



Scenario Planning for Indonesia's Alcoholic Beverage Industry in 2026: A Study Case from Company DORIA

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ABSTRACT: Indonesia has a small market for the alcoholic beverage industry due to its majority Muslim population. However, some data projected that the alcoholic beverage consumption level in the country will continue to grow until 2026, which opens the opportunity for the market to grow. DORIA is a multinational company dominating the global alcoholic beverage market. This MNC is planning to expand its business to Indonesia to capture the opportunity by proposing to become a local alcoholic beverage producer. However, due to Indonesia's political and social conditions, DORIA faces several challenges in pursuing legal status as a local alcoholic beverage producer. There are only a few pieces of literature about the Indonesian alcoholic beverage industry that can be found. Thus, this research aims to give references for alcoholic beverage companies to help them develop their business strategies based on plausible scenarios of Indonesia's domestic condition, including political and social situations, in the next three years using the scenario planning framework. Data used in this research is collected through interviews and literature study that will be analyzed using content analysis and qualitative coding analysis methods. By looking at the plausible scenarios, a set of business strategies, that more focus on the marketing strategy, can be recommended.

KEYWORDS: Alcoholic beverage, Indonesia's alcoholic beverage industry, Scenario planning.

INTRODUCTION

In 2021, the sales of alcoholic beverages in Indonesia were mainly contributed by the on-trade channel sales, where it contributed 60.5% of the sector value and 30.4% of the volume share. World Bank data showed that Indonesia's per capita expenditure of alcoholic beverages decreased from \$1.8 in 2016 to \$1.5 in 2021. However, it is also expected to rise to \$2.6 in 2026 along with the growth of the alcoholic beverage market. As cited in The Global Economy (2022), Indonesia has a high alcoholic beverage price, reaching 183.2 index points when the world average was only 100 index points. The high selling price in Indonesia is due to the high tax that is imposed as a barrier to prevent people from buying alcoholic beverage products.

To enter the Indonesian alcoholic beverage market as a local producer, a multinational company who serves as the distributor must receive a permit from the Trade Ministry, Industrial Ministry, Food and Drug Agency (BPOM), and Custom and Excise Directorate General. The long bureaucratic process to enter the Indonesian market as a local alcoholic beverage producer resulted in the small number of multinational companies that have been operating in Indonesia. Not only the complicated bureaucratic process, Indonesia's political climate also makes it hard for those companies to run alcoholic beverage business in the country.

According to the situations and conditions explained above, this research will answer the question of whether a multinational alcoholic beverage company should enter the Indonesian market as a local producer in 2026 considering the political and social condition of the country. To answer the question, this research will first assess the plausible condition in Indonesia in 2026 using a scenario planning framework through a study case of a multinational alcoholic company DORIA who is considering having a legal status as a local alcoholic beverage producer in Indonesia.

LITERATURE REVIEW

There is limited research on alcohol investment in Indonesia, particularly about how the country's political climate makes alcoholic beverage investment hard. Indonesia is one of the countries with the largest Muslim population, with 87.2% of the total population. According to the majority's belief, alcohol is haram, something that is forbidden to be consumed. However, since Indonesia is not an Islamic country, alcoholic beverages are not illegal (Sangaji, 2021).

The Muslim majority and how the belief shapes Indonesia's social values make it challenging for alcoholic beverage companies to do business in Indonesia. In 2015, President Joko Widodo, also known as Jokowi, issued Presidential Regulation (Perpres) No.



10/2021 on the Investment Business Sector where it stated that the liquor industry was listed as one of the positive investments (Daftar Positif Investasi/DPI), which then caused turmoil in the society (Mattaqin, Samsudi, Salleh, & Ahmad, 2022). Many public figures and key opinion leaders who came from Islam conservatives criticized Jokowi's move to issue the policy. These groups of society became a pressure group for Jokowi and its cabinet regarding the alcohol-related investment policy. The Perpres received backlashes from Islamic conservative groups, namely Nahdlatul Ulama (NU), Indonesian Ulama Council (MUI), Muhammadiyah, and also Islam-based political parties namely The United Development Party (PPP) and The Prosperous Justice Party (PKS). The criticism was conveyed through social media platform Twitter. The organizations through their official accounts or their members' personal accounts raised the issue of how alcohol consumption is against Islamic belief. They rejected President Jokowi's move to issue alcohol-related investment policies, which then received public attention. This public narrative resulted in the rescinding of the policy by President Jokowi himself a month after it was issued. (Habibie, Kamil, Kurniawan, Salahudin, & Kulsum, 2021).

Not only the regulation undergoes uncertain changes due to social pressure, but the existing regulations on alcoholic beverage products also often contradict each other. For example, there is a disharmony between Law No. 20/2016 on Trademarks and Geographical Indications and Law and Human Rights Ministerial Regulation No. 12/2019 (Nurasiah, et al., 2022). The contradicting regulation creates legal uncertainty due to the different interpretations by law enforcement and legal dysfunction where the law is unable to provide behavioral guidelines. Moreover, regional administrations can issue their own regulations about alcoholic beverage prohibition. At the same time, Presidential Regulation No. 74/2013 stated that alcoholic beverages can be traded through supervision. According to a study conducted by Aisyah in 2020, based on the principle of superior *lex derogat legi inferior*, the regulations by regional administrations on alcoholic beverages prohibition are contradictory to the Perpres, so it can be declared null and void. (Aisyah, et al., 2020)

Even though there are many regulations on alcoholic beverage-related business where some of them are contradictory, several experts stated that there are still several scopes that do not have legal protection, for example, there is no regulation yet regarding alcoholic beverage excessive consumption that has an impact on the surrounding community (Aisyah, et al., 2020). Furthermore, another study suggested that the government should regulate the online sales of alcoholic beverages instead of revoking the existing regulation in order to control the distribution of legal or recorded alcohol products and avoid the circulation of illegal or unrecorded alcohol products (Audrine, 2021). Looking at the existing regulations on alcoholic beverage products, there is a big chance that the government will revise or issue more alcohol-related regulations.

RESEARCH METHOD

Data Analysis Methods

This research will be conducted with a qualitative analysis method. Data that will be used in this research are primary data that are obtained through interviews and secondary data that are obtained through a literature review. These data then will be analyzed using the qualitative coding analysis and content analysis methods respectively.

To analyse the data from interviews, this research will use Qualitative Coding Analysis. In this context, a code is a word or a short phrase that is created as a symbol attributed to the data. The data can come from various forms, such as interview transcript, participant observation field notes, journals, documents, etc. According to Saldana (2015), there are two types of code; Descriptive Code and In Vivo Code. Descriptive Code is a word or phrase that summarizes the whole primary topic. Meanwhile, In Vivo Code is the code uses direct words from what the informant said.

The Qualitative Coding Analysis process is heuristic. It means that it is a technique of problem-solving without any specific formula to follow. Coding is a linking process that starts from collecting the data to finding the idea and from the idea to all the data pertaining to the idea. The coding process is a subjective matter because the labelling depends on the researchers' point of view and goals. After assigning the codes to the data, the codes then need to be arranged in a systematic order, to be classified or to be categorized according to the research context. Coding is an iterative process; it starts with coding, followed by categorizing. The researcher then has to review the codes and recategorize it again. From the categories made, a bigger and more general concept or theme can be concluded.

According to Klaus (2018), content analysis is a research method for making replicable and valid interpretations of texts and other sources to the contexts of their use. Content analysis can provide new insights, increase the understanding of particular phenomena, and inform practical actions. Content analysis requires a context within which the available texts are examined which serves as the

conceptual justification for reasonable interpretation. In this research, the content analysis method will be used to analyze the secondary data through literature study.

Scenario Planning as Data Analysis Tool

This research will use a scenario planning method to give a grand image of the uncertain future in Indonesia’s political and social conditions. According to Lindgren & Bandhold (2009), businesses must be able to adapt to the changes in the environment to thrive by being responsive in facing turbulence in the environment. Speed and ability to handle complexity are the two critical aspects of adaptation. Therefore, scenario planning serves as a tool for businesses to be prepared for the fast-moving environment. Scenario planning is a planning method that is used to deal with uncertainties in the future of the business environment. It enables the organization to integrate discussion on the long- and medium-term futures with short to medium-term strategic planning.

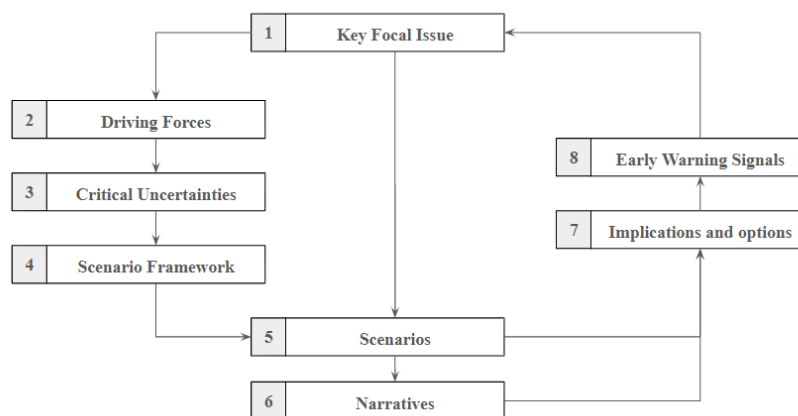


Figure 1. Scenario Planning Framework

Source: Garvin & Levesque (2006)

Garvin & Levesque (2006) elaborated on seven components that are important to conducting a scenario planning, which are Key Focal Issues, Driving Forces, Scenario Framework, Scenario, Narratives, Implications and Options, and Early Warning Signals.

Data Collection

The data collected for this study will be categorized as primary data and secondary data. The primary data will be collected through interviews. This study will collect the data through semi-structured interviews, where some questions are fully decided or fixed, but there might be some follow-up questions based on the interviewees’ responses. To get a full view of the alcoholic beverage industry, this study will interview several representatives from different actors that play roles in the industry. The representatives include:

Table I. List of informants for interview

No.	Interviewees	Experience
1.	DORIA Head of Public Policy	>13 years
2.	Public Policy Analyst	>4 years
3.	Consumer	>6 years
4.	On-trade channel	>7 years
5.	Pressure Group	>8 years

The secondary data will be collected through a literature study. A range of literature such as journals, organization reports, books, news coverage, and websites will be the source for the secondary data. Most secondary data collected will focus on the external factors of the industry. This method will also be the basis for formulating interview questions. Thus, the collection of secondary data will be conducted first and then followed by the collection of primary data while continuing the secondary data collection.



Primary Data Collection

The interviews were conducted with five informants through an online meeting platform separately. All informants were asked the same principal questions, followed by follow-up questions according to each of the informants’ backgrounds. The principal questions include:

- What is your view about alcoholic beverage industry in Indonesia today and in the next five years?
- What are the public attitudes towards alcoholic beverages in Indonesia? How do these attitudes affect the government’s regulation?
- How do these regulations affect the Indonesian alcoholic beverage market?

From the interviews, each of the informants delivered their focus on the alcoholic beverage industry. Through qualitative interview coding analysis, the focus of each informant can be concluded as shown in Table 2. These focuses will be extracted into important driving forces later to develop plausible scenarios in this research.

Table II. Result of qualitative interview coding analysis

INTERVIEWEES	IMPORTANT FACTORS	
	Factors	Sub-factors
Company Representative	Alcoholic beverage market	Business opportunity
		Competitors
		Consumer Behavior
		Economic condition
		Market preference
		Market trend
	Business Strategy	Business Expansion
		Business Operation
		Business strategy
		Distribution
		Good governance
		Production
	Legal	Bill
		Function of law
		Legal basis
		Policy-making
		Regulation
	Political	Tax & excise
		General Election 2024
		Government
Social	Political party	
	Culture	
	Population	
	Pressure group	
	Public behavior	
	Social beliefs	
	Social pressure	



Consumer	Alcoholic beverage market	Competitors	
		Consumer Behavior	
	Business Strategy	Distribution	
		Innovation	
		Marketing Strategy	
	Legal	Legal certainty	
		Policy-making	
		Regulation	
	Social	Social beliefs	
		Social pressure	
On-trade Channel	Alcoholic beverage market	Business strategy	
		Competitors	
	Business Strategy	Market preference	
		Distribution	
		Innovation	
	Legal	Marketing Strategy	
		Regulation	
		Tax & excise	
	Social	Social beliefs	
	Pressure Group	Alcoholic beverage market	Consumer Behavior
Business strategy			
Business Strategy		Policy-making	
		Regulation	
		Tax & excise	
Legal		Consumer Behavior	
		Pressure group	
		Public behavior	
Public Policy Analyst		Alcoholic beverage market	Competitors
			Distribution
	Business Strategy	Production	
		Legal certainty	
		Policy-making	
	Legal	Regulation	
		General Election 2024	
		Government	
	Political	Social beliefs	
		E-commerce	
Social			
	Technology		



FINDINGS AND DISCUSSION

External Analysis: Alcoholic Beverage Industry

To examine the condition of Indonesia as the external factor of Company DORIA's business, we can use the Political, Economic, Social, Technology, Legal, and Environment (PESTLE) analysis.

1. Political: 2024 general election

In 2024, Indonesia will have an election year, both for presidential poll and national legislative election. On the same day, voters must also vote for executive and legislative representatives at all administrative levels. Around 205 million people will join this election, of which one-third of them are under 30 (Reuters, 2023). For the presidential election, Indonesians must vote between three candidates: Ganjar Pranowo-Mahfud MD, Anies Baswedan-Muhaimin Iskandar, and Prabowo Subianto-Gibran Rakabuming Raka. Ganjar Pranowo, a former Central Java governor, is paired with the current Legal, Political, and Security Affairs Minister Mahfud MD, which is promoted by the Indonesian Democratic Party of Struggle (PDI-P) along with The United Development Party (PPP), The United Indonesia Party (Perindo), and Hanura Party. In their vision, the pair aspire to accelerate Indonesia's economy through digitalization.

Former Jakarta Governor and Education Minister Anies Baswedan paired with House of Representative Council Deputy Speaker Muhaimin Iskandar, also known as Cak Imin. This pair is promoted by the NasDem Party, the National Awakening Party (PKB)—which is chaired by Muhaimin—, and Prosperous Justice Party (PKS). Anies-Cak Imin underlines the “8 Paths of Change” where the pair wants to manifest a just and prosperous country.

The last candidate is Prabowo Subianto, the current defense minister, who is running for the third time in Indonesia's election as a presidential candidate. This time, he is paired with Gibran Rakabuming Raka. Gibran is the eldest son of the current president, Joko Widodo. The pair is promoted by the Golkar party, the Gerindra party, the Democratic party, The Indonesian Solidarity Party (PSI), and the National Mandate Party (PAN). In this candidacy, Prabowo with Gibran is committed to continuing Jokowi's programs through the vision and mission in creating a resilient country.

Throughout Indonesia's political history, the political parties can be divided into two poles of ideologies: nationalist and religious. And since Indonesia is a Muslim-majority country, most of the religious-based parties uphold the values of Islamic teachings. According to New Mandala in 2018, the public perceived PPP, PKS, PAN, and PKB as the top 4 parties with a religious character (Aspinall, Fossati, Muhtadi, & Warburton, 2018).

Ahead of 2024 General Election, this period will become a turbulent time for several business sectors and investments, especially for sensitive industries such as alcoholic beverages. Political figures who hold strategic positions, such as ministers or other governmental organization heads, might use their power to gain advantages for their political parties or political objectives. Therefore, some businesses might not benefit from this condition.

2. Economics: Indonesia's economic and tourism outlook

As Indonesia follows its 20-year development plan that spans from 2005 to 2025, Indonesia aims to strengthen its economy by improving its human capital and competitiveness in the global market (WorldBank, 2022). According to Statista, Indonesia's GDP is projected to reach \$1,805.25 billion in 2026 from \$1,417.39 billion in 2023 and will continue to grow to \$2,093.46 billion in 2028, which is forecasted to grow 47.7% in 5 years. With the increasing GDP, it is expected that Indonesia will have a lower unemployment rate and a better standard of living. The improvement of living standards might lead to an increasing portion of Indonesia's middle class and the group of people with disposable income. (Statista.com, 2023)

In the last 10 years, Indonesia's Purchasing Power Parity (PPP) was gradually increasing. World Bank data in 2022 showed the PPP has a 12.8% increase to \$4.04 trillion from \$3.58 trillion in the previous year. In line with the growth of Indonesia's GDP, the gradual increase of the PPP means that Indonesia's standard of living was also improving. (Worldbank, 2022)

In general, Indonesia's recovering economy has a positive impact on the alcoholic beverage industry and attracts new local or domestic players. The improvement of the country's living standard and the growing middle-class population become a plus point for alcoholic beverage companies to continue and expand their business in Indonesia. In the next five years, Indonesia is also projected to have a low inflation level and an improvement in the employment rate that can boost the country's economic condition even more.

Through the National Mid-term Development Plan, Indonesia's priority on the national tourism development is to strengthen the economic resilience to improve Indonesia's human resource quality. The Tourism and Creative Economy Ministry has a goal in its strategic plan to increase the contribution of tourism and creative economy to the national economy (Kemenparekraf, 2020). To



achieve this goal, the ministry launched a project called Priority Destinations. The ministry focuses on developing the tourism potential in ten destinations, which are Borobudur Temple Area (Central Java), Mandalika (West Nusa Tenggara), Danau Toba (North Sumatera), Labuan Bajo (East Nusa Tenggara), Tanjung Kalayang (Belitung Island), Wakatobi (South East Sulawesi), Morotai (North Maluku), Tanjung Lesung (Banten), Thousand Islands (Jakarta), and Bromo Tengger Semeru (East Java). These destinations were chosen as the “New Bali” to attract more tourists, both foreign and domestic, and to introduce them to the other sides of Indonesia. Among these destinations, the ministry, under the direct command from President Joko Widodo, designated Borobudur Temple Area, Mandalika, Danau Toba and Labuan Bajo, with the addition of Likupang in North Sulawesi, as the Super Priority Destinations. The development of the super priority destinations is expected to attract higher-class foreign tourists to Indonesia. These destinations are also prepared to hold international events, such as sport tourism events and international music events. (Purwowidhu, 2023) According to 2022 Foreign Tourist Spending Statistic from Statistics Indonesia, 46.72% of foreign tourists who visited Indonesia went to Bali. Jakarta and Riau Islands became the second and third most favorite destinations for foreign tourists, with 13.03% and 11.81% respectively. (BPS, 2022)

Food and beverage are one of the main supporting sectors in the tourism industry. The report showed that food and beverage was the second-biggest spending for foreign tourists in Indonesia, both in 2021 and 2022. In 2022, the tourists spent \$317.72 per person per visit, which contributed 21.94% to the total foreign tourist spending. The amount of food and beverage spending in 2022 increased by 5.08 points from 16.86% in 2021. (Kemenparekraf, 2020)

According to the 2022-2024 National Medium-Term Development Plan, the tourism sector is predicted to attract 16-17 million foreign tourists to Indonesia and 1.250-1.5 billion Indonesian tourists to travel domestically in 2024. Through the arrival of foreign tourists and the high number of domestic tourists traveling, the tourism sector is expected to contribute 4.5% to the GDP. Furthermore, the Tourism and Creative Economy Ministry also aims to generate \$21.5-22.9 billion from the tourism foreign exchange value. As Indonesia’s tourism sector is projected to grow in the following years, it is hoped that the alcoholic beverage industry in Indonesia will follow to grow. The government’s target to attract more foreign tourists has opened a bigger opportunity and market for the alcoholic beverage industry.

3. Social: Behavior change and Muslim-majority country

In the last three years, consumer behaviors have changed particularly as the world is shifting from the pandemic era to the return to normalcy. During the pandemic, consumers tend to spend time at home. As the pandemic status has been lifted, consumers are now spending time outside and have more options for their activities.

According to consumer research conducted by IWSR Group (2023), the on-trade channel of alcoholic beverage distribution dropped in 2020 due to the COVID-19 pandemic. However, as the pandemic has eased, the number of on-trade sales has not fully recovered. Since pre-pandemic, the share of off-trade channels in brick and mortar was far bigger than the on-trade channels, consisting of around 60% of the total alcoholic beverage sales. In 2020 when the COVID-19 pandemic hit, the share of off-trade sales increased to 69%, causing the share of on-trade sales to drop to 28%. In the coming years, the on-trade sales started to recover but have not yet recovered to the pre-pandemic. In 2022, the on-trade sales only reached 34%. This is caused by the rising costs of venues and the changes in consumer behavior. The research showed that 26% of the respondents chose to consume alcoholic beverages at home because they could get a better experience. Meanwhile, 21% of the respondents said that the alcoholic beverages in the on-trade channel were too expensive for them. The belief that a better experience can be had at home is commonly found in Asia and South America. (IWSR, 2022)

The research also showed that consumers were changing their lifestyle in terms of alcoholic beverage consumption for several reasons. People are decreasing their alcohol consumption for health and wellness, as well as for economic reasons. IWSR’s study in 2022 on Recalled Money-saving Strategies found that 39% of the respondents only bought their regular alcoholic beverage brands when they were discounted or on promotion. Meanwhile, 21% of the respondents searched for the lowest price online before buying. This group of respondents was mostly found in emerging markets. Some other strategies to save money in terms of alcoholic beverage consumption are purchasing a smaller size or quantity of the products and finding a cheaper version of the product they normally buy. 17% of the respondents also stated that they decided not to buy alcohol rather than to spend money on it.

When looking at the Indonesian market for alcoholic beverage industry, it is important to note that Indonesia is a country with Muslim majority. Indonesia is one of the countries with the largest Muslim population, with 87.2% of the total population. According to the majority’s belief, alcohol is haram, something that is forbidden to be consumed. However, since Indonesia is not an Islamic country,



alcoholic beverages are not illegal. Even though Indonesia is a secular country, Indonesia is using Islamic beliefs as the value guideline in running the government and creating regulations due to the majority of Muslim population. (Sangaji, 2021)

The majority of the Muslims population in Indonesia creates a small market for alcoholic beverage industry. In 2023, Indonesia's revenue in the alcoholic beverage market reached \$2,080.0 million (Statista, 2023). Even though Indonesia has a large Muslim population, more than 10% of Indonesia's population are non-Muslims. Moreover, Indonesia is one of the most favourite tourist destinations in Asia. Therefore, the market for alcoholic beverages is there, even though it is not as big as Indonesia's neighbouring countries, such as Thailand.

The fact that the majority of Indonesia's population are Muslims resulted in the existence of social communities that have an ideology based on Islamic beliefs. Some of these groups become pressure groups for the alcoholic beverage industry. Gerakan Nasional Anti-Miras/GeNAM (Anti-Alcoholic Beverage National Movement) is one of the examples. This movement has a goal to achieve an "Alcohol-free Young Generation" by 2025. A representative from GeNAM said that to achieve the goal, GeNAM educates the public about the danger of alcoholic beverages and collaborates with other social groups, such as Front Pembela Islam (FPI).

Several other social groups also use their power to disrupt the businesses that are selling alcoholic beverages. On certain occasions, these groups conducted raids on restaurants, bars, or other on-trade channels to force them to close their businesses because they were selling alcoholic beverage products. This condition creates business uncertainties for the on-trade channels as well as discomfort for the consumers.

4. Technology: e-commerce platform

The e-commerce industry in Indonesia is growing. Many people are now using e-commerce platforms to fulfil their daily needs. Amid people's busyness, e-commerce platforms now serve as an unsung hero that helps people in cutting down the time for purchasing goods due to the practicality. E-commerce platforms can also be utilized by alcoholic beverage merchants in selling their products because it will reduce the tenant rent cost. The platform will also encourage more consumers to purchase alcoholic beverage products because some consumers are reluctant to be seen purchasing alcoholic beverage products in public.

According to brief research on several e-commerce platforms, several off-trade channels are utilizing big e-commerce platforms to sell alcoholic beverage products. To purchase the products through the platforms, consumers must first validate their age. This measure aims to prevent underage drinking since alcoholic beverage products are now more accessible. However, the regulations on selling alcoholic beverages on online platforms are overlapping (Audrine, 2021). Ministry of Communication and Informatics Circular Letter No. 5/2016 on Limitations and Responsibilities of Platform Providers and Merchants in e-Commerce Using User-Generated Content Platforms stated that alcoholic beverages are prohibited from being sold on e-commerce platforms. However, the letter does not regulate any sanction for merchants or platform providers that are accommodating the sales of alcoholic beverages. On the same note, the National Agency of Drug and Food Control Regulation No. 8/2020 on the Control of Drugs and Food Circulated Online also stated that alcoholic beverages are prohibited to be sold online. In practice, alcoholic beverages are freely sold through e-commerce platforms without much control from the regulators.

5. Legal: Regulations on alcoholic beverage

In recent years, the Indonesian government has issued various regulations about various matters that were then immediately revoked due to pressure from the people. This includes the regulation of alcohol-related investment. Indonesia's regulations is not yet stable, particularly for sensitive matters such as alcoholic beverage business.

Moreover, Indonesia imposed a high tax on alcoholic beverage products as a barrier to prevent people from buying it. The excise tax imposed for alcoholic beverage products varied according to the percentage of alcohol by volume (abv)—the composition of how much alcohol is contained in a given volume of alcoholic beverage. The excise tax started at Rp15,000 for products with below 5% abv, Rp33,000-Rp44,000 for products with 5-20% abv, and Rp80,000-Rp139,000 for products with above 20% abv (Said, 2023). This tax excise is part of consumers' protection from unhealthy products and habits.

The alcoholic beverage industry is regulated through several regulations as listed below:



Table III. Regulations on alcoholic beverage industry

No.	Regulation	Regulation Scope
1.	Presidential Regulation (Perpres) No. 74/2013 on Alcoholic Beverage Controlling and Monitoring	<ul style="list-style-type: none"> - Only companies granted license from the ministry in the industrial sector can import alcoholic beverage products. - Only companies granted license from the ministry in the trade sector can import alcoholic beverage products. - Only companies granted license from the governmental organization in the food and drug monitoring sector can distribute alcoholic beverage products. - Only companies granted license from the ministry in the trade sector can sell alcoholic beverage products. - The regional administration heads can issue regulations on the controlling, supervisions, distribution, and sales, of alcoholic beverages by considering the local culture and regional characteristic
2.	Presidential Regulation (Perpres) No. 10/2021 on Business Sector Investment (revoked)	<ul style="list-style-type: none"> - Investment on alcoholic beverage is listed on the positive investment list (DPI)
3.	Presidential Regulation (Perpres) No. 49/2021 on Amendments to Presidential Regulation No. 10/2021 on Investment Business Sector	<ul style="list-style-type: none"> - Investment on alcoholic beverage is listed on the negative investment list (DNI)
4.	Trade Ministerial Regulation (Permendag) No. 20/2014 on Controlling and Monitoring of Alcoholic Beverage Provision, Distribution, and Sales	<ul style="list-style-type: none"> - The process and requirement in proposing the Listed Alcoholic Beverage Importer (IT-MB) - Mechanism of the controlling and supervision of alcoholic beverage distribution and sales by government bodies - Reporting system of import, distribution, and provision
5.	Trade Ministerial Regulation (Permendag) No. 25/2019 on the Sixth Amendment of Trade Ministerial Regulation No. 20/2014 on Controlling and Monitoring of Alcoholic Beverage Provision, Distribution, and Sales	<ul style="list-style-type: none"> - Import mechanism through designated ports
6.	Trade Ministerial Regulation (Permendag) No. 25/2022 on the Amendments of Trade Ministerial regulation No. 20/2021 on Import Policies and Regulation	<ul style="list-style-type: none"> - Process and requirements of import permission, including for alcoholic beverages
7.	Food and Drug Monitoring Agency (BPOM) Regulation No. 8/2020 on Supervision of Drug and Food Distributed Online (art 29)	<ul style="list-style-type: none"> - Article 29 states that alcoholic beverages are prohibited to be distributed through online platform - Article 32 states that violating Art 29 will be given administrative saction
8.	Criminal Code (KUHP) article 424	<ul style="list-style-type: none"> - Regulates anyone who gives alcoholic beverages to drunk persons or children, and forcing someone to get drunk will be convicted
9.	Criminal Code (KUHP) article 204	<ul style="list-style-type: none"> - Regulates anyone who sells, offers, or gives goods that jeopardizing other's life or dangerous for other's health without giving any warning will be convicted

Other than the regulations on the national level, each of the regional administrations has its own alcohol prohibition regulations, as has been stated in Perpres No. 74/2013 on Alcoholic Beverage Controlling and Monitoring. Since the Perpres regulates that the regional administrations can issue regulations on the controlling, supervisions, distribution, and sales, of alcoholic beverages by considering the local culture and regional characteristic, each region has a different behavior and perspective toward alcoholic beverages. In CIPS’s Policy Paper No.6, Rofi categorized three scenarios of local regulations related to alcoholic beverage products: no prohibition or restrictions; partial prohibition; and total prohibition. A study by Buehler (2016) showed that there were 377 regional administration regulations (Perda) inspired by Islamic Shari’a law in order to support the populist agenda of particular political leaders. (Uddarojat, 2016)

Scenario Planning Framework

Driving Forces and Critical Uncertainties

To answer the business challenge for a multinational alcoholic beverage company in entering the Indonesian market, this scenario planning has the key focal issue of “Should Company DORIA enter the Indonesian market in 2026 considering the country’s political and social condition?” The analysis will conclude the driving forces from interviews with five informants into two critical uncertainties to create four plausible scenarios.

Ten driving forces can be extracted from the interviews: Market Trend, Business Opportunities, Competitors, Policymaking, Regulation, Tax & Excise, Social Pressure, General Election 2024, Government, and E-commerce Platform. These driving forces are the factors that contribute to the existence of the alcoholic beverage industry in Indonesia according to the key players of the industry. To determine the critical uncertainties, this analysis will use the Causal Loop Diagram (CLD). According to Haraldsson (2004), the Causal Loop Diagram is a tool to explain System Analysis to discover organizational structures in a system and to create insights of the factors’ relationships.

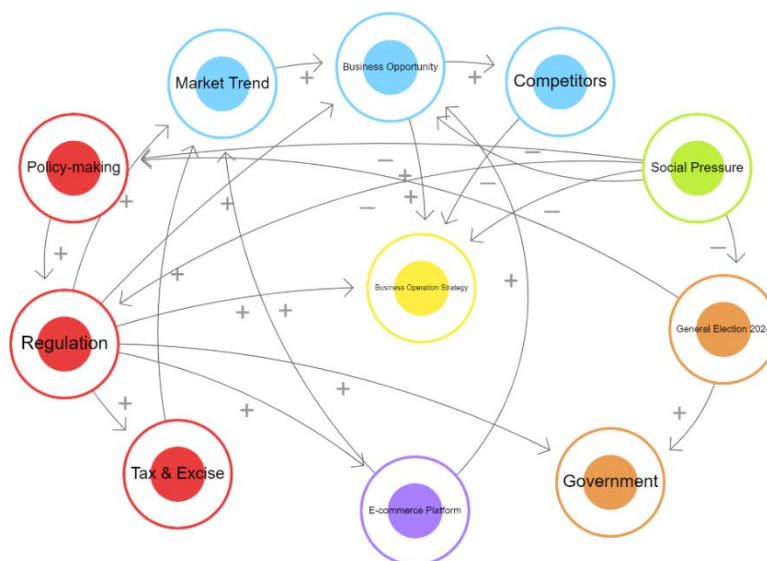


Figure 2. Causal loop diagram for alcoholic beverage industry

Source: Author’s analysis

According to Figure 2, regulation is connected with many other driving forces, namely tax & excise, e-commerce platform, government, business opportunity, market trend, and also business strategy. This makes regulation as one of the most impactful driving forces in the alcoholic beverage industry because when there is a change in regulation, it will impact other driving forces, which will give a huge impact to business strategy. Meanwhile, social pressure also has many connections with other driving forces, which are policymaking, general election 2024, regulation, and business strategy itself. Therefore, social pressure is the second most impactful driving force.

All of the driving forces that are included in this CLD are the factors that are hard to be controlled by a company. Thus it can be concluded that regulation and social pressure are the critical uncertainties for this scenario planning.

Scenario Creation

Based on those critical uncertainties four scenarios can be developed by combining the two critical uncertainties in a 2x2 matrix. These scenarios are the plausible occurrences in the alcoholic beverage industry in 2026. The scenarios are: “Aruma to go global with BILI,” “SIPPIN’ IT: Choose easily, drink responsibly,” “Third to fall,” and “Movements for alcohol-free young generation.”

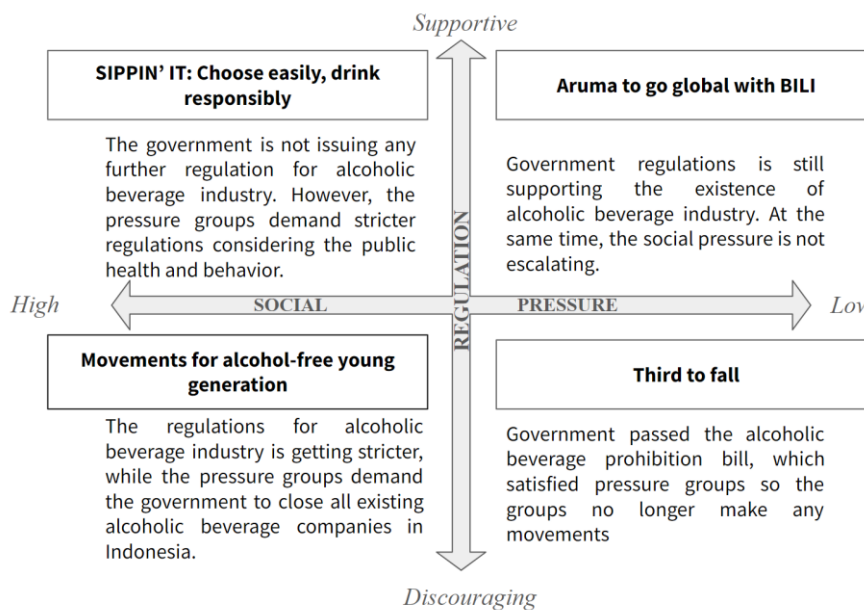


Figure 3. Scenario framework for alcoholic beverage industry

Source: Author’s analysis

The four scenarios above have unique implications on Indonesia’s alcoholic beverage industry in 2026 as explained below:

1. Aruma to go global with BILI

- The alcoholic beverage consumption in Indonesia is increasing which leads to the growing market and emergence of new players. Local players are creating new products that uphold local culture and wisdom.
- Since the market is growing, consumer behavior is shifting, where consumers are also choosing to purchase products through e-commerce.

2. SIPPIN’ IT: Choose easily, drink responsibly

- The social pressure is increasing because the government does not regulate the alcoholic beverage industry tighter—this results in the disruption of the alcoholic beverage product distribution process, particularly on the on-trade channel. This cause the on-trade channels to struggle operating due to the movements from pressure group (razia) which leads to the closing down of stores and restaurants.
- Consumers are finding alternative ways to access alcoholic beverage products through illegal trade.

3. Third to fall

- The alcoholic beverage industry cannot grow further because the regulations hinder new alcoholic beverage players from entering the market.
- The supply of alcoholic beverage products cannot accommodate the demand because the production capacity is not growing, and the imported products quota is limited. This causes the rising price of alcoholic beverage products.
- On-trade and off-trade channels are still operating due to lesser pressure from social groups even though the products are getting more expensive.
- Alcoholic beverage products become luxurious goods, which are not accessible to the middle-lower class. This causes the rise of illicit trade and counterfeit products.

4. Movements for alcohol-free young generation

- Due to stringent regulations, only existing companies can operate. However, these companies are also struggling to operate because of the limited production and import quota and distribution channel.
- Small players are falling because of the legal challenges, the increase of product selling price, and other compliance cost.
- The rising social pressure as the support of stricter government regulation gives no space for the players, both the on-trade and off-trade channels, and also the producers and distributors. This leads to the collapse of alcoholic beverage industry in Indonesia.

Early Warning Signals

Early Warning Signal (EWS) can become a tool to measure which scenario they will be heading. Figure 4 mapped the timeline of the Early Warning Signals ahead of the plausible scenarios in Indonesia in 2026. Through this timeline, the early warning signals can be divided into three phases. The first EWS phase can be measured in 2024 when the General Election 2024 has taken place, and the result is already declared. In 2024, the result of General Election 2024 will have two scenarios, one where the elected government has the vision to continue the previous government’s tourism programs, while the other one is where the elected government has the vision to conduct changes in every program of the previous government.

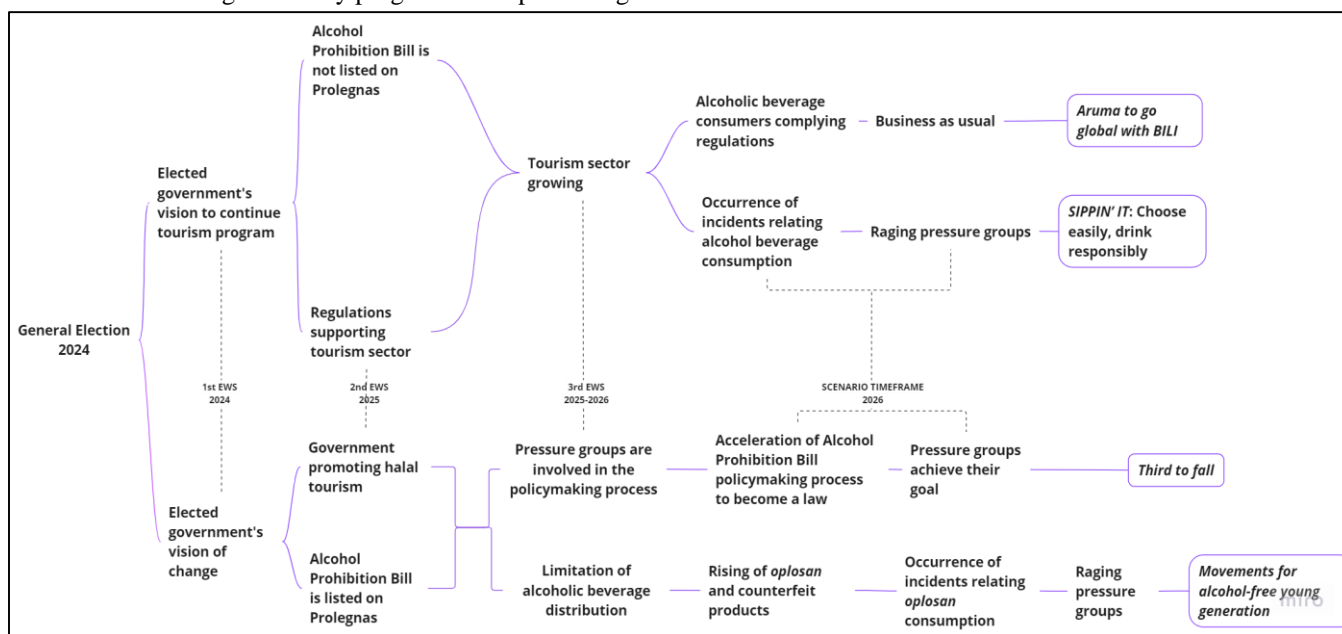


Figure 4. Early Warning Signal (EWS) timeline

Source: Author’s analysis

The second phase of EWS takes place in 2025. In this phase, the first phase scenarios will have two following conditions respectively. If the elected government continues the tourism program, then it will make sense if the government creating regulations that support the tourism sector to grow further. In this condition also, the government will not continue to process the Alcohol Prohibition Bill because it is one of the sectors to support the growth of tourism in Indonesia. The government will prioritize other issues to be included in the Prolegnas. Meanwhile, if the elected government has the vision to create changes, there might be a chance that the government will promote halal tourism more. There will also be a chance that the government listed the Alcohol Prohibition Bill on the Prolegnas as part of its program to promote halal tourism.

In 2025-2026, the third phase of EWS can be seen through Indonesia’s economic condition and the policymaking process. Supportive regulation for the tourism sector will result in the growth of the sector. Meanwhile, in the scenario where the government promoting halal tourism, there will be limitation of alcoholic beverages distribution in the period of 2025-2026. In this period also, the social communities who are against alcoholic beverages might be involved in the policymaking process to complete the Alcohol Prohibition Bill.



Entering 2026, the four plausible scenarios will take place. The scenario where Indonesia's tourism is growing will lead to two scenarios where the alcoholic beverage consumers are complying with the regulations or there will be more incidents that occurred due to alcoholic beverage consumption. If the consumers are complying with the regulations, the alcoholic beverage industry will run as usual, which will be called as the "First Scenario: Aruma to go global". Meanwhile if there are an increasing number of incidents relating to alcoholic beverage consumption, it will lead to the raging of social communities. This scenario will be called as "Second Scenario: SIPPIN' IT: Choose easily, drink responsibly."

On the other side, the scenario the government has a vision to make changes will also lead to two scenarios. If the social groups are involved in the policymaking process, it will accelerate the process to make Alcohol Prohibition Bill into a law. Thus, the social groups will achieve its goal and the alcoholic beverage industry is in jeopardy. This scenario will be called as "Third Scenario: Third to fall." Meanwhile, if the distribution of alcoholic beverage is being limited, it might lead to the rise of oplosan and counterfeit products. Since these types of products are not safe, there is a huge chance that it will cause more incidents relating to the abuse of alcoholic beverages. As this occurs, the social groups will be in more rage, and they will push the government to close down all of the alcoholic beverage companies in Indonesia. The last scenario will be called as "Fourth Scenario: Movements for alcohol-free young generation."

Business Strategy Recommendation

Based on the Early Warning Signal Timeline that has been explained above, Company DORIA can implement several business strategies according to the early warning signals that can be monitored in each period. For the start, the company can continuously monitor the updates of the political condition ahead of the 2024 General Election until the result of its elections around March-August. From the election result, the company can assess which presidential candidate won the election and what are its programs and regulation outlook. Furthermore, the company can also assess the proportion of the elected members for the House of Representatives that will play a big role in the policymaking process. The majority of which political parties hold the House might be able to have a big influence on which bills will be listed on the Prolegnas. Meanwhile, the company should also continue its sustainability and responsibility (S&R) programs, particularly on the drink responsibly campaign. The campaign might give the company more trust from the public and the government that alcoholic beverage is not always correlated with bad things if it is consumed responsibly. By gaining the trust of the public and the government, the company can expect to gain better public acceptance in the following years. The campaign can be conducted through social media to raise awareness about drinking responsibly massively.

In 2025 the company can monitor the second period of early warning signals. During this period, regardless of how the election results are going to be, the company can still continue its S&R program. In this period, the campaign can be conducted by collaborating with the brands under the company that has been operating in Indonesia. The campaign can be conducted through offline events to get closer to the public. During this period also, the company can collaborate with local producers in promoting and marketing their products. Furthermore, the company can initiate the development of a digital platform by collaborating with local developers to create an online distribution channel. The initiative of digital online channel development should be started during this period to anticipate the scenarios in the following years. The digital platform as an online channel can accommodate uncertainties that might occur, for example, the changes in consumer behavior in purchasing alcoholic beverages. However, developing a digital platform requires a long time. Therefore, the company should initiate the development of a digital platform during this period.



Table IV. Business strategy implementation timeline

No.	SCENARIO	TIMELINE			SCENARIO TIMELINE (2026)
		1 st EWS (2024)	2 nd EWS (2025)	3 rd EWS (2025-2026)	
1.	<i>Aruma to go global with BILI</i>		- Promote and market products by collaborating with existing local producers.	- Start to promote and market the products around the tourism destination areas.	- Re-submit the permit for alcoholic beverage producer to the authority.
2.	<i>SIPPIN' IT: Choose easily, drink responsibly</i>	- Monitors the update of General Election 2024 result. - Conduct drink responsibly campaign through social media to gain public and government trust.	- Conduct bigger drink responsibly campaigns through existing brands in Indonesia. - Initiate digital platform development by collaborating with local developer to create online distribution channel.	- Continue the sustainability and responsibility programs, including the drink responsibly campaign. - Conduct more S&R program and drink responsibly campaign to gain trust from consumers and helping the government to eradicate and control the <i>oplosan</i> and counterfeit products.	- Re-submit the permit for alcoholic beverage producer to the authority. - Develop ready-to-drink products - Build partnership with local producers through acquisition or joint venture. - Target a higher market class
3.	<i>Third to fall</i>				- Continue making presence in the Indonesian market through existing brands
4.	<i>Movement for alcohol-free young generation</i>				

During monitoring the third phase of early warning signals between 2025-2026, the company can implement one of the following sets of business strategies: to start promoting and marketing the products around the tourism destination areas and to conduct more S&R program and drink responsibly campaign to gain trust from consumer to help the government to eradicate the counterfeit and oplosan products. The first one can be implemented by the company if the elected government continues to promote the tourism sector as part of its national program. Since the government will continue to develop Indonesia’s tourism sector, it will attract more foreign tourists to come to Indonesia. This means the market for alcoholic beverages will grow further. To leverage this condition, the company can focus its distribution and marketing around the tourism destination areas. Meanwhile, the second set of business strategies can be implemented if the government decides to process the Alcohol Prohibition Bill to become a law. As the government is promoting halal tourism and adding the bill on the Prolegnas, the distribution of alcoholic beverages will be limited. This might lead to the rise of oplosan and counterfeit products. As part of its S&R programs, the company can help the government minimize the oplosan and counterfeit product consumption. By implementing this strategy, Company DORIA can still maintain public and government trust as a responsible alcoholic beverage distributor.

Entering the last phase, the Scenario Timeframe in 2026, the company can implement one out of four different business strategies, according to how the political and social condition in Indonesia turns out, as listed on Table 4 below:

CONCLUSIONS AND RECOMMENDATIONS

Through this research, ten driving forces in Indonesia’s alcoholic beverage industry can be found. These driving forces show the factors that shaped the current alcoholic beverage industry in Indonesia. The driving forces are Market Trend, Business Opportunity, Competitors, Policymaking, Regulation, Tax & Excise, Social Pressure, General Election 2024, Government, and e-Commerce Platform.

From these driving forces, two factors that cannot be controlled by the company have the biggest impact on the whole industry, namely regulation and social pressure. These two factors become the critical uncertainties for scenario planning, which is the basis for creating plausible scenarios. Four scenarios were developed from the combination of regulation and social pressure as the critical uncertainties, which are “Aruma to go global with BILI,” “SIPPIN’ IT: Choose easily, drink responsibly,” “Third to fall,” and “Movements for alcohol-free young generation.” From the four scenarios and the early warning signals developed, the author recommends the company to continue executing its S&R programs and the drink responsibly campaign throughout the years to strengthen the public and government trust in the company. The company should also prepare the digital platform as part of its distribution channel in facing the challenges in the future. Not only for the distribution channel, the digital platform can also become a tool to raise awareness on responsible drinking, which can become leverage for the company to maintain its presence in Indonesian market.



This research is limited to the creation of scenario planning of the alcoholic beverage industry in the next three years. The research also gives general business strategy recommendations for Company DORIA to face the plausible scenarios. However, there are still many parts of the business strategies that need to be studied further. For example, in the future, it can be conducted research about how Indonesian people perceive the drink responsibly campaign. This research can help Company DORIA execute a right-on-target campaign effectively and gain the maximum result. Another recommendation for future research is to measure the impact of pressure groups' efforts in educating the public about the negative effect of alcohol and how the impact affects the sales of alcoholic beverages in general.

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