

Unleashing the Power of Glocalization in Indonesia: Opportunities and Challenges

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Statement of Problems

With a population of more than 250 million (Indonesia-Investments, 2015), Indonesia is the fourth most populous country in the world, the most populous Muslim-majority country, and the third largest democracy. An archipelago of some 17,508 islands, Indonesia shows great economic potential due to (i) abundant and diverse natural resources; (ii) large, young, and growing population; (iii) low labor costs; (iv) strategic location between Asia and Australia, Pacific and Indian oceans, and in relation to the economies of China and India; (v) relative political stability in recent years, (vi) economic restructuring and reform, and (vi) fast adoption of digital technology.

The Gross Domestic Product (GDP) in Indonesia was worth 888.5 billion US dollars, growing at 5% rate with an inflation rate of 6.4% in 2014 (The World Bank, 2015). The country is the world's sixteenth largest economy and Southeast Asia's largest economy (The World Bank, 2015). Supported by high domestic consumption, rapid urbanization, and the increasing size, productivity, and spending power of its middle-class and affluent class consumers (Razdan, et al., 2013), Indonesia represents a significant long-term opportunity for regional and multinational businesses looking to expand their global footprints. Despite the recent growth slowdown in emerging market economies, Indonesia has continued to attract foreign and domestic investments with IDR 463.1 trillion (USD \$37 billion) invested in Indonesia in 2014 (The Investment Coordinating Board of the Republic of Indonesia (BKPM), 2014).

While Indonesia is transforming into an economic powerhouse in Southeast Asia, international businesses seeking to tap into the potential of Indonesia's consumer market face the following marketing challenges:

1. *Indonesia's fragmented geography and dispersed population.* Indonesians live on about 6,000 of more than 17,000 islands that span 5,000 kilometers from east to west. Much of the expansion in the middle class will come from second and third-tier cities away from the traditional economic and political hub of Jakarta and the rest of the island of Java. Indonesia's poor logistics infrastructure and lack of public transportation (Asian Development Bank, 2015) create distribution challenges and result in high cost-to-serve for companies.
2. *The diversity and complexity of the Indonesian consumer market.* Consumer attitudes, tastes, and preferences vary across 300 ethnic groups, 700 languages, and dispersed landscapes. With rising incomes, today's Indonesian consumers can afford to consider a greater range of brands and have become more sophisticated and discerning in their choices. How can regional and global brands provide value, create meaningful connections, and build loyalty in this complex and demanding market?

3. *A strong preference for local brands.* Across most product categories, Indonesians show high degree of loyalty for local brands and take pride in using them (Razdan, et al., 2013). Nine of ten leading brands in Indonesia belong to local companies as foreign companies struggle to make inroads with the country's consumers (Kantar Worldpanel, 2013). Coca-Cola, which topped the rankings as the world's most recognized brand, did not even break the top 50 in Indonesia (Kantar Worldpanel, 2013). By comparison global brands such as Nescafe and Colgate lead in the Philippines and India, respectively. In Malaysia, Nestle was the most recognized brand for food products. How should regional and global brands compete in such an environment? What strategies should they pursue to build brand awareness and generate loyalty among Indonesian consumers?
4. *Lack of knowledge of Islamic marketing.* Roughly 88% of Indonesia's population is Muslim, and the nation is home to about 13% of the world's Muslims (Grim & Karim, 2011). The Islamic religion has a finely tuned set of rules concerning all aspects of life. International businesses that neglect the acquisition and utilization of Islamic knowledge risk alienating a large proportion of Indonesian consumers. How should international businesses tailor their offerings for Indonesian Muslims to better serve their needs?
5. *Connecting with the millennials.* With a median age of 29, Indonesia is a nation of millennials. Born between the early 1980s and the early 2000s, the millennials are the first generation raised in the Internet age. Today's companies have a hard time understanding millennials and are disconnected in how they market to them. Many brands continue to push traditional life markers such as getting married, buying a home and starting a family, because that's what drove older generations' purchasing habits. Additionally, existing writings on millennials tend to stereotype them with a Western bias leading to oversimplified analysis. What about millennials in Indonesia? What are their basic value orientations? How are they different from the typical millennial stereotypes and how can global marketers better engage with them?

Significance and Relevance of the Work

Finding the balance between standardization and localization in marketing strategies is one of the preeminent dilemmas that international businesses face when they expand their operations to overseas markets (Hollis, 2010). When entering Indonesia, MNOs face the challenges of how to meet local customers' needs while leveraging their integrated global operations. They also face competition from local players, who are formidable adversaries because being part of the local culture is a positive influence on purchase and Indonesians show strong preference for local brands (Razdan, et al., 2013).

Despite strong marketing programs, many globalizing firms continue to make mistakes by using the same product, communication, pricing, and roll-out strategies as they would in developed markets, instead of recognizing cultural and geographic differences in urban and rural markets across the Indonesian archipelago.

To date, there are limited literatures that provide knowledge and insights for globalizing firms wishing to localize their marketing mix and business strategies to best satisfy modern Indonesian consumers' needs and wants. This paper aims to fill in the gap by providing consumer insights and case study analysis to help regional and global brands navigate the Indonesian market.

Research Method

The research was conducted based on qualitative methods and the overall results relied on both deductive and inductive reasoning methods. Using the deductive method, data was collected through naturalistic observations, interviews, case studies, and document analysis of research papers, articles, books, and online sources. Inductive reasoning was then used to analyze the data and reach the research results.

Results

Consideration of Indonesian consumers' attitudes, beliefs, values, rituals, aesthetics, preferences, tastes, perceptions, methods of communication, and purchasing behaviors must be addressed across the entire marketing mix and factor heavily into any marketing strategy decisions. Based on analyses of global case studies and interviews with local practitioners, recommendations are given for international businesses on how to adjust their value propositions and the 4Ps of marketing (product, price, promotion, and place) to meet the needs of Indonesian consumers. Lastly, the paper examines the evolving trends in Indonesia, including the potential for growth in e-commerce and in product categories, and looks at how global brands should be thinking ahead to benefit from underlying shifts in the fast-growing Indonesian market.

Conclusion

While international businesses seek advantage through integrated global operations and global brand management, success will come from their ability to recognize local differences and sensibilities and develop targeted glocalised strategies that connect them with consumers in the new market. This paper postulates that regional and global brands will gain traction in the Indonesian market by striving to become aspirational brands for Indonesians while allowing them to be connected to their roots at the same time. Multinational brands can help Indonesia embrace modernity, progress, and technology while maintaining their traditional values and beliefs. They will win if they can meet consumers' functional needs, while communicating stories that are based on cultural empathy and alignment, building meaningful connections with modern Indonesian consumers, and developing true engagements across the diversity of Indonesian communities. By embracing Indonesia's complexity and diversity and adapting their offerings to ensure local relevance, global companies can position them to capture Indonesia's rising opportunity.

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