

A Unique Positioning

Stanley S. Atmadja, President Director, talks about leveraging a unique positioning and the issues of managing a fast growing business in a competitive sector.



In 2005 competition in auto-finance has been intense - how has Adira Finance managed?

“Our strategic advantage is our

ability to handle multiple brands. Being independent of any manufacturer, we avoid having to cut margins in order to support initiatives to gain market share. Whether new model launches, geographical trends, fashions or special offers we stand to benefit every time: providing that the criteria for financing comply with our risk requirements we will be in a position to do business. Increased competition has tended to mean finer terms but there is still scope for growth and we have about 10.5% share of a market that is still relatively undeveloped. Currently the ratio of motorcycle ownership is one

unit for just over 11 people, compared to Malaysia and Thailand where the ratio is 5-6 people, giving us substantial growth potential.”

Has the rapid rise in interest rates, rising fuel costs and inflation affected business?

“The rate of growth of both motorcycle and car finance did slow towards the end of 2005. However, national motorcycle sales for the year grew 30% to just over 5 million new units. Pending an expected easing of interest rates, the range of growth in 2006 is expected to be between 5.3 and 5.6 million new motorcycle units. National sales for cars grew just over 10% in volume in 2005 but a decline up to 10% is forecast for 2006. Cars represent less than 30% of Adira’s business.

Given the higher cost environment, Adira’s

performance in 2005 was very solid with total financing receivables growing by 40% and net interest income up 56% despite higher funding costs. Behind the encouraging growth, considerable work went into improving service levels, reducing turnaround time for credit approvals and better customer knowledge. We were also very active in building dealer relationships with appropriate and relevant incentive programmes matched to different regions and different needs.”

Do you expect tougher credit conditions will result in higher repossessions and write-offs?

“Since a large number of Adira Finance customers rely on their motorcycle as an essential asset for business, monthly payments are normally maintained without undue delay.

In line with the parent company, we have now adopted stringent accounting policies in accordance with Bank Indonesia guidelines on write-offs and provisioning for losses on repossessions. These prudent requirements differentiate Adira Finance from many other finance companies.

During the year we made good progress in tightening our procedures on collections and adopted clearly defined functional roles between marketing and collections. This has given us more rigorous control and contributed to sustaining a high quality customer base to which we can add value through additional services."

As a subsidiary of the Bank are you active in cross-selling its services?

"Cross-selling one another's services is our plan going forward as we invest in aligning our systems and procedures - we are doing this at a measured pace to ensure we do not overload our current systems and service capabilities and equally to avoid the risk of saturating our joint customer base with too many offers, too quickly."

In a high-growth competitive business sector, how do you keep pace in terms of good quality employees with right skills?

"Adira Finance shares the Bank's aim of being recognized as the employer of choice. Our competitive position would not have been possible without mature people, a strong culture and a commitment to invest in developing our people. Our annual employee survey showed the first priority among employees was training, not salary - that says a lot about how motivated and eager our people are."



Incentives and rewards in working together: a trip to China for outstanding dealer performance in generating sales leads for Adira Finance.

