

Everybody can win by developing the property sector.

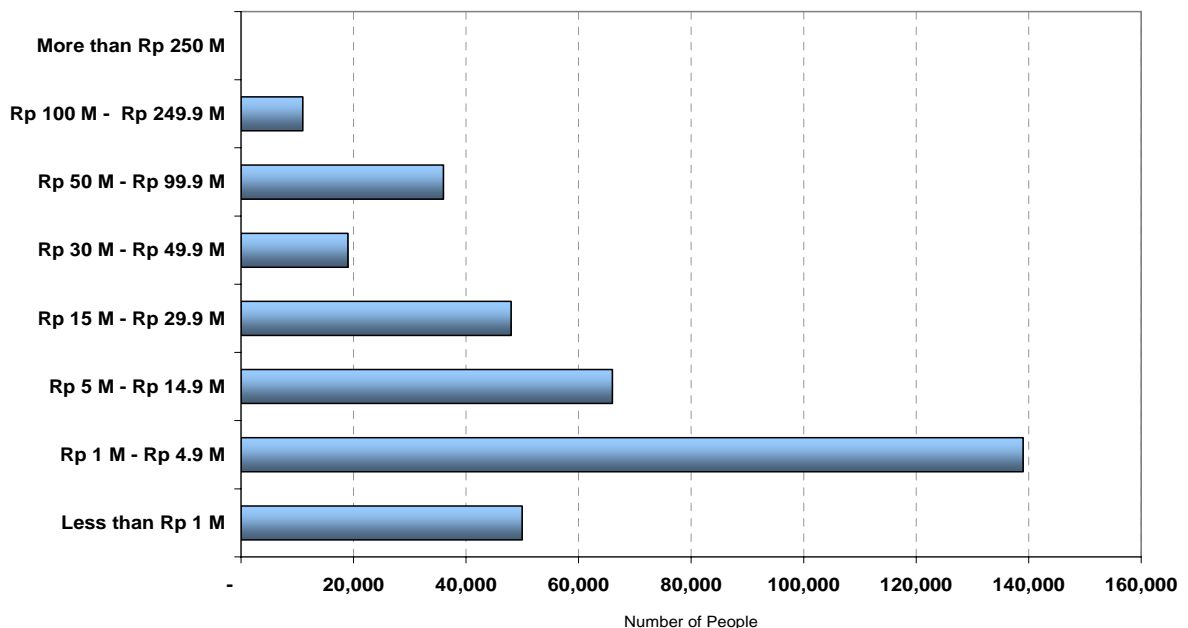
Driven more by financial necessity rather than by personal choice, almost two out of three Indonesians live in homes with more than 5 residents in the house. Only one in three people live in the more universally accepted 3 or 4-member household. And there are only about 4 million “couples” who are privileged to live in their own home, a tiny fraction of the population.

No wonder that over 80 per cent of the population say they live in a house they or their family owns, with only 7 per cent currently renting. Less than 1 per cent has a home loan today and demand for mortgages is in fact declining, not growing. The mortgage business is almost a mirror image of the doldrums faced by the car industry, because the focus has traditionally been the affluent echelons of society, many of whom don't need to borrow to buy a house. Unbelievable as it may sound, there are only 310,000 people in the entire country planning to get a home loan in the next 12 months. They are the ‘low-hanging fruit’ for the banks. Too many marketers refuse to accept the simple reality that Singapore is a bigger market for most big-ticket items, not just homes and cars.

The nascent stage of the property sector has got to be one of the major opportunities for the government to focus on, for the public and private sectors to exploit. Imagine the power of the property developers, working hand in hand with the banks to mutual gain, contributing to a surge in employment and national prosperity. With asset-based loans, everybody wins. The early signs of such development are visible only at the top end, but unless the broader mass market is embraced, the true potential will remain untapped. These observations are based on trends continuously measured by Roy Morgan Single Source, Indonesia's largest syndicated survey. That study is now expanding to include over 27,000 respondents this year, projected to reflect the behaviour of 90% of the population over the age of 14.

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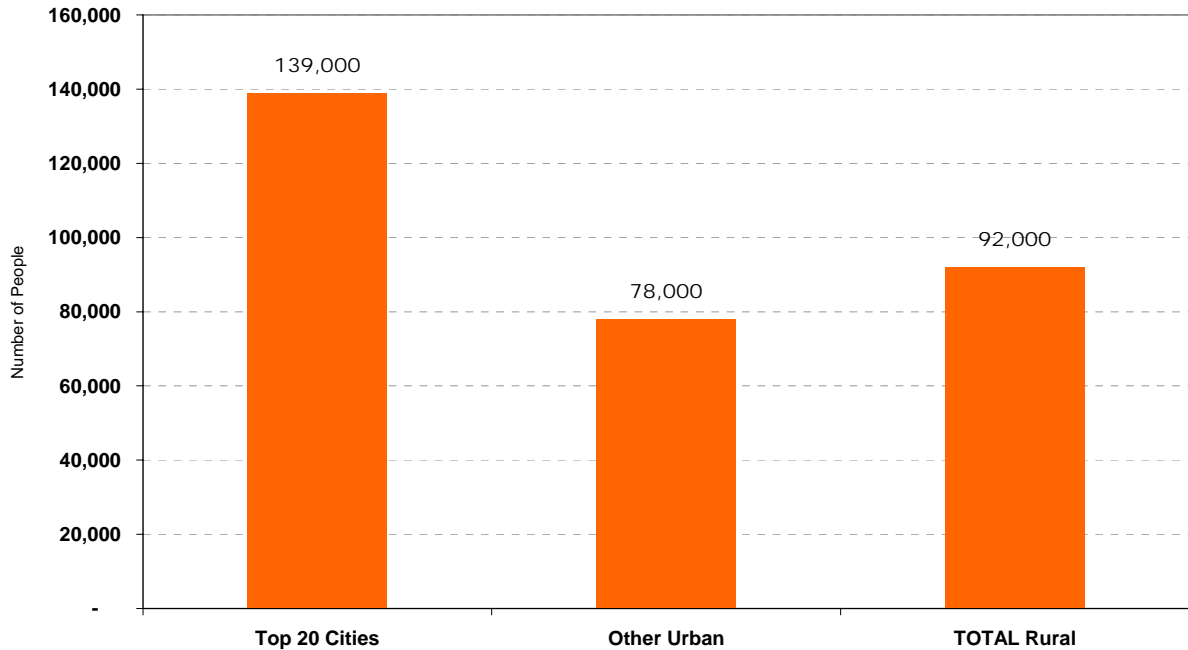
Home Loans: Dispersion of Borrowings



It's not as if people do not borrow to build or buy a home, it's just that very few do. The not-so-surprising reality is that there are more "friends and relatives" lending money than any single bank, with the exception of Bank Rakyat Indonesia. That's because the amounts borrowed under the current circumstances are relatively small, (see chart). Nudging those borrowings upwards, against real assets, is the only way forward for all concerned. That calls for a partnership between the developers, the banks and the government.

In the absence of adequate laws to protect lenders, one way to encourage the tax-paying public to build assets is to provide tax-free incentives to all who qualify. That would act as an added bonus to draw evaders into the tax net. But with one in five adults already having at least one transaction account, the opportunity already exists. There are some 30 million account holders, a tiny fraction of whom own their own homes. While a large proportion of these prospects are within the BRI fold, the same is true of some 18 million other customers today. If each bank invested in real, not superficial, CRM (Customer Relationship Management) programs they would generate business from within to start with. Mobile bankers visiting prospective customers at home to promote their offerings is a concept far removed from the culture of financial services marketing in Indonesia today. The easiest thing to do is to run glossy ads on television, or billboards shamelessly displaying cars as 'prizes' to bribe the untargeted public at large to call the bank. That, unfortunately, symbolises the extent of 'marketing' acumen in most Indonesian consumer banks, even today. Not many want to know the truth, develop a realistic plan, monitor its execution or in any way be accountable. Yet the tools exist and the expertise is within easy reach.

Demand for Home Loans: Location



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The number of people actively considering a home loan today is a paltry 310,000. What is even more irksome to armchair marketers is that less than half of these prospects hail from the Top 20 Cities, almost a third are Rural residents and the rest in the smaller cities and towns. These are the easy pickings I referred to earlier. The broader goal would be to gradually convert Indonesia's Middle Class, already 33 per cent of the population. In a country which boasts the island of Java as the most-densely populated piece of real estate in the world, the lines between Urban and Rural are blurred and therefore pose less of a challenge. But I'm not so sure that the financial services community is indeed looking for challenges. Developing upon the little that's already been converted isn't too tall an order.

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