

Adapting to Change: External and Internal Analysis of the Dietary Supplement Industry in Indonesia

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Abstract: *This study investigates the external and internal factors of the dietary supplement industry in Indonesia, especially post-pandemic. Using secondary data, the research identifies key factors driving market growth, including increased health awareness, the rise of e-commerce, and Indonesian people preference for natural and herbal products. The analysis also highlights company challenges such as intense market competition, regulatory, and economic conditions. Opportunities for local pharmaceutical companies are explored, emphasizing the potential for innovation and alignment with traditional medicine practices.*

Keywords: Dietary Supplement, Indonesia, Market Competition

1. Introduction

In Indonesia, the dietary supplement business has been experiencing a significant surge in recent years (Statista, 2024b), driven by a variety of complex factors that show shifting consumer behaviors (Jusuf, 2023; Widyaningsih, 2024). This growth is particularly important because of Indonesia's large and youthful population, which constitutes of the country's 278 million citizen (BPS, 2024a).

Increasing health awareness among Indonesians, especially within the mid-age generation (Widayanti et al., 2020), has become a potential driver of this market expansion. Because of the COVID-19 pandemic, the focus on immunity and health maintenance has been increased, hence more demand for vitamins, minerals, and herbal supplements (d'Arqom et al., 2023). This heightened health awareness is accompanied with the rising prevalence of lifestyle-related diseases such as blood pressure (Turana et al., 2020), cardiovascular problems (Harmadha et al., 2023; Muharram et al., 2024), diabetes (Darmawan et al., 2024), and obesity (UNICEF, 2019), which are worsened by sedentary lifestyles and changing dietary habits.

According to IQVIA 2023, there was an increase in sales of dietary supplements during COVID-19 pandemic, especially immune boosters and multivitamin products. However, the dietary supplement market is becoming increasingly saturated, with numerous competitors offering similar products (Table 1). According to the current market conditions, low-market-share pharmaceutical companies need to try to create a new breakthrough product in order to keep their competitive advantage and possibly take the lead in the OTC supplement market.

The impact of these external factors on the dietary supplement industry in Indonesia will be discussed in this research. It will be combined with internal factors of Indonesian pharmaceutical company, using secondary data to analyze the market trends, drivers, and restraints. It will also explore the potential opportunities and challenges faced by local pharmaceutical company, providing an overview of the current state and prospects of the dietary supplement market in Indonesia.

Table 1: List of Top Health Maintenance Product in Indonesia (IQVIA, 2024)

Product	Manufacturer	Function
Imboost	Soho	Maintain health
Neurobion	Merck	Prevent and treat nervous disorders
Sangobion	Merck	Multivitamin for cases of anemia (lack of blood) due to iron deficiency
Becom-Zet	Sanbe	Multivitamin
Zegavit	Kalbe	Multivitamin
Redoxon Zinc	Bayer	Vitamin C, D, and Zinc Supplement
Folamil	Dexa	Multivitamin and Mineral Supplement for cases of pregnancy
Enervon-C	Darya Varia	Vitamin C, and D Supplement
Holisticare Ester C	Indocare	Vitamin C Supplement
Vitacimin	Takeda	Vitamin C Supplement
Becom C	Sanbe	Multivitamin during the growth period and during the healing period
Prove D3	Kalbe	Vitamin D Supplement
Blackmores Bio C1000	Kalbe	Vitamin C Supplement

2. Methodology

This study on the impact of shifting consumer behavior on the dietary supplement industry in Indonesia employs a secondary data collection methodology. Secondary data collection involves retrieving and analyzing existing data from various sources, rather than collecting new data directly from the target audience. The data for this study is sourced from a variety of reliable and credible secondary sources, including published online journals and reports, government publications, educational institutes and libraries, and market research websites. To ensure the reliability and validity of the data recent publications were prioritized to ensure the data reflects current market trends and consumer behaviors. Furthermore, sources known for their accuracy and reliability, such as government reports and peer-reviewed journals, and sources that provided in-depth analysis and detailed discussions on the topic, were selected.

3. Result and Discussion

PESTEL Analysis of Indonesian OTC Market

Leniency towards the import of herbal medicines and dietary supplements has been shown by Indonesian government. It can be seen in the Ministry of Trade's 2024 regulations (Kementerian Perdagangan RI, 2024). This political regulation can be a significant threat for pharmaceutical industry in Indonesia. The relaxed import policies can reduce the barriers to entry for foreign or international herbal products, making it easier for companies to introduce new and diverse products into the Indonesian market. However, strict government regulations are also in place to ensure the safety and efficacy of dietary supplements. Agencies such as BPOM (Badan Pengawas Obat dan Makanan), the Ministry of Health (Kementerian Kesehatan), and the Ministry of Trade of Goods (Kementerian Perdagangan) take control over these

regulations. For example, BPOM Regulation No. 24 of 2017 is about drug registration, and BPOM Regulation No. 8 of 2020 is about the controls of online drug and food sale.

As of September 2024, Indonesia is experiencing a deflationary period, with the largest contributor to this trend being the food, beverage, and tobacco sector. The year-on-year inflation rate stands at 1.84%, and the Consumer Price Index (CPI) has decreased from 106.06 in August 2024 to 105.93 in September 2024 (BPS, 2024b). Furthermore, declining purchasing power could reduce consumer spending on non-essential items, including herbal dietary supplements, creating a more competitive market of dietary supplements in Indonesia (Rezki et al., 2024).

Indonesian consumers are highly price sensitive. They are shifting towards a more affordable or value-for-money products (Afendi, 2023; Akbar & Haryoko, 2020; Angelina & Widiawati, 2022; Suharso, 2020). Furthermore, there is also a high trend of online shopping, driven by the availability of best deals and discounts (Andini, 2023; Anggarwati et al., 2023). This has made e-commerce platforms crucial for the dietary supplement market, enhancing accessibility and consumer, but increasing competitiveness. This sensitivity and competitiveness can affect the strategies of dietary supplement companies.

Increasing health awareness among Indonesian consumers has led to a trend towards healthy food diets and a greater interest in dietary supplements (Statista, 2024a). This awareness is rising after COVID-19 pandemic, with consumers seeking to enhance their immune systems and maintain their overall health. However, adults in Indonesia often practice self-care by taking rest, self-medicating, or using traditional medicines (Widayanti et al., 2020). This self-care culture supports the demand for dietary supplements as part of health maintenance routines.

The rise of telemedicine platforms has improved access to health consultations, which can indirectly influence the demand for dietary supplements by providing consumers with more informed health advice. Advances in pharmaceutical technology have led to innovations in product formulations and packaging, catering to diverse consumer preferences and needs. This includes the development of natural and herbal supplements that are increasingly favored by Indonesian consumers (Widayanti et al., 2020).

To overcome the threat, Indonesian pharmaceutical company need to develop value-for-money product options to cater to price-sensitive consumers. High consumer awareness of healthy lifestyle and high interest in self-care and traditional medicine can also be tapped into by promoting the efficacy and value of herbal supplements.

Table 2: PESTEL Analysis Result of Dietary Supplement Industry in Indonesia

Component	Description
Political Factors	<ul style="list-style-type: none"> Government import leniency on herbal medicine and dietary supplement (Kementerian Perdagangan RI, 2024).
Economic Conditions	<ul style="list-style-type: none"> Per September 2024, Indonesia on deflationary period of the year. The largest contributor comes from food, beverage, and tobacco expenditure (BPS, 2024). Indonesia year-on-year inflation rate stands at 1.84% (BPS, 2024). The Consumer Price Index (CPI) decreased from 106.06 in August 2024 to 105.93 in September 2024 (BPS, 2024). Declining purchasing power, particularly that of the middle class (Rezki et al., 2024).

Sociocultural Forces	<ul style="list-style-type: none"> ▪ Price sensitivity among Indonesian consumer which led to a shift towards more affordable or value-for-money products (Afendi, 2023; Akbar & Haryoko, 2020; Angelina & Widiawati, 2022; Suharso, 2020). ▪ High trend of online shopping, especially because of best deal and discount (Andini, 2023; Anggarwati et al., 2023). ▪ Increase health awareness creating healthy food diet trend (Statista, 2024a). ▪ Adults Indonesian people generally used self-care: taking rest, self-medicating with medicines bought from drug stores or pharmacies, or taking traditional medicines when experiencing symptoms (Widayanti et al., 2020). ▪ Consumer strong belief that the effectiveness of treatment is a matter of being “suited to you” (Widayanti et al., 2020).
Technological Factors	<ul style="list-style-type: none"> • Telemedicine platform. • Advances of pharmaceutical technology.
Environmental Forces	<ul style="list-style-type: none"> • Disaster, especially in the area that can disrupt manufacturing process and supply chain.
Legal and Regulatory Factors	<ul style="list-style-type: none"> ▪ Government regulation No. 17 of 2023 on Health and Government Regulation No. 28 of 2024. ▪ Minister of Industry Regulation no. 16 of 2020 on the level of domestic pharmaceutical components. ▪ BPOM Regulation No. 24 of 2017 about the criteria and procedure of drug registration. ▪ Government regulation no. 39 of 2021 on implementation of halal product assurance. ▪ BPOM Regulation no. 8 of 2020 about control of drugs and food sold online.

Porter’s Five Forces Analysis of Indonesian OTC Market

The rivalry among existing sellers is moderate. This is caused by increasing buyer demand (Statista, 2024b), particularly after pandemic, as health awareness and the desire for immune system enhancement and overall health improvement grow (Coherent Market Insights, 2024). High industrial costs, including fixed and storage costs, also influencing competitive behavior. The market has a limited number of players with various sizes and capabilities, leading to diverse competitive strategies.

Barriers to entry for potential new entrants are relatively low due to high economies of scale. However, new entrants face challenges such as patent protection for innovative product formulations and stringent government regulations from bodies like BPOM and MOH. Despite these hurdles, the market remains open to new players, especially those focusing on natural and herbal products, which are increasingly favored by Indonesian consumers (Widayanti et al., 2020).

The threat of substitutes is strong. Pharmacological treatments and non-pharmacological alternatives such as traditional medicine, improved diet, and increased physical activity and other healthy lifestyle are viable substitutes for dietary supplements. These alternatives can significantly impact the demand for dietary supplements.

Supplier power is moderate. Indonesia's dietary supplement industry is heavily dependent on imported raw materials (Isaac, 2024), with approximately 90% of pharmaceutical raw materials coming from countries like China. The lack of differentiation among suppliers and the high cost and complexity of switching suppliers create a moderate barrier for firms trying to minimize supplier power.

Buyer power is also moderate. Buyer demand is somewhat unpredictable due to fluctuating economic conditions, but switching costs are low. This allows buyers to exert pressure on

suppliers, particularly if product quality is not up to standard. The rise of e-commerce platforms has further empowered buyers by providing them with a wider range of products and consumer reviews.

SWOT Analysis of Pharmaceutical Business in Indonesia

Local Indonesian pharmaceutical company has a high experienced R&D team specialized in pharmaceutical products. This expertise enables the company to develop innovative and effective products, providing a competitive advantage. The company has sufficient financial resources supporting continuous R&D and ensuring the company stays ahead in product innovation and quality with high-quality products, thus enhancing consumer trust and loyalty. Moreover, the company also supports innovative culture which drives continuous improvement and innovation in products and processes. There was also an established associations with health professionals, from general practitioner to specialized physician, hence enhancement of the company's credibility and market influence. Lastly, the company always make sure to follow compliance with health and safety regulations ensuring product safety and efficacy. Although this is not a unique strength as it is a common and basic requirement of pharmaceutical products.

Despite having valuable resources, the company's reliance on imported raw materials can be risky due to supply chain disruptions and fluctuations in global market prices. This could impact production and costs. Moreover, navigating the complex regulatory landscape in Indonesia can be really difficult, especially because it takes time to collect all documents required from the quality assurance department in factory. Sometimes it takes more than a year because of some testing needed for a product to get registration certificates.

There is a significant opportunity for Indonesian pharmaceutical company, particularly among the increasing health awareness of Indonesian consumer post-pandemic. People are seeking dietary supplements to enhance their immune systems and overall health (Coherent Market Insights, 2024; Statista, 2024b). Furthermore, the trend towards natural and herbal dietary supplements aligns well with experienced pharmaceutical company capabilities. The company can use their pharmaceutical experienced and Indonesia's traditional herbal medicine practices to develop products that meet this demand. Market reach can also be expanded using the growth of e-commerce in Indonesia because online platforms provide a wider range of products and detailed consumer reviews, which is important to drive sales and customer engagement. Lastly, government programs aimed at promoting health and wellness can support OTC market position and can enhance the company's credibility and market influence.

The stringent regulatory environment in Indonesia, managed by BPOM, poses a significant challenge. BPOM needs to update their regulations, thus enforcement of regulations and the need for continuous compliance can be time-consuming and costly. Secondly, Indonesian dietary supplement market is highly competitive, with established local and international brands, resulting of the need to invest in marketing, product innovation, and consumer education to compete effectively. Economic fluctuations in Indonesia (BPS, 2024b; Rezki et al., 2024) can impact consumer spending on dietary supplements. During economic downturns, consumers may reduce spending on non-essential items, affecting dietary supplements, a non-primary needs product, sales. The last threat for Indonesian local pharmaceutical company is consumers strong traditional habits, like Jamu and other traditional medication, hence the needs to adapt its products to local tastes and preferences to increase consumer acceptance.

4. Conclusion

The dietary supplement market in Indonesia is rapidly changing, because of increasing health awareness and changing in consumer behavior, especially post-pandemic among Indonesia's population. Nevertheless, the market faces several challenges, including rising competition, economic pressures, and stringent government regulations. Local pharmaceutical companies must navigate these potential issues by innovating and differentiating their products to capture market share. E-commerce popularity and consumer price sensitivity further complicates market dynamics, requiring companies to focus on affordability and online purchasing trends. Company opportunities that can leverage pharmaceutical technology and telemedicine, especially if they can combine it well with traditional health practices, to develop new and effective product formulations, need to be grabbed. By aligning with consumer preferences for self-care and traditional remedies, local firms can capitalize on their R&D expertise and cultural ties of Indonesian people.

Despite the regulatory difficulties, the potential for growth of health maintenance supplement remains significant. Local pharmaceutical companies are well-positioned to thrive by strategically developing products that meet consumer demands for efficacy, affordability, and cultural behavior. As they adapt to these changes, they must focus on innovation and strategic planning to ensure long-term success in this vibrant market.

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