



American Indonesian Chamber of Commerce

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WHO IS THE INDONESIAN CONSUMER ?

by Wayne Forrest

During my November 2010 visit to Indonesia I spent time with Debnath Guharoy, of Roy Morgan Single Source. Debnath's group tracks the opinions of a sample of 25,000 Indonesians from all walks of life and regions of the country. Its always fascinating to talk to people such as Debnath, who seem to have their pulse on the thinking of the average Indonesian, if one believes there is one ! For example, I learned that fewer Indonesians are using buses, 62% now own a cell phone but only 1% have insurance, a majority feel they are better off this year than last but trust in government is dropping, they are more health conscious and conservative in their outlook, but support for sharia law is dropping. Roy Morgan is a leading Australian market research firm whose clients include local and international banks and consumer brands. Knowing that Debnath is a ubiquitous contributor to Indonesian newspapers I asked AICC's intern, **Jon Rea**, to compile a summary of these public columns published in The Jakarta Post. I was pleasantly surprised to find a wealth of information just in these casual columns. So, AICC is pleased to present them to you, not in their original narrative form but as a set of bullet points. They indicate a country increasingly driven by information technology and a consumer oriented marketplace. Demands for better quality products (including non Indonesian made ones) , better government, infrastructure are on the rise, presenting challenges and opportunities simultaneously.

And yes, surprisingly, less people are going to those new shopping malls that seem to pop up overnight; more are going to new convenience stores.

POLITICAL OPINIONS

- 9 out of 10 say corruption is a major problem in Indonesia
- 7 out of 10 say democracy is working, the number has been falling
- 50% don't trust the government, up 12 points in one quarter. Those living in rural areas most skeptical
- Support for sharia law is actually declining. From April 2009 to March 2010, the number of people who said "Islamic sharia law should be introduced in my area" declined from 43 to 36 percent of the population.
- 62% say the administration's top priority should be the prosperity of the people- more jobs and better wages
- 8 out of 10 Indonesians say "if we don't act now, we'll never control our environmental problems"

CONSUMER SERVICES

- Only 20% of Indonesians have any banking relationship
- 12% have a debit card. 75% of these live in cities. 2 out of 3 are male.
- Credit Card penetration is less than 2%
- Insurance penetration is 1%
- Internet use lags behind other Asian countries, but enormous growth potential
- Within the last year, home Internet use has increased rapidly, but still only reaches about 3% of the population. Home internet use is projected to increase 50% from 4 to 6 million; an increase in this year alone bigger than the entire home Internet using population of Singapore
- Facebook: Indonesia has about 4.7% of non-US Facebook users with only 3.3% of the non-US population
- Almost all the growth is from using portable USB modems. Falling prices have spurred growth. Telcos who bundled mobile phone service with portable internet access have been the beneficiaries.

CONSUMER PRODUCTS

- Personal computer ownership projected to increase 40% this year from 10 to 14 million.
- 62% cell phone penetration- 80% in urban areas
- 78% between 14-24 have handphones in cities, only 58% in rural areas
- up from 21% nationwide just 5 years ago
- Sales of almost every product up except for cigarettes, instant noodles, clothes, and lipstick
- Indonesians trading up to more expensive brands, becoming more health conscious, less concerned about image, more conservative
- Young people who have had a carbonated drink in last 4 weeks fell from 59% to 34% in 5 years
- 1 in 3 young Indonesians have a motorcycle, slightly less so in the cities

- Consumers are demanding more value, not just cheaper products. Japan, China lose market share, Australia gains, US flat
- Change in number of people who favor these countries as a preferred place of product manufacture:
 - Japan 64% - 53%
 - China 57% - 50%
 - Australia now 37% outweighing the US for the first time

	● % who bought skin products in the last 6 months:	
	Urban	Rural
moisturizer	52%	41%
toner	36%	30%
foam	30%	16%

- Global brands gaining market share- unthinkable a few years ago but price difference has narrowed.
- People trading up to higher value even with tightening budgets due to inflation
- Value, quality, proven benefits more important
- Halal cosmetics growing quickly along with Sharia banking, etc.
- Less people going to shopping malls, warungs(stalls), and pasars(traditional markets), convenience stores are gaining-

	2006	2010
been to a mall in last 4 weeks:	21%	14%
bought at a mall in last 4 weeks:	15%	10%

been to a warung:	87%	78%
been to a pasar:	47%	34%

- out of 1.54 million thinking of buying a car in the next 4 years, 1.29 million or 84% wanted a used car
- only 3.5% of Indonesians have a family car
- 9 out of 10 have a TV, 38% have a refrigerator, 10% have a washing machine

ECONOMY

- 4 million small business owners have shut their businesses in the last 3 years, in a national switch from self-employment to working for large companies
- Indonesia is set to be in top 10 world economies by 2020.
- Change in percentage of people who say they are better off this year than last year
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	Better Off	Worse Off
Cities	20-27%	31-16%
Towns	16-20%	42-29%
Rural	19% no change	36-28%

- Key factor: education. The more educated urban population feels better off now than last year, but more people in small towns and rural areas feel worse off.
- 8 out of 10 say the gap between rich and poor is increasing
- The average main income earner makes \$120 a month
- Estimated annual cost of traffic congestion in Jakarta: Rp 26 trillion (US \$2.9 billion)
- Nationwide bus usage fell from 48% to 42% since 2007
- Greater Jakarta area bus usage fell from 85% to 69%
- Nationwide train usage fell from 12% to 10%, taxi from 8% to 4%
- % with motorcycle in household rose from 53% to 60%
- Total traffic gridlock in Jakarta by 2014 without something done (The Economist)

DEMOGRAPHICS

- Women are in charge of the budget in 90% of households
- 70% of women over 14 are married
- since 2005, women who finished high school went from 21% to 34%
- 87% of families own their own home

Over last 4 years:

- Despite growth in population of approx. 5%, number of housewives flat
- Average monthly income has increased from 900,000 to 1.3m rupiah, or 44%, compared to inflation of 30%
- 50% of workforce and 3 out of 4 housewives don't have more than a middle school education
- Less than 25% of population in 20 largest cities
- Young Muslims going to Mosque fell from 71% to 62% in 5 years
- Growth in education and purchasing power has led to more conservatism
- 65% of all households have electricity, but only 32% of rural homes
- 6 of 10 people looking for a job are male
- 78% of full time workers are male
- school dropouts increasing, especially males