

CONSUMERS EDUCATION AND AWARENESS IN INDONESIA (the Role of Indonesian Consumer's Organisation)

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Abstract

The consumer's movements and education have a great position in Indonesian modern era. This movement must face with the government and business in order to contribute their duty to provide their obligation in advocating consumers. Their existence actually has been pressured by the collaboration strategic of business and government through the policy. This article describes what and how the consumer's movement have strategies to handle this situation by enhancing the awareness of consumers to consume product. Consumer's movements and education have implemented the policy, strategic and tactic framework level to provide the education solutions whereas some problems have faced in the front line. The problems are 1) to enable consumers to organise themselves; 2) to conduct mediation or legal assistance and 3) to conduct advocacy.

Key words: consumer's education, strategies framework

INTRODUCTION

With the increasing globalization of commerce and the international movement of people, students who are looking for post-secondary education are no longer restricted by national boundaries. Many international organizations are organized around a specific concept and work around the globe to achieve these goals. In so doing, the educational status of those who are involved as well as the world's population in general is improved. This globalization is evidenced by the increasing number of organizations that work internationally on humanitarian causes, such as Amnesty International, International Humana People to People Movement, Greenpeace International, International Red Cross and Red Crescent Movement, People's Global Action, among others (Freeman and Thomas, 2005)

Day and Aaker (1984) state that The most common understanding of consumerism is in reference to the widening range of activities of government,

business, and independent organisations that are designed to protect individuals from practices (of both business and government) that infringe upon their rights as consumers. This fact has impacted on the need for consumers education.

In developed countries they have entered the age of “the new consumerism,” with companies themselves functioning as consumer advocate (Yohalem 1996, p.1). Unfortunately, in a developing country like Indonesia, not only do businesses often have minimum awareness of consumer rights, but consumers also have little understanding of their own rights. In addition, the government tends to delay consumer protection bills (Abdullah 1990; Baehaqie and Saidi 1991). These conditions have had an impact on the emergence of a strong consumer organisation movement. For the last two decades, there have been many consumer organisations founded in Indonesia. ‘As non-governmental group organisations, consumer organisations have a specific role in the law, social, environment and **education sectors**’ (Rachbini in Susilo 1996, p.vii). These movements have influenced the government and business policies. ‘Recently, consumerist concerns have been expanded to include the integrity of the environment and the protection of disadvantaged consumers from unfair business practices’ (Assael 1987, p.19).

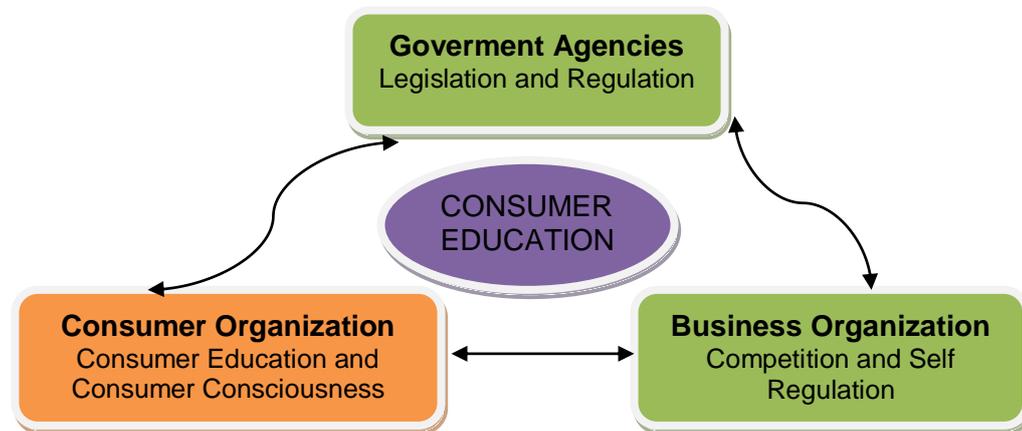
Education is the foundation of the success of today’s increasingly global marketplace. Complicating this is the increasing globalization felt in communication, commerce, technology, and politics, among others. To educate those who will both participate in and be affected by this globalization is an increasingly onerous task that must respond to and incorporate economic restructuring, demographic shifts, and increasing reliance on information technology as a signpost for the knowledge economy.

The consumer movement includes consumer groups but also business groups, trade, public interest groups, general business associations, and policy research centres (Metzen 1996; Bykerk et al. 1995). Adapted from Sheth and Mammana in Assael, figure 1 describes the agencies involved in consumerism. (1987, p.637). Since the seventies the number of consumer organisations have been increasing. ‘Today there are more than 22 voluntary organisations working for the welfare of the consumers all over Indonesia’ (Tantri and Sularsi 1995,

p.17). Anwar Fazal, the President of International Organisation of Consumer Unions (IOCU) states that ‘Diverse organisations are building on the solid bedrock of quality research and relevant information that has been provided by Consumers International members over the years (in Elwood and Martin, 1984, p. 4). Consumer organisations are making the consumer movement a truly effective force in the global market place.

With the development of standardisation and the consumer protection efforts of the government, consumer organisations are in a better position to play an important role in protecting, and educating the consumer. It has instilled confidence in the minds of the people and has made them feel that there is no substitute for the united efforts of consumers. In such a situation, getting a person to come forward with a consumer problem can be a major victory. According to the head of an Indonesian Consumer group, ‘Whenever we help someone win a case who has never before dared to fight those in power, we observe that suddenly he or she has new confidence. It is empowering work we are doing’ (Sim in Mayer 1989, p.154).

Figure 1: Agencies involved in consumer education



Source: Adapted from Assael 1987, p.637

An Overview of Consumer Education in Indonesia

The importance of the education marketplace is recognized by the World Trade Organization (WTO), which administers the General Agreement on Tariffs and Trade (GATT), originating in 1947. In 1995 the WTO expanded GATT to

include services including education under the Central Product Classification system that categorizes education as primary, secondary, higher education, adult, and other (Association of Universities and Colleges of Canada, 2003c). Higher education in this system includes university, college, vocational, and technical education. They have also had a responsible as a subject of consumers education. **The right to consumer education** is to acquire knowledge and skills needed to make informed, confident choices about goods and services, while being aware of basic consumer rights and responsibilities and how to act on them (CI, 2015)

In the ethics era, the business organisation and university must respect and care about the welfare of those affected by marketing decisions. More fundamentally, when values such as trust, honesty, respect, and fairness become incorporated in marketing decision making, marketing managers need to rethink many assumptions about the appropriateness of their practices. Business organization should be concerned with social responsibility and to reduce its negative effects (McCharty et al. 1998, p.270; Smith 1995). However, being socially responsible sometimes requires difficult trade-offs. 'In China Consumers were worried about misleading information in these advertisements. Respondents perceived strongly that advertising by medical professionals would lead to an increase in the price of services (Chan, et al, 2013). and we also feel this in Indonesia the people with higher education were more sceptical toward advertising by medical professionals. Another things that practice encourages new mothers to discontinue breast feeding at an early date. The Indonesian consumer is a complex combination of traditional value systems and modern aspirations. 'Scarcity of quality information is still a big problem in Indonesia' (Dahlan 1997, p.134). This year, Indonesia's population living in urban areas is estimated to have reached 54 percent. If the current population of Indonesia has more than 240 million, meaning that there are at least 129.6 million people who crowded urban areas. This figure soared compared to the results of the population census of 2010. At that time, as many as 49.8 percent of the 237.6 million Indonesian populations live in cities (Kompas, 2012). This is the problem to educate people. 'Indeed, some critics complain that knowledge of consumer behaviour simply enables a

businessman to better exploit vulnerable and naive consumers' (Rachbini in Susilo, 1995, p.vii).

Public policy intersects the field of consumer behaviour when public policymakers (government) believe that intervention in the process or outcome of marketing exchanges (i.e. between marketers and consumers) will benefit society as a whole. According to Schiffman 'The types of intervention the government usually employs are (1) regulation, (2) consumer education, and (3) the provision of incentives to encourage desired behaviours' (1994, p. 627). Through regulation, the Indonesian government has prohibited certain types of marketing practices such as the sale of unsafe products, has influenced the nature of certain practices (e.g. the information provided on food labels (*halal* or kosher), and has prescribed certain practices (misleading or deceptive advertising such as cigarette advertising). Existing consumer legislation is of piecemeal nature with several institutions, departments or government's officials being empowered to make various regulations concerning consumer protection including: 1) Housing Act of 1992 no.4; 2) Rule of Health Minister no. 392/Menkes/Per/XII/1976 concerning food production and food distribution; and 3) Rule of Health Minister no. 79/Menkes/per/III/1979 concerning Labelling and advertising (IOCU 1995, p. 249).

After a struggle of twenty years, the Consumer Protection Bill was finally passed at a plenary of Parliament held on Tuesday (30/3/99). 'The concept of the bill was restudied after Parliament took the initiative and drew its right in a relative short process of one month' (Kompas 1st March 1999, p.1). The parliament claimed it as their initiative. The Consumer Protection Bill was one of the successful of Indonesian consumer organisations (YLKI) on bargaining, because YLKI had been proposed the concept since 1985 (YLKI, Annual Report 1986; Kompas 1st March 1999).

The Importance of Consumer Education

The average consumer in Indonesia is confronted with a large number of problems. Sporadic efforts are being made to unite the consumer to fight for their rights, but the consumer movement in Indonesia has now started picking up

momentum. However, the movement is limited to consumers from high-income groups and is largely confined to metropolitan cities such as Jakarta, Surabaya, Medan, Semarang and Ujung Pandang.

As defined by the American Marketing Association (AMA), “consumerism” is the actions taken to protect the public from infringements upon their rights as consumers (American Marketing Association, 2004). A vast majority of people are not even aware of consumerism as a movement closely associated with the protection of their interests. Under such circumstances it is important that consumers themselves develop certain principles and adopt certain methods to see that they get their money’s worth. In Indonesia, consumers should be careful to manage their income in a systematic manner to get maximum return for their money, since currency (money) crisis has become the most critical consideration in all transactions (YLKI October 1998).

Industrialization and technological development have brought in its wake a number of effects, which have completely changed the face of the market and the consumer environment. With advertisement and other technologies racing far ahead of literacy, the consumer is faced with an array of products.

The government too has brought little relief to the consumer at large through its burdensome policies of taxation, borrowing, trade and other levies. In fact it has helped to produce three distinct categories of consumers:

- One, the *producer-consumer* who makes enough money on the products he produces and sells, enabling him to buy anything he wishes to use at any price.
- Two, the sole consumer, better expressed as consumer – consumer who mainly represents the less privileged classes with limited resources available for consumer goods and services. This class also includes a very large segment of non – literate consumers, who are ignorant of the products they are surrounded by and feel frustrated by their inability to receive even essential services in time for survival.
- Three, the *rural consumer* who is completely unaware of the happenings around him and tries to survive with whatever he can produce, being often unable even to afford to bare necessities of life for his family (Sethi and Seetharaman 1994, p.3).

Indonesian consumers are very heterogeneous in composition, following different religions, using very different products and services and adhering closely to their varied traditions. According to the Indonesian University researchers 'they are also illiterate, ignorant, defeatist, and therefore remain at the receiving end. The value system, like *nrimo* culture (accepting whatever happens) has made the consumer feel inferior and reluctant to complain (Kompas May 15th 1997, p.2). The serious implication will be impacted on rural and poor groups that do not have economic capability. Their consumption is limited to cheap products. For these groups, the consumer education becomes very very relevant and urgent. According to Iwantono (1996, p. 1) 'the upper class is more *self protected*, because of their economic capability, so they have more choice on service and product'. According to Boct (2013) Consumers with a lower level of perceived economic welfare (i.e. See the economy and their family's financial situation as worse this year versus last year) were less motivated to consume for status. Furthermore, this relationship was positively moderated by education. No relationship was found between consumer confidence (i.e. consumers' perceptions of the economy in the future year) and status consumption.

Consumer neglect is abundantly manifested in the adulterated food, polluted air and contaminated water we take in, spurious, unsafe and sub-standard products, especially drugs we purchase, and the recurrent shortage of essential commodities we face from time to time. Not only that, the Indonesian consumer, or for that matter consumers in most parts of the world too, suffer from humiliation and harassment in every market place. Almost any endeavor to get satisfaction from the purchase of goods or receiving services, results in frustration (Kompas May 15th 1997, p. 2).

Consumer protection, therefore, has still become a global concern. Any effective policy for consumers has to be based on consumer protection, education and discretion. Consumers International (CI) or IOCU which has over 240 *member* organisations in 120 countries, including Indonesia, has emphasized the realization that as the marketing of consumer products has crossed physical boundaries, consumers protection and advocacy must be international as well' (CI, 2015).

The main objective of IOCU's consumer guidelines is to extend the same or similar benefits of consumer protection to people not only in the developed countries of the world which are well advanced in Consumer Protection/Advocacy but also to those in the developing and underdeveloped countries because consumers encounter similar problems in every continent in the world.

In a country like Indonesia, there is a great need for consumer advocacy and education. With better awareness on the part of the consumers it has expected that there is a tremendous scope for consumerism. The educated consumers of Indonesia have started considering consumerism as necessary for improving the quality of life, since it touches the basic need of man, apart from food, shelter and clothing. Consumerism has, thus emerged as a social as well as a legal force to protect the interest of the consumers'

Consumerism was adopted in 1973, when one of the biggest consumer movement organisations was established. The role of YLKI and other consumer organisations are not only to educate and guide the consumer with respect to redress of complaints but also to make the consumer education a reality, through co-ordinated efforts from all angles (YLKI October 1998).

Strategic Advocacy of Consumer's Movement

A strategy is a specific pattern of decisions and actions that managers take to achieve an organisation's goals' (Hill and Jones 1998, p.3). Meanwhile, consumer's advocacy seeks consumer protection regarding all system and economical structures (Baehaqie and Saidi 1991, p.5). In strategic advocacy, YLKI attempts to influence the decision making process in the government and the business sector to encourage more responsibilities toward consumers. The orientation is to change the condition for benefiting and strengthening consumers' role and position. The directions of advocacy and education strategies of YLKI are: 1) *At the Policy Level*. At the policy level, the need for strategic advocacy is along with vision socialize that is continuously followed by strategic approaches. It must be realised that the decision making process has always followed the process of bargaining position and decision making. 'YLKI must realize that the Indonesian businesses are powerful' (Baehaqie and Saidi 1991, p.5); 2) *At the*

Strategic Framework level. The direction of strategic framework is doing a class of multi-level networking. So, all risks could be anticipated as soon as possible and precisely. ‘As a tool, the net workings have been proved as indicators of the success of the advocacy services. The environmental power of community is very effective and easy to encourage through net workings’ (Baehaqie and Saidi 1991, p.5) and 3) *3. At the Tactical Framework level.* Doing general opinion campaign as a part of community organising urgently needs the tactical approach. ‘Information and public pressures are the best tools in attracting the business and government attention. So, the businesses and government do not just listen, but they also implement their consumer policies’ (Baehaqie and Saidi 1991, p.5).

The three approaches must be considered together, in order to implement the advocacy services properly. Certainly, it is possible that advocacy activities will cause ideological and political confrontations. However, only in this way, the advocacy services will be effective and efficient.

Basically, there are three methods to improve the situation in advocating: 1) To spread information and to publish papers; 2) To encourage extensive and comprehensive support; 3) To influence the government authorities (Baehaqie and Saidi 1991, p.5).

These three methods and techniques complement each other. Even, the subsequences have to do so, because it shows connection activities. In fact, that’s what happens in practical situations. At the first step, consumers need information, then the consumers will be supporting, and at last, the Indonesian consumer organisations will gain legitimization to influence the government, private businesses or public businesses.

In addition, the needs for strategies for supporting advocacy services are: 1) Investigative Reporting; 2) Community Organising; 3) Lobbying; 4) Networking; and 5) Litigation (lawsuit) (Baehaqie and Saidi 1991, p.5).

These five strategies are also complementing each other, it means that the services have a role in the same level dealing with advocacy framework.

By strategic intent, we refer to the purpose(s) of the organisation and the ends it pursues (Hamel and Prahalad 1994). These can be very broad (vision and mission) or more focused (goals and objectives). The vision, or mission, of an

organisation is a formal declaration of what the organisation is trying to achieve over the medium to long term.

‘The historic mission of the consumer movement is to put ‘people power’ into the contesting of the public interest to be a countervailing influence against money power’ (Elix 1995, p.12). The Indonesian Consumer Organisation Vision is to make consumers aware of their rights and responsibilities as consumers. The mission is to empower consumers by increasing awareness of consumers’ rights and responsibilities such that they can protect their social and physical environments by themselves. The objectives are:

- To enable consumers to organise themselves in establishing their rights vis a vis goods and services providers to the provision of information and education for consumers
- To conduct mediation or legal assistance for consumers in case of their inability to solve their problems themselves
- To conduct advocacy to influence governmental policies so that consumers would have laws and regulations to support their rights (YLKI 1998).

According to John Braithwaite the role of the consumer movement is really to contest the consumer interest more than to represent it. If we are to have a rich democracy there must be room within it for many views of the consumer interest. If the consumers’ views are not heard, governments will surrender the terrain of public debate to the power of money (in Elix 1995, p.12).

The Future of Consumerism in Indonesia

Some form of consumerism exists wherever a moderate degree of market-based economy is combined with a democratic political system. Two broad types of factors shape consumerism in developing countries. On one hand, there are the relatively indigenous characteristics of markets and consumers in these nations. On the other hand, developing nations import goods, visions of ‘the good life,’ and consumer policies from more developed nations. (Mayer 1989, p.148). Consumerism is seen as a country-specific phenomenon having different aspects according to the country, according to the priorities of the population, and the potential avenues of redress (Ho, 2001). Despite the differences, the recognition

of consumers as a priority is increasing around the world (Freeman and Thomas, 2005).

It cannot be denied that most of the strategies of YLKI are adopted and adapted them to the local condition from the developed countries. As the member of Consumers International, the policies, which CI implements influence the future of consumerism in Indonesia. YLKI sends their key employees to some developed countries for basic training in consumer advocacy (Education Division 1998)..

Thorelli (in Mayer 1989 p.149) recommends that the first priority of consumer policy in developing countries is consumer protection. This means more than ensuring that products are reasonably free from risk; consumer protection should also involve replacing the random and ephemeral elements of the marketplace with standards of product integrity and quality. According to Thorelli, consumer education should be the second priority in the area of consumer policy, if for no other reason than it is a prerequisite for the effectiveness of consumer information programs. Moreover, education includes much more than simply how to use consumer information; it involves becoming knowledgeable about market processes, budgeting, decision making, asserting consumer rights, and accepting consumer responsibilities. In fact, the need for education is the main priority of YLKI. It relates to the consumers' background especially the young generations. The different backgrounds among the developing countries must be carefully taken under consideration because the focus of dealing with the kind of priority decided is a critical aspect for the success of consumer advocacy.

Because of the various ways in which consumers are treated in terms of price, quality, safety etc., the consumer movement is picking up and has the impetus to move further due to action of various factors. These factors are:

- *Spread of education:* In Indonesia, efforts are being made to improve the literacy level of its citizens. The increasing number of educational institutions being opened all over the country is an indicator in this respect. Efforts are being made for educating people even in remote areas of the country. A great deal of emphasis is being laid on providing both formal and informal

education to the people. Adult education and distant education programs have opened up the avenues for education of the people has created awareness and has built confidence in the minds of the people to fight for their rights. The more educated the people, the more the YLKI can manage the consumer's education and communication programs to anticipate the consumers of the next millennium.

Petersen writes that big businesses is doomed and will disappear in the future. The era of the large industrial enterprise is over... more affluent and educated consumers are changing the character of markets...New information technologies, with emphasis on quick product turnover and informal alliances, smash the power of the large firm's using effective partnerships and alliances become the new kings of the Hill ...(1994, p.310).

- *Consumer Awareness:* The modern consumer has better awareness about consumer rights and therefore, makes an effort to fight for his rights when faced with injustice in his transactions. Consumer Protection Bill supports this outcome.
- *Religion awareness:* as the biggest Moslem population in the world, the Moslem people have encouraged the government to introduce *halal* or kosher meals for foods and all product labeling. The education division of YLKI has implemented some educational programs through *pesantren* (Moslem traditional school) and Moslem youth organisations.
- *Legislative measures:* The enactment of Consumer Protection Bill is a milestone in the consumer movement. This way, the state has taken certain steps to protect consumers from exploitation by unfair trade practices. The new era has a momentum, since the parliament passed the consumer protection law in 1999. The proceedings of these forums are given wide publicity and more and more consumers are making use of these provisions of law to solve their problems. This new law can be traced as the new history for improving the new standard on consumer advocacy in Indonesia. The consumer, at last, has a new power to protect his interest. The business itself must be careful in the implementation of practical aspects, and the government has more responsibility in protecting the consumer from and deceptive

business practices. With the development of regulation and the consumer advocacy efforts of the government, the YLKI is in a better position to play an important role in protecting and educating the consumer. It has instilled confidence in the minds of the people and has made them feel that there is no substitute for the united efforts of consumers.

- *Health care reform* is one issue for the consumer advocacy optimist to observe in the near-term future (Susilo 1996, p.63-67). After the formation of an extensive YLKI coalition with *Ikatan Dokter Indonesia* (Indonesian Doctor Association), impressive data are forthcoming at a steady pace, there is strong potential to play producers against each other, and widespread public concern is evident.
- Another trend with potential impact on consumer advocacy is the growing appeal for *environmentally sensitive* choices in the marketplace. “Buying green” may prove to be a powerful vehicle for both consumer and environmental causes (Bykerk at. al. 1995 p.xx). Green consumerism is the new phenomenon in Indonesia. YLKI’s mission is to encourage real action with the involvement of consumers (Susilo 1996 p.55). The strategic planning of YLKI is to provide environmental education subjects which are focused on ecology, environmental ethics, green consumer movement, and the cleaning up of the environment from pollution.

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