Chapter **6**

Policy Evaluation: Indonesia

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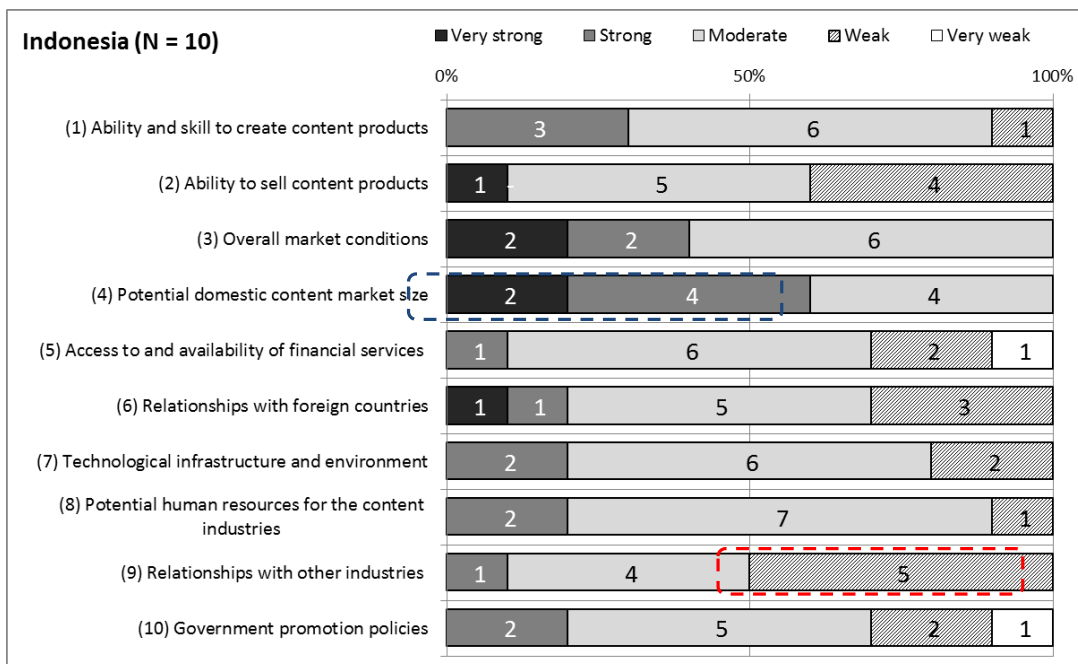
Policy Evaluation: Indonesia

1. Strength/Weakness, Opportunity/Threat (SWOT) Analysis

1.1. Strengths and Weaknesses: Survey Results

Figure 6-1 shows strengths and weaknesses, and Figure 6-2 compares respondent categories. The majority of respondents, especially policymakers, recognise 'potential domestic content market size' as the industry's strength.[1]

No weakness received the majority of votes, but 'relationships with other industries' has the most votes for 'weak' and scored lowest among company respondents.
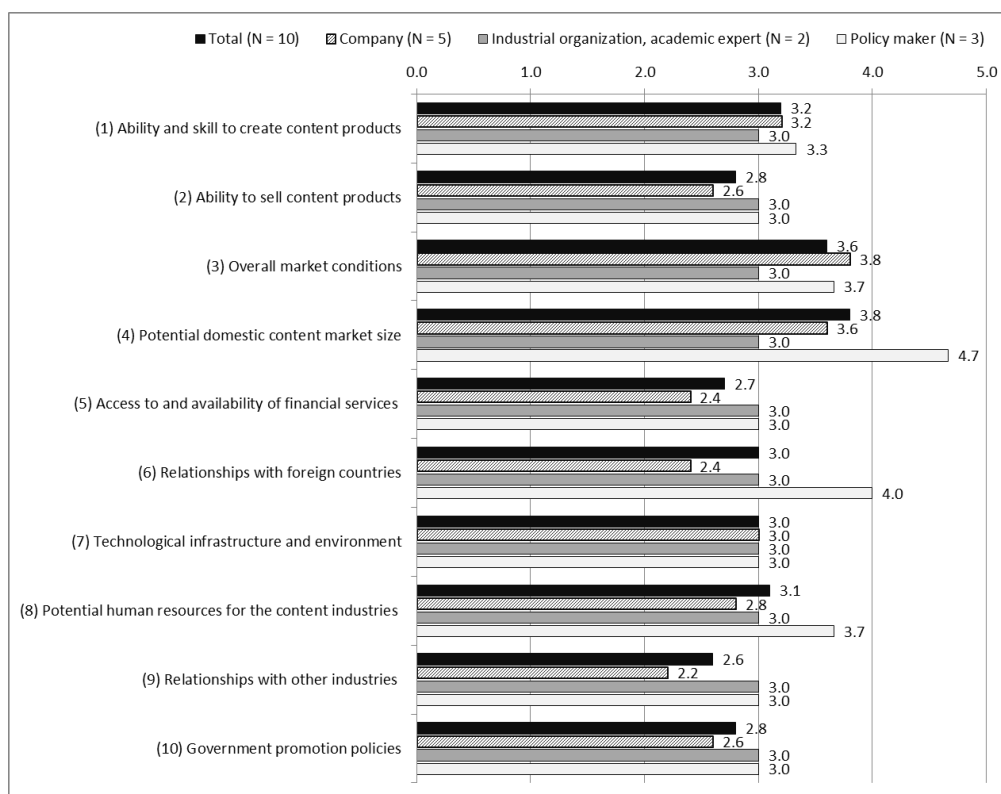
Figure 6-1: Strength and Weakness

Source: Evaluation Survey of Content Industry Promotion Policies.

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[1] The size and growth of Indonesia's domestic content industry market is explained in Chapter 2.

Figure 6-2: Strength and Weakness Score: Respondent Comparison[2]

Source: Evaluation Survey of Content Industry Promotion Policies.

1.2. Current and future challenges

Figure 6-3 shows the results for current challenges facing the content industry. The votes are highest for four elements: 'insufficient knowledge of overseas promotion, international business'; 'lack of funds, financial support'; 'insufficient labour force'; and 'lack of relationships with reliable business partners'.

Company respondents point out the challenges of collaboration among countries to create content and related products for certain market segments—the first step towards accessing the global market (Table 6-1).

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[2] Responses were converted into weighted average scores for comparison.

Figure 6-3: Current Challenges

Indonesia (N = 10)

Challenge	Value
Insufficient knowledge of oversea promotion, international business	5
Lack of funds, financial support	5
Insufficient labor force (quality and/or quantity)	5
Lack of reliable business partners	5
Spread of pirated contents (need of content protection mechanism)	4
Lack of market information (consumers, suppliers, etc.)	4
Lack of business-matching opportunities	4
Insufficient use of new technologies	3
Increase in cost of operations (including cost of labor)	2
Adapting to new business models and technologies	2
Price reduction of products	0

Source: Evaluation Survey of Content Industry Promotion Policies.

Table 6-1: Free Descriptive Answers Regarding Current and Future Challenges

Category	Comment
Company	• Collaboration among countries to develop the content industry. For example, Japan is very proficient in technology and animation; Indonesia needs content but in accordance with its culture. Internet technology is rapidly developing in Indonesia, which has a very large market but no high-quality content tailored for the majority Muslim population. By cooperating with Japan, however, Indonesia will be able to create the content it needs. Once content is accepted in Indonesia, it will also be accepted in other Asian countries that have Muslim populations. Collaboration among countries will create high-quality content and improve their content industries' creativity and business prospects [graphic design/1]. • Lack of market information on customers, suppliers, etc. [4/1] • Widespread content piracy. A content protection mechanism is needed. [1/3]
Industrial Organisation, Academic Expert	• Insufficient education and training in areas such as 'access to markets', 'copyright protection', 'support capital', 'promoting the work of content developers' • Urgent need to develop credit card payment system for selling digital content • Lack of local character creation

Note: Numbers placed after each comment describe the sector and operation the respondent is engaged in. [1 = TV programme, 2 = film, 3 = animation, 4 = games, 5 = music, '-' = no response / 1 = production, 2 = post-production, 3 = broadcasting, 4 = distribution, 5 = sales, 6 = purchase/aggregation, 7 = manufacturing, '-' = no response]
Source: Evaluation Survey of Content Industry Promotion Policies.

1.3. Strength/Weakness, Opportunity/Threat (SWOT) Analysis: Update of the FY2012 Report

The update of the 'Study on the Development Potential of the Content Industry in East Asia and ASEAN Region' (FY2012 Report) (Table 6-2) takes into account the survey results and recent market trends (Chapter 2) and policies (Chapter 4).

Indonesia's strengths and advantages are its large domestic market, high growth, and overall market conditions. Indonesia's ability and skill to create content products may be derived from its rich local cultures.

Indonesia's weaknesses are its lack of relationships with other countries, its insufficient knowledge of overseas promotion and international business, insufficient labour force, and lack of working capital. The content industry must therefore develop overseas markets while fostering domestic industry growth and self-sufficiency. Other challenging issues include insufficient ability to sell content products and the spread of pirated content.

Table 6-2: SWOT Analysis—Indonesia

Internal	
Strengths	**Weaknesses**
● Large market ● Ability and skill to create content ● Attractive design ● Low production costs ● Some cases of international co-production by major studios ● Rich local cultures	● Lack of working capital ● Lack of managerial skills ● Difficulty in diversifying profitability for small productions ● Relationships with other industries ● Low and unequal government financial support to the creative industry ● Ability to sell content products ● Widespread piracy
Opportunities	**Threats**
● Potential domestic content market development along with the gross domestic product growth ● Increasing subcontracting markets ● Large domestic population ● Diffusion of social network media	● Unproven career for ambitious people ● Limited support from training and education sector ● Limited government support in distribution and finance ● Still low penetration of broadband Internet network
External	

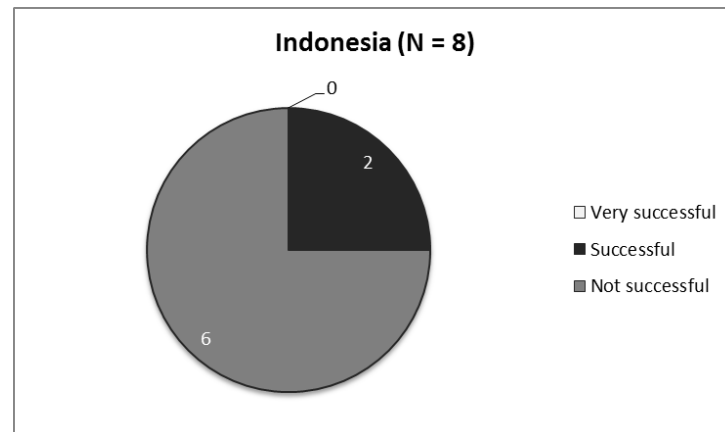SWOT = strength/weakness, opportunity/threat.
Source: Authors.

2. 2. Policy Evaluation

2.1. Overall Evaluation

Figure 6-4 shows the survey results of the overall assessment of related policies. Six out of eight respondents (75 percent) indicate a negative response ('not successful').[3]

Figure 6-4: Overall Assessment of Content Policies

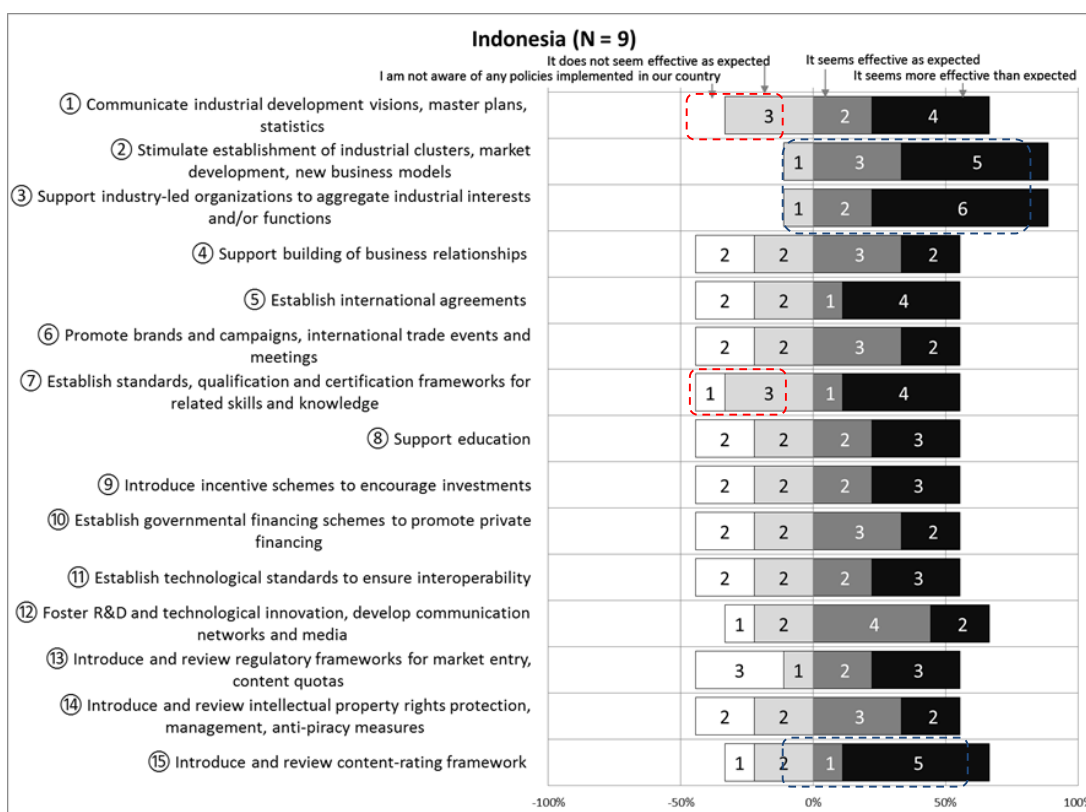Source: Evaluation Survey of Content Industry Promotion Policies.

2.2. Effectiveness of Current Policies

Figure 6-5 shows the survey results on implementation awareness and policy effectiveness. The results indicate respondents' awareness of how the policies meet their expectations. The majority support five policies—#1 (Communicate industrial development visions, master plans, statistics), #2 (Stimulate establishment of industrial clusters, market development, new business models), #3 (Support industry-led organisations in aggregating industrial interests and/or functions), #12 (Foster research and development and technological innovation, develop communication networks and media), and #15 (Introduce and review content-rating frameworks).

The most number of negative votes go to #7 (Establish standards, qualification and certification framework for related skills and knowledge).

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[3] The number of respondents is limited to derive scores for each respondent category as provided in other country chapters.
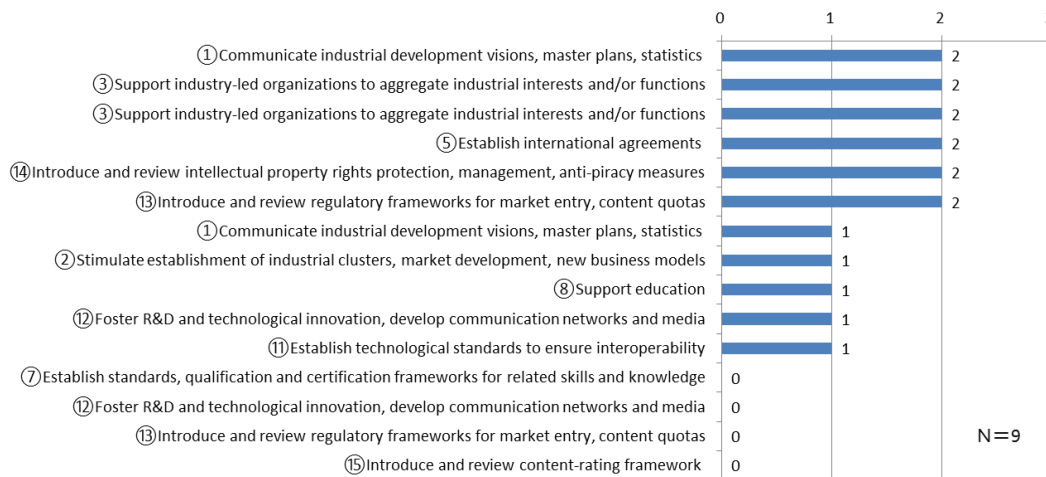
Figure 6-5: Policy Effectiveness

Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 6-6 shows, in descending order, the policies considered to be highly effective. Due to the limited number of samples, the votes were dispersed, particularly in two groups: two votes for #1 (Communicate industrial development visions, master plans, statistics), #3 (Support industry-led organisations in aggregating industrial interests and/or functions), #4 (Support building of business relationships), #5 (Establish international agreements), #7 (Establish standards, qualification and certification frameworks for related skills and knowledge), and #13 (Introduce and review regulatory frameworks for market entry, content quotas); and one vote for #2 (Stimulate establishment of industrial clusters, market development, new business models), #6 (Promote brands and campaigns, international trade events and meetings), #9 (Introduce incentive schemes to encourage investments), #10 (Establish government financing schemes to promote private financing), and #11 (Establish technological standards to ensure interoperability).

Figure 6-7 describes the effects and outcomes that have resulted from policy #2 (Stimulate establishment of industrial clusters, market development, new business models), which has the most votes for effectiveness (Figure 6-5).[4] Most respondents have enjoyed an increased number of customers as well as increased business and networking opportunities.

Figure 6-6: Policies Regarded as Effective

Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 6-7: Effects and Outcomes as a Result of Policy #2
(Stimulate establishment of industrial clusters, market development,
new business models)

Source: Evaluation Survey of Content Industry Promotion Policies.

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[4] Figure 6-5 indicates the score or the magnitude of effectiveness, and Figure 6-6 indicates the number of respondents who consider each policy effective. The tendency of the two results does not necessarily match because of the limited number of respondents.

2.3. Key Success Factor

Figure 6-8 shows what respondents consider an important element (key success factor) for maximising the effectiveness of policy #2 (Stimulate establishment of industrial clusters, market development, new business models) as it has the most votes for effectiveness (Section 0). 'Reliable communication among policymakers, government, industrial organisations, and private companies' has two votes out of two respondents.

**Figure 6-8: Key Success Factor of Policy #2
(Stimulate establishment of industrial clusters, market development,
new business models)**

Reliable communication among policy maker / government, industrial organizations, and private companies	2
Strong leadership of the policy maker / government	1
Encouraging incentives, willingness, and independence ofrelated parties (companies, organizations)	1
Sustainability of the policy [How long will be the policy implemented?]	1
Effective communication among policy makers and governments, industrial organizations, and private companies	1

N=2

Source: Evaluation Survey of Content Industry Promotion Policies.

a. Challenges

Figure 6-9 shows the policies considered to face challenges. #10 (Establish government financing schemes to promote private financing) has the most votes.

b. Necessity of Current Policies and Expectations

Figure 6-10 shows the survey results on necessary policy. Considered the most necessary are #4 (Support building business relationships), #7 (Establish standards, qualification and certification frameworks for related skills and knowledge), and #8 (Support education).
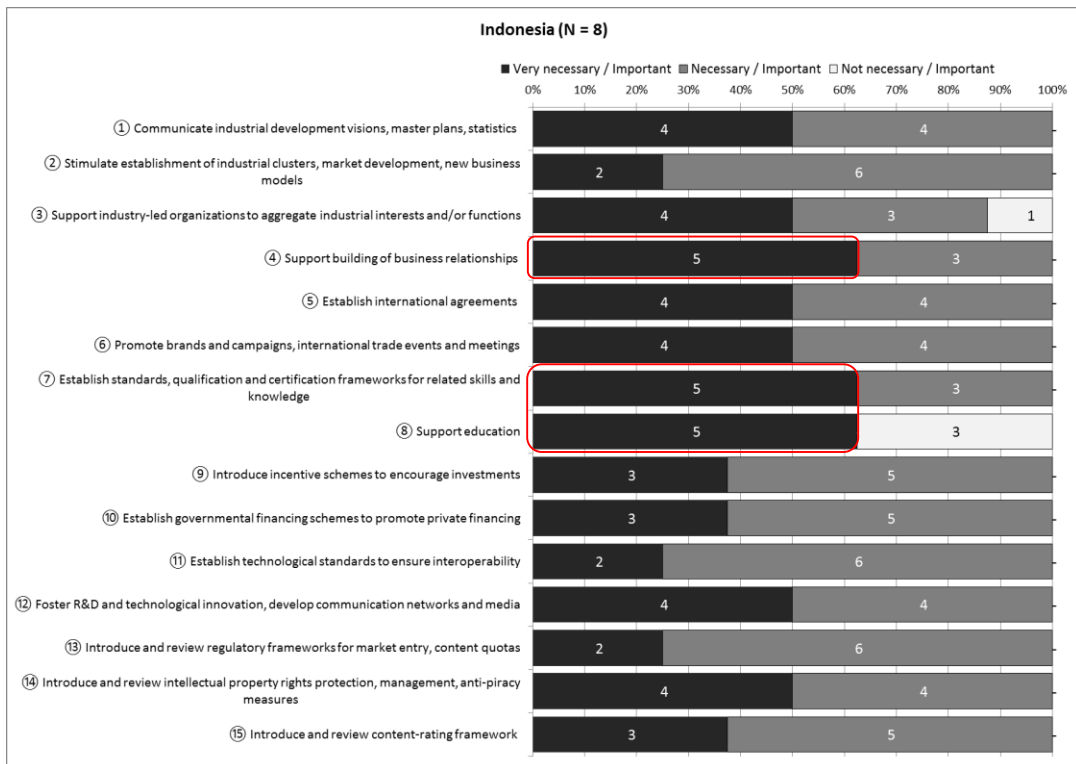
Figure 6-11 shows the respondents' expectations of policies, irrespective of current implementation. The highest expectation is increased revenue.
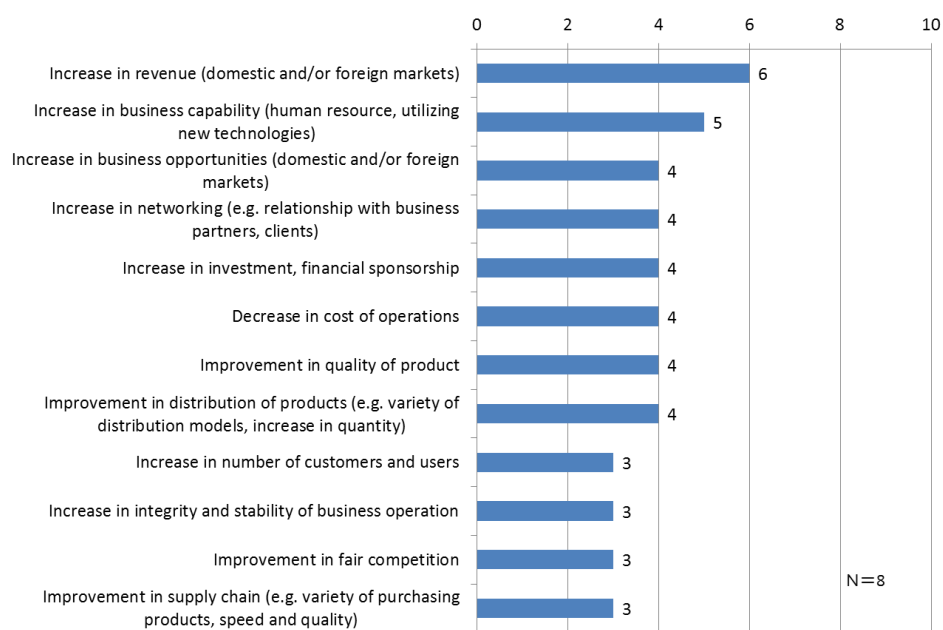
Figure 6-9: Policies Needing Improvement
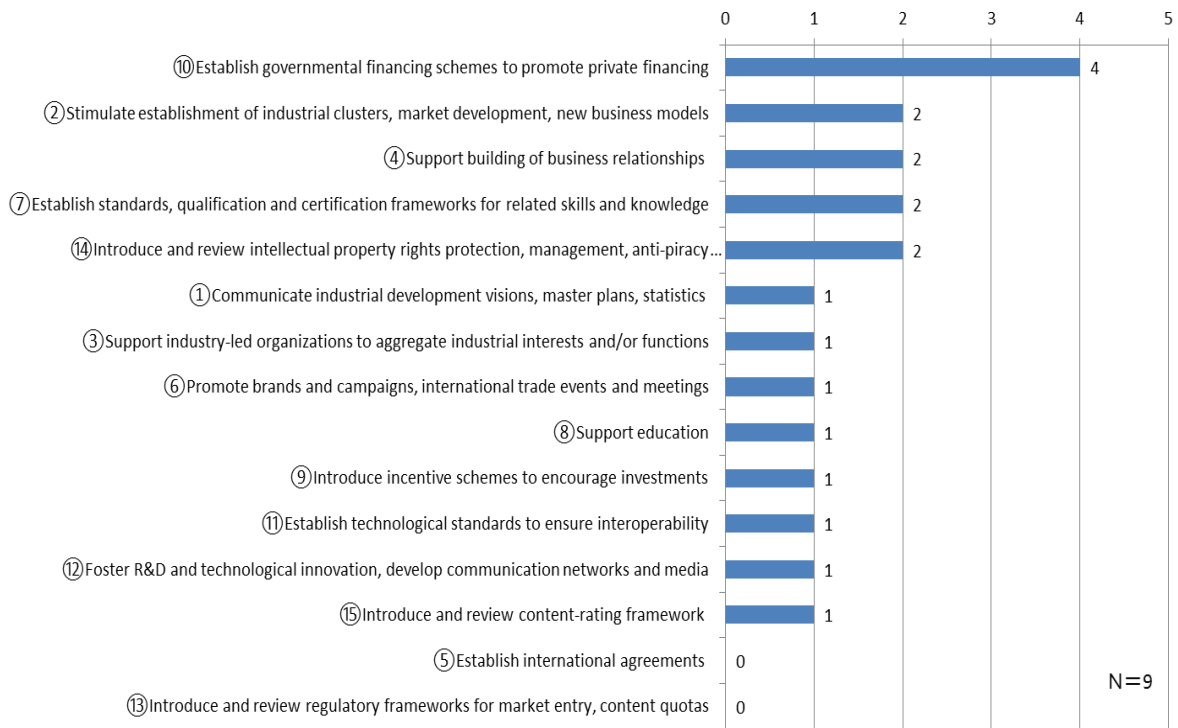
Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 6-10: Necessity of Policies

Source: Evaluation Survey of Content Industry Promotion Policies.

Figure 6-11: Expectations of Implemented Policies

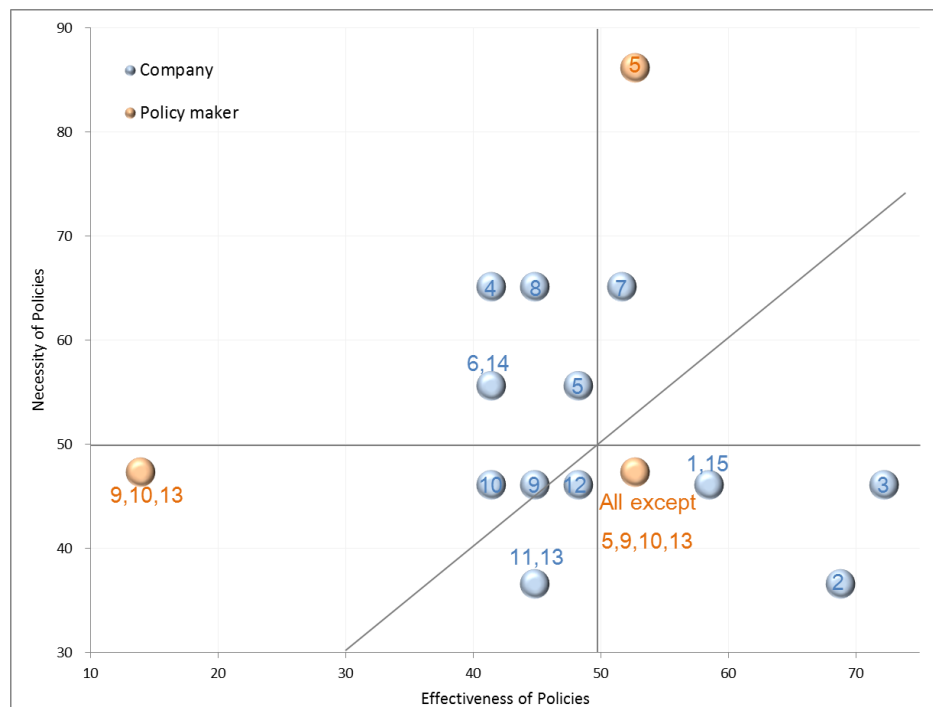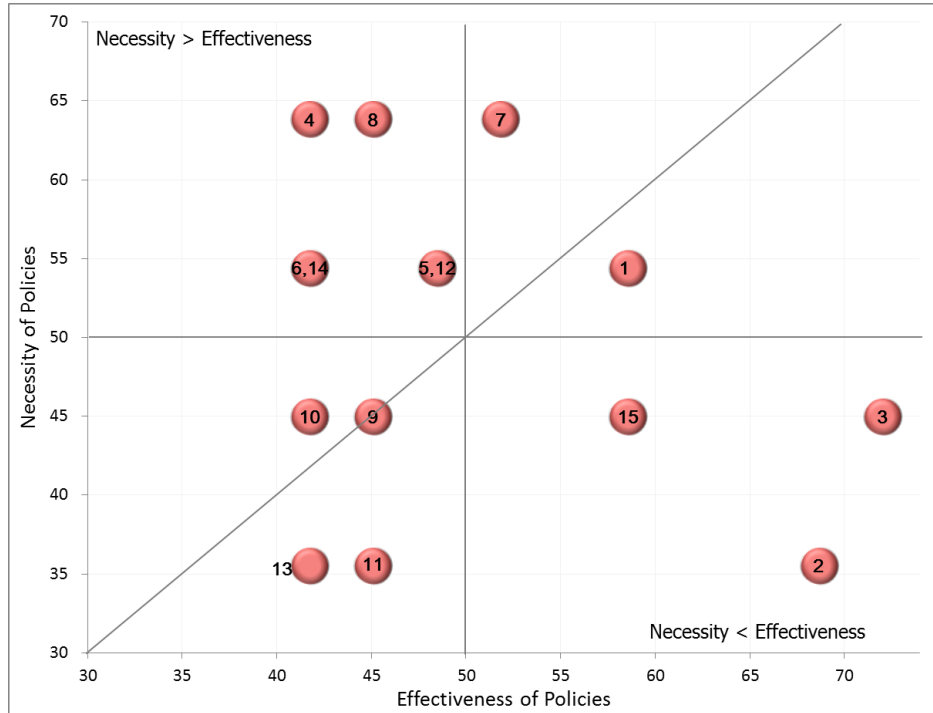Source: Evaluation Survey of Content Industry Promotion Policies.

c.   Policy Prioritisation

Figure 6-12 maps the effectiveness and necessity of each policy. The figures are converted into deviation values to relatively map the results. Each plot describes the policy activity. Overall, half of the policies for Indonesia face challenges where necessity is greater than effectiveness. In particular, there is demand for policies #4 (Support building of business relationships), #5 (Establish international agreements), #6 (Promote brands and campaigns, international trade events and meetings), #8 (Support education), #12 (Foster research and development and technological innovation, develop communication networks and media), and #14 (Introduce and review intellectual property rights protection, management, anti-piracy measures), but their effectiveness is not as apparent as expected.

Table 6-3 describes the results of the overall analysis. It provides the performance indicator for each policy activity, describing the priority level, or the relative distance between necessity and effectiveness (see Chapter 1 for a more detailed explanation of a performance indicator). The table also provides the coefficient of variation, a normalised

measure of dispersion, which describes the variance among respondent categories. The results show that #4 (Support building of business relationships) has an especially high priority for improvement.

Figure 6-12 : Effectiveness vs. Necessity of Policies
(above: average, below: by category)

Source: Evaluation Survey of Content Industry Promotion Policies.

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Table 6-3: Results of Policy Evaluation Analysis

Policy Area	Policy Activities	Performance	C.V Effectiveness, %	C.V Necessity, %
Industry and Market Development	1. Communicate industrial development visions, master plans, statistics	2.9	5	30
	2. Stimulate establishment of industrial clusters, market development, new business models	23.4	13	13
Organisational Scheme, Business Relationships	3. Support industry-led organisations in aggregating industrial interests and/or functions	19.1	16	1
	4. Support building of business relationships	- 15.6	12	16
International Relationships	5. Establish international agreements	- 4.2	4	8
	6. Promote brands and campaigns, international trade events and meetings	- 9.0	12	8
Human Resources	7. Establish standards, qualification and certification frameworks for related skills and knowledge	- 8.5	1	16
	8. Support education	- 13.3	8	16
Finance	9. Introduce incentive schemes to encourage investments	0.1	8	1
	10. Establish government financing schemes to promote private financing	- 2.3	12	1
Technology	11. Establish technological standards to ensure interoperability	6.7	8	13
	12. Foster research and development and technological innovation, develop communication networks and media	- 4.2	4	1
Legal Frameworks	13. Introduce and review regulatory frameworks for market entry, content quotas	4.4	53	13
	14. Introduce and review intellectual property rights protection, management, anti-piracy measures	- 9.0	12	8
	15. Introduce and review content-rating frameworks	9.6	5	1

CV = coefficient of variation (variation among respondent categories).

Note: 'Performance' indicates the relative distance where:

    (a) Figures above zero: Effectiveness outperforms necessity/expectation

    (b) Figures below zero: Effectiveness underperforms necessity/expectation

Source: Authors based on valuation Survey of Content Industry Promotion Policies.

3. Summary

Figure 6-13 summarises the results.

Figure 6-13 : Overall Results: Indonesia

Content Market Conditions					
Market Size	Small (US$ 4.1 Billion)	**Market Growth**	High (14.5%)	**GDP Con-tribution**	Low (0.5%)

SWOT Analysis

Strengths	Weaknesses
✓ Potential domestic content market size ✓ Overall market conditions ✓ Ability and skill to create content products	✓ Relationships with other industries ✓ Access to and availability of financial services ✓ Ability to sell content products

Challenges

✓ Insufficient knowledge of overseas promotion, international business
✓ Lack of funds, financial support
✓ Insufficient labour force
✓ Lack of with reliable business partners
✓ Collaboration among countries to enable Indonesia to create content and related products for certain market segments

Policy Evaluation

Policy with high effectiveness	Policy with high necessity
✓ Support industry-led organizations to aggregate industrial interests and/or functions	✓ Support building of business relationships

Effects and outcomes	Policies facing challenges
✓ Increase in business opportunities(domestic and/or foreign markets)	✓ Establish government financing schemes to promote private financing

Key success factor	Difficulties and constraints
✓ Reliable communication among policy makers / government, industrial organizations, and private companies	✓ Strong support from the policy makers and government

Performance : High (Effectiveness > Necessity)	Performance : Low (Effectiveness < Necessity)
✓ Stimulate establishment of industrial clusters, market development, new business models ✓ Support industry-led organizations to aggregate industrial interests and/or functions ✓ Introduce and review content-rating framework	✓ Support building of business relationships ✓ Support education ✓ Introduce and review intellectual property rights protection, management, anti-piracy measures

Source: Authors.

The government defined policies to develop the creative economy until 2015, and its commitments are described in Vision and Mission of Creative Economy for 2025. Although the current content market is smaller than that of other countries in the region, its domestic potential is high due to rapid economic growth. As a result of Indonesia's focus on becoming more competitive in the creative sector, policies supporting industry-led organisations in aggregating industrial interests and/or functions have increased business opportunities. Together with policies to stimulate the establishment of industrial clusters, market development, and new business models have shown high performance corresponding with growing policy demand.

Indonesia has strong ability and skills to create content products, although it still needs to enhance its capacity to create a vibrant market, including overseas. In particular, the insufficient labour force and lack of reliable partners, and weak relationships with other industries and lack of access to financial services could hinder the content industry's development. Demand for government support in building business relationships is therefore strong. Stakeholders also expect government policies to play an important role in establishing financing schemes to promote private financing. Policies for building business relationships and supporting education have high priority. These should help strengthen the content industry's relationships with other industries and its ability to sell and distribute content products. These efforts are expected to increase the industry's potential to contribute to the economy.