



## Executive Summary

### Indonesia ICT Market Landscape Study

#### Macroeconomics & IT Spend

Indonesia currently has a Gross Domestic Product (GDP) growth of 4.73% however inflation has seen a higher growth trend at 7.1%, which is a growing concern. Indonesia's trade balance starting in 2011 up to 2014 shows a moderate deficit, but its Foreign Direct Investment (FDI) is growing at an 18% rate - indicating that the global companies are seeing high market potential in the country.

Palm oil, coal, and rubber are the top key commodities that drive the export activities in the country and the exports for these commodities are currently slowing down. The slowing export and the ongoing need to drive FDI is causing the government to focus on building up the contribution of other verticals, improving its domestic infrastructure (including ICT) and modernizing its economy towards a digital economy.

The MP3EI (Masterplan for Acceleration and Expansion of Indonesia Economic Development) earmarks ICT as a key focus with national broadband connectivity as a key lever for growth. Indonesia Broadband Plan 2014-2019 has defined that the nation should be always on internet connectivity with triple play capabilities. The government sees potential in the development of the ICT industry and is highlighting the local devices manufacturing industry, ecosystems of development based services industry, content and applications industry, and ecosystems of research and innovation as key agendas.

IT Spending in Indonesia is expected to grow at a CAGR of 9.2% to achieve US\$18.8 billion by 2019, pre-dominantly on hardware spending, with an uptick of IT services seen within the next 5 years. Consumer spending makes up of slightly more than 50% of IT spending in the country, driven by consumers who are continuously purchasing mobile devices, PCs, and printers. The vast majority of consumer spending still resides on mobile devices, while enterprise hardware spending is predominantly on servers, networking equipment and mobile devices.

In the commercial market, Private IT Spending is highly dominating with almost 92% of contribution compared to the Public IT Spending. In 2015, Private Sector IT Spending amounted to US\$6 billion while Public Sector IT Spending was approximately US\$0.5 billion. Public spending remained hardware centric, with most of it were being levied for support and maintenance. Public spending on IT continues to be based on traditional inefficient practices. Custom applications were developed internally within ministries and governmental departments. Applications were developed in silos and does not connect cross government departments. The anticipation of approximately US\$ 500 billion of spend for infrastructure was unfortunately not channeled toward ICT spending. This leaves the major telco providers to drive infrastructure development to drive the National Broadband Plan forward, including buildouts of fiber cables and towers. Even for Education and Healthcare sectors within Public Sector, hardware like PCs and Tablets were procured as part of e-Education programs and attempts of healthcare modernization with no major investments in developing the core applications that could leverage the capabilities of these mobile devices.

Moving forward, the government has acknowledged the need for integration and creating a holistic smart government which is leading to the initiative of smart cities especially on a regional level. IDC anticipates more public sector projects in these areas will take place in the year 2016.

Meanwhile, for Private sectors, IT Spending had stagnated in 2015 due to the economic slowdown. BFSI and Communications & Media were dominating the spending with heavy investments in infrastructure and application modernization. Manufacturing, Retail and Services have started exploring cloud-based tools for SCM, CRM, and Business Analytics. Retail is expected to be the next big thing for Indonesia, adjusting business models as e-Commerce market has promising growth in the country. The spending reduction is most obvious in the Oil & Gas sector as the sector has slowed down in Indonesia. IDC expects the shift towards services would be fastest growing in 2016, although, hardware spending will remain prominent amongst enterprises that continue to have internal modernization projects.

The advent of Third Platform technologies being adopted by end-users is accelerating, as 68% of CEOs have been cited as being supporters of ICT as a way to create more efficiency and increase competitiveness. IT and Managed services will form the backbone of future IT consumption, and will pave the way for vendors to collaborate with end-users to provide end-to-end solutions that are fit for purpose for their vertical.

Replacement of legacy infrastructure and modernization projects are key across high spend verticals with hardware refreshes as a key growth contributor. IDC anticipates Retail and Services to increase IT spending in the near future, with Resources, BFSI, and Communications & Media expected to scale back between 10-20% of their annual budgets, whilst government budgets continue to be heavily scrutinized and slashed further.

## IT Services Market Overview

The IT services market closed at US\$1.12 billion at the close of 2014, and is anticipated to reach US\$1.3 billion by the end of 2016. System Integration and Custom Application Development are dominating Indonesia's market in areas of Hosting Infrastructure Services and Hosted Application Market, following the rising trends of emerging technology like Cloud and IT Outsourcing. IDC expects BFSI, Communications & Media and Retail sectors to invest in IT modernization projects in 2016.

The dynamic and high competition of most commercial markets in Indonesia has pushed a majority of companies to start looking at digital business and considering digital transformation. The drive of digital transformation has led to the increase of IT Outsourcing in the country, knowing the limited and lack of skilled IT resources within most of organizations. By 2020, IDC expects Indonesia's IT Outsourcing spending to achieve US\$1 billion. Data center services such as co-location and hosting, and managed services are determined as the more critical areas of spending. Highly prominent as a hardware market, Indonesia is also reliant on support and maintenance revenue where it becomes a critical role for most of service providers, distributors and re-sellers. The market is anticipated to grow especially with the big push of Data Center Services, Managed Services and Cloud based Services. IDC looks for an infusion of both on premise and cloud adoption to begin in a large way by 2016.

In terms of service providers, IT Services in Indonesia has been dominated by global players like IBM, HP, Cisco, and Accenture especially on the professional services area. IBM, HP, and Accenture were positioned as Top IT Services companies in Indonesia in 2015 1H, with high contribution in Support, Training and Project-oriented services. Local players are growing as not many local enterprises prefer working with global services companies due to cultural affinities. Top 10 local service providers in IT Services which also recalls as top system integrators, based on their Services revenue, are Anabatic Teknologi, Asaba Computer Center, Astra Graphia Information Technology

(AGIT), Berca Hardayaperkasa, Konsulindo Informatika Perdana, Mastersystems Infotama, Mitra Integrasi Informatika, Multipolar, Sigma Cipta Caraka and Sisindokom.

By 2014 revenues in US\$ millions, Anabatic Teknologi (17.62), Multipolar (15.49), Mitra Integrasi Informatika (18.43), Sigma Cipta Caraka (32.70) and Mastersystems Infotama (10.46) are top 5 local service providers in the country. These are followed by Berca Hardayaperkasa (15.95), Sisindokom (11.87), Asaba Computer Center (14.02), Konsulindo Informatika Perdana (10.20), Astra Graphia Information Technology (19.57).

Looking at the basic offerings, majority of SIs in the country are still highly traditional by starting off as hardware or box sellers before evolving into services players. Most of the SIs offer packages for their hardware and software provisions to the companies, following that with services as extra offerings - considering most enterprises that are advanced in ICT like in the BFSI or Communications & Media verticals, have already had their own internal IT functions or departments.

Initially, a majority of local SIs focus on providing and offering services to their group of companies only, however, they are moving to an outside market - following the growing needs of IT implementation and lack of skilled resources in the companies. Issues that remain prominent are branding, marketing and outreach, where the "richer" one wins the market at present. End-users gravitate towards comfort with vendor based on experience and capabilities, and not necessarily innovation. A list of prominent vendors can be found at the end of this summary.

## Market Entry Strategy

In order to penetrate Indonesia's market, IDC recommends three go-to-market strategies for MDEC to consider.

### Focus on partnership models

When entering Indonesia's market, partnership models are highly determined as the key consideration. System Integrators and similar companies will look at how the partnership is offered by MDEC's MSC companies. Building sustainable partnership models are preferable as it is expected to be driven by future focus and management of the companies. Aligning vision, mission and objectives in the partnership will be critical in order to build and sustain profitable business models.

### Focus on product expertise

It will be significant for MDEC to bring product expertise into Indonesia's market, especially on the area that is lacking. The expertise will be the key selling point as it will expose and assure track record, skill and past experience of the company to the end-users.

- **Bring product experts to the market.**
  - Strong proposition of products is necessary for partners and end-users in Indonesia. Providers should be able giving expertise especially with the lack of capability from end-users' side. Showing off that the company is capable will leverage the selling point of the company.
- **Provide solution/product education to the market.**
  - When it comes to the solution offering, education by the providers is significant. This will be product expert role in providing strategic function and utilization for end-users.

Top 5 solutions which present opportunities for MSC companies based on current market share and growth, as well as the focus for Indonesia based on its ICT masterplan.

- **Hot Solutions.** Financial Applications and Business Intelligence are top solutions that should be considered by MDEC's MSC companies. The demands of financial integration are

increasing as a basic requirement of transformation for most companies. With the spike of data in the market, reporting and analysis applications are well considered by companies to increase competitive advantage.

- **Warm Solutions.** Human Capital Management and Security Solutions have moderate opportunities in the country as these applications have become requirements for most companies as well. While Security Solutions are a must-have for almost all organizations, Human Capital Management is needed for human capital development and integration in the enterprises.
- **Cold Solutions.** Payroll Accounting is considered the least from top relevant solutions in the country. While it becomes necessary to have payroll accounting, there may be less business retention coming from this solution. The solution is needed to integrate with its financial applications or tax management.

### Vertical-based solution and penetration

One of the most effective market penetration is by being an expert in the industry. That being said, vertical-based solution and vertical-based penetration concept should be crafted by vendors. Understanding the pain-points and business process will be the ultimate strengths to assure trust of end-users.

- **Vertical demands and behaviors identification.** Vertical-based sales team will be effective and efficient in targeting or acquiring customers in the country. Sales team will be able to cater and understand vertical needs, demands and business process. That being said, selling process is expected to be gain more productivity and profitability for the company.
- **Vertical-based custom solution for end-users.** Offering customer solutions based on vertical needs and demands will be significant for Indonesia's market. Vertical-based capabilities are considered necessary as most end-users are looking for tailored solutions that are based on company or vertical culture and environment.

Looking ahead to the future, the different verticals that present different opportunities for MSC exporters are as follows.

- **Hot Vertical.** BFSI and Communications & Media are high potential growth verticals in terms of ICT adoption in the future. These verticals have set as top 2 IT spenders in Indonesia and expected to grow, following the development of emerging technologies like Cloud, Big Data Analytics, and Internet of Things (IoT). Although they are scaling back their budgets, these verticals are directing spend towards 3<sup>rd</sup> platform areas.
- **Warm Vertical.** Retail, Manufacturing, and Government are included as the second layer of vertical that can be prioritized for market penetration. Government has moderate opportunities in the present and future as it has started to consider modernization and transformation. However, slow progress is anticipated. Meanwhile, Retail and Manufacturing have moderate opportunity at the moment as transformation has started to ramp up for both verticals. IDC sees higher opportunities in the future, especially Retail, considering tighter competition with the arrival of disruptive innovators and e-Services into the country. IDC expects emerging services will serve and be utilized more by these industries in the future since awareness is already embedded in IT leaders' mindsets.
- **Cold Vertical.** Even though Resources are included as vertical that has adopted advanced technology in their business process, the decline of global market performance and commodity prices has affected Resources, especially Oil and Gas companies' spending. IDC believes that Resources are still spending for their ICT, however, the cost expenditure on IT will be managed closely by the organizations and there will be a heavy decline in capital expenditure.

The following table lists the more prominent System Integrators in Indonesia for MSC companies to consider potential partnership.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
Anabatic	Respected in Indonesia and across the region as a primary player in the Core Banking space, but lacking in expertise handling SI projects in other verticals except BFSI.	Leveraging its footprint across ASEAN through its Temenos partnership, the company has attempted to explore beyond BFSI with some level of success.	Core banking system remains to be the key product to offer in the market, especially for big banks in the market. Anabatic's go-to-market is based on solution verticals by creating sales team based on customer segments and vertical segments.  Anabatic has been leveraging key partnership with partners. Its strategic partnership with Temenos has created immense opportunities for Anabatic especially in customer acquisition.	Verticals: Banking, Government, Utilities and Resources Industries  Solutions Focus: Core Banking, Mobility applications	Anabatic has solid and proven experience in Banking and Financial Services market especially with its related solution like core banking system. Anabatic has been focusing on BFSI market which it gains strong relationship and adequate understanding on the vertical's business process.
AGIT	Strong in a variety of managed service led by high-skilled IT professionals. Strong vision to compete beyond traditionally served areas. Vast majority of services are for its holding company the Astra group.	As the Astra group mainly focuses on distribution and manufacturing industries, AGIT has the opportunity to leverage its expertise outside of the group.	AGIT has boosted its system integration and server practice with security packages to end-users. Bundle package of solution has been determined to be the key approach to end-users. AGIT is leveraging on its ties with Astra Group as it becomes the main partner-to-go for in the group for ICT provisioning. The system integrator has divided the team based on company size and vertical.	Verticals: Communications and Media, Government, Manufacturing and Resource Industry (Oil & Gas)  Solutions Focus: Business solutions from SAP, Oracle, Microsoft	MDEC should consider working with AGIT is due to its wide networks with Astra International Group and Manufacturing companies. Working with AGIT will provide MDEC access to the group that will allow for the necessary branding in the market. IDC believes that right propositioning from MDEC's MSC Companies that focus on verticalisation and SME solutions, will be attractive for AGIT.

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
Mastersystems	<p>Strong reputation serving the Government sector.</p> <p>Strong following of loyal customers; performance guarantees are considered one of its strengths.</p> <p>Revenue contribution stream mainly from hardware rather than other IT Services product.</p> <p>Lack of initiation to adopt 3<sup>rd</sup> platform technologies although plans on mobility have been underway.</p>	<p>Following the growing demand of all-in-one solutions, Mastersystems has the opportunity to tap beyond hardware solutions.</p>	<p>Aggressively targeting Insurance and manufacturing industry with strong pipelines.</p> <p>Hardware deployment is considered one of its strongest suites. Vertical-based sales force has been established to ensure maximum industry coverage.</p> <p>Focused vertical segments include Banking, Government, Telecommunication, Oil and Gas, Manufacturing. The ability to generate strong run-rate from its customer base is an indication of their ability to cross and up sell.</p>	<p>Verticals: Banking, Government, Communication and Media</p> <p>Solutions Focus: IT infrastructure, hardware deployment, support services</p>	<p>Mastersystems have good relationship and reputation with Government and Public Sector. Where it lacks solution expertise, Mastersystems will need partners to penetrate the market of which MSC Companies are likely to be a good fit.</p>
Mitra Integrasi Informatika (MII)	<p>Strong strategic alliances with numerous technology vendors.</p> <p>Aggressively on offering SaaS cloud application solution.</p> <p>Having too much services to offers with low number of service/product expertise.</p> <p>A lack of dedicated focus across all solution offerings.</p>	<p>Has established a new strategy to address the SME market; it is expected that MII will expand its portfolio within a variety of company sizes</p>	<p>Transform its branding strategy into one package solution.</p> <p>Partnering with the high level of technology company to deliver additional value to end-clients.</p> <p>Actively doing seminars and workshops with end-users to introduce their new partnership / solution alongside with understanding the current needs from end-clients.</p> <p>Oracle and Microsoft are MII key partner on Cloud Solution.</p>	<p>Verticals: Banking, Government, Communication and Media</p> <p>Solutions Focus: IT infrastructure, hardware deployment, support services</p>	<p>Strong footprint and custom solution expert with numerous technology partners are top reasons why MDEC should consider working with MII. IDC has opinion that MII are already utilizing capabilities in hardware, software and solutions which can be a good benefit for MSC Companies.</p>
Multipolar	<p>Strong portfolio of use cases on networking</p>	<p>With the construction of its datacenter, Multipolar will be able to offer end to end ICT</p>	<p>To deliver one-stop-solution will be the next focus of company as the demand from end-user's</p>	<p>Verticals: Banking, Communications and</p>	<p>Multipolar has changed its direction to become ICT Solution provider in the country</p>

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	consultation and integration services. Recently, expanded its services to include datacenter services. Majority of focus is on the group holding with low aggressiveness beyond.	services; cloud services are expected to be key post the completion of the DC.	is quite high. Combining and offering more to gain higher value proposition. Multipolar wants to focus in BFSI due to budget from Banking for IT spending will sustain or keep growing each year compared with other verticals based on their market demand from BFSI in each year.	Media and Resource Industry  Solutions Focus: IT infrastructure, applications, consulting	with having their solutions from System Integration, Managed Services and Consulting services. IDC has opinion that it will be a good opportunity for MSC Companies to partner up with Multipolar as it has opened that opportunity onwards.
Konsulindo Informatika Perdana (KIP)	Strong in SAP implementation and regarded as one of the top SAP SI partners Strong IT professional resources, low innovation and focus beyond moving into the 3 <sup>rd</sup> platform. SAP focused project as its main revenue stream	As SAP is pushing forward on introducing its new SAP Hana and Cloud base delivery, KIP is likely to gain exposure in this new market.	Ability to play the cost-arbitrage game by competitive pricing for manpower per hour. Their distribution channel is direct to the clients allowing for a closed loop relationship to ensure loyalty and early risk mitigation. Become better in financial engineering when it comes to tender process; as the projects are mainly dominated by license cost.	Verticals: Resource Industries, Communication and Media, Retail and Process Manufacturing  Solutions Focus: SAP ERP Solutions	IDC believes that KIP has a strong software market which will be significant and recommended for MSC Companies that focus on software. IDC has opinion that working with KIP will be essential as it has a strong influence over business owners through its SAP install base in the country.
Sisindokom	Popularly known as a pure-play SI provider in Indonesia. Has strong portfolio across various SI type projects and verticals.	Has the opportunity to compete across all IT services markets by positioning itself as a vendor of IT infrastructure & SI solutions having strategic partnership/alliances with IT	Sisindokom has been trying to push its outsourcing and managed services offerings; though the main contribution expected within project-oriented (System Integration).	Verticals: Communications and Media, Discrete Manufacturing, Government and Banking	MDEC should consider working with Sisindokom due to its experience and specialization in system integration. With the future plan on leverage IT Infrastructure and integration services by considering

System Integrators	Strengths & Weaknesses	Opportunities	Go-to-Market	Key Verticals & Solutions	IDC Opinion
	Perception of being a more project-based service provider (due to its SI background) may be detrimental when competing in outsourcing related markets.	giants like Oracle, Cisco, IBM, VMware, HP, Dell and etc.		Solutions Focus: IT infrastructure, networking solutions, Databases and Data Warehousing	alliances with big companies like IBM, Oracle, Cisco, Dell, Sisindokom could be a good fit for MSC Companies in penetrating the market.
Berca Hardyaperkasa	Known strongly in resources and BFSI verticals. Perceived as able to provide strategy-related advice in perspective of IT infrastructure up to business applications Lack of prominent unique product or service as compared to other SIs vendors.	Proposition as the experts on the resources vertical is advantageous in the pursuit for clients that look for industrial expertise	Strong push for SAP Hana as the perception that this is a solution that is currently in demand. Berca has invested heavily on ensuring resources are competent to deliver. Given its wide reach of customers, Berca regularly hosts IT events to keep customer loyalty high and to offer new services products for existing and prospective clients.	Verticals: Banking, Government, Communication and Media, and Resource Industries  Solutions Focus: IT infrastructure, hardware deployment and support	MDEC should work with Berca due to their expertise, experience and reputation on IT Outsourcing, IT strategy, Telecommunication, and Business applications. In addition, Berca has a wide network of partners throughout the verticals across the nation that will allow scalability of the company.
Telkomsigma	Pioneer and the leader of SIs providers in Indonesia. Strong portfolio in BFSIs and manufacturing verticals. Starting to leverage the whole ICT solutions, including its Cloud & Datacenter service offerings.	Telkomsigma's end-to-end solution offerings across enterprise. Telkomsigma focus on cloud growth and its fast growth in DC services.	Strong focus on Data Center Services Solution and Cloud solution as its new business priorities. More leverage on other verticals – As Telkomsigma has been experience in BFSI sectors, it is required to widening their expertise in other potential sectors like	Verticals: Banking, Telecommunications & Media, Finance  Solutions Focus: Data Center, Business Continuity, Disaster Recovery, Cloud services	IDC considers Telkomsigma as the biggest System Integration companies in the country with support from its parent company, Telkom Indonesia. IDC has opinion that working with Telkomsigma will benefit MSC Companies as Telkomsigma is proven to have a good track record in BFSI, Government and

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	<p>Telco background giving both infrastructure and capital backing.</p> <p>Broad array of partnership/alliance creates a lack of focus and distinction from other players.</p> <p>Telkomsigma is transitioning from a pure-play SI provider to a DC and cloud computing company and is facing both operational and technical support challenges.</p>		<p>manufacturing or even 3rd platform</p> <p>Strengthening the Telkom's group presence in IT services –</p> <p>As Telkom has announced to also leverage more on IT services business.</p>		<p>Manufacturing. Focusing on Cloud and Data Center development these days, Telkomsigma could use of expertise and capabilities of MSC Companies to enrich their current position as they are also looking to engaging with multi partners and alliances in the market penetration.</p>
Asaba	<p>Known as one of the SIs providers with authorized recognition from technology principal to run training and certification for IT professionals.</p> <p>Recognize as one of top Microsoft valuable partner.</p> <p>Strong portfolio in various verticals.</p> <p>The rising prominence of 3<sup>rd</sup> platform technologies is hurting Asaba's traditional business.</p>	<p>The demand on business application amongst organizations in Indonesia are set to continue their growth trajectory, especially for its Office 365 software license.</p>	<p>Focus is on ERP implementation carrying both Oracle and SAP suites.</p> <p>Office 365 for enterprise has also proven to be a successful partnership with Microsoft to get ASABA into the cloud game.</p> <p>ASABA also focuses on training and certification as a key revenue generator for the company. The strategy beyond offering these services as a package is to also off-set pricing with packaged training services.</p>	<p>Verticals: Banking, Communication and Media, and Government</p> <p>Solutions Focus: ERP &amp; CRM, IT Consulting, Training &amp; Certification</p>	<p>Focusing on ERP implementation, ASABA could be a good benefit for MSC Companies to work with as it has ability to invest and gather dedicated resources. ASABA is looking for a partner for a long-run as the culture to explore further market in the country is evident.</p>

## About IDC

International Data Corporation (IDC) is the premier global provider of market intelligence, advisory services, and events for the information technology, telecommunications and consumer technology markets. IDC helps IT professionals, business executives, and the investment community make fact-based decisions on technology purchases and business strategy. More than 1,100 IDC analysts provide global, regional, and local expertise on technology and industry opportunities and trends in over 110 countries worldwide. For 50 years, IDC has provided strategic insights to help our clients achieve their key business objectives. IDC is a subsidiary of IDG, the world's leading technology media, research, and events company.

## IDC Malaysia

Suite 7-03, Level 7 The Pinnacle  
Persiaran Lagoon, Bandar Sunway  
46150 Petaling Jaya, Selangor  
Twitter: @IDC  
idc-community.com  
www.idc.com

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