PROPELLING INDONESIA'S FINANCIAL SERVICES FURTHER INTO THE DIGITAL AGE

With a population of 250 million, and more than half under the age of 29,[1] Indonesia is a hotbed for digital services in Southeast Asia. Its people spend an average of nine hours a day staring at their computers and electronic devices, according to the 2014 AdReaction survey by market research firm Millward Brown.[2]

Not surprisingly, Indonesians have taken to digital media services in droves. A high smartphone penetration rate, along with Indonesians' propensity to try out the latest products and services – 41% of Indonesians either like to be the first to own, or try out, the latest products and services, according to Accenture's 2014 Digital Consumer Survey – make the sprawling country a breeding ground for next-generation digital banking and financial services.

Accenture Indonesia's managing director and head of financial services Nesan Govender and senior manager Dianne Rajaratnam have made a case that digital services make far more sense than trying to expand banking by building more 'brick and mortar' banks, given the vast and far-flung archipelago that make up Indonesia.

FINANCIAL SERVICES GROWING DEMAND FOR BETTER DATA MANAGEMENT

The growing consumption of digital services naturally fuels the demand for data center services, particularly in Indonesia's financial services industry.

According to PwC, more retail customers are becoming comfortable using the internet and mobile banking for their transactions, supported by high penetration of mobile, Internet, and smartphones.[3] The majority of bankers surveyed in PwC's Indonesian Banking Survey 2015 estimate that up to 25% of the customer transactions are currently processed through the internet and mobile banking, and that banks are using social media, such as Facebook and Twitter to attract and understand customers' needs. Indonesian banks use this data, in combination with their own customer data, to better understand customers' profile or segments and, ultimately, provide them with relevant products or services.

Until recently, banks and other financial services tended to house their ICT systems in their own server rooms due to concerns over the lack of security, quality of data centers, and the performance of network infrastructure in the country. But that is expected to change over the next one or two years.

Triggered by new laws and regulations that require financial services firms to have customers' data stored in-country, administrative guidance by Indonesia's central bank regarding data center quality and the use of data center services, plus the emergence of newly built data centers, the demand of data center outsourcing has been on the rise and is expected to increase from 2016.

Domestic and foreign banks in Indonesia are now looking to data center service providers to help them comply with government regulations that require financial institutions to deliver higher quality customer services and provide disaster recovery sites in the country by October 2017.

Notwithstanding the impetus from the government, more financial services are also seeing the benefits of data center outsourcing as part of efforts to embrace international standards and best practices, as well as address data compliance and availability issues, and the lack of skilled data center managers in the country.

SETTING INDUSTRY STANDARDS FOR DATA CENTERS IN INDONESIA

However, the data center market in Indonesia is still maturing. Until recently there were only Tier I and II facilities[4]

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[1] Source: Indonesia Investment Coordinating Board (BKPM), 2016. <http://www4.bkpm.go.id/>

[2] Source: Millward Brown's AdReaction survey, 2014. <https://www.millwardbrown.com/AdReaction/2014>

[3] Source: PwC's Indonesian Banking Survey, 2015. <https://www.pwc.com>

[4] Uptime Institute, LLC categorizes data centers into four tiers depending on the availability of services. Tier I has the lowest availability while Tier IV has the highest availability. <https://uptimeinstitute.com/>

Indonesia Jakarta 2 Data Center

available, with many customers and providers still in the process of learning about data centers, while foreign companies are also struggling to access the same level of quality they are used to obtaining elsewhere. Since Tier III data centers have only sprung up in Indonesia since 2009, many providers are still learning about data center operations, such as what SLAs (service level agreements) entail and what is needed to meet specific business service requirements.

Data center tiers are industry standards that denote the requirements for data center infrastructure, with Tier III data centers offering more robust technologies that ensure greater reliability and availability than Tier I and Tier II facilities.

Cost is frequently the first consideration of customers as they are usually more interested in how much they need to pay for the rack space and power, but the quality of service should be just as important, especially with only a few data center service providers in Indonesia able to deliver a high quality service.

MINIMIZING DOWNTIME

In Indonesia, 62% of organizations had unplanned systems downtime and 35% suffered data loss in 2014. These are usually caused by hardware, software and power failure, according to EMC's 2014 Global Data Protection Index.[5]

Citing a recent example of a financial services company in Indonesia whose ICT systems at a Tier I data center went down for six hours, Mr Alvin Siagian, vice president and director at PT. NTT Nexcenter Indonesia, wholly owned subsidiary of NTT Communications, says

selecting a data center at a higher tier can be crucial. Tier III data centers can mitigate downtime as they provide guaranteed service levels.

NTT Communications' Indonesia Jakarta 2 Data Center, located in the heart of the capital, is a Tier III and fully earthquake-proof facility. Comprising state-of-the-art technologies, including multiple active powers and cooling distribution paths for redundancy, the data center is capable of delivering a high quality of service that ensures data is available when needed, 99.982% of the time.

NTT Communications has achieved this by adopting international standards and best practices in operational capacity management, support, and quality management processes such as technical support, incident management and configuration management. NTT Communications has put in place these many mechanisms to manage clients' agreed service levels, and ensure problem areas can be quickly resolved.

The data center also complies with ICT security standards such as ISO 27001:2005 and the Payment Card Industry Data Security Standard; critical for banks in Indonesia that need to comply with the country's financial data protection laws.

COMBINING TECHNOLOGY WITH CUSTOMER SERVICE AND INSIGHT

NTT Communications has a strong value proposition for the market because it understands that a data center is not just

a physical building with machines – it should combine technology with good management of compliance standards and processes, along with a very high level of quality service and a deep understanding of each business's needs.

That quality of service extends to connectivity options, too. While many data center providers in Indonesia work with preferred telecoms players, the Indonesia Jakarta 2 Data Center is directly connected to an Internet exchange point used by multiple Internet service providers. Also, the true carrier-neutral facility is connected to over 35 domestic and overseas carriers, providing excellent connectivity to the region.

This allows a customer to turn to other carriers such as NTT Communications, which has a world-class global IP network, if there are service interruptions with its original carrier.

What differentiates NTT Communications from its competitors all boils down to the depth of capabilities that has enabled it to build and operate data centers from scratch.

BETTER DATA MANAGEMENT FOR INDONESIA AND OVERSEAS

NTT Communications is well positioned in the market with its Tier III data center located in Jakarta's business district, offering international standards of quality, reliability and availability to ensure its customers are able to carry on with their business even in the event of floods, public demonstrations and electrical outages.

Looking ahead, and into the vast opportunities of the digital age, NTT Communications hopes to attract financial services companies that are based not only in Indonesia, but also outside the country.

With its global network of data centers, NTT Communications has the capabilities to support multinational corporations in their local businesses, and help them standardize their data center operations to better meet the needs of their international customers.

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[5] Source: EMC Global Data Protection Index, 2014. <https://hk.emc.com>

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