



## Indonesia – Still a good bet

A stable democracy, GDP of \$878bn, 247 million consumers, double-digit growth...and **largely immune from global recession...**

## The New Troika?

Nowadays every MNC has a growth strategy for India and China – but with both susceptible to demand contraction from Europe and the US as well as other risks it may be time to take another look at Indonesia.

Recent analysis by the Economist Intelligence Unit, ranks Indonesia 2nd, behind China and ahead of India, on the parameters of expected 2014 GDP growth and

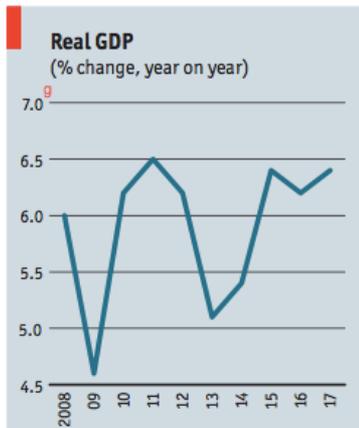


Fig.2 Indonesia Real GDP (%change, YoY)  
Source: EIU

economic resilience (Fig1). With many putting the probability of further slowdown in India growth above 50% the minimal exposure of Indonesia to the global economy suddenly looks a lot more interesting.

At a time when many economies are faltering, Indonesia is growing steadily. Only 20% of GDP is reliant on exports – well below the world average and half that of ASEAN. The country has public debt of less than 25% of GDP - among the lowest in the world – and its debt exposure to US and Eurozone banks is less than 20%. Fuel subsidies have been reduced, enabling more government investment, unemployment has fallen significantly, and per capita GDP will reach \$US5000 in 2014.

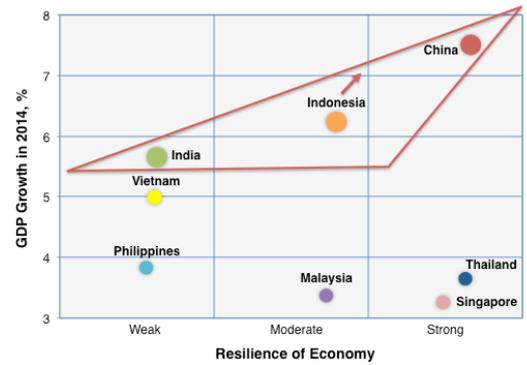


Fig.1 Growth & risk in 2014.  
Source: EIU

**P.C. Abraham, ACG Global, says:** “If you aspire to be a global player, you need to get serious about Indonesia, which has 230m consumers, 53% under 30. If you are not there you should be and if you are there now is the time to scale up and think seriously about growing share.”



## A farewell to KKN?

Historically investor reluctance has stemmed from political uncertainty, poor infrastructure, and what is known as “KKN” (see box). There have now been several orderly Presidential elections with another imminent, and whilst SBY (Susilo Bambang Yudhoyono - the current incumbent) - is thought to be cautious he is respected and has challenged corruption.

There are also signs that infrastructure is getting the attention it needs thanks to the commodity boom: investors are building in areas that were previously sleepy and inaccessible as the price of extraction, and roads airports and ports have all seen steady growth.

Recent research from ACG Global highlights (Fig.2) 9 sectors that will enjoy double-digit growth over the next 5yrs, ranging from FMCG (13%) to Automotive (20%).

**KKN:** Derived from the three Indonesian words “korupsi”, “kolusi” and “nepotisme” – KKN is the widely used acronym for the rampant corruption, collusion and nepotism in the Indonesian state machinery.

There is a significant progress: **the global transparency index** 2009 ranked Indonesia at 110th of 180 countries, up significantly from 143rd in 2007.

Sector	Market Size 2010, US\$BN	Market Size 2015, US\$BN	CAGR, %
Automotive	13.7	34.6	20.4
Consumer Electronics	0.9	1.9	17.3
FMCG	186.0	340.4	12.9
Hospitality	38.0	68.2	12.4
ICT	19.2	38.7	15.0
Infrastructure	36.0	100.2	22.2
Insurance	10.2	23.5	18.1
Pharma	3.1	5.2	11.1

Fig.3 Industry forecast for Indonesia. Business Monitor International.

ACG combines market insight and operational know-how to help new entrants make low-risk decisions. We also partner with incumbents to look at opportunities to grow faster and to find operating efficiencies. With other markets looking risky and vulnerable to global contagion, Indonesia merits a closer look.



#### Market research

#### Understanding the market (portfolio)

- What markets and customers should we invest in?
- How can we manage risk effectively?
- What products/offerings should we focus on?



#### Strategy development

#### Building the organization (capabilities)

- What should be our operating model, how will it evolve?
- What capabilities will we need to succeed?
- How might new business models increase our efficiency?



#### Optimization

#### Achieving Growth (culture)

- How can we better align sales activities to future value?
- How can we optimize invested capital?
- How can we build a lean organization?



#### Simon Littlewood, President of ACG Global, says:

“15 years experience and an extensive network in government and industry makes us well-positioned to help new entrants...but most of our work comes from helping clients scale up Indonesian operations to offset the risks now visible in India and China...capturing double-digit growth in the process...”

### ACG Global product offerings

#### Market entry & strategy

Understanding and comparing markets and channels in order to prioritize and plan new growth.

#### Working capital

Streamlining support processes to improve service and release working capital from receivables and inventories.

#### Shared services and offshoring

Offshoring support processes to free time for growth, improve service, and reduce transaction costs.

#### Sales effectiveness

Improving sales effectiveness by freeing up sales time from non-growth activities and using management tools and incentives to ensure delivery of new growth.

#### Transition management

Ensuring timely delivery of complex change programs using culturally appropriate change and communication tools to build consensus and momentum.

For more on this article, including detailed case studies for your industry, or on any of our offerings please contact:

[info@acgrowthdelivered.com](mailto:info@acgrowthdelivered.com)

**ACG Global** - formerly Asia Now - is a boutique management consultancy founded in Singapore in 1998. We deliver faster growth to major companies worldwide by defining strategy, improving organizational effectiveness and reducing costs and working capital. We believe in long-term partnership and we emphasize process and behavioral change.