

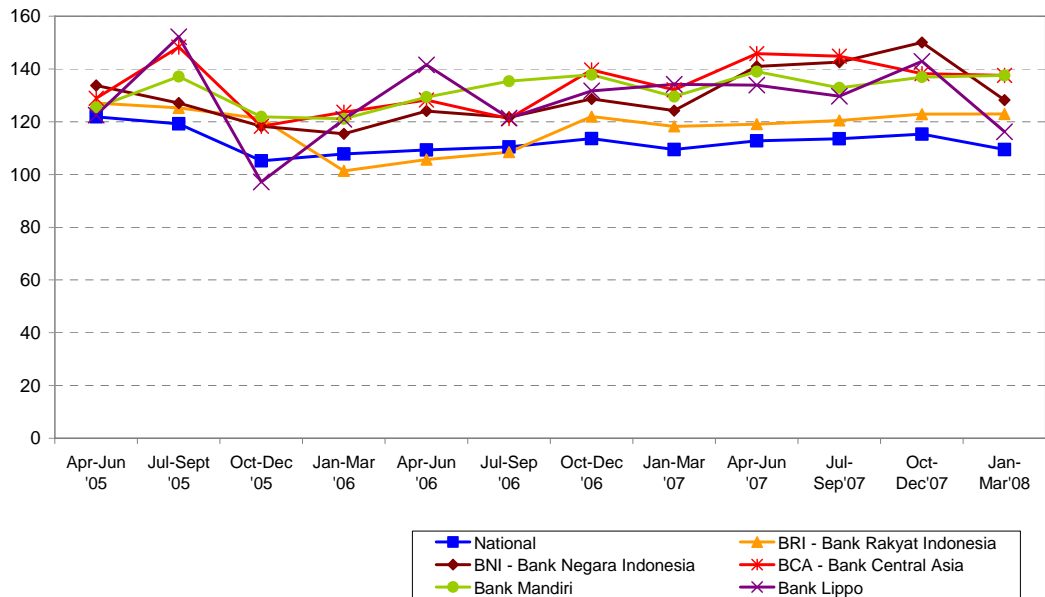
**Consumer Confidence lies at the core of brand health today.**

As recently as two years ago, one out of four Indonesians had a banking relationship. With growing numbers of dormant, inactive and closed accounts, just about one in five have any financial relationship today. The fact that the banking industry as a whole and leading banks in particular are reporting better performances in these difficult times is testimony to the fact that wealth continues to increase in the hands of a decreasing number of people. In a variation of the ‘80-20 principle’, 100 per cent of bank revenues come directly from just 20 per cent of the people.

While banks continue to report the opening of new accounts by this comfortable minority, they cannot report closures till an account holder makes the effort to formally close an account he or she is no longer using actively. On the surface, the picture can indeed look good, thanks to growing commerce in the hands of an affluent minority. They are the fortunate few reaping the benefits of a Gross Dometric Product that is continuing to grow at over 6 per cent each year. In sharp contrast, the vast majority are reeling from an annual inflation rate of over 10 per cent, influenced in large measure by the runaway prices of food and fuel. A global phenomenon, there is no relief on the horizon for them. The banking industry will continue to leak at the bottom unless active steps are taken to plug the hole.

Reacting to these inflationary pressures, Consumer Confidence continues to decline. While the quarter ending March 2008 was at 109 nationally, the index is consistently at a much higher level for people who have a bank account. Customers of the country’s Top 5 banks have confidence levels ranging from 120 to as high as 140 even today. A closer examination of their customers offer insights that define the character of each bank in many ways.

Consumer Confidence Rating (Top 5 Banks)



While BNI customers were leading the pack with confidence levels at the 150 mark at the end of last year, they dropped to third place in the January-March quarter of 2008 with 128. At 138, BCA and Bank Mandiri customers share first place, shattering the old myth that BCA had the most rock-solid customers. BRI remains the steadiest of all at 123, despite the fact half the country's accounts are with this one bank, including the most modest of customers. In almost every way, it is the country's highest-rated consumer bank. Lippo brings up the rear at 116, with the largest percentage of nervous customers. Regardless, these are all high levels of confidence not only in comparison with those who do not have a bank account, but also in comparison with their affluent counterparts in other countries.

Not surprising, considering the fact that the cost of food and fuel are a small fraction of their monthly income while they continue to reap more of the benefits of economic growth. Only if you look beyond these topline ratings for each bank's customer group do you see the real differences. The profiles of the top 20 per cent of the customers of each of these bank, the next 20 per cent and so on, are different at each bank whichever way you segment them. For segmentation to work effectively, robust consumer insights on a continuing basis is an essential prerequisite. Building marketing plans based on the bank's on customer data or an ad hoc piece of research can leave opportunities that develop unattended. Focussing on today's wealthy for a bigger share of 'low-hanging fruit', to the exception of all else, is the laziest of all marketing efforts.

In a recent announcement, the Tax Office estimated that only 5 million of an estimated 40 million potential taxpayers have registered, with a valid NPWP. Stiffer penalties are being introduced to punish tax evaders. This is an ideal time for the banking community to take the lead, to work with entrepreneurs and employers to bring more people into the banking fraternity. This month, Bank Indonesia influenced a group of major banks to lend downstream to small business and small farmers via hundreds of rural banks. BI can similarly encourage the major banks to actively widen the net of banking relationships with mutual benefits for all concerned. If millions of new taxpayers open millions of new bank accounts, even the modest funds of these new entrants will collectively make a monumental amount of funds available for national growth.

What are the confidence levels of these unbanked sections of society? How many of them are there who could be empowered to contribute more? Will a real leader please stand up to show the way to the rest of the banks? Similarly, producers of other mass-market goods and services could continue to see growth in overall volume while the numbers of customers at the bottom of the base, or their frequency of usage, may indeed be declining. Understanding these differences in the users of different brands, their confidence levels, will offer clues for corrective actions that could prevent expensive decisions taken on hunch alone.

These conclusions are based on Roy Morgan Single Source, the country's largest syndicated survey with over 27,000 Indonesian respondents annually, projected to reflect almost 90% of the population over the age of 14. That is a universe of 140 million people. The opinions expressed are my own.

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