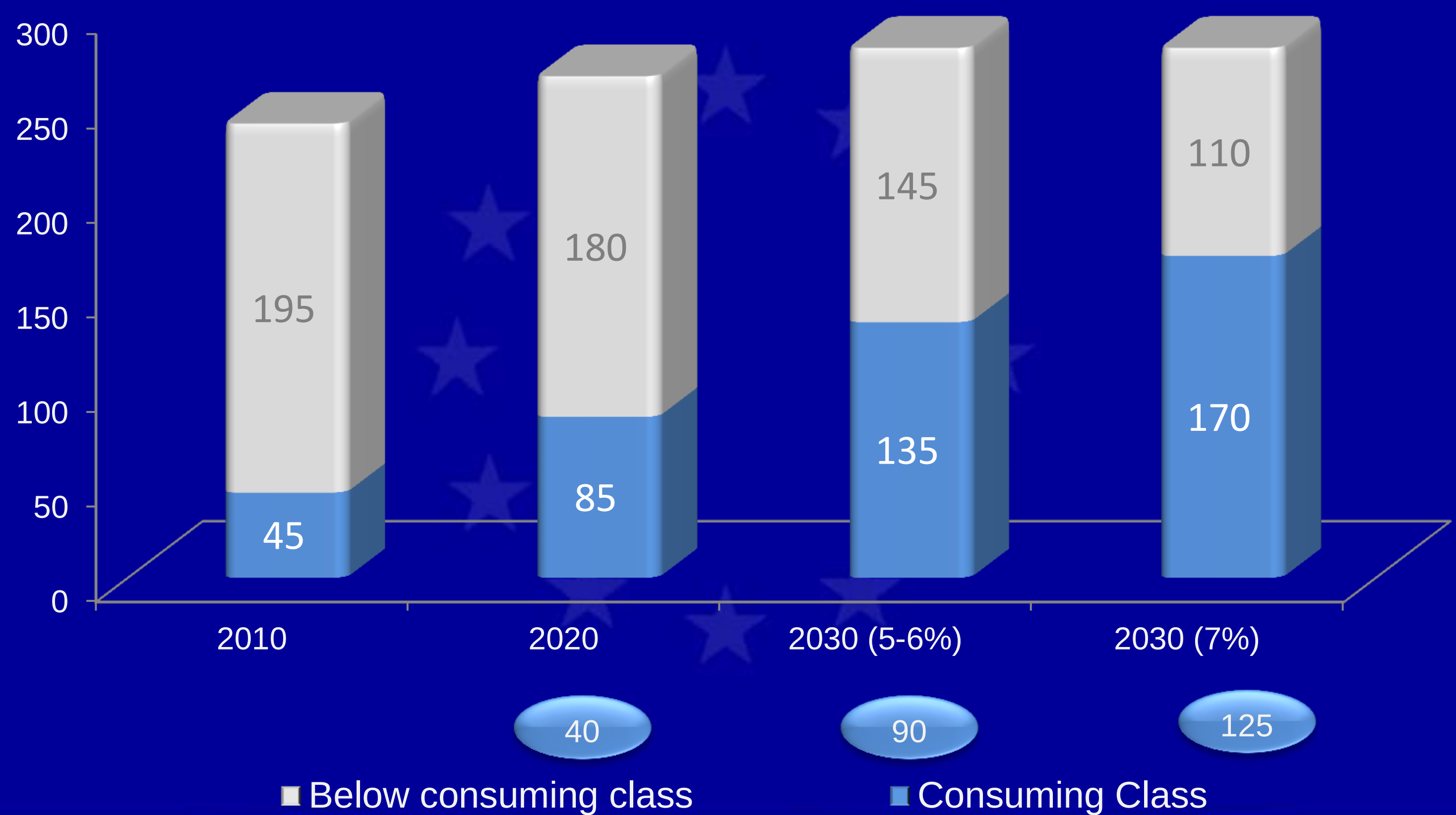
Personal care has been a growth driver for the economy



Source : BPS Indonesia, World Bank, L'Oreal BMS Estimation

Potential of the Beauty Market in Indonesia

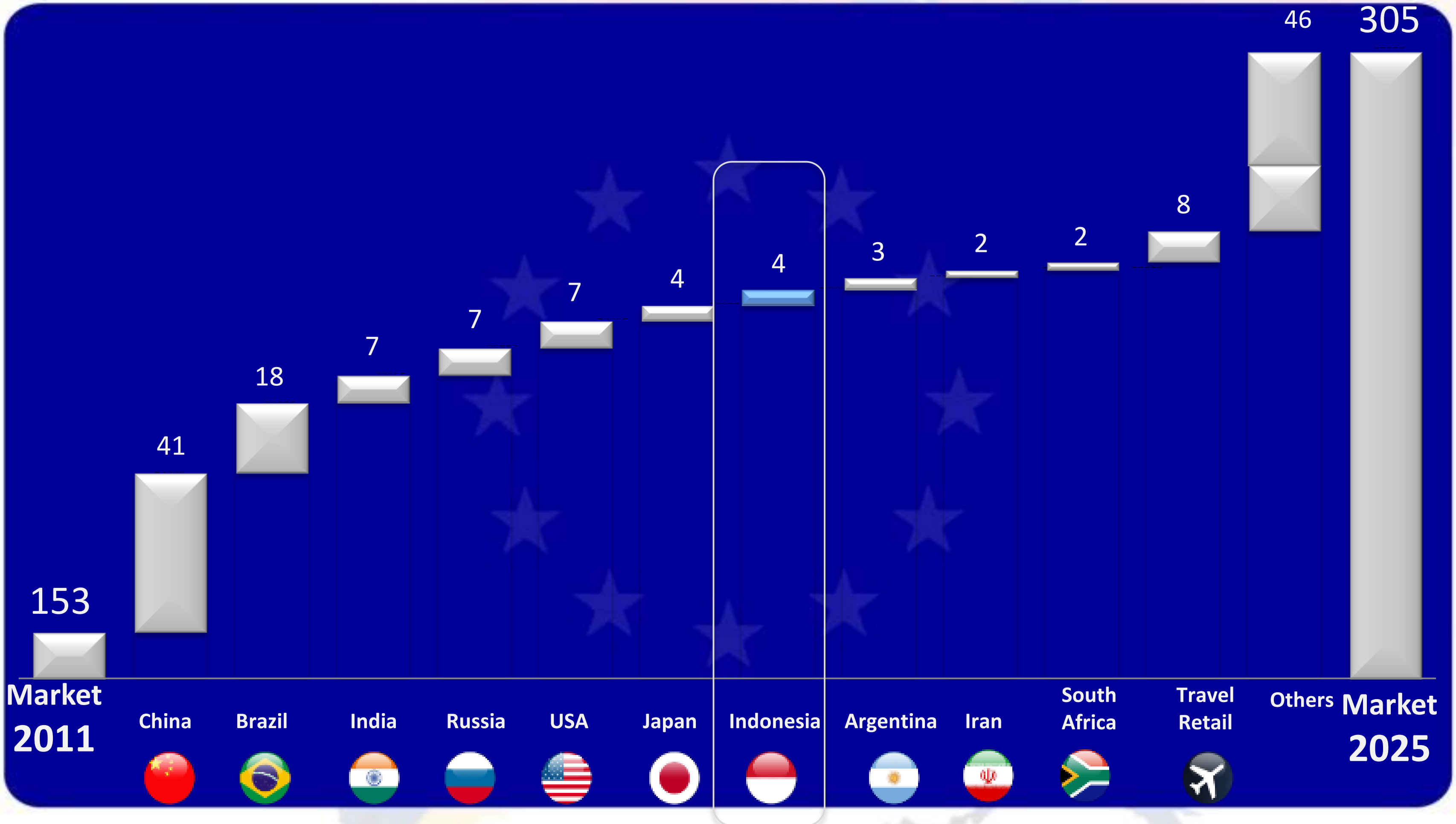
The growth of consuming class in Indonesia



Source: McKinsey CSI Indonesia 2011, 20101 Population Census, Indonesia's central Bureau of statistics; C-GIDD; McKinsey Global Growth Model; McKinsey Global Institute analysis

Potential of the Beauty Market in Indonesia

Indonesia can be one of the largest growth contributors



SOURCE: L'Oréal data (BMS, DIM), Euromonitor, McKinsey CityScope, McKinsey team analysis - Sell in

Potential of the Beauty Market in Indonesia

Becoming one of the top 15 markets of the world

SOURCE: L'Oréal data (BMS, DIM), Euromonitor, McKinsey CityScope, McKinsey team analysis - Sell in

Private Sector Participation

Ability to create products for the country & educate consumers

New Evaluation Centre to develop products for Indonesia

L'Oréal Unveils- education program in collaboration with BPOM & PERDOSKI

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Private Sector Participation

Commitment to sustainable development and the environment

First LEED Certified factory in Indonesia

First Green Office certified by GBCI

Private Sector Participation

CSR and giving back to the society

For Women in Science program

Beauty for a Better Life Program

L'Oréal Girls Science Camp

Key Challenges

Areas of Challenges

- Infrastructure

- Manpower
  - Talent
  - Wages and productivity cannot be disconnected from each other

- Regulation
  - Country's specific requirement/regulation
  - Insuffcient time required for implementation
  - Some regulations lead to inefficiency and unnecessary costs (e.g. pre-shipment inspection/surveyor report, Halal Product Assurance Law for cosmetic, etc.)
  - Intellectual Property Rights (IPR) protection and enforcement

Recommendations

Way Forward Post–2015 ASEAN Economic Community

- Good regulatory principles supported by consistent regulation that align with ASEAN Cosmetic Directive and minimize country's specific regulation
- Participation of Industry associations for policy making in anticipation of ASEAN Economic Community
- Transparent and efficient import procedure
- Concrete collaboration with government for IPR protection and increasing public awareness on the dangers of counterfeit products
- Trade incentive scheme provided by the Government to attract more investment

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