

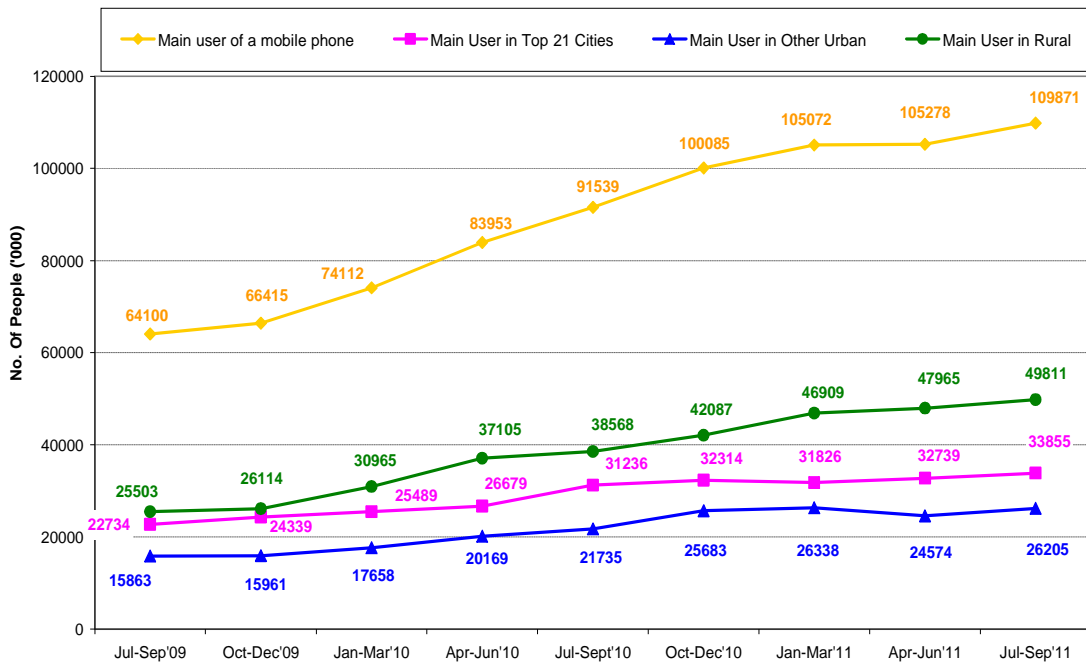
Small talk is big business and it's getting bigger

In last week's column I drew attention to Indonesia's unique assets, its capacity to chart a way forward even through the turbulent winds blowing the world over. The unparalleled confidence of the Indonesian consumer and his willingness to spend are just two indicators of the country's distinctive position in the global marketplace.

In the weeks ahead, I will illustrate how that confidence is impacting major industries focussed on offering the consumer the entire gamut of goods and services. It will become increasingly obvious how each market is growing, where demand is coming from. If those trends continue, we collectively stand to gain from each other's successes. Continued consumer spending is a leading indicator of our economic well-being.

The telecommunications industry is as good a place as any, to begin with. The last 10 years have witnessed a veritable revolution in the way Indonesians communicate, interact, behave. While the phenomenon is global, there are some interesting discriminators that underline the developments in Indonesia. Clearly, the country leap-frogged right past the landline to the mobile phone. Now it looks like the mobile phone will catapult it into the worldwide web over the top of the PC, with penetration of home computers still well below 10 percent. The catalysts? Facebook, for one. The social network apparently has more Indonesian users than any other nationality, outside the United States. The surge in Internet usage in the last 12 months is largely via the mobile phone, followed by the dongle-powered notebook. If the recent trend continues as it is poised to do, more commercial use of the web will encourage more local e-commerce entrepreneurs to launch new businesses. They will fill a void, one that has held Indonesia back in a crucial arena of global growth.

EVERYBODY'S TALKING, WELL ALMOST



The more basic numbers about our telecom sector are equally noteworthy. Invariably, comparisons are drawn with larger markets in the region, China and India. While we at Roy

Morgan Research have no proprietary data from those two markets yet, there are a few distinctions I can confidently draw your attention to. On the one hand, penetration of cellular phones continues to grow as in the other two countries. But I would suggest that a higher percentage of real Indonesians regularly use a mobile phone than do Chinese and Indians. This assertion will seemingly contradict the hype emanating from both China and India, if we take the absolute number of “customers” in those two countries at value. But in neither market does any researcher I know of measure how many customers bought, activated and threw away a SIM card last year. In Indonesia, we can tell you that well over 100 million cards were discarded in the last 12 months, again, last year. Compare that with our other findings confirming some 115 million regular users of mobile phones in Indonesia today.

In other words, the number of SIM cards thrown away is about equal to the number of regular users. In fact, roughly 10 percent of these 115 million regular users are ‘serial flippers’ who take advantage of cheap starter-packs and use them as disposables. If Chinese and Indian consumers behave in similar fashion, and there is enough anecdotal evidence to suggest that they do, then my hypothesis would be proven right. Penetration of mobile phones is higher in Indonesia, than it is in the two other giant markets. The good news is not a dampener, in any sense. The market continues to grow albeit at a slower rate of climb than before. If there are 160 million Indonesians 14 years of age and older, there are still some 45 million prospective consumers who are yet to join the fold. With unemployment on the decline and wages on the rise, new entrants will continue to trickle in. Today, 82 percent of residents in the Top 21 cities are regular users followed by 73 percent in the smaller cities. Rural Indonesia contributes 76.45 percent of all users, with only 64 percent penetration.

On the other hand, the “replacement market” continues to grow in both size and value. In fact, as saturation penetration approaches, the handset not the SIM card will become the name of the game for telcos everywhere. The talk in industry circles is that no major market for Blackberry has grown faster than Indonesia in the last five years. Nor is there another major market that is expected to continue growing as robustly as Indonesia. Our brand-level data for handset demand can only support such a forecast. The heat coming from Apple at the top end of the market is not escaping the notice of its rivals. Samsung is seeking to slot its Note between the notebook and the tablet, market-leader Nokia has begun its regeneration program. Look out for the Nexians of our world to challenge the giants, each step of the way. We can all look forward to endless changes, in our pockets, handbags and man-bags.

If positive developments like these continue, yesterday’s luxuries will become tomorrow’s essentials for more and more Indonesians across many more industries. Arguably, they can continue to materialise regardless of what happens to the Euro crisis, American jobs, Chinese bubbles or Indian slowdowns.

The opinions expressed are my own. The conclusions are based on the country’s largest syndicated surveys conducted by Roy Morgan Research. More than 25,000 respondents are interviewed every year, week after week. The data is projected to reflect 87 percent of the population 14 years of age and over.

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