

Indonesia - Awakening the Giant (Part One)

After enduring many years of economic instability and see-sawing politics, Indonesia looks set to be on the road to recovery although it is still tackling with issues of endemic corruption, a high inflation rate, and home-grown terrorism. Our focus on this country report is to obtain 'man-in-the-street' views of the progress of the Entertainment & Systems-Integration (E&SI) industry by speaking with local companies involved within all levels of the industry in today's Indonesia. According to the latest LSV Asia Directory, the number of major companies in Indonesia that are involved in manufacture, supply, rental, install or use audio-visual, lighting and related technologies within the entertainment, architectural and communication fields number approximately 50 companies, all within its 'Megapolitan' capital - Jakarta, and its major cites. But we also acknowledge that there are hundreds of sub dealers and smaller players all over the country. Because of the large scope of the country (approximately 6,000 inhabited islands), it is difficult to estimate accurately the number of such companies at any given time as they tend to be both changing and permanent in addresses, locations and their areas of expertise. As with every type of commerce, many companies emerge and disappear constantly. However, in a positive outlook, many of the major players have significantly strengthened and broadened their range of products and services as a result of the new economic growth of Indonesia.

LA MESA

La Mesa is the Indonesian distributor and dealer for many professional audio brands including Digidesign, Kling & Freitag, DPA and Vintage Microphones. They have built a state of the art showroom studio to demo the equipment because they believe that customers have the right to try the equipment before they buy in a real working environment. On my arrival at the company's facilities, I was warmly greeted by La Mesa's chief engineer and founder, **Didi Kartanegara**. Not to be fooled by his youthful front, Didi has been actively involved in the audio business for over a decade now, particularly in the local recording industry and as an audio consultant.

The audio life is a very dedicated profession, so what made you choose this line of work?

First of all, ever since my school days, I always loved electronics. I built my own AM radio, car sirens, etc. as a teenager and I read a lot of schematic diagrams and of course I love music especially watching the LED meters move. During high school I operated a mobile disco together with a friend and I also doubled as the DJ. This passion of music carried on to my university years when I was in San Diego (California) where I majored in Applied Design and also have a degree in Audio Engineering.

Tell me when did you start the company?

Back in the states I was already a Pro Tools user. During those years I already had a plan to bring this technology back here as I had a dream to open my own recording studio. I then purchased a digital recorder because I could not afford a 24-track 2" machine as it was so expensive. The sales people over there told me that digital is the way of the future for audio. So that's how I brought the Pro Tools system here. I was the first to introduce the product (sales) but there was a user here who already owned a system - a friend of mine who studied at the Berkeley

College of Music. But he is a musician and just a user only. I started to introduce Pro Tools to recording studios when someone hooked me up to Raymond Ng from Singapore. He was the appointed Digidesign agent in Singapore and offered me the distribution for Indonesia. So I became the Digidesign distributor for Indonesia. I had an advantage because I already owned a Pro Tools system and am familiar with its features, and also an audio engineer with a passion for music - plus the IT side was not a problem. From that point on because we are selling the recorder people also started asking for other studio equipment, "Do you have microphones, speakers, mixers, etc?" - That's how we got started. In 1993, I setup the business from a small garage at home and we moved to our current building facility in 1995.

Why did you choose the name La Mesa?

Paradi (Singapore) was the regional distributor for Digidesign. Raymond noticed how Indonesian customers preferred to buy from Singapore feeling that it's cheaper and convinced me to set up another company in Jakarta also called Paradi (Indonesia) so customers will assume to be buying from the same source. It may cost bit more but they have immediate after-sales service. However in 1998, the U.S. principal - Digidesign, decided to separate the markets and we had to buy direct from the US. I felt bad for Raymond because he was the one who opened up Digidesign to the region. But we were still operating using the Paradi name and the manufacturer was confusing us with the Singapore company and often mistakenly shipped and billed our order to Raymond. So we decided to change the name to La Mesa. My university years were in the city of La Mesa in San Diego County, which I lovingly encrypted into the name of our parent company - PT. **Laris Media Solara** (later retrieving back the name La Mesa).

After the Asian Monetary Crisis, did you adapt any business changes?

In 2001 when the political climate started stabilising, we started expanding our division to include the home theatre market. Believe it or not, that actually makes more profit than pro audio. We designed and built home theatres for the wealthy, and they have the money for the best. The studio business is a passion, but to be honest this doesn't generate as much money as the home theatre division.

Your rental division is a new addition to the company portfolio. When did this happen?

Yes, we have now created a Rental Division. Digidesign has got the Venue, a digital live sound mixing console, and since we also do installation for cafes, conference rooms, churches, etc., we also import loudspeakers (K&F) and we have many unused demo equipment – so why not combine them for rental. The Venue console comes built-in with Pro Tools 128-tracks and cost US\$70,000 and is the first one in Indonesia. It's fairly easy to use and you don't need any outboard gear. In fact we are going to sponsor the coming (March) Java Jazz Festival. We will cover one assembly hall – 1,300 people, and we'll bring our K&F speakers, the best microphones, processors, recording systems, etc. to show that we can now supply a full sound rental system. This is going to be the first big rental for the Venue console although we have already done smaller rentals of 500 people. But we do only high quality rental and not 'quantity' meaning 10,000 people - where you don't need to care about sound quality and so use China made speakers which are everywhere in Jakarta. Our eight boxes of Kling & Freitag speakers can cover up to 2,000 people but cost more than 40 boxes of China made speakers. Even though they can cover 10,000 people - they're only just loud! But we are not going into that kind of market because there are many such competitors and their audio rental pricing can be misleading. Do you know that some renters here charge by the Wattage of the amplifier, i.e. if you amp reads 5000(Watts) then its charged as 5000 x whatever price per/W – absolutely nothing to do with the speakers handling capabilities - Isn't that crazy!

As a pioneer in introducing digital solutions, you must be holding a leading position in the market?

There are new competitors now and there are some loose sales from them, but really only one or two companies, and one of them is actually run by a former employee who went on his own after several years working with us.

Our main product is Digidesign Pro Tools, that's the backbone of our system, because if you don't have the recorder - the rest wouldn't work. As we started much earlier, we are seen as a leader and the brand (Digidesign) has been trusted as a pro recording solution for creating a high quality acceptable master. Of course we have a low, mid and high end solution depending on the customer's requirement (and budget). These days, when a customer asks for Pro Tools he is already aware of the brand name, but what they don't know is probably the newer version,

so we normally update them on the improved features, but for the sound quality they don't have to worry. Anyway if they want a demonstration, we can bring them here to experience the aural imagery of what the product can deliver.

We are introducing the Venue console to change the general view of the live sound market. The Venue consists of the D-Show mixing console, FOH mix engine, a Stage Rack I/O unit with recallable, remote-controlled preamps and a multi-channel digital snake. Its powerful mix engine provides EQ and Dynamics processing on every input channel, along with 24 assignable graphic EQs and full support for Pro Tools plug-ins. In the US, Digidesign is a (if not the) leader of the digital recorder industry and they now have the capabilities of a large scale sound mixing console with the recorder inside and all the plug-ins, and the price is going to be about half of the DiGiCo console. Maybe now others may have to rethink their marketing strategy with this powerful new competition.

On the subject of pricing - some try to compare with dealers in Singapore but I have a good relationship with all the Singapore Pro Tools dealers and they would recommend their Indonesian customers to buy from us. And if they ask for a cheaper price - well if you look at the prices on the Digidesign website, our price is about 5-10% cheaper than what's listed and that's including shipping and our after-sales service. I mean what more can you ask! Some time ago an Indonesian user purchased a US\$30,000 system via a mail-order company. I told the GM for Southeast Asia about the matter because who is going to service the system? So now mail-order companies like Sweetwater and Guitar Centre have been warned by Digidesign not to sell outside their designated territory.

How is the local style of doing business?

Over here the business style is more personal. A lot of our customers are musicians and when we deal with them we sometimes have to conduct ourselves just like a musician – talk about their new albums, concerts, etc. With corporate clients, we have to make a proper proposal - to meet their contract terms and also describe all our after-sales services. But the truth is, with all sales - if they have the budget, then 99% it's a closed deal.



Didi and his Digidesign Venue console



Home Theatre Showroom

Is digital being accepted by the rental players?

If we talk about convincing to switch from analogue to digital products – I feel that the owners of rental companies are also getting smarter. They can see that with digital desks, they don't have to buy graphic EQs, processors, compressor/gate/limiter, plus savings on the extra rack space, cabling, storage, power consumption, etc. And how do you recall scenes when you are doing a live show like the MTV awards with performance from different music genres, i.e., Rock, Pop and R&B. With analogue it's impossible but not with digital. In comparison, digital is cheaper, faster and much more accurate. A rental company owner now understands all these advantages. We unveiled the Venue in the (Dec 2005) Broadcast Show and many live/broadcast engineers were impressed with the system. In June we are going to have a big training workshop in Jakarta with an engineer flown in from Europe by the K&F Singapore distributor, though we're not sure yet whether to do it indoor or outdoor. Since we also have our own 'Mix Master Records' label, we are planning to stage a live event where we will unite all our own products and our own recording artists together for a live workshop session. We have to push the digital message forward.

I noticed that you actually have a fully decked out showroom cum studio. What other facilities do you have?

Actually our showroom is a real functioning studio which I designed, but the final tuning was done by the world famous studio designer Andy Munro, President of Munro Associate London, and also the designer of Dynaudio Acoustics speakers. Our Acoustic Division utilises MLSSA, Smaart, ETF 5.x, Ulysses and Auto CAD. Because we also design and build sound recording facilities, home theatre, clubs, places of worship, broadcast station, conference room, ballroom, and many more, all of our designs are done in computer CAD drawings to ensure accuracy and a predictable result. No job is too small for us.

Although our portfolio looks expensive to many people, actually they are affordable considering the high quality workmanship and finish product. We also manufacture modular acoustic treatment, and audio/video rack system for professional and home entertainment use.

Indonesia has a huge music industry. How is this reflected in the demand for digital recorders?

In Jakarta, there are around 100 professional recording studios alone. And I believe that 99% are using digital recorders. Because of the advance of digital recording, every musician can now own their own recorder and with friends they can build their own home studio or semi-pro studio. With just a setup using a soundcard

on their PC, a small Mackie mixer and standard microphones, some enterprising people even convert a room into a "recording studio" to cater the low-end market. Usually these "studios" charge around Rp.250.000-300.000 (approx US\$30) for an 8-hour shift – good enough as a master for the many independent labels that we have here to make (and sell) cassettes. Other than Jakarta and the large cities, cassette tapes are still the favoured medium over CD.

What is the next two years going to be like for the local industry?

The market is getting bigger. I don't know how the Singaporean feels about this but have you noticed that many Singaporeans are also setting up (companies) in Jakarta. I know that if there is a new entertainment complex coming up here most of the contractors are Singapore companies trying to win the deal.

Also for the next couple of years, I see more China brands flooding into the market. They will dominate the Indonesian pro audio market. Why, because the buying power of this country is still low and China brand products fit their budgets. Employing "reverse engineering" we now have copies of top-end equipment – line array speakers, mixers, effect processors, microphones, etc., just about everywhere right now.

You don't seem at all worried about the changes in market forces. Why is that?

To be honest I don't read about the market sometimes – we have the home theatre business, and if that slows down - we also have the installation and the record label business - and our rental division can always do weddings. You must understand that over here, wedding rentals is a "forever" business. Our company, La Mesa, is known for its high end products. We provide good service, friendly staff, etc. It's like a family here, and we are all having fun.

Indonesia is an archipelago of 17,508 islands with 6,000 being inhabited and has a total area of 1,919,440 sq km (slightly less than three times the size of Texas)

Goshen Electronics Indonesia

The company, **Goshen Electronics Indonesia**, may be just 4-years old to this date, but this newcomer may just have a winning hand under the guidance of its well-liked director, **Cunario Suriya**, to emerge as one of the major players the country's revived AV industry. As the authorised distributor of quality products including Shure, D.A.S., KV2, NEXO, CAMCO, Lake Contour, Aviom, etc., Goshen is recognised for delivering high quality, creative and intelligent audio solutions, and aims to be an acknowledged leader in professional installed audio.

I noticed you have a trained background in electronics. Is this how you got involved with the pro audio business?

Before I went to the university where I obtained my degree in electronics, I already had the experience of operating a mobile disco. That started in 1979 during my junior high school years. My friends and I pooled together to buy our own equipment. I remember we used Altec Lansing's 'Voice of the Theatre' speakers, which at that time was the best speakers around and a tube amplifier.

I got into the pro audio business in 1995. That's when we established the first E&E Indonesia with Ronald Goh. At that time he just got the project for Hard Rock Café and he convinced me to setup the company (E&E Indonesia). To be honest I was not so interested at that time because I was running another company – a contracting company (which is still active to this day). We later closed the company because of the instability of the crisis period. We started again in 2000, still using the same company name but with a different shareholder structure. In 2003, we dissolved that company and I setup Goshen Electronics. In the beginning we only had one product – Shure. But later in the year we brought in KV2 and LAX Sonic Solution speakers. We started doing D.A.S. in 2004. In 2005 our business started to grow, and we took on more high-end products like NEXO and Camco.

What is the current situation of the industry?

The nightlife market drastically slowed down from around September (2005) mainly because there was a lot of police raids into clubs (anti-drug campaign). Previously there were a lot of 'black' casinos, however after the changeover of a new National Police Chief, all things changed. So the club business slowed down and any new projects were put on hold. We must also take into account that the Oct-Nov period was the Muslim holy month of Ramadan, so clubs had to observe a strict opening-closing rule. Even the rental companies suffered during Ramadan, because there are almost no concerts. Frankly, business is only starting to pick up from January.

As for hotel projects, after the second bombing in Bali, until today, the hotel business there is very, very slow. But in Jakarta I think it's a bit better. If we talk about renovations – yes, they will set aside the budget to renovate, i.e. changing the interior design, etc. But with buying new AV equipment, I don't see

them investing anymore in a full system. Right now, the trend is to use a rental company for their functions, i.e. weddings, seminars, conferences. In the Novotel for example, we supplied the ballroom and function room with KV2 EX12 and EX2.5 loudspeakers, one LCD projector - that's all. The minimum requirement is all they want now.



Cunario S.

Have Indonesian users taken to digital technology?

I think now is the time to change their mind to digital. We still need the time to educate them, to ask them to try the product. Like Aviom for example, we are now doing road shows and after one year we found that it's still not easy to move. I mean most of the customers here start to worry when we talk about digital - especially about software and computers. Take for example a simple product from Aviom – like their Digital Snake. They were initially sceptical about the Pro16 Digital Snake (distribution of up to 64 high quality digital audio channels) which has nothing to do about a computer system – it's a simple plug-and-play device. When Joel, from Aviom came here and did a road show with us in Surabaya, we invited all the big rental companies to get to know the product better. Eventually they started to use the product and now the product is moving well. With the younger sound engineers, they prefer to use this kind of technology. Some of the senior engineers still prefer to use the analogue system because of their unfounded fear of computers, unlike the young generation who are prefer to go digital.

What other new digital products are you planning to introduce into the market?

We are representing the Dolby® Lake® Processor – a high end digital loudspeaker management technology. Made by the Dolby Professional Live Sound Group, this configurable processor provides everything you need to control and optimise your live sound system, including the Dolby Lake Controller software interface. The best thing about the latest model of this processor is that you can do the adjustments from the front manually without connecting to a computer – and that's perfect for our older generation of sound engineers. I've noticed that with important shows, when we read the (contract) riders, they put emphasis such equipment. So we usually sell this processor to the rental companies.

I noticed that you refer to Goshen as just a supplier; do you do any installation work?

At the moment we don't do installation. We work closely together with the contracting company and



The new showroom

they install our products. But if they aren't qualified enough then we will do the commissioning for the equipment.

How is the Indonesian way of doing business?

Mostly I deal directly with the owner. But we have to be selective – we have to check the owner's track record (good or bad paymasters, etc.). I also try to understand the owner better so as to build a strong relationship with him. The Indonesian way is having a relationship or friendship between the owner and the supplier.

Indonesia has a serious problem of counterfeit products flooding the market. Is there anything being done to stop the trade?

In the last two years I have seen a rise in fake products, but I know this problem has been here for a long time so the fakes are now all over the country. A bigger worry is that the counterfeiters are getting braver and better. The people who were once doing fake products are now creating their own brand name using the copied designs making them 'legal' now. It even increases the product value as it enters the market as a new "quality" brand - and they are selling very well too. A big problem here is that local laws involving copyright and Intellectual Property (IP) rights are very unclear (and can be easily manipulated [for personal gains] by both the sellers and the police).

Has China brands overtaken the U.S. and European brands?

During the last two years there is a big rise of China made products coming into Indonesia. Basically many local customers are now looking for low cost products (based on local buying power) and that's why these China products are accepted and sell very well. Actually, in terms of quality, these days these China brand products are getting very good probably because of all the transference of technology from the western manufacturers who setup factories in China.

What are you future plans for the company?

As I earlier mentioned, Goshen does not do installation work, and we don't have any subsidiaries. However I am currently in the midst of opening a new company with a fully stocked showroom displaying pro audio (including musical instruments), visual (projectors, plasma & LCD displays) and intelligent lighting products. The new company will support Goshen with their different product lines to provide customers with a better systems solution. A major plan for Goshen this year is to keep educating the market to switch from analogue to digital. We are also planning to have a training facility within this building for that purpose.

Where do you see the strongest growth in the next couple of years?

I believe for the next few years the strongest growth will be with the rental companies. Fixed installations are mainly nightlife entertainment projects as corporate projects are mainly conference and boardrooms only. Even government projects (schools, sports facilities, etc.) are nonexistent as the government do not have the funds. An interesting area of growth could be the cinema market, as it is currently picking up very strongly. So rental is strongest, then nightlife entertainment and the cinema – these are the areas for positive growth. But if we compare between the nightlife and the corporate markets – the bigger customer currently is the nightlife market.

The population of Indonesia is 242 million with the main religion being Islam (88%)

Closing thoughts
 To better understand Indonesia's Entertainment & Systems-Integration industry, you must first understand its people. The country is a vast polyglot nation, comprising of many distinct races and cultures. Life here seems to move on a different time standard. Personalised service is a strategic aspect of business and most deals are done in the proximity of a friend-to-friend basis. ☺

The report is based on interviews prepared by our editorial team for a series of special country exclusives for the year 2006.