

IS THAT A BANK ACCOUNT OR A LOTTERY TICKET?

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 superstitious breadwinner had Rp 1 million to deposit, he could easily 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, nor does it add equity to the brand. It is a vicious cycle that Commissioners need to ask bank executives to break.

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? How many banks are there who 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. Realistic KPIs need to be set, and those indicators need to be monitored, reported and acted upon to the satisfaction of shareholders. There is little transparency today, with bank executives keen to keep their own directors in the dark, let alone shareholders.

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 and upheavals witnessed in recent times. In fact, a further consolidation is possible. This

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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.

Top 10 Banks: Main Financial Institution

No.	Main Financial Institutions	No. of customers in '000
1	BRI - Bank Rakyat Indonesia	17,736
2	BCA - Bank Central Asia	4,190
3	BNI - Bank Negara Indonesia	3,768
4	Bank Mandiri	1,767
5	Bank Pembangunan Daerah	815
6	Bank Perkreditan Rakyat	570
7	Bank Lippo	528
8	Bank Danamon	379
9	BII - Bank Internasional Indonesia	222
10	BTN - Bank Tabungan Negara	207

Base: Indonesian 14+ (National)

Sample size: n=25,182

Time Period: October 2005 - September 2006

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. 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 of the full range of its customers' financial needs. BCA's professional standards are noteworthy, well known too for its comprehensive online services.

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. After all, three out of four customers don't want to visit a branch, physically. When the bank's customers are satisfied, so will be the shareholders and staff as well.

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