



## EXECUTIVE INSIGHTS

# Indonesia's Retail Pharmacy Landscape: Why Global Investors Should Take a Closer Look

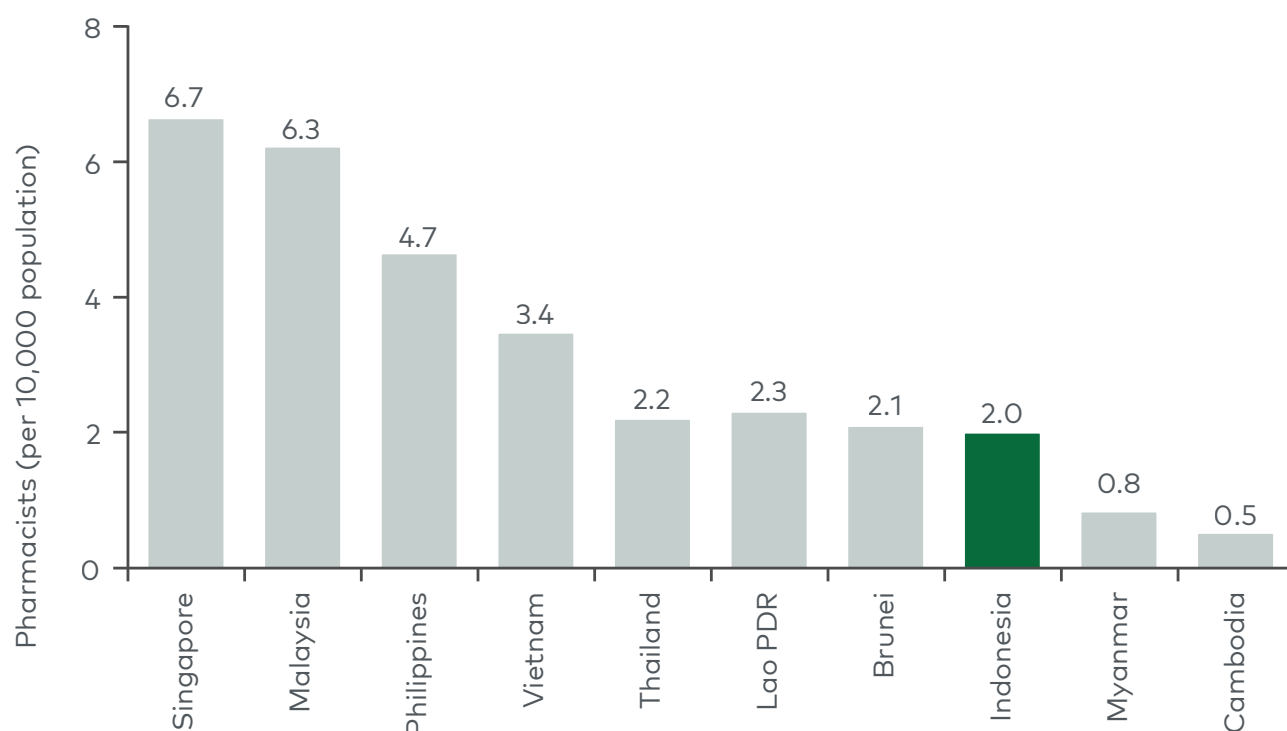
Indonesia's retail pharmacy sector represents an interesting and still largely untapped opportunity within the country's healthcare system. Despite a population of more than 280 million people, the market is highly fragmented, with modern chains accounting for only a small share of outlets. At the same time, broader insurance coverage, a growing middle class and rapid digital adoption are reshaping how Indonesians seek medicines and healthcare services. Together, these factors are laying the groundwork for consolidation, professionalization and innovation — creating space for investors and operators to add real value while supporting the evolution of a more accessible and resilient healthcare channel.

Indonesia's pharmacy sector cannot be understood in isolation — it is deeply linked to broader structural challenges in the country's healthcare system. At only about 170,000 doctors (six per 10,000 people) as of 2023, physician density remains approximately 60% below the global average, underscoring a nationwide shortage of medical professionals (see Figure 1). Accessibility is another major hurdle: nearly half of the population lives in rural areas, yet only roughly 5% of health facilities are located there, creating significant gaps in coverage. Affordability compounds these issues, with out-of-pocket spending still accounting for a large portion of healthcare costs. Against this backdrop, with many Indonesians unable to access even basic healthcare services, pharmacies have emerged as a crucial first line of care, bridging affordability and access gaps in ways hospitals and clinics often cannot.

## A quick look at the numbers

**Figure 1**  
Pharmacist density across ASEAN

### Pharmacist density across ASEAN (2023\*)



Data years by country: Singapore (2022), Malaysia (2023), Philippines (2021), Vietnam (2016), Thailand (2021), Lao PDR (2020), Brunei (2021), Indonesia (2023), Myanmar (2019), Cambodia (2018)

Note: ASEAN=Association of Southeast Asian Nations

Source: WHO; L.E.K. research and analysis

Indonesia has only **two pharmacists per 10,000 inhabitants — the third-lowest ratio in the Association of Southeast Asian Nations (ASEAN)**. The supply gap, combined with demographic and economic trends, highlights the scale of the opportunity.

## Fragmentation creates a consolidation opportunity

Indonesia counts **approximately 31,000 licensed pharmacies, yet the top five banners run only about 10% of them** (see Figure 2). Independent “mom-and-pop” stores dominate, limiting efficiency and consistency. Consolidation and professionalization are natural next steps.

**Figure 2**  
Number of pharmacy outlets in Indonesia, 2016-21

| Pharmacies Chain                                                                                               | Outlets (2024) | Value-added services (Not Exhaustive)               |
|----------------------------------------------------------------------------------------------------------------|----------------|-----------------------------------------------------|
|  <b>Kimia Farma Apotek</b>    | >1,300         | In-house clinics, diagnostics, e-pharmacy app       |
|  <b>Apotek K-24</b>           | >700           | 24-hour stores, franchise model, medicine delivery  |
|  <b>Century Healthcare</b>    | >500           | Loyalty programme, beauty corners, teleconsult push |
|  <b>Guardian (Hero Group)</b> | ~340           | Private-label range, omnichannel platform           |
|  <b>Viva Apotek</b>         | ~110           | GP consultations, basic diagnostics in select sites |
| <b>Rest of the sector</b>                                                                                      | ~28,000        |                                                     |

Source: WHO (World Health Organization)

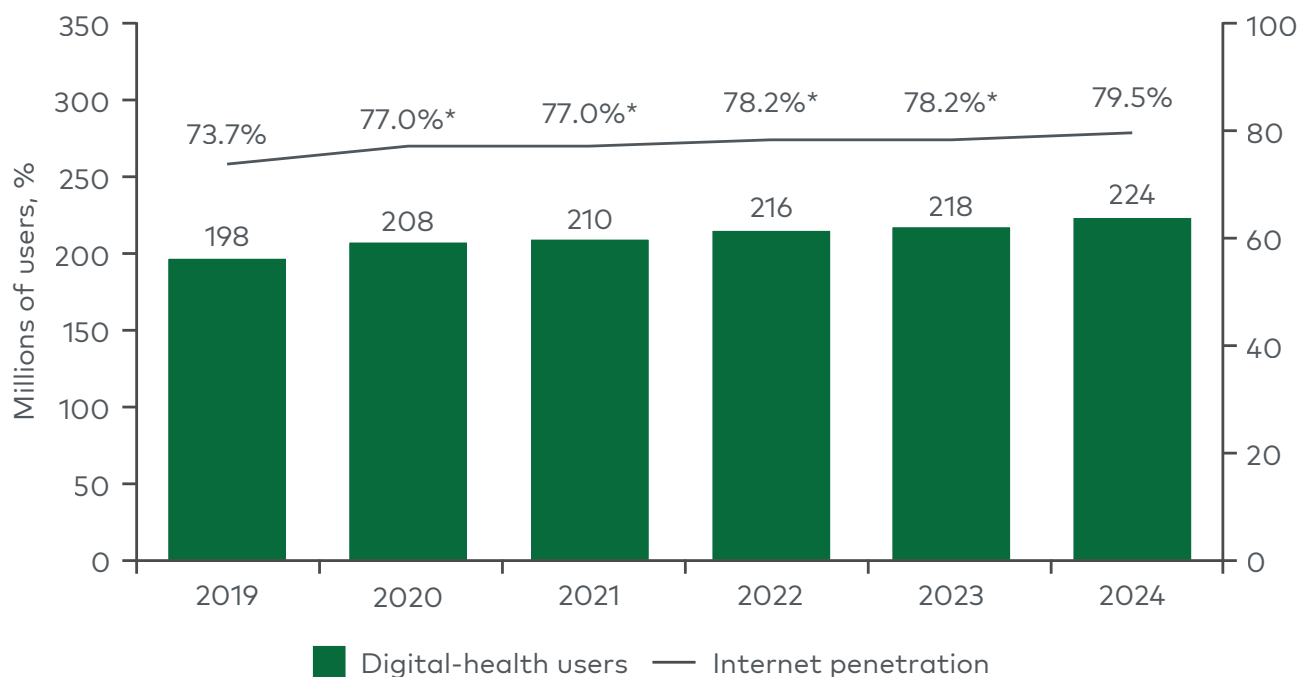
## Tailwinds supercharge the growth outlook

Licensing capabilities are becoming increasingly central to success in Indonesia's pharmacy market. Securing a **PSEF (Penyelenggara Sistem Elektronik Farmasi) e-pharmacy license** allows a pharmacy to operate not only as an offline retail touchpoint but also as an online fulfillment partner. This dual role means a licensed pharmacy can fulfill orders through its own digital channels and simultaneously act as a logistics and dispensing partner for third-party platforms. In today's digital age, where consumer expectations increasingly include online convenience and rapid delivery, the ability to bridge physical and digital fulfillment has shifted from a nice-to-have to a fundamental competitive requirement. Regulatory liberalization (i.e., Presidential Regulation 10/2021) has eased ownership limits in pharma manufacturing and wholesale distribution and opened pathways for joint ventures and franchising in downstream healthcare. Furthermore, internet penetration reached **79.5% in 2024**, driving uptake of telehealth (30-35 million active users) and e-pharmacy fulfilment

(see Figure 3). Chains that embrace e-prescriptions, delivery and loyalty-linked apps are already enjoying double-digit same-store growth.

**Figure 3**  
Internet penetration and digital-health users, 2019-24

#### Internet penetration and digital-health users (2019-2024)



Note:\* APJII published the 2020–2021 and 2022–2023 figures as combined releases.  
Source: APJII; Badan Pusat Statistik; L.E.K. research and analysis

### BPJS limitations and the path to growth

A defining feature of the Indonesian system is the **Badan Penyelenggara Jaminan Sosial Kesehatan national health insurance scheme**. Current regulation stipulates that **BPJS-covered prescriptions cannot be dispensed at private pharmacies**; instead, patients must obtain medicines at designated public health facilities. This significantly reduces the role of retail pharmacies in reimbursed prescription volumes.

As a result, pharmacies must look elsewhere for growth. The most important levers include:

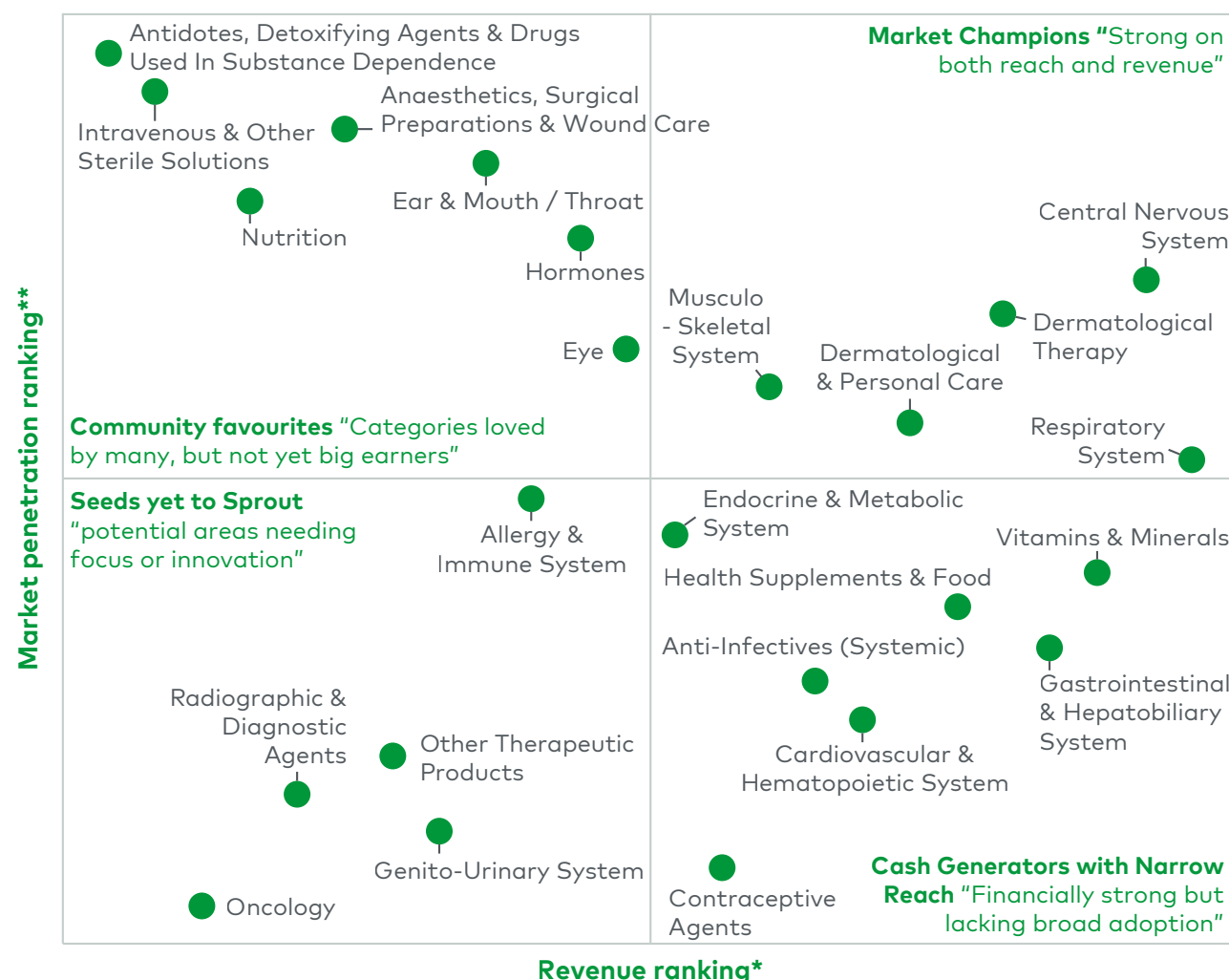
- **Raising consumer awareness** of pharmacies as a trusted first point of care
- **Consolidating independents** into larger, more efficient networks
- **Expanding consumer-health portfolios** across over the counter (OTC) medicines, supplements, beauty and traditional herbal products, where margins are higher and pharmacies retain pricing power

These dynamics frame the retail pharmacy channel less as a reimbursement vehicle and more as a **consumer-health, retail-driven play**.

### A strategic route to seed brands and capture value-added demand

Pharmacies are Indonesians' first stop for care: over 60% of purchases are made without a physician visit. For multinational suppliers and investors, this creates opportunities to secure prescription and OTC pull-through via shelf space and pharmacist advocacy, tap into consumer-health adjacencies such as vitamins and herbal products (some of which are growing at more than 12% CAGR), and build data-driven ecosystems through loyalty programs and digital engagement.

**Figure 4**  
Retail pharmacy sector positioning



Note: \*category rank based on last 12-months' revenue (lowest rank = 1, highest rank = 25); \*\*category rank based on growth rate of unique retail pharmacies purchasing (lowest rank = 1, highest rank = 25)

SwipeRx is Indonesia's largest group-purchasing organisation for independent pharmacies and provided the aggregated data behind this chart

Source: SwipeRx; L.E.K. research and analysis

Figure 4 highlights therapeutic areas like respiratory, central nervous system and dermatology where consolidation could unlock faster branded growth.

### Value-creation levers for pharmacy chains

Beyond consolidation and portfolio expansion, leading operators can create additional value through operational and experiential levers:

- **Storefront and layout optimization:** Clear zoning of prescription, OTC and wellness categories; adding consultation or diagnostics corners to increase service revenue
- **Network optimization:** Using geospatial analytics to refine expansion and proximity to clinics/hospitals
- **Workforce productivity:** Standardized pharmacist training and digital workflow automation
- **Private-label development:** Launching proprietary OTC and wellness ranges with superior margins
- **Omnichannel integration:** Seamless e-commerce, loyalty apps and last-mile delivery
- **Data monetization:** Leveraging loyalty and purchase data for adherence programs and supplier partnerships

### What winning investors will do next

To capture this opportunity, successful investors will focus on a few priority actions that can both accelerate growth and strengthen long-term competitiveness:

- **Secure a scalable platform:** Achieve a majority stake in a leading banner or a franchise roll-up to 1,000-plus stores.
- **Digitally enable operations:** Integrate e-prescriptions, analytics and last-mile delivery.
- **Broaden the offer:** Add clinics, diagnostics and chronic-disease management.
- **Localize portfolio and sourcing:** Adapt formats and packaging, and leverage purchasing scale.

Indonesia's retail pharmacy sector is still underdeveloped but changing quickly. With BPJS regulation limiting direct participation in reimbursed prescriptions, the growth story will be driven by consolidation, consumer awareness and portfolio expansion into higher-margin products. Combined with supportive regulation and rising digital adoption, this creates fertile ground for well-capitalized investors to add value while shaping the next chapter of the country's healthcare system.

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