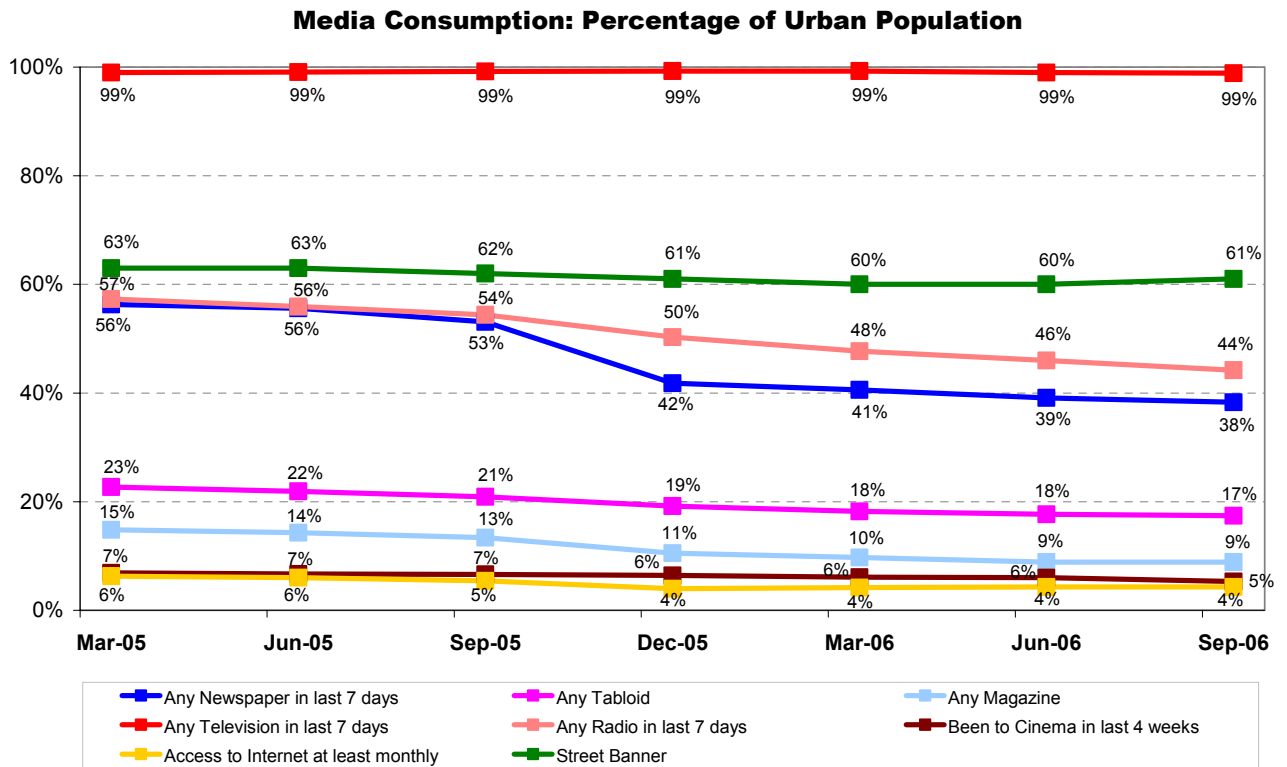


Who stopped the tech revolution in Indonesia?

Look around you. Words, pictures and sounds vying for your attention as you go to work every day. Many more when you get back home. While you may be subconsciously witnessing a thousand messages in metro Indonesia today, rural Indonesians maybe seeing a hundred. That's because the entire country is glued to television every week, billboards and banners are everywhere every day and the radio is often on as 'background music'. Most of the messages vying for your attention are unsolicited. Almost 30 million regular users are walking around with their mobile phones all day and about 500,000 have a Palm or Blackberry type of PDA in their pockets, with messages they have 'opted in' to receive. The one sad significant reality is that the country has yet to take real advantage of the Worldwide Web. These observations are based on Roy Morgan Single Source, Indonesia's largest syndicated survey now expanding to include over 27,000 respondents annually, projected to reflect 90% of the population over the age of 14.



Even when you restrict the canvas to Urban Indonesia, the picture doesn't improve significantly. What then does Indonesia own in the ever-widening world of personal devices? There are only 6 million personal computers at home today. Less than a million of those homes are connected to the Internet. Compare that with 8 million MP3-type digital players and some 600,000 iPods and it becomes obvious that while youthful Indonesia maybe "rocking", not many have their eyes on the window to the world, the Internet. The after-effects of an inflationary spike on household discretionary expenditure are still being felt. Consequently, even *Warnet* visitation and use of these popular Internet kiosks have in fact dipped slightly in the last 12 months.

The dismal truth is that only 5 million 'have ever accessed' the Internet, only 2 million are regular users. When you take into consideration the very high costs in Indonesia in comparison to its neighbours, this reality comes as no surprise. For the few who pay these high prices at home and at the workplace, the painfully slow speeds and frequent breakdowns are even more aggravating. No wonder that the commercial exploitation of the Internet is in its infancy in Indonesia, way behind its progressive Asian neighbours. Real "Convergence" of media seems far away and "e-commerce" isn't exactly poised to take-off any time soon.

Unfortunately, the loss of opportunity is incalculable and a whole generation will pay the price for being under-equipped in today's increasingly borderless world. The advent of 3G and all the recent and impending network launches will hopefully help Indonesia leapfrog the lack of conventional landlines. In the march into the new millennium, Telkom has failed the country by not providing adequate infrastructure at affordable prices. Will the price of 3G services remain a deterrent? Only the future will unfold a whole new history in the making.

In the meantime, it would be wise for all concerned to embrace the facts we have before us. In a front-page article this newspaper recently quoted BPS, the Central Statistics Agency, revealing the not-so-startling fact that only 3 per cent of Indonesians earn more than Rp 2 million per month. That fact is in line with our own findings. Taking the widely accepted norm of 14-years and over as the legally employable age, that is a universe of less than 5 million people. The cynics will of course rush to highlight widespread corruption, ignoring the fact that only a tiny percentage of the population are in a position to demand even the smallest of bribes. To accommodate that hard-to-measure group who have 'undisclosed incomes', let's just double the number for argument's sake, to 10 million people who earn more than Rp 2 million per month. Nobody would argue with the reality that some of the richest people in the world are Indonesians, but they are a small elite group from within this group of 10 million people at the top-end of society.

That is the universe for Indonesia's digital future, in the near-term. These are the people who have the landlines, the cars, access to all the high-end products and services. A small percentage of these people fill all the airline seats, have all the credit cards, own all the plasma TVs, use the ATMs...and use the Internet regularly at the workplace and at home. This is the group that will lead Indonesia into the world of ever-changing technology and it is this group that has been let down, most of all. A group that is bigger than Singapore, bigger than Hong Kong.

Despite the financial limitations, it is to the credit of Indonesia's forward thinking people that there are 30 million cellular subscribers who regularly use their mobile phones today. These include the rapidly growing numbers of CDMA subscribers. Millions more SIM cards are sold each year, cheap starter packs that are often used as disposable calling cards, with people flipping one network for another, creating the industry-term "flippers". They do not really add up to the 60-million current "subscribers" often quoted in industry circles, hype that distorts the facts. Neither are the hopes of achieving 80 million subscribers by 2007 realistic. That would mean a conversion of 50 per cent of the population above the age of 14, including the 40 million living below the poverty line. If you remove the poor from the cellular universe, 80 million subscribers would represent 66% penetration of the redefined, real market. In neighbouring Australia, where technology adoption rates usually follow the Scandinavians and even people on the dole have a mobile phone, conversion today is at 72%. Has anyone seen any old ladies in rural Sulawesi chatting busily on their mobile phones?

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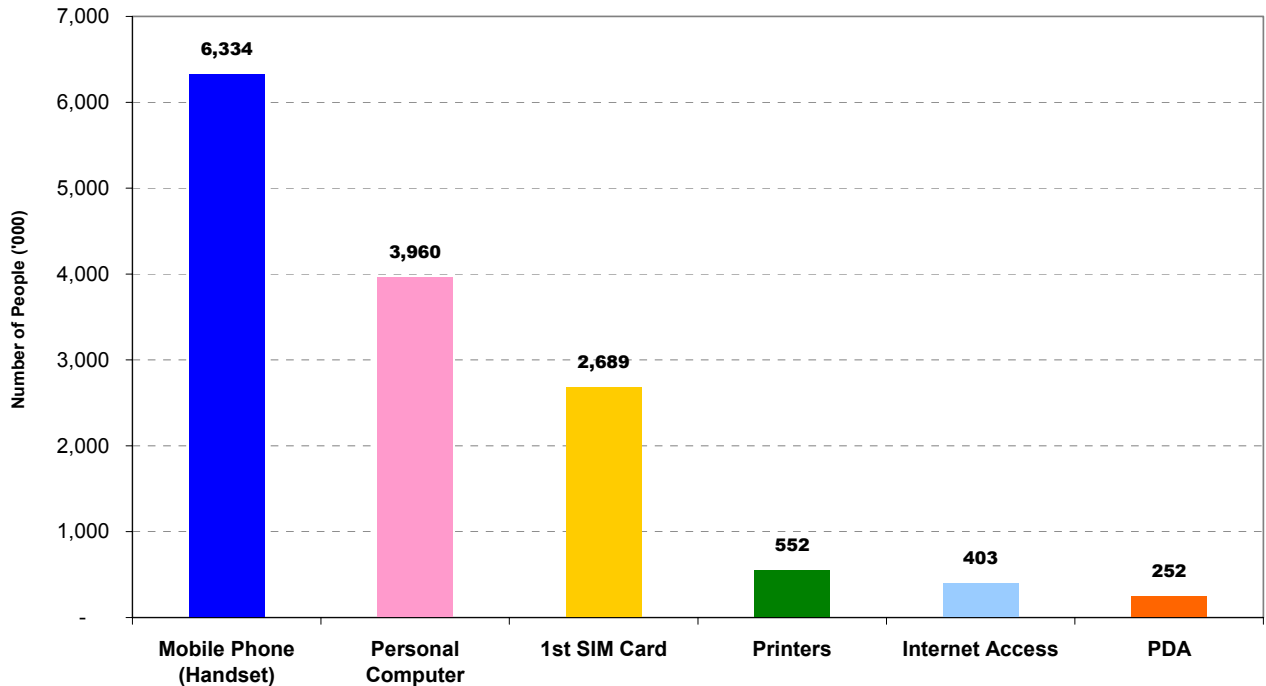
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Demand for Technology Products & Services

in next 12 months



What is reassuring though is that interest in tech products and services remain high, but not as high as industry-watchers would like. In the next 12 months, 4 million Indonesians around the country would like to buy a personal computer, about 250,000 want a PDA, over 400,000 would like access to the Internet at home, about 600,000 intend to buy a printer. Almost 3 million 'new users' are keen to join a cellular network, for the first time, which would bring the total number of 'active' subscribers to 33 million by the end of this year. All of them would need to buy a handset even though many may buy a second-hand phone. Add to that number the desire for another 3 million existing subscribers who would like to buy a replacement or additional handset, and the total demand is in excess of 6 million units this year.

These aspirations are good signals not only for the future of Indonesia's cellular industry, but the country as a whole. Even if there are a few 'drop-outs' in the years ahead. But the future of the country is also linked in many ways to the development of Internet adoption rates. Infrastructure, service and content providers, in that order of leadership, need to work together to stimulate that conversion with affordable, reliable and relevant offerings. The cellular industry has shown the way. Hopefully, they will seize the opportunity and make media convergence happen in the not-too-distant future.

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The contributor is an advertising professional turned researcher and consultant, based in Melbourne. He has lived and worked across the Asia Pacific region, including Indonesia. He remains a regular visitor. Debnath.Guharoy@roymorgan.com