



ASEAN Valuers Association



VALUER QUO VADIS IN THE ERA OF DIGITALIZATION

23RD AVA CONGRESS – INDONESIA COUNTRY REPORT

¹Harizul Akbar Nazwar – *Head of Research of Development of ISA*

²Rifki Khoiruddin – *Chief Editor Asset Management and Valuation Journal of ISA*



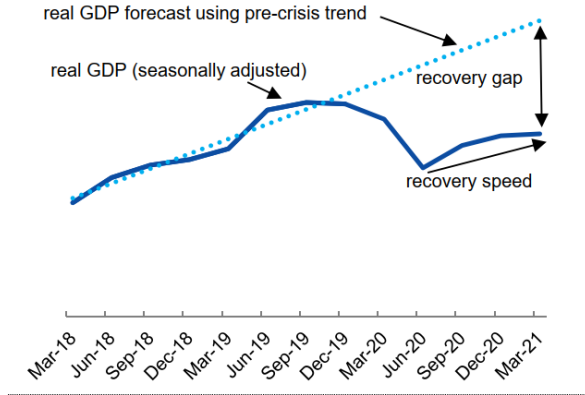


First CHAPTER : **Macro Outlook**

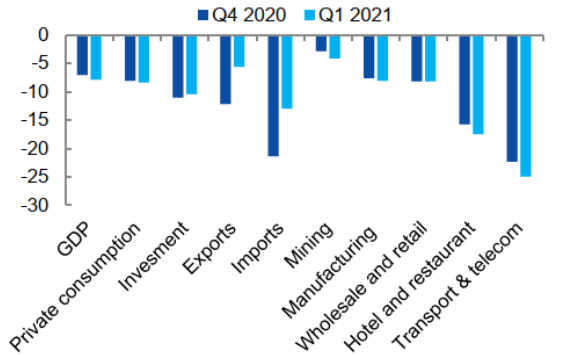


Economy Outlook

(the y-axis is real GDP for Indonesia, seasonally adjusted)

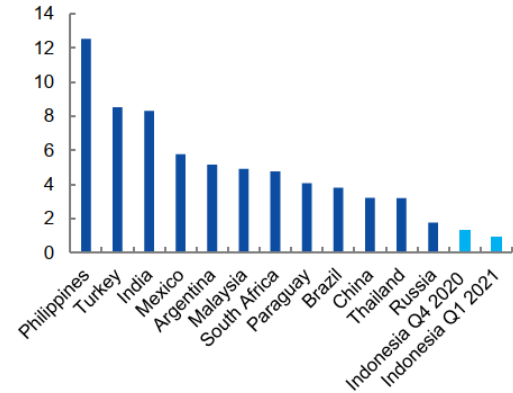


(recovery gap, percent)

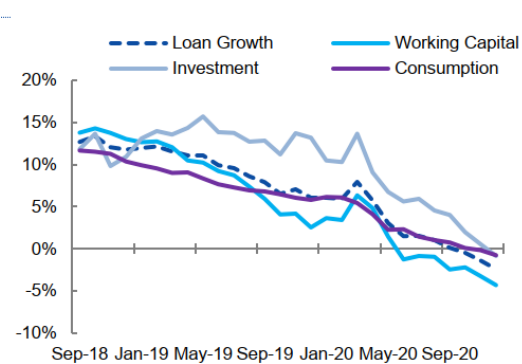


Source: World Bank (2021)

(recovery speed, percent)



(percent yoy)



Source: World Bank (2021)



Economy Outlook

	2019	2020	2021	2022	2023	2024
	Actual		Projection			
Real GDP	5	-2.1	4.4	5	5.1	5.1
CPI (year-average)	2.8	2	2.3	2.8	3.2	3.4
Fiscal Balance	-2.2	-6.2	-5.4	-4.1	-3	-3
Central Government Debt	30.2	39.4	41.2	42.6	43	43.5
Current account balance	-2.7	-0.4	-1.5	-1.8	-2	-2.3

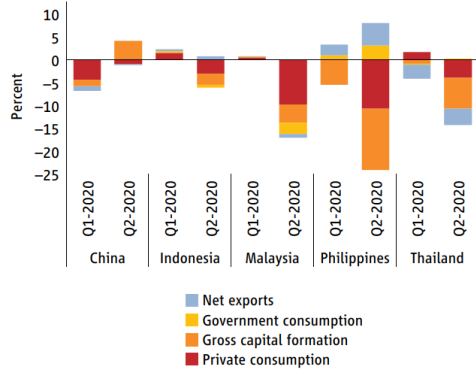
Source: World Bank (2021)



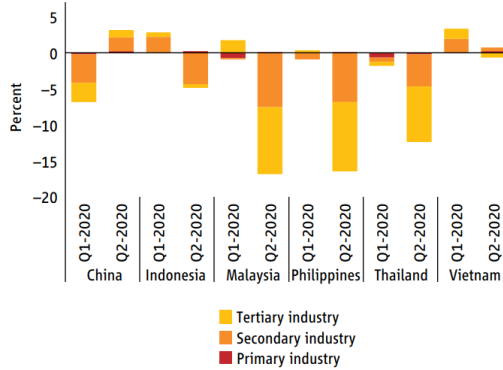


Economy Outlook

GDP growth by expenditure categories

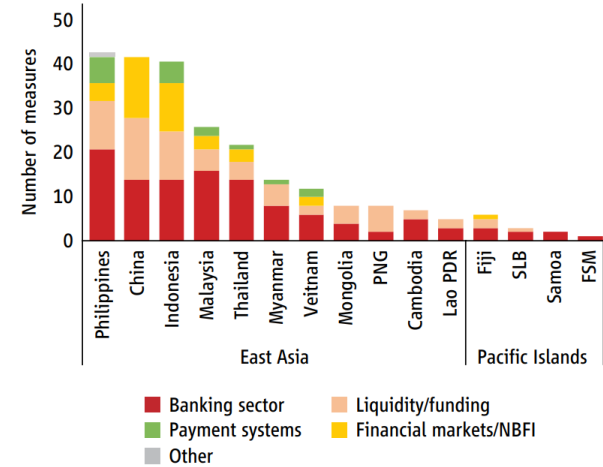


GDP growth by industrial sectors



Source: World Bank (2020)

Financial Sector Support

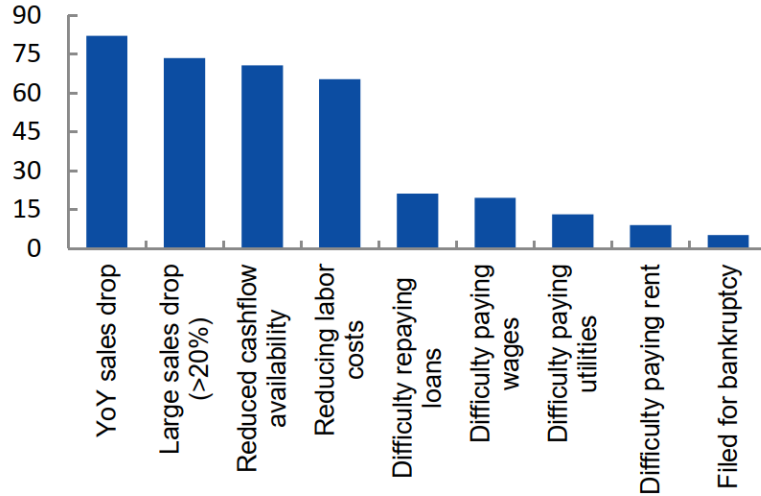


Source: World Bank (2020)



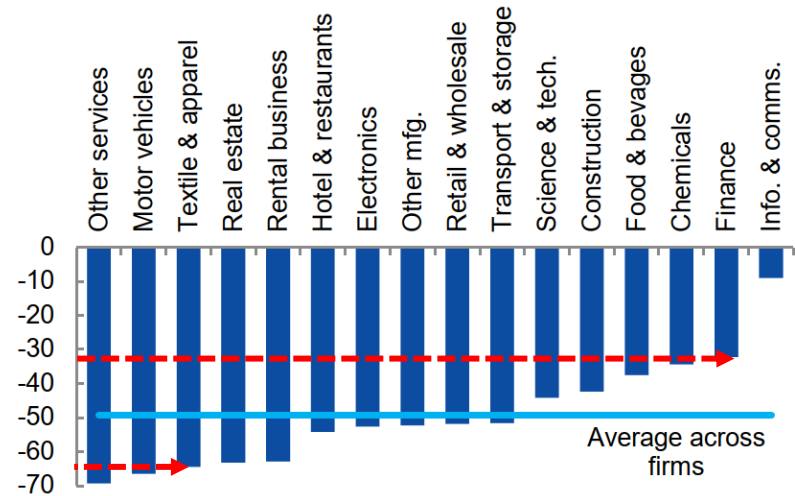
Economy Outlook

Share of firms that experienced difficulties in May or June 2020, percent

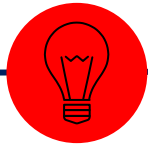


Source: World Bank (2020)

Average change in yoy monthly sale, May-June 2020, percent



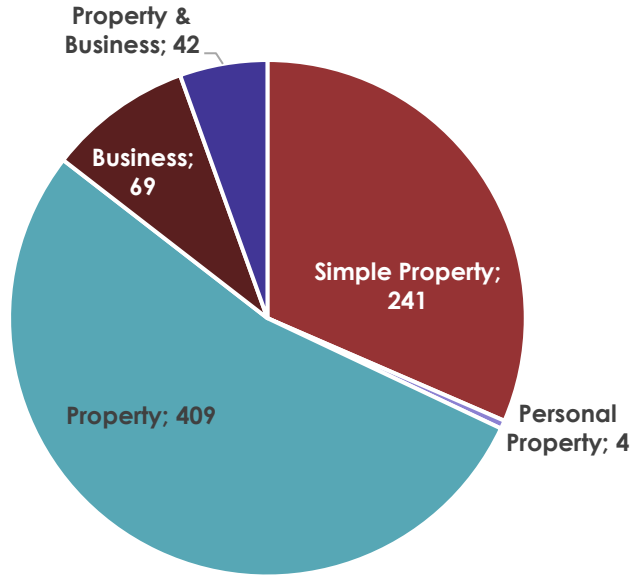
Source: World Bank (2020)



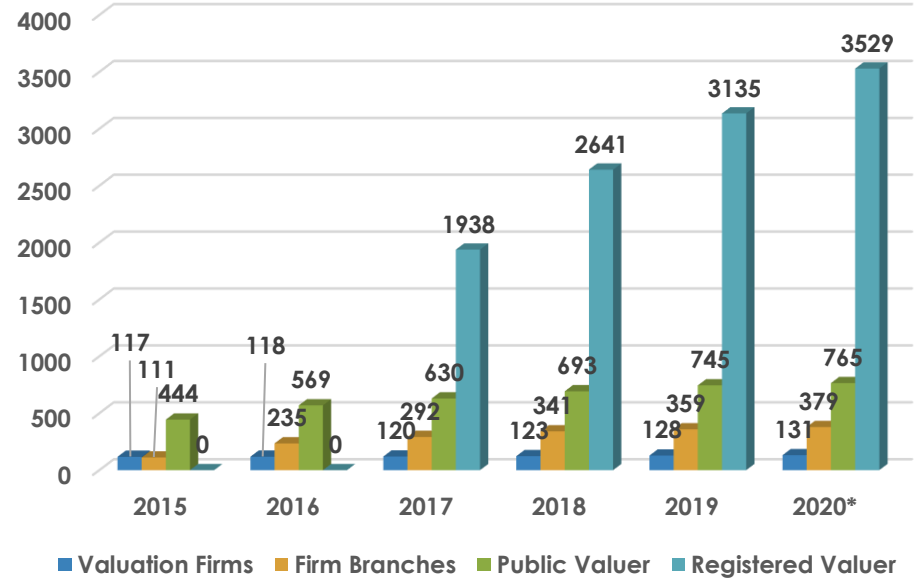
Second CHAPTER : **Valuation Industry**



Number of Public Valuers



Source: MoF (2020)

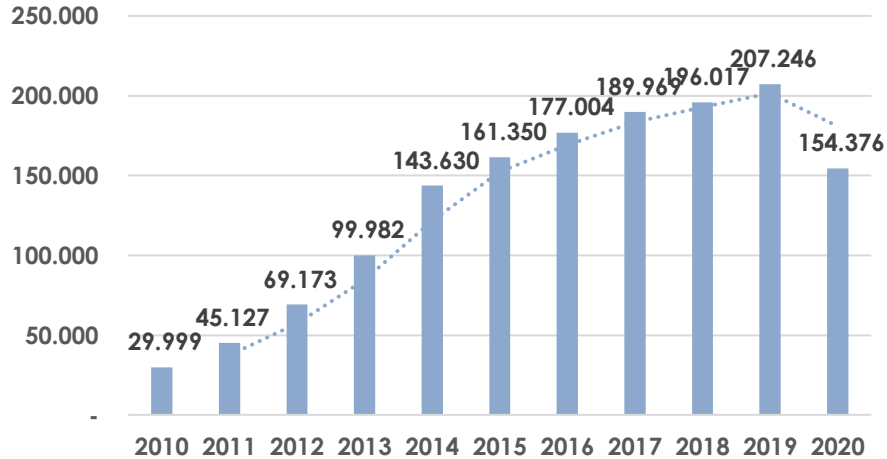


Source: MoF (2020)



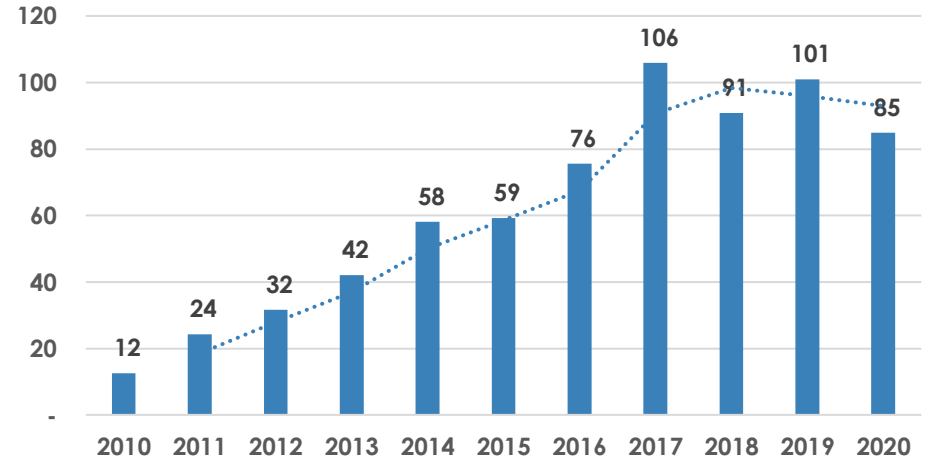
Valuation Report

Valuation Report Production



Source : MoF (2021)

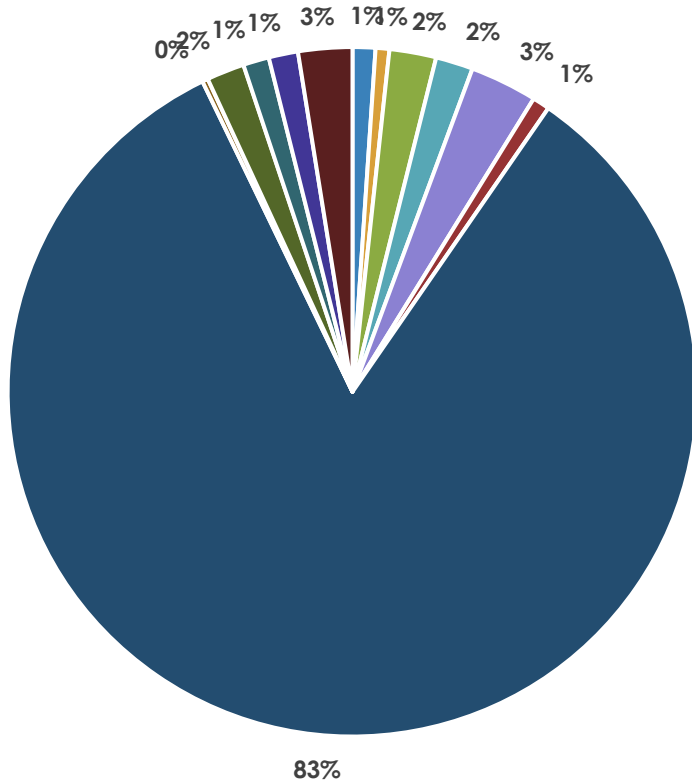
Valuation Total Fee (Billion USD)



Source : MoF (2021)



Valuation Tasks



- Agricultural
- Mining and Energy
- Property and Construction
- Manufacturing
- Good and Services
- Information, Communication, and Transport
- Financial Services - Bank
- Financial Services - Insurance and Pension Fund

The Banking Sector controls 83% of valuation industry market

Even though banks are currently experiencing a decline in the number of credits and an increase in NPLs

The firms have too high dependency with banks

If this sector stagnates, it will have a significant direct impact on the valuation industry



Valuation Potential Tasks

Asset Transaction

- Buy and sell
- Asset disposal

Banking

- Debt restructuring
- Auction/liquidation

Corporate Action

- Diversification
- Merger & Acquisition
- IPO

Government

- Land Acquisition
- Asset purchase
- Infrastructure valuation

Consultancies

- HBU
- FS
- Market study
- Compensation study
- Financial advisory



Third CHAPTER : **Valuation Industry, Challenges** **and Oppurtinities**



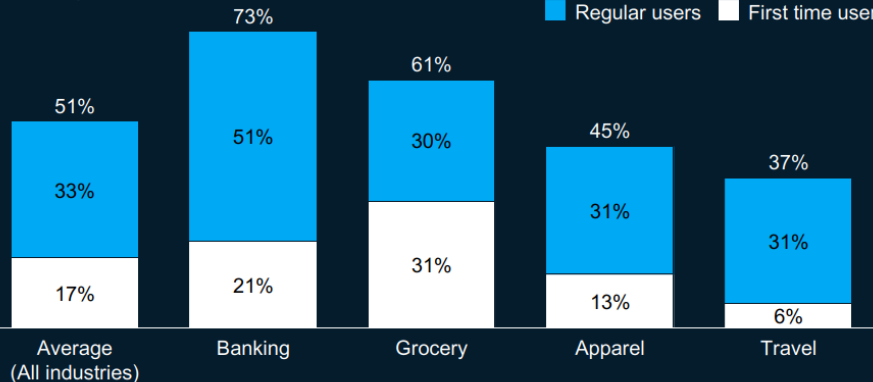
Digital Adoption

Consumers are accelerating adoption of digital channels¹

Most first-time customers (~86%) are satisfied/ very satisfied with digital adoption and majority (~75%) plan to continue using digital post-COVID

% of respondents

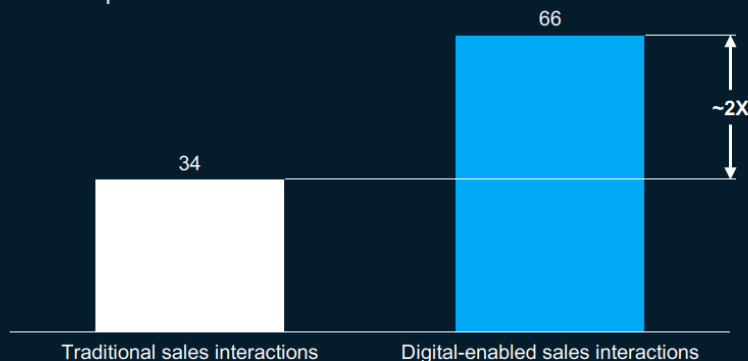
■ Regular users ■ First time users



...and so are B2B decision makers²

B2B decision makers believe digital sales interactions will be ~2X more important than traditional interactions in the next few weeks (vs equally important pre-COVID)

% of respondents



Source:

1 - Q: Which of the following industries have you used/visited digitally (mobile app/ website) over the past 6 months? Which of these services have you started to use digitally during COVID-19?

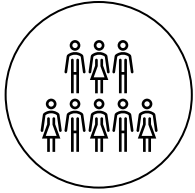
McKinsey & Company COVID-19 Digital sentiment insights: survey results for the U.S. market; April 25-28, 2020

2 - McKinsey B2B Decision Maker Pulse Survey, April 2020 (N=3,619 for Global. Respondents from France, Spain, Italy, UK, Germany, South Korea, Japan, China, India, US, and Brazil)

How about valuation?

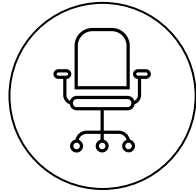


Forces that shaping the Next Normal



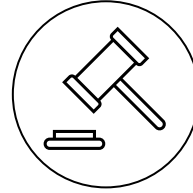
Metamorphosis of demand

Shifting demand trends by consumers from a conservative model to a digital model



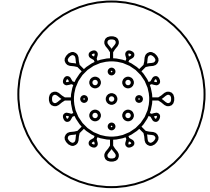
An altered workforce

The demand for labor is changing new demand trends for reskilling, such as digital marketeers, IT experts, and others



Regulation Uncertainty

Government policies will tend to change based on the needs and conditions of the economy, politics, social and health



Evolution of the Virus

Lock downs, and other restrictions policy really depend on the ability to develop the corona virus and vaccine rollout reaches a critical mass of the population

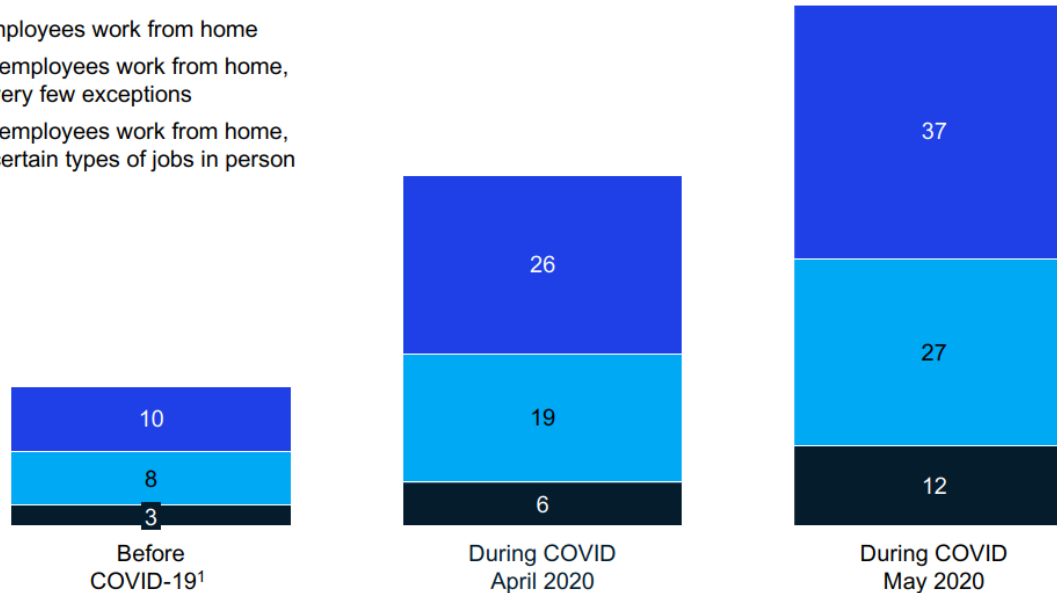


Shifting Working Environment

Working environment

Question: Which of the following best describes your company's typical work from home policy BEFORE and DURING the coronavirus COVID-19 pandemic?, %

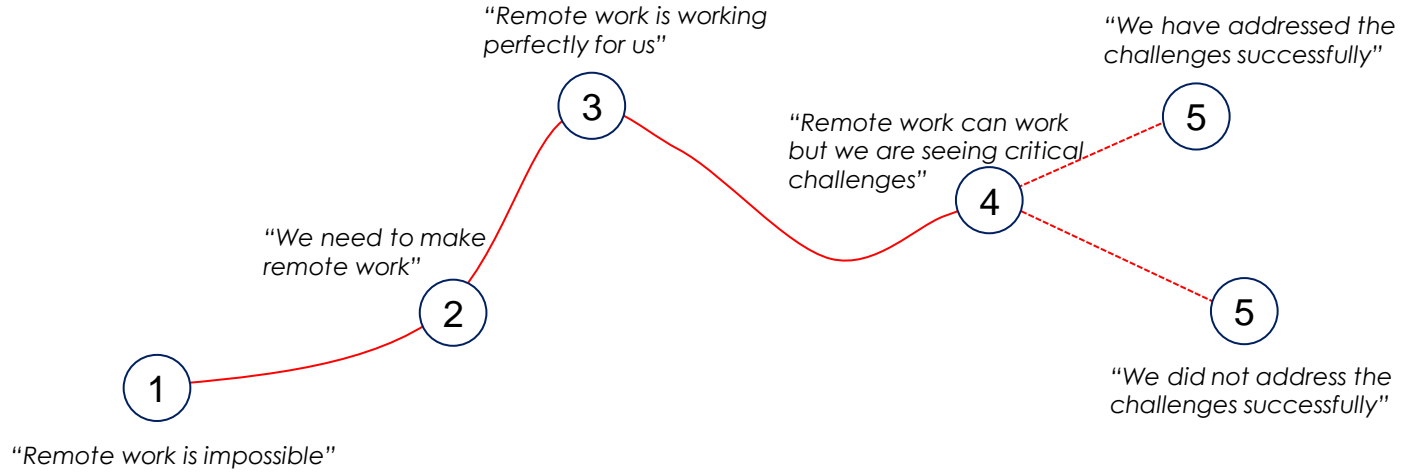
- All employees work from home
- Most employees work from home, with very few exceptions
- Most employees work from home, with certain types of jobs in person



Source : McKinsey & Company Surveys (2020)



Shifting Working Environment



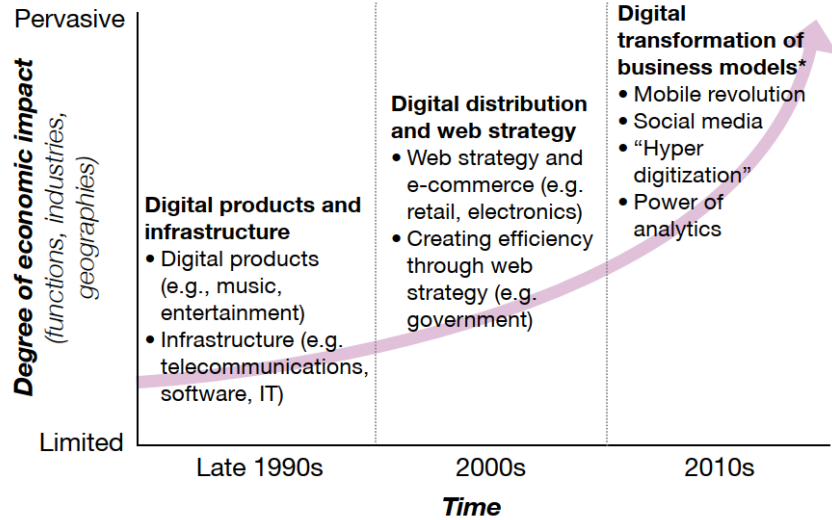


Fourth CHAPTER : **Digital Transformation**

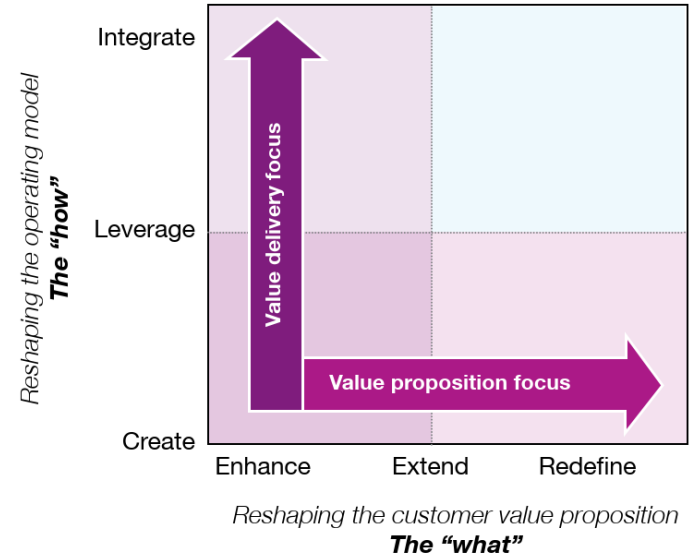


Digital Agenda

Evolution of digital transformation



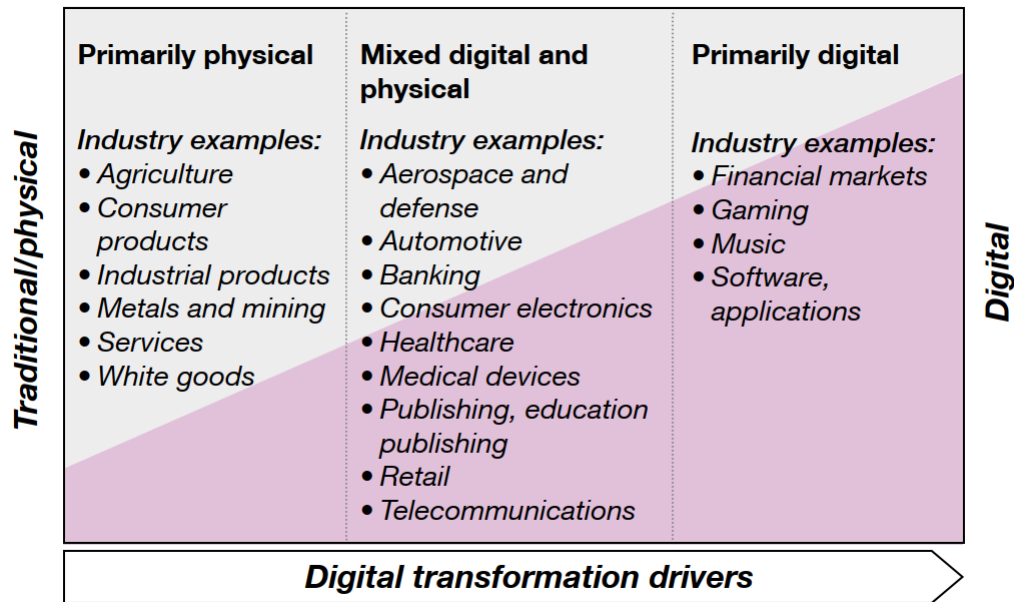
Sumber : IBM Institute for Business Value (2020)



Sumber : IBM Institute for Business Value (2020)



Digital Agenda



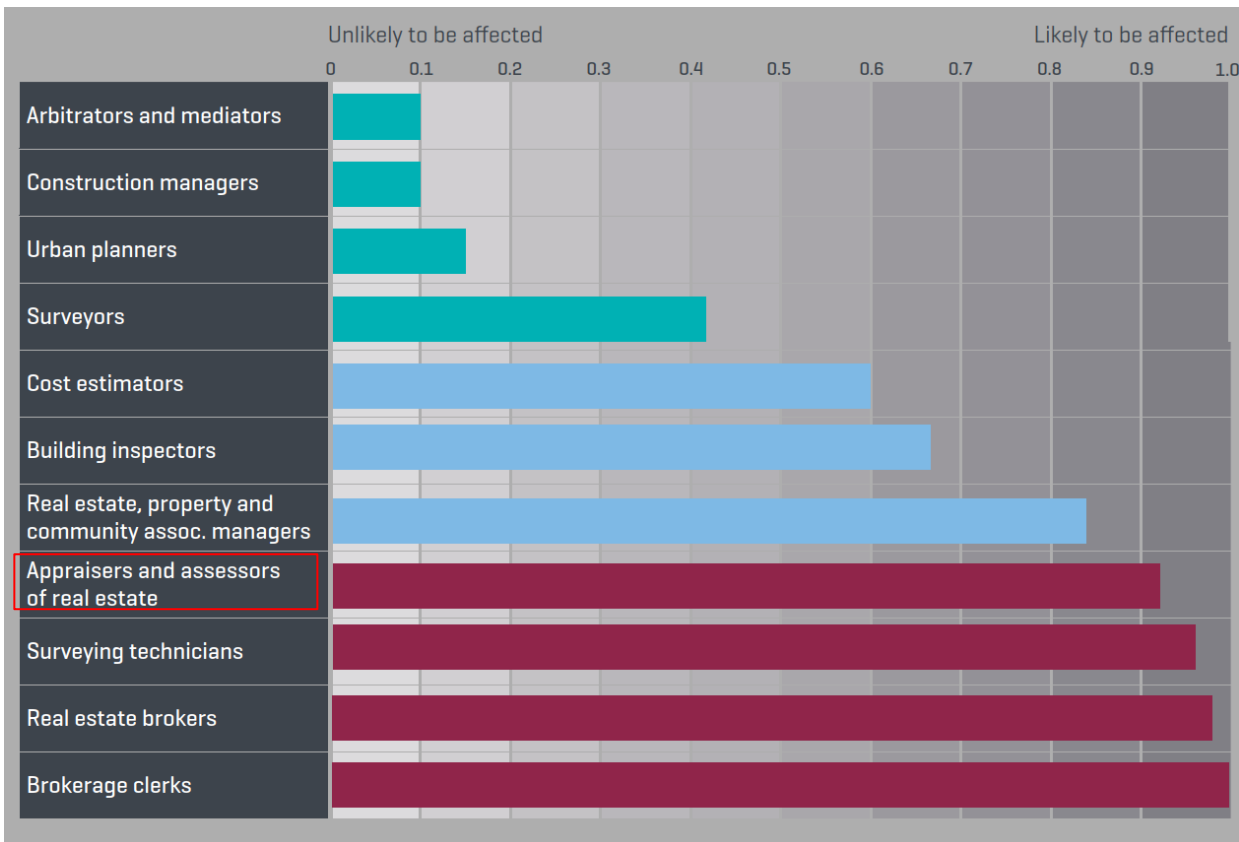
Sumber : IBM Institute for Business Value (2020)

Transforming the business

What should the valuation industry do to transform in the digital age?



Digital Agenda



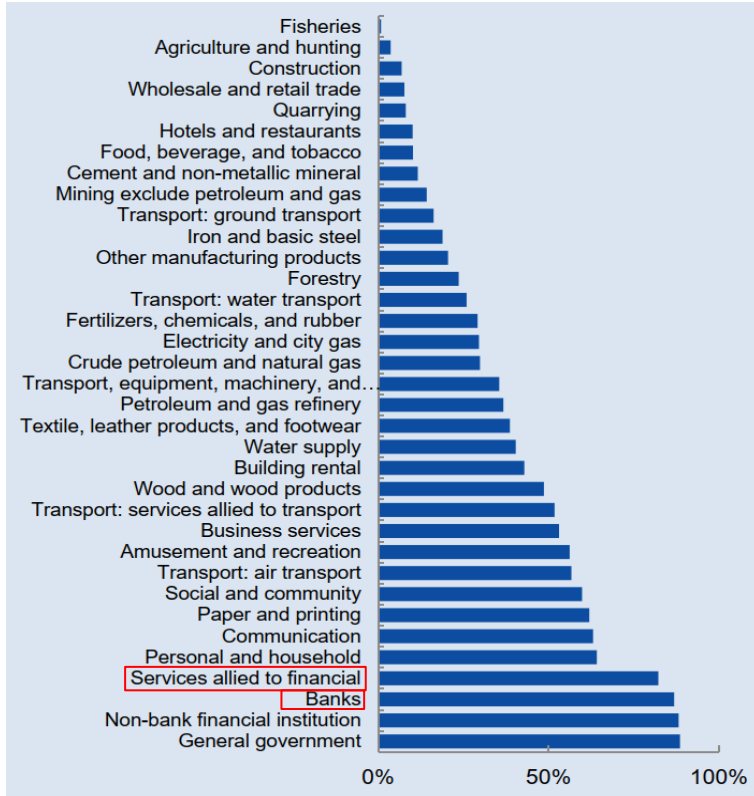
This figure shows that valuation is among the most likely to be affected in the (near) future.

The main question is whether these developments **could help** the valuer deliver a more **accurate and efficient valuation**, or alternatively, completely or partially, **replace the role of the valuer?**

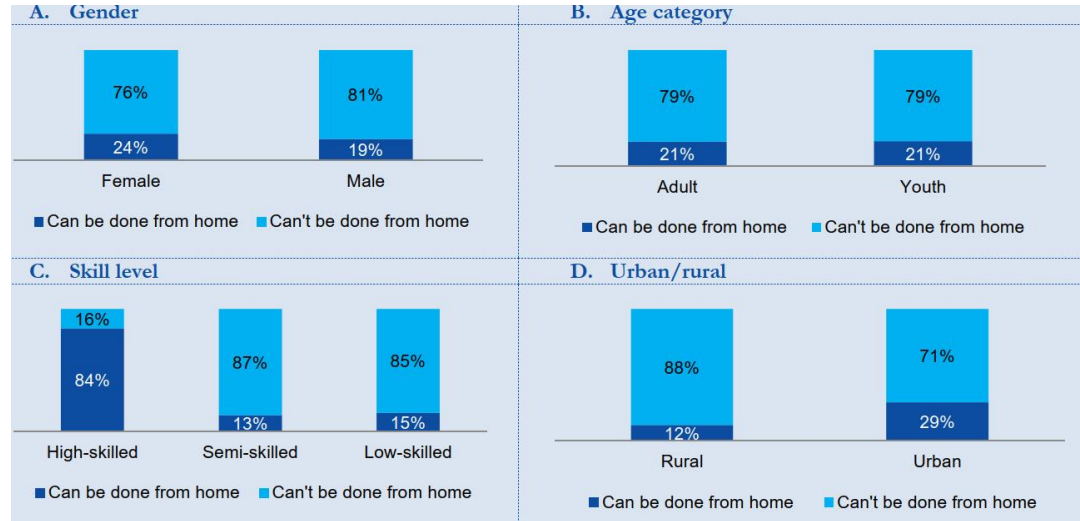


Digital Agenda

Percentage of jobs that are estimated to be amenable to be done at home (percent)



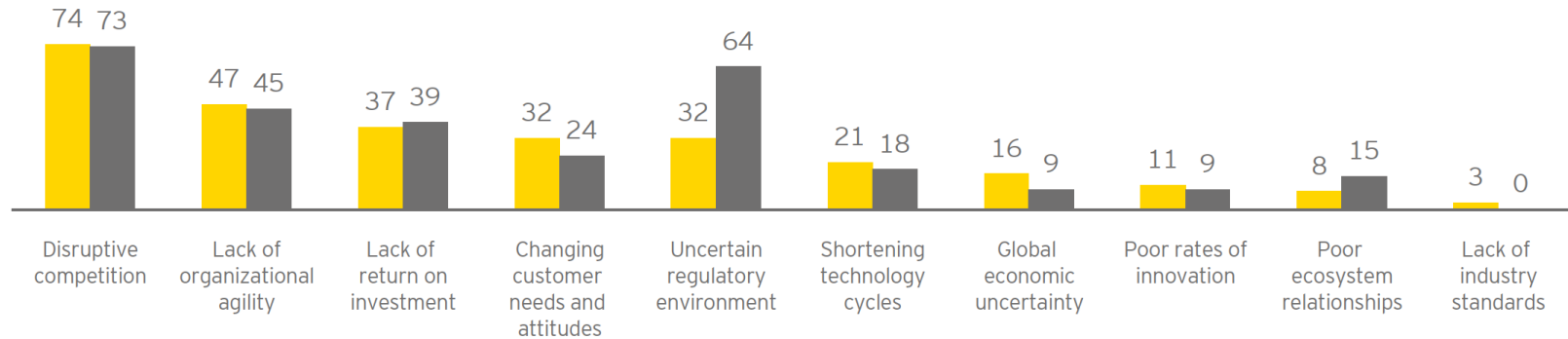
Sumber : World Bank, 2020



Sumber : World Bank, 2020



Significant Challenges



Sumber : Ernst and Young, Digital Transformation (2020)

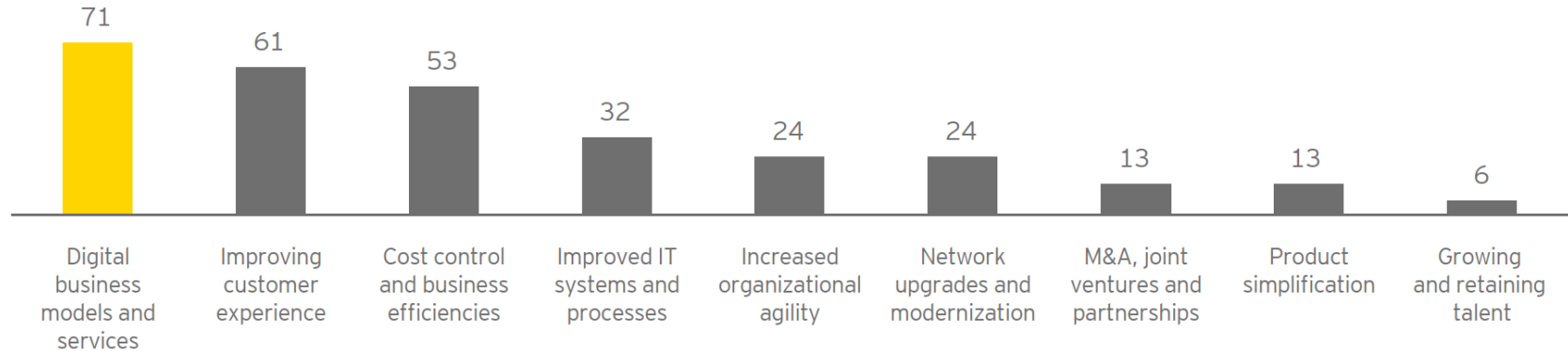
Disruptive competition is the most significant challenge that the industrial world has to face today, far above the concern over the global economic situation which is only 16%



Important Strategies

What are your most important strategic priorities over the next three years? (top three responses)

% of respondents



Sumber : Ernst and Young, Digital Transformation (2020)

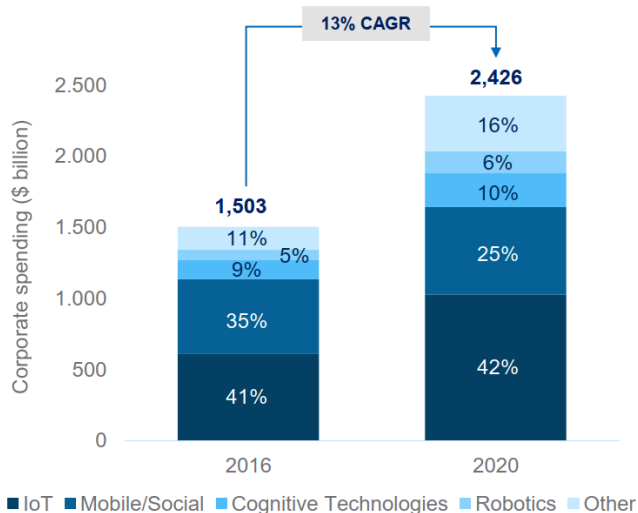
Digital Business Models is the most important strategy in today's industrial world. What about the valuation industry?



Digital Agenda

Corporate Spending on New Technologies (2016-2020)¹

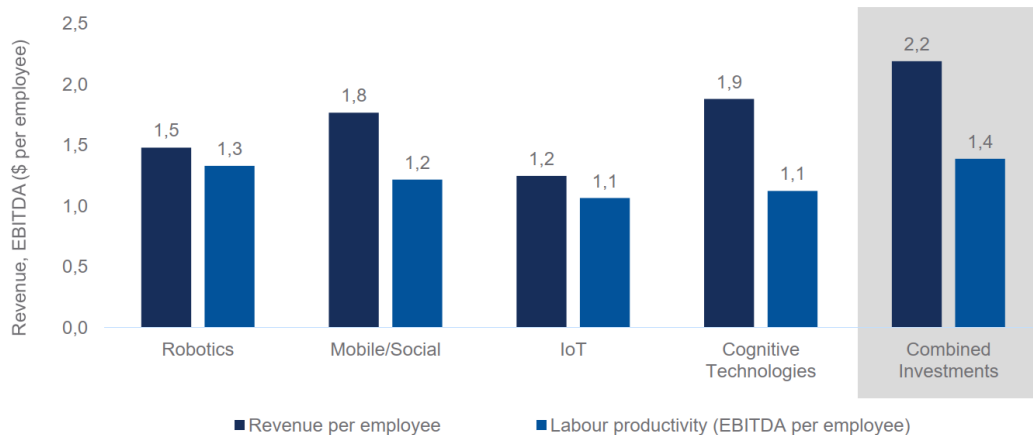
% share by technology category



Sumber : World of Economic Forum, Digital Transformation Initiative, (2018)

Return on Investment by Technology (2015-2016)^{1,2,3}

Impact of a \$1 new technology investment on revenue per employee and labour productivity at the average company. E.g. \$1 invested in combined new technologies has yielded \$2.2 – or a 120% increase in revenue per employee.



Notes

- 1) Econometric analysis based on 16,000+ companies across 14 industries with data sourced from IDC, Ovum and Capital IQ
- 2) Combined Investments shows the impact of investment in all four technologies combined (i.e. total amount invested in four technologies analysed)
- 3) Cognitive Technologies include Artificial Intelligence (AI) and Big Data Analytics

How big is valuation firms investment in technology development?

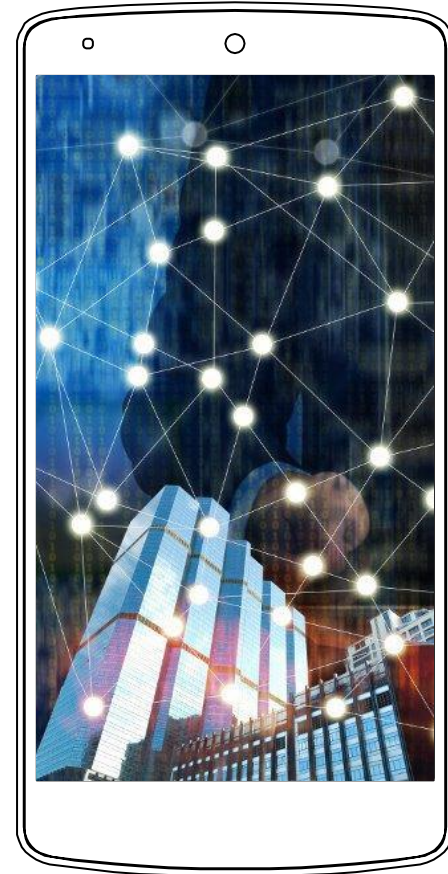


Digital Agenda

In today's digital age, almost every company is in the business of creating "content"

Do your valuation firm have Instagram, Facebook, LinkedIn even website?

How do you engage your potential clients?





Digital Agenda

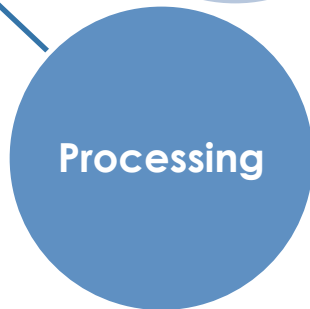
DATA



- Accuracy
- Availability
- Reliability
- Security



- Client
- Inspection
- Property Analysis
- Market Analysis
- Public



- Verify
- Qualify
- Classify
- Calculate
- Analyze

“A kid with a smartphone has more intelligent access to knowledge than the President of the United States 30 years ago”



Big Data



The Advantages

- Greater forecast stability and accuracy
- Produce more information and, by extension, enhance market transparency
- Suitability for performing fast and comprehensive analysis

The Challenges

- Relatively high price
- Legal considerations : data protection laws
- Potential for manipulation
- Lack of standardization of data/collection methods



🏠 \$390,000

🏠 \$540,000

🏠 \$280,000

🏠 \$360,000

🏠 \$710,000

🏠 \$800,000

Valuation's Big Data



Other Developments

Smart Contracts

- Using blockchain system for contract drafting
- IT based system
- Time efficiency and risk mitigation

Inspection – Drone and Internet of Things (IoT)

- Drones can perform inspection tasks more efficiently with a wider range
- IoT helps valuers conduct inspections remotely
- Database that integrated with working papers

Reporting – Visualization

- Currently all valuation reports are paper-based
- The client only focuses on the final value and the valuers's signature
- Visualization will make reports more interesting such as 3D modeling, video or virtual reality



Skills demand

Skills required for new role of Valuers in Industry 4.0

- Entrepreneurial and leadership skills to be included in valuation education programs
- Broader, adaptable, flexible, and innovation capability set of valuers
- Excellence of oral and digital communication skills
- Ability to use hardware technology such as drone and geo mapping
- Advance of 3D visualization application
- Ethical behavior, Professionals, Collaboration and Social-Ecological responsibility



Thanks!

Any **questions** ?

You can find me at

- harizul.akbar@outlook.com
- www.mappi.or.id