

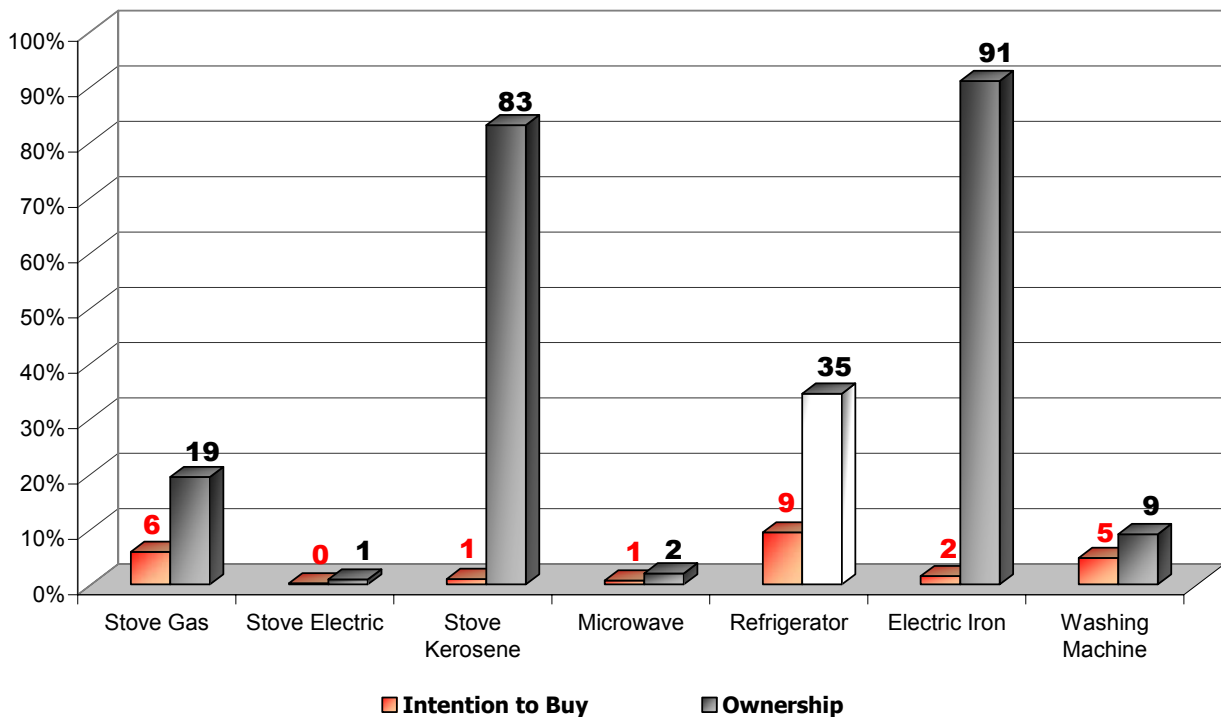
The gadgets in Indonesian homes today. And tomorrow.

Nothing reflects the truth more than someone's home. A look *inside* the home speaks volumes about the family. When looked at collectively, homes and families personify the nation. Everybody involved with the marketing of products and services in Indonesia would do well to pause, and get a reality check. Here are some obvious realities. Only 3 per cent of working Indonesians earn over Rp 2 million per month. Of all the people in the country, 83 per cent have kerosene-fired stoves. Only 2 per cent have a microwave oven. Yet, 95 per cent have a TV set in the home, colour or B&W, bought new, used, or handed down.

To state what should be obvious to everyone (but often isn't), Singapore is a bigger market for most big-ticket products and high-end services than all of Indonesia put together. That's because this is a very large country, with great disparities in income and a sizeable 40 million people living below the poverty line. But even veteran marketers are dazzled into false conclusions by looking at the same Mercedes Benzes and Jaguars every day, going up and down the same Main Street in the metros of Indonesia. On the other hand, there are very few markets this big for Fast Moving Consumer Goods. Or public services and infrastructure. Or even domestic appliances. 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.

Kitchen & Laundry Appliances: Ownership & Intentions

Percentage of Indonesian Population 14+

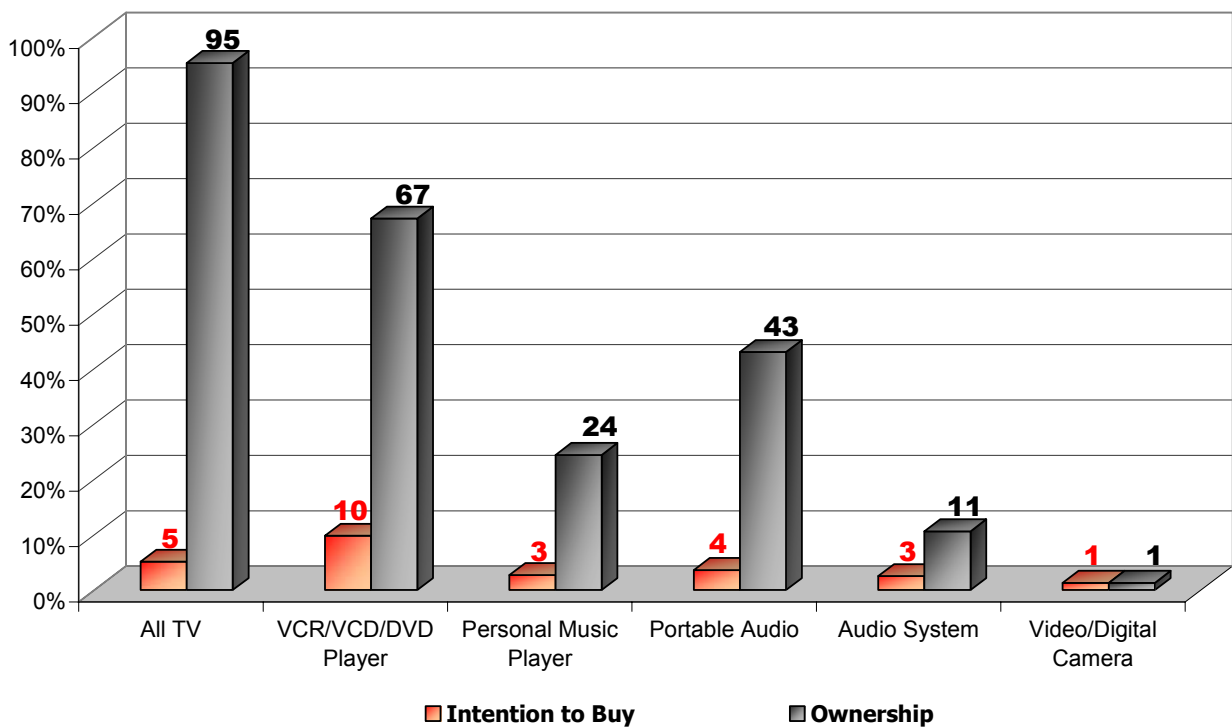


Consumer Confidence continues to crawl upwards after the crash of September 2005, influenced also by people’s Intentions to purchase major domestic appliances in the near-term. While one in three people may have a refrigerator at home, 9 per cent would like to buy one this year. That’s many times more than the demand in Singapore, or Malaysia, or Australia. Equally significant are the 9 per cent who have a washing machine, the 6 per cent of Indonesians intending to buy a gas-fired stove or even the 1 per cent who’d like to buy a microwave oven. If marketers are wondering why conversion doesn’t necessarily match demand, they need to look again at consumer financing that will help make the sale. This is another obvious opportunity for banks, finance companies and credit cards.

Good times or bad times, Indonesia is glued to the TV set. It’s the primary source of entertainment, for the rich and poor alike. No wonder, two out of three families today have some form of video player, VCR, VCD, or DVD, bought new, used or handed down. Pirated movies are as cheap as chocolate bars but they last longer. That phenomenon also explains the popularity of personal music players like the old Walkman and the new MP3 or iPod. First-time buyers and replacements put together, demand across the spectrum of entertainment systems remain high when percentages are converted into actual numbers.

Entertainment Systems: Ownership & Intentions

Percentage of Indonesian Population 14+



That brings me back to reality checks. Telkom's recent estimate of 62 million current mobile subscribers in Indonesia doesn't add up, even if their stated rate of 22 per cent conversion today included every man, woman and toddler in their definition of "population". My calculator says 22 per cent of the 220 million people is 48 million people, not 62 million. It also says that 20 per cent of the 158 million Indonesians above the age of 14 add up to 32 million people. Last week, I'd made the point that there are just 30 million people who are "regular" subscribers of a cellular network and about 3 million people are planning to join up in the next 12 months, all above the age of 14. Current indicators of consumer demand makes Telkom's forecast of 138 million "cellular subscribers" by 2011 wishful thinking too, when you pause to remind yourself that the entire population of people above the age of 14 at that time will only be around 165 million. Not only will that population include tens of millions living below the poverty line at that time, but growth rates today are slowing down as saturation sets in among those who can afford cellular services. You could argue that those wishful targets could be achieved if services and handsets were provided free of charge in the future. In which case, embarrassing profits of a billion dollars or aspirations to join the Fortune 500 club will turn to dust.

While it's necessary to have a dream, a vision, Common Sense will always remain at the heart of good marketing.

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