

**THE INDONESIA WE THOUGHT WE KNEW**  
**Article 1**

Regardless of whether we're talking as consumers, professors, politicians or marketers, we all too often preface our comments with phrases like "Most Indonesians are..." or "most women in Indonesia believe..." We do this instinctively, as if we have some innate knowledge that gives us the confidence to make these sweeping statements. Fact, as we all know, can be stranger than Fiction sometimes.

This report dwells on who Indonesians are as a Society and what Indonesians believe on key issues affecting Life as it is lived in the cities and villages of this vast archipelago. The information is based on Roy Morgan Single Source, a national survey with 25,000 respondents annually, covering 90% of Indonesia's population over the age of 14.

The fact that Indonesians are charitable by nature is reiterated by nine out of ten people believing that "a piece of everyone's income should go to charity". What will come as a relief to the Cabinet is that 8 out of 10 people agree that "obedience and respect for authority are the most important virtues children should learn". That puts rioters and bomb-throwers in the absolute minority. The neighbours Down Under and their "War on Terror" allies, the US and the UK, should all feel equally reassured especially in the knowledge that Indonesians are far more charitable, much more respectful of authority than they themselves are as peoples. Adding another layer of assurance is a society that is respectful of the community at large, as only 26% believe that 'my rights are more important than society's rights'. On the other hand, with 50% of the country believing that "terrorists deserve the same rights as criminals", one wonders just how much of the sentiment is based on everyone's right to a fair trial. Another dimension of interest in this context is the belief that "globalisation brings more problems than it solves", a view shared by 60% of Indonesia. The contrasts with Australia, the US and the UK are borne out by Roy Morgan Single Source in those countries too.

This President is doing better than he probably thinks he is, in the eyes of the electorate. That's despite the tsunami, oil price hikes and Bali 2. Before she fell, President Megawati had an approval rating of 53% with only that many people in March 2004 believing that her government was "doing a good job". At the time, almost half the country didn't "trust the government". In contrast, President SBY raced in with a 79% approval rating by October-December 2004, with only 21% not trusting his new government. With the honeymoon well and truly over, results from second quarter of 2006 shows that those scores have dipped from 79 to 60%, from 21 to 39%. But on tackling corruption, one of

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his key promises, his score has improved with 87% today in comparison to October-December 04's 92% believing that "corruption is one of the major problems affecting this country". Overall, "democracy is working" in the hands of this government, a view shared by three out of four, almost equally at all levels of education. Despite the ups and downs, disasters both man-made and natural, this is among the most noteworthy of collective achievements in Indonesia's history.

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**THE BELIEFS AND VALUES OF INDONESIANS TODAY**  
**Article 2**

Change is not particularly welcome, regardless of sex or level of education in Indonesia. About four out of five people believe that there is “too much change going on these days”. The same number are “environmentalists at heart”, with more than half the population trying to “recycle everything I can”. These are facts that may come as a surprise to people from Western cultures where shopping bags aren’t saved for re-use.

This report dwells on who Indonesians are as People. The information is based on Roy Morgan Single Source, a national survey with 25,000 respondents annually, covering 90% of Indonesia’s population over the age of 14.

This is a deeply religious country where 90% of the population agrees that “religion is an important part of everyday life”. Three out of four Indonesians “regularly go to my place of worship”. We all know the position that major religions take on homosexuality and the influence therefore on all the faithful. Above all, people want security in their lives, as well as in their jobs. Then comes the desire for “a full social life”, witness the ever-popular arisan. Around 78% have visited or entertained friends or relatives in the last three months. Sports aren’t a way of life, with Soccer the dominant game. With most women above the age of 25 married and not working, 87% of housewives “love to cook” and 86% can’t rest till the home is “neat and tidy”. Not surprisingly, 73% enjoy doing their grocery shopping too. Dressmaking at home is very popular with the ladies, as is gardening. One out of four people have a pet at home, including of course those in extended families.

All concerned regardless of race, will be pleased to know that 89% consider themselves “Indonesians” first, not Batak or Sundanese or any other grouping. Around three out of four people believe they are extroverts, almost 73% are hedonists who “really want to enjoy things now because I don’t know what the future will bring” and 88% believe that “success is important to me”. In sharp contrast, 64% of the population would “like things to stay the same”!

# Roy Morgan Research



Personal beliefs such as these have an influence on Roy Morgan Values Segments, a socio-economic map of the country, produced in conjunction with Colin Benjamin of the Horizon Network. To a sociologist or a marketer the map is a more sensitive tool to understand society or the marketplace, than is Household Expenditure, the old one-dimensional Socio-Economic Strata that Indonesia has lived with for many years.

At the top-end of the economic scale are the groups “Visible Achievement” at 8% and “Socially Aware” at 1%, both equally affluent and with real disposable incomes. The difference between the two groups lies in their values. For example, “Vas” are more conservative, “SAs” more liberal. In the US, the first group would likely be Republicans, the second group likely to be Democrats. At the heart of any society is The Family and Indonesia, a vibrant young country, has 34% of its population in the youthful group, “Conventional Family Life”. In contrast, an ageing Australia has only 9%. Similarly, self-focussed teenagers in Indonesia are 21% of society, followed by the third largest group comprising older parents and grandparents, “Traditional Family Life” with 13%. At the bottom of the socio-economic scale are “Fairer Deal” at 6% and “Basic Needs”, the first struggling to build a future and the other in their twilight years, keeping their heads above water. Significantly, only 2% of Indonesia is in “Basic Needs” simply because very few older folk live on their own in Asia, in contrast to western societies. Final-year students and first-jobbers with rose-tinted glasses form the “Young Optimism” group with 1.4%, while older professionals in “Something Better” at 1.6% are looking for their next

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— Research —

promotion, their next raise. “Real Conservatives” with fundamentalist views make up the rest with 12% of the population.

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## THE TRUTH BEHIND THE UNEMPLOYMENT STATISTICS

### Article 3

Of all the social values held dear by Indonesians, “I think it’s the government’s duty to support those who can’t find work” is the pre-eminent belief. The Minister of Social Welfare probably knows this, but we wonder if he knew that 89% of his people are looking to him to support the unemployed. Nobody would suggest that people in poverty can live off democracy alone. About 75% of both the Educated (SMP and over) and the Less Educated groups, equally believe that the “gap between rich and poor is growing”. On the other hand, over 70% of both groups are equally “optimistic about the future” and over a third of the country believes that “the Indonesian economy appears to be improving”. Though the heartache caused by the recent oil price hikes has dampened enthusiasm, optimism remains buoyant in the main.

This report dwells on unemployment and the workforce. The information is based on Roy Morgan Single Source, a national survey with 25,000 respondents annually, covering 90% of Indonesia’s population over the age of 14, the widely accepted minimum age to legally earn a living.

While efforts are being made to accurately measure ‘under-employment’ the fact remains that only 6.8% of the workforce is not currently working and actually “looking for full-time work” and another 2.4% for part-time work. Collectively, that adds up to 9.2% unemployment according to the definition above. The definition of workforce is those people who are working and not currently working but actively looking for either full time or part time work. There are 73.5 million people who are in the workforce in Indonesia.

In addition, there is the 5.9% who “Don’t Work” but they are primarily under-20’s and over-50’s who aren’t sure whether they want to be working at this point in time, or not. That doesn’t put them in the same basket as the Unemployed. But the high-pressure point for DEPNAKER is actually the 14-24 age group, of whom almost 12% can’t find jobs even though they are actively looking. Unemployed, disgruntled youth are damaging both to the collective conscience as well as the national economy. With over 18 million students at any point in time, there are no quick fixes. What is also disappointing is that almost 3% of males and 6% of women looking for jobs but currently unemployed, have a diploma or degree from a university. Politicians, the business community, educators and sociologists would do well to focus on these demographic groups.

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At over 8.2 million, SMEs form a substantial and growing segment of Indonesia's workforce, followed by 4.26 million office workers and another 382,000 professionals and managers.

The fact that more than half of all adult women do not join the workforce is culturally understandable across Indonesia. They are housewives, raising families and reinforcing family values. As time goes by, this will gradually change but for now, it is a reality that eases pressure on employment. Above all, people want security in their lives, their homes as well as in their jobs.

Tomorrow, the series will continue with an in-depth look at the social economy level of Indonesians.

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**THE RICH, THE POOR AND THE NEW MIDDLE CLASS**  
**Article 4**

Do we really understand what life is like for Indonesians at large, who has how much money and what has become of the Middle Class since the economic crisis of 1997?

This report dwells on how much Indonesians are earning and how that defines the boundaries of each socio-economic strata. The information is based on Roy Morgan Single Source, a survey in the Top 20 Cities, 20 Towns and Rural surrounds with 25,000 respondents annually, covering more than 90% of Indonesia's population over the age of 14.

Most of Indonesia isn't earning very much, not surprisingly. Without including students, housewives, the aged or the disabled, the overwhelming majority of workers earn less than Rp 500, 000 per month. Imagine what that buys at the pasar today, for a home that has just one breadwinner in a culture where most women are mothers and homemakers. It's nothing to be ashamed of, that's the painful reality. What is shameful though, is the extent to which we exploit that reality without doing our individual bit for the collective good. There's nothing wrong with owning a Mercedes Benz, if the chauffeur too can send his children to school for proper education. Across the nation's cities, towns and villages, only 1.0% of the population aged over 14 years has an individual income of more than Rp 2.5 million per month. While 45% live in homes comprising just parents and their children, 15% live as members of extended families where multiple incomes can alleviate the pain of meagre individual incomes.

**Individual Income Strata of All Workers**

IIS	Monthly Income	Total (Nat)	Urban (Nat)	Rural (Nat)
A1	Rp 3.000.000 +	0.50%	0.90%	0.30%
A2	Rp 2.500.000 - Rp 2.999.999	0.50%	0.80%	0.20%
B1	Rp 2.000.000 - Rp 2.499.999	1.50%	2.40%	0.70%
B2	Rp 1.500.000 - Rp 1.999.999	4.20%	6.30%	2.30%
C1	Rp 1.250.000 - Rp 1.499.999	4.40%	5.90%	2.90%
C2	Rp 1.000.000 - Rp 1.249.999	7.10%	9.20%	5.20%
D1	Rp 800.000 - Rp 999.999	13.30%	14.40%	12.30%
D2	Rp 600.000 - Rp 799.999	18.80%	20.70%	17.10%
E1	Rp 500.000 - Rp 599.999	13.40%	11.50%	15.10%
E2	Less than Rp 499.999	36.20%	27.80%	43.80%

Base: Indonesian 14+ who are employed (National)

Sample Size: n = 11,258

Time Period: July 2005 - June 2006

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The chart defines Indonesia's Individual Income Strata (IIS), for the first time. It reflects individual income in summarised groups, A to E, even though detailed bands of personal income are now available for the first time in Indonesia. It embraces the entire population of earners only, in other words it excludes housewives, students, the unemployed and retirees. This group of non-earners at 50% of the population earn nothing or less than Rp 600,000 per month. Of all people who earn, one out of three brings home between Rp 600,000 and Rp 1 million per month making D the single-largest group. Group C, earning between Rp 1 and Rp 1.5 million rupiah each month comprises 11.5% of all earners. Then there's B at 5.7% earning between Rp 1.5 million and Rp 2.5 million a month, within which B1 at Rp 2 to 2.5 million per month is just 1.5% of all earners. At the top end of town is A at 1.0%, with income ranging from Rp 2.5 to Rp 5 million per month, including A2 earning between Rp 2.5 to Rp 3 million per month. Over 387,000 people in the elite A1 group make over Rp 3 million each month. Hard to believe? Just remember that these facts come from the most statistically robust, geographically balanced consumer database in the country, updated every 90 days. It is more right, less wrong than any other source.

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**REDEFINING INDONESIA'S SOCIO-ECONOMIC STRATA**  
**Article 5**

The commonly used term “The Middle Class” has never really been defined and if it has, this writer hasn’t seen it. In 1997, an economic crisis redefined the value of the rupiah and its buying power at the pasar. Yet, marketers and academics alike continue using the old nomenclature representing only in 9 cities of Indonesia for a very long period of time, regardless of economic crises or steep inflationary spikes, although now this has gradually been corrected. Even now, BBM price hike is still taking its prolonged effect to the Indonesian society.

This report dwells on how the Individual Income of Indonesians as outlined yesterday, relates to Household Expenditure. The information is based on Roy Morgan Single Source, a national survey with 25,000 respondents annually, covering 90% of Indonesia’s population over the age of 14.

For Individual Income Strata (IIS) to work in tandem with the new and improved Household Expenditure, the groupings need to be similar. While savings are not mandatory and we are all free to spend everything we earn each month, even the most modest of homes have bills to pay. Extended families and more than one breadwinner come to the rescue of many homes, particularly at the lower end of the socio-economic ladder.

The average monthly household expenditure (SES) data mentioned below represents 90% of Indonesia’s population over the age of 14 in urban and rural. Marketers and academics alike, who are used to the old SES data, will find Roy Morgan SES data different because they are used to SES data that only represents 9 major cities in Indonesia.

SES	Monthly Household Expenditure	Total (Nat)	Urban (Nat)	Rural (Nat)
A1	More than Rp.4.250.000	0.30%	0.30%	0.20%
A2	Rp.3.250.001-4.250.000	0.20%	0.50%	0.10%
A3	Rp.2.250.001-3.250.000	1.10%	1.80%	0.40%
B1	Rp.1.750.001-2.250.000	3.40%	5.70%	1.30%
B2	Rp.1.250.001-1.750.000	9.60%	13.20%	6.30%
C	Rp.800.001-1.250.000	21.20%	25.80%	17.00%
D	Rp.600.001-800.000	29.40%	27.90%	30.80%
E1	Rp.400.001-600.000	26.50%	20.30%	32.10%
E2	Rp.400.000 or less	8.30%	4.50%	11.70%

Base: Indonesian 14+ (National)

Sample Size: n= 25,232

Time Period: July 2005 - June 2006

So how big is The Middle Class as defined by this new architecture in the chart? Add B and C together and you have 34.2% of all households in the country, spending between Rp 800,000 and Rp 2.25 million each month. These monthly expenses include the usual, like groceries, clothes, utility bills and transportation but excludes rent, mortgage and purchases of major appliances. The lower end starts with D households spending between Rp 600,001 and Rp 800,000, comprising 29.4%. Group E with expenses of Rp 600,000 or less per month accounting for 34.8% of households brings up the very heavy bottom of the updated SES in Indonesia. The definition of E is in line with the \$2 a day globally accepted minimum for subsistence living. In sharp contrast is the 1.6% of the population at the top in A, who spend over Rp 2.25 million per month. Within A, there is A1 at the very top, accounting for a mere 0.3% of society with household expenditures of over Rp 4.25 million per month.

Tomorrow, we'll be taking a look at who's managing their money, and how, with insights on Consumer Banking.

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## IS THAT A BANK ACCOUNT OR A LOTTERY TICKET?

### Article 6

The penetration of the major financial products in Indonesia today is still very low. Now we know that only one in five people above the age of 14 have a bank account, any kind of transaction account. Some have more than one account, some have several, in more than one bank. This is not an easy phenomenon for Bank Indonesia to monitor, much less for any one bank to understand, simply because the total number of accounts opened doesn't mean the same number of people with bank accounts

The sixth in a series on Indonesia today, this report will dwell on Consumer Banking. The information is based on Roy Morgan Single Source, a national survey with 25,000 respondents annually, covering 90% of Indonesia's population over the age of 14, the widely accepted minimum age to legally earn a living.

Clouding the market is the practice of bribing the customer to open a deposit account. In the guise of "promotions", luxury cars and large cash prizes are given away each year for depositing as little as Rp250,000 for just six months. If a breadwinner had Rp 1 million to deposit, he could well get the four "lottery" tickets issued in the name of three other family members by opening not one but four accounts of Rp 250,000 each. But do these four people really consider themselves account holders at the bank that has lodged four Customer Identification Numbers in their names? How many of these accounts are in fact operated? How many of these deposits remain at the bank after the "lottery" has been drawn and the winners announced? Promoting a culture of disloyalty does not augur well for the future of consumer banking. It is a vicious cycle that industry leaders have to get out of.

Product differentiation is the key to winning new customers and good service the key to keeping them. When was the last time anyone noticed a novel and viable new offering to try and convert the largely cash-only society to banking? Does any bank know how many of its customers are SMEs, whose families and friends can be drawn to the fold? The easiest thing for an expatriate consultant to do is to grandly announce that they are only going to focus on the 'affluent' market, so that old ideas overseas can simply be recycled in Indonesia without even bothering to understand the market. For a state-owned bank, that is an unforgivable agenda.

The Top 4 Banks collectively enjoy the lion's share of the consumer banking market, ever since the mergers post-1997. This iron grip is unlikely to change, despite scandals

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and upheavals witnessed in recent times. In fact, a further consolidation is possible. This is reflected in the Main Financial Institution (MFI) status these big banks enjoy in the minds of the customers, influenced by where their salary is received each month. Without exception, the percentage of customers at the Top 4 banks who treat them as their MFI is growing steadily. But the public's opinion of the Top 4 consumer banks varies dramatically, a humbling verdict for most. In contrast, BRI's heritage of micro-savings and loans has fostered a culture of greater loyalty than is enjoyed by any other bank in the country. To its credit, it is seen to be able to take care the full range of your financial needs. BCA's professional standards are noteworthy and BCA is also well known with its comprehensive online services, recognition of the efforts they have been making.

Poor service, poor reputation and high fees and charges are the key complaints of most customers. Those are the fundamental reasons for switching, with too many customers intending to leave in the hope of finding better service. Flip the reasons for switching around and those are the ways to keep customers satisfied. Simple, but not surprising. More ATMs, phone banking and internet banking with more services like bill payment via those facilities would be a welcome bonus for customers. When the bank's customers are satisfied, so will be the shareholders and staff as well.

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## HOW CREDIBLE IS THE CREDIT CARD?

### Article 7

Many of the banks' account holders have been issued with Debit Cards, legions of whom don't know what these cards can do besides withdrawing cash from an ATM. Not surprising, when you consider that a study was conducted on Financial Literacy in Australia, not long ago, to understand the level of people's familiarity with financial jargon. Is there a role here for the Bankers Association to ask, and then educate, on behalf of the industry as a whole?

The seventh in a series on Indonesia today, this report will dwell on Credit Cards. The information is based on Roy Morgan Single Source, a national survey with 25,000 respondents annually, covering 90% of Indonesia's population over the age of 14, the widely accepted minimum age to legally earn a living.

Worse still is the state of affairs in the credit card market, growing in numbers of cards issued than they actually are in numbers of active users. According to Bappeki Depkeu (Badan Pengkajian Ekonomi, Keuangan dan Kerjasama Internasional), up to June 2006 there is a total of 6.5 million credit card member in 22 financial institutions. The fact is simple: there are just over 861 thousands *active* credit cardmembers, many of whom have several cards and more of whom probably ignore cards sent to them unasked for. Not surprisingly, Citibank runs what is perhaps the most profitable card business in the country with a smaller but higher-spending clientele.

Nobody would challenge either a bank's record of the number of Visa cards they've issued. But just because a Customer Identification Number has been issued doesn't mean that the customer recognises or remembers the issuing bank. The Customer is King and the card-issuers would do well to pay heed to that old saying. All too often, newspapers in Indonesia carry letters to the editors, complaining about credit cards that were sent to them pre-approved, with a year's free membership only to receive a bill in due course for a card nobody had asked for, probably never used. Fortunately, there have been numerous articles these days confirming the need to have a firm regulation for credit card issuance. Throwing cards at the same small number of people in the market is no way to build a viable business, unless of course the issuer already has a valuable core of customers. As in the case of transaction accounts, product differentiation is the only way for late entrants to carve a niche for themselves. For the banks, a good place to focus on are the existing customers, offering them convenience and service.

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If a bank counts every Customer Identification Number as a real customer, with transaction accounts opened for “lottery” tickets and cards received unasked for, then it is duping itself. If more branches are opened and staff recruited to serve these large numbers of dud, dummy or dead accounts, not only are existing customers being short-changed, shareholders are being deprived of potential dividends. Anybody who cares to analyse available data would conclude that it is back-to-basics for Consumer Banking in Indonesia.

What of the future? Without exception, all financial services sectors are expected to grow. Though JAMSOSTEK has the dominant share, there is room for other players in the insurance industry to build a service that is in its infancy today. Across all categories of financial products, better service via better training, differentiated offerings will win and keep different types of new customers.

What progress are marketers in other major consumer-driven industries making? Let’s examine questions of that nature to Indonesia’s consumer product sectors which are still affected by the oil price hike, tomorrow, in the continuation of this series.

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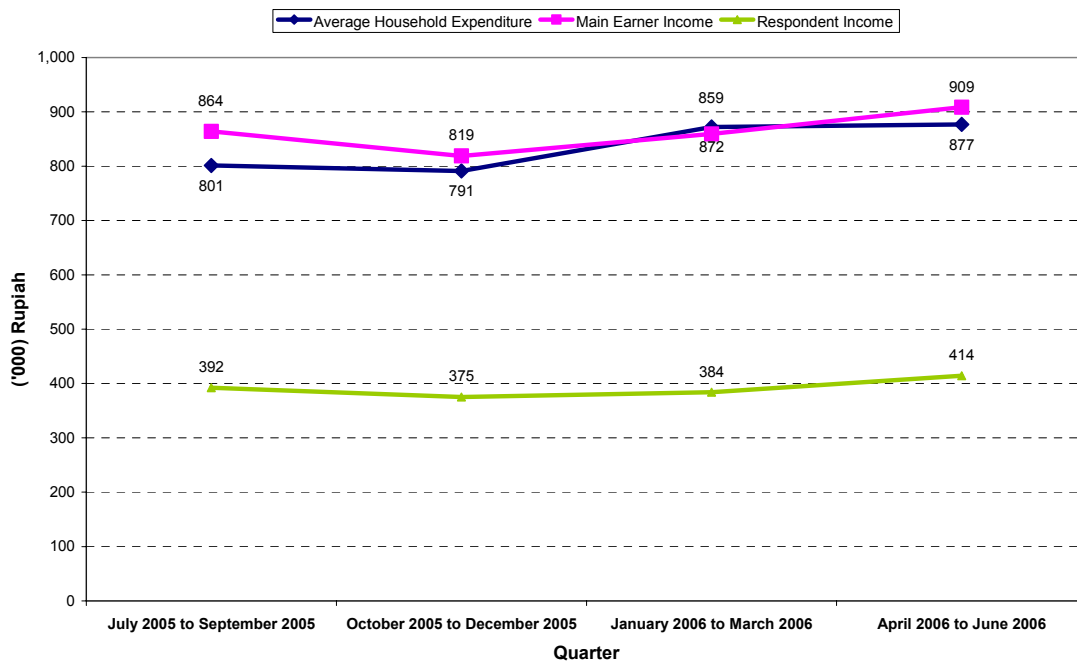
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ONE YEAR LATER, THE BBM CRISIS REVISTED  
Article 8

Earnings, essential expenditure, disposable incomes and ownership all have a direct relationship. Last year's economic measures took their toll on the consumer, with obvious signs of restraint in expenditure, postponement and down trading. One year later, this report dwells on what Indonesians are consuming today. As is often the case in developing economies, the need to look after the economically weak, by employers, governments and the extended family, makes money filter down. Inflation seems to inspire generosity, a human reaction to the desperation it creates among the poor. No wonder Household Expenditure has grown noticeably over the last 12 months, with continuing evidence that the personal incomes of the weakest are not getting weaker.



This is in contrast with the recent public debates inspired by revelations of similar (not identical) data from BPS. The information is based on Roy Morgan Single Source, a survey in the Top 20 Cities, 20 Towns and Rural surrounds with 25,000 respondents annually, covering more than 90% of Indonesia's population over the age of 14. The

three urban/rural classifications produce significantly different survey results from what has traditionally been available for Indonesia's Top 5 cities, or Top 9 cities.

TV sets, the primary source of entertainment, are everywhere with 97% of people having watched television in the last seven days. In contrast, only one in six adults have easy access to a domestic telephone. But across the spectrum of 'white goods' there are the visible signs of recovery in consumer demand for refrigerators, stoves, washing machines and the like. Much has been said about the phenomenal growth in cellular network subscribers but the truth is that only about half the touted numbers are *active subscribers, just 26 million people*. This highly competitive industry has spawned the 'disposable SIM card' with many users taking advantage of low entry costs and freebies offered, only to migrate to the next one. PC penetration remains low in home at only 5.5%, and consequently, in-home internet usage is also very low at 0.4% of homes.

The BBM crisis of 2005 has had its effect on the demand for cars. Today, the demand for new cars that people intend to buy within the next four years has slipped to just 159,000 in urban Indonesia from around 610,000 a year ago. The demand for used cars is creeping up to 583,000. The demand for new motorcycles has increased in recent months with 7.6 million Intenders, fostered by the continuing availability of easy financing. Public transport remains the means of getting around, with 42.1% of people having used a bus in the last month. While budget airlines mushroomed in recent years, it is obvious that most of the seats are consumed by the privileged few repeatedly, with only 1% of the population having travelled by air in the last 12 months.

So much for the big ticket items. In the retail arena, supermarkets led by Matahari and convenience stores by Indomaret are gaining ground, but the people's choice is still the pasar and warung. There are over 50% of even the supermarket shoppers having been to pasar in the last four weeks. The BBM crisis has had its impact with noticeable downtrading in brands of fast-moving consumer goods, across most product categories. Biscuit consumption remains stable with a little bit of increasing from a year ago, but most other packaged foods have recovered. Coca-Cola is creeping up on Teh Sosro, Sunsilk declined but regained, Lifebuoy is winning big on value with added quality and Pantene still has a grip on young Big City girls. Among essentials, beef has become even more of a luxury for most homes now, replaced by growth in the consumption of fish and vegetables. While the number of smokers remains the same, Kretek consumption had dipped then regained, while 'white' cigarettes haven't been affected much. Despite all the worries, consumption of headache pills is steady and vitamins are showing growth.

Even today, there is way too much attention given by marketers to interpret sales data rather than understand the Consumer. The tendency to try and make a buck by conning the consumer instead of building a relationship is still rife. Self-proclaimed marketing

gurus are still pontificating in boardrooms, talking fiction rather than fact most of the time. Accountability is not a word that's heard too often, much less instituted as a regime monitoring return on investment. Wastage of the marketing rupiah continues, unaccounted, unabated, unabashed.

In the media arena, "Bajaj Bajuri" has almost 22 million people who "Really Love to Watch" this TV program, more than any other. Kompas, with 1.8 million readers on average continues to lead among daily newspapers, with Gadis the queen among magazines (not including religious titles) and Bola leading among tabloids. The penetration of cable TV is still less than 4% of homes, but for marketers of high-end products and services, it is already a valuable yet under-utilised medium. It is Cable TV, the cellular phone and the Internet, independently and with growing convergence, that will become the indicators of modern Indonesia's growing consumer affluence in the years to come.

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