

Virtual Roundtable: Insights into the Indonesian market

3.30 pm GMT +7 / 8.30 am GMT, 3 December 2020



Introductions

To open the event, Paul Duncanson (PD) welcomed all of the attendees and introduced the ground rules for this virtual roundtable, the eleventh in the series.

To start the discussion, Paul introduced the invited experts - **Felippa Amanta** (FA), Head of Research at the Center for Indonesian Policy Studies, **Ong Hock Chuan** (OHC), Co-founder of Maverick PR, **Farah Putri** (FP), Communication Research Specialist at Love Frankie, **Dawn Herdman** (DH), Director and Founder of Illuminate Asia, and **Chatrine Siswoyo** (CS), Head of Communications Indonesia at ByteDance, and invited them to introduce themselves and to brief the roundtable on their areas of expertise and views on the Indonesian market.

General Discussion Points

Economics and Sustainability

FA highlighted that Indonesia has the 4th largest population in the world, with over 270 million inhabitants and an expected growth of 12 million within the next 5 years, spread across thousands of islands. It is also a very diverse country, with over 600 ethnic groups and 700 languages, Bahasa Indonesian being the official one. 56% of the population lives in urban areas, including most of its fast-growing middle-income group, which is expanding about 10% per year and making up 20% of the population (52 million people); while the remaining 44% lives in rural areas. 9% of its population is currently in poverty, and following the COVID-19 outbreak, this number is expected to increase. Companies wishing to do business in Indonesia should therefore carefully consider these factors when developing customer segmentation.

Economically, the country has a growing middle class, and their consumption is a main driver of the country's economic growth, which currently sits at 5% annually. Indonesia's growth in national income per capita is \$4,100, which according to the World Bank classifies it as an upper middle-income country. Key sectors include manufacturing, processing, agriculture, wholesale, construction and mining. However, the digital economy is also thriving, both in terms of e-commerce and financial technology, and it is the largest one in South-east Asia.

Sustainability is a growing concern for Indonesians, and the recent Omnibus law, established by the government to develop international investment, has also contributed to the relaxing of environmental laws and has been met with public outcry. This clearly shows that some reforms are in conflict with the nation's expectations. That being said, while young and middle-class populations are sensitive to sustainable products, populations close to poverty often cannot afford them, as they tend to be more expensive. Businesses are also taking steps to be more environmentally friendly, especially food delivery services, which offer green options, with no plastic or renewable packaging.

Media landscape

OHC gave an overview of the media landscape in Indonesia, highlighting the fact that mobile phone use is huge in the country, as the proportion of connections (338 million) is higher than the total population (272 million), meaning that many Indonesians have two mobile phones. Internet penetration is very high, with 64% (175 million) internet users. Active social media users account for 59% of the population (160 million), making Indonesia a huge market for platforms like Instagram, Twitter or Facebook. The most used social media platforms are Youtube, Whatsapp (heavily used to share news), Facebook (mostly used by the older generation), Instagram (by the younger generation), Twitter (regarded as quite a toxic platform, often used as a political battleground or by companies to discredit competitors). On the latter, the account with the most followers is the president, Joko Widodo, and the second one is his political opponent, Prabowo Subianto, who after losing the election in 2019, was then appointed as his defence minister. TikTok is growing in popularity, as it is clearly positioning itself differently from other platforms, and far from promoting perfection, it actually encourages users to be happy, creative and inspired.

In terms of daily usage, Indonesians spend on average close to eight hours online, with about three and a half on social media, three hours watching television, an hour and a half streaming music and almost the same amount of time on gaming, which highlights the importance of the gaming industry in the country.

It is interesting to highlight that Indonesia is not a big newspaper-reading nation, as the largest publications only have a readership of around 550,000. Physical newspapers are struggling, as circulation has been reduced and many have been downsizing. Most of the consumption is actually done online, thus emphasising the importance of digital use. Detik, Kompas and Tribunnews are the biggest ones, with respectively 12, 5 and 4 million daily visits.

As is already the case in many other markets around the world, Indonesians are clearly shifting to digital channels, which is highlighted by their use of mobile phones, social media platforms and online newspapers. Gen Y and Z do not read physical newspapers and access news online, mostly on social media.

Traditionally, Indonesia used to rely on local businesses and small shops, but distribution channels have now changed with digital. Local brands, and foreign ones who acquired them, used to dominate the market as they controlled all the infrastructures, which can be difficult to navigate logistically, as the country has so many islands. However, enabler commerce companies are now helping businesses expand and sell online, thus diminishing local brands' ownership of distribution channels.

The Indonesian culture and its consumers

Using Hofstede's 6 cultural dimensions, FP illustrated the fact that Indonesia scores highly in terms of power distance, meaning that society tends to depend on hierarchy. Indonesia is also considered to be a feminine country, and one of its dominant values is to pay attention to others and one's quality of life, instead of competing. Indonesians tend to avoid uncertainty and are more concerned with maintaining relationships and being diplomatic. They tend to be perseverant and to adapt easily. Indulgence is perceived negatively, although this is shifting. Indonesia also scores highly in terms of collectivism: focusing on community and family and caring for others are key values, and foreign brands should focus on this aspect in their messaging to appeal to Indonesian consumers. Indonesians are also seen as being very social, and maintaining a good life balance is important to them.

DH mentioned that Indonesia is a very diverse market, from a religious, ethnic and cultural perspective. Indonesians tend to be very warm, friendly and welcoming, both on a personal and professional level. Foreign companies should get to know the people they work with and to be authentic and transparent, and remember that all South-East Asian countries have very different cultures and should not be considered as one entity. It is important for global businesses to do extensive market research before they do business in the country, as the companies that do well are the ones that truly localise, understand what Indonesian consumers need and tweak their messaging accordingly. Companies wishing to market in Indonesia should constantly ask themselves: how can I be useful and relevant, especially online? Social media platforms allow brands to talk to a lot of different audiences and embrace the complexity of the population.

Another important point is that Indonesia should not be limited to Jakarta, as it has a very diverse population who lives all across the country and is much broader than its capital.

Main consumer trends in the country include mental health awareness, which is currently on the rise and a popular topic on social media platforms, as more Indonesians realise the importance of self-care. Out of home activities, such as remote and online learning, have also gained in popularity, and a TikTok hashtag encouraging people to share life hacks and tips, such as how to learn a new language, has been used over 30 billion times. Online games are also very popular. Indonesians love comedy, and brands that sell comedy tend to get the most engagement as they are seen as relatable. In terms of the success of foreign brands or concepts, Kpop and KDrama are very popular, and so is KFC, seen by Indonesians as a lifestyle brand.

COVID-19 and its implications

A recent survey from September 2020 shows that Indonesians are very optimistic about the future, compared to the rest of South-East Asia. 53% of them believe the economy will bounce back within two to three months, and that it will come back as strong or even stronger than before the pandemic started. However, despite the population's optimism, the actual economic outlook shows that Indonesia is in recession, and that despite a rebound thanks to the decrease of mobility restrictions, cases are still rising.

The pandemic has clearly generated a shift to the digital economy, as well as a trend to support local brands and SMEs and each other. While the middle class has not been very affected and its consumption has not significantly changed, more vulnerable populations have seen their income reduce, thus making them more careful about their spending.

Diversity and inclusion

While embraced in the West, topics around diversity and inclusion would not be well received in Indonesia and most probably drive people to protest. However, some brands have taken a stand on some of these topics, including The Body Shop, which recently launched a campaign urging for the passing of the sexual violence draft bill in the country.

Tips for brands

Mélanie Chevalier concluded the meeting by asking roundtable experts to share some do's and don'ts when it comes to operating and communicating in Indonesia.

Do:

- Take the time to engage with local communities, through partnerships and get to know the different cultures and islands
- Establish as a brand that actually cares about Indonesia and wants to adapt to the culture
- Your due diligence: double-check all concepts before you launch them
- Know your audience and tell their story
- Understand local sensitivities
- Get good advice and good partners

Don't:

- Just come into Indonesia and tap into the market
- Assume that the country is summarised by Jakarta
- Take it for granted as one entity

The virtual roundtable concluded at 5pm GMT+7 / 10am GMT.