

Emerging Opportunities in Indonesia's Cards and Payments Industry

**Market Size, Trends and Drivers,
Strategies, Products and Competitive
Landscape**

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1 Executive Summary

The Indonesian cards and payments industry recorded significant growth during the review period (2008–2012). The industry grew at a compound annual growth rate (CAGR) of XX.XX% during the review period to reach XXX.X million cards in 2012, and is anticipated to grow at a projected CAGR of XX.XX% over the forecast period (2013–2017), to reach XXX.X million in 2017.

The Indonesian cards and payments industry presents positive growth potential

The Indonesian cards and payments industry grew substantially both in volume and value terms during the review period. Transaction volumes increased from X.X billion in 2008 to X.X billion in 2012, at a CAGR of XX.XX% during the review period. The industry grew at a CAGR of XX.XX% during the review period from IDRXXX.X trillion (US\$XX.X billion) in 2008 to IDRXX,XXX.X trillion (US\$XXX.X billion) in 2012 and is anticipated to grow at a CAGR of XX.XX% over the forecast period (2013–2017), from IDRXX,XXX.X trillion (US\$XX.X billion) in 2013 to IDRXX,XXX.X trillion (US\$XXX.X billion) in 2017. Debit cards dominated the industry with a market share of XX.X% in 2012, followed by prepaid, credit and charge cards with respective shares of XX.X%, XX.X% and X.X%.

The emergence of new technologies to drive the industry over the forecast period

Banks and card issuers in Indonesia have introduced several new technologies to increase levels of consumer convenience. For example, with the introduction of contactless technology, customers can make payments for small value purchases in seconds. Indonesian mobile operators are also making efforts to establish the require infrastructure for near field communication (NFC) technology through which customers can make purchases via their mobile phones. Banks are migrating to Europay, MasterCard and Visa (EMV) cards in order to provide enhanced security features to customers. EMV cards store customer data on a chip in an encrypted format which has led to increased EMV adoption in several regions across the world. With increased security features banks are intending to offer their customers cards that can be used in any geographical location without any security issues. The introduction of these new technologies is expected to compel customers to carry advanced and secure card payment solutions.

Growth in payment infrastructure has supported increased levels of card usage

Indonesian banks have been expanding their payment infrastructure during the review period. Banks have been expanding their networks of automatic teller machines (ATMs) in order to develop their business. The number of ATMs installed in Indonesia increased significantly during the review period, rising from XX,XXX units in 2008 to XX,XXX units in 2012 and recording a CAGR of X.XX%. Part of this expansion has involved installing point of sale (POS) terminals, which are electronic data-capture swipe machines and accept both debit and credit card payments at retail outlets. Nationally, the number of POS terminals in Indonesia recorded a CAGR of XX.XX% during the review period, rising from XXX,XXX terminals in 2008 to XXX,XXX in 2012. With an increase in the volume of POS and ATMs, the use of cards as a payment method is expected to register widespread acceptance over the forecast period.

Stringent government regulations to change the dynamics of the credit card category

Indonesia's central bank, Bank Indonesia, has introduced new regulations for the credit card category, according to which it has placed a cap on the interest rates charged by banks on credit cards. Bank Indonesia also set the minimum monthly income at IDRXX million and the maximum credit limit available at three times this rate. A customer is eligible for a credit card only if he meets the minimum income criteria. In order to request a credit card, a customer must be at least 21 year old. The bank has prohibited the use of credit cards to pay for goods purchased through loans. Because of these new regulations, the Indonesian credit card category is expected to undergo significant changes over the forecast period. Such stringent regulations impact the entire category and limit the scope for providers to attain new customers, which is expected to decelerate the growth of the category over the forecast period.

Companies are adopting marketing and pricing strategies to remain competitive

With the entry of foreign banks, competition has increased. Due to such competitive pressures, banks are establishing new marketing and pricing strategies with the aim of attracting a larger customer base. Offers such as reward points, low annual fees, insurance benefits, travel packages, dining discounts and cards targeted towards a particular segment are some of the most commonly adopted. Financial institutions are segmenting the country's population into different groups and customizing their products and services accordingly. The segmentation is based on factors such as age, gender, occupation and income. Banks are aiming to increase their customer base and expand their product portfolios.

Sizeable presence of unbanked population to drive the demand for prepaid cards

Prepaid cards grew at a CAGR of XX.XX% during the review period, from X.X million cards in 2008 to XX.X million in 2012. Over the forecast period the aggregate volume of prepaid cards is anticipated to grow from XX.X million cards in 2013 to XXX.X million cards in 2017, after registering a CAGR of XX.XX%. A sizeable proportion of Indonesia's unbanked population provided a market opportunity for card providers. This rapid growth can be attributed to prepaid cards being a viable alternative to cash, as well as the enhanced security features they offer. In order to tap the growing demand among consumers, many banks have expanded their prepaid card portfolio. Banks and other prepaid card providers introduced new products such as transportation, gift and fuel cards to drive growth within the category.

2 Market Attractiveness and Future Prospects of Cards and Payments Industry

The Indonesian cards and payments industry recorded impressive growth during the review period. In volume terms the industry grew at a CAGR of XX.XX% during the review period, from XX.X million cards in 2008 to XXX.X million cards in 2012. The nation's increasing per capita disposable income, expanding range of banking products involving the use of payment cards, improved banking infrastructure and rising consumer awareness with regards to the benefits of payments cards contributed to the dynamic growth of the Indonesian cards and payments industry during the review period. Such growth is further supported by growth in the retail sector and government schemes to raise awareness. The industry is forecast to grow at a CAGR of XX.XX% over the forecast period and will offer opportunities for the banks and non-banking card issuers such as Visa, MasterCard, American Express, China UnionPay and Japan Credit Bureau.

Figure 1: Current and Future Prospects of Various Cards in Indonesia



Source: Timetric analysis

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3 Analysis of Indonesia Cards and Payments Market Drivers

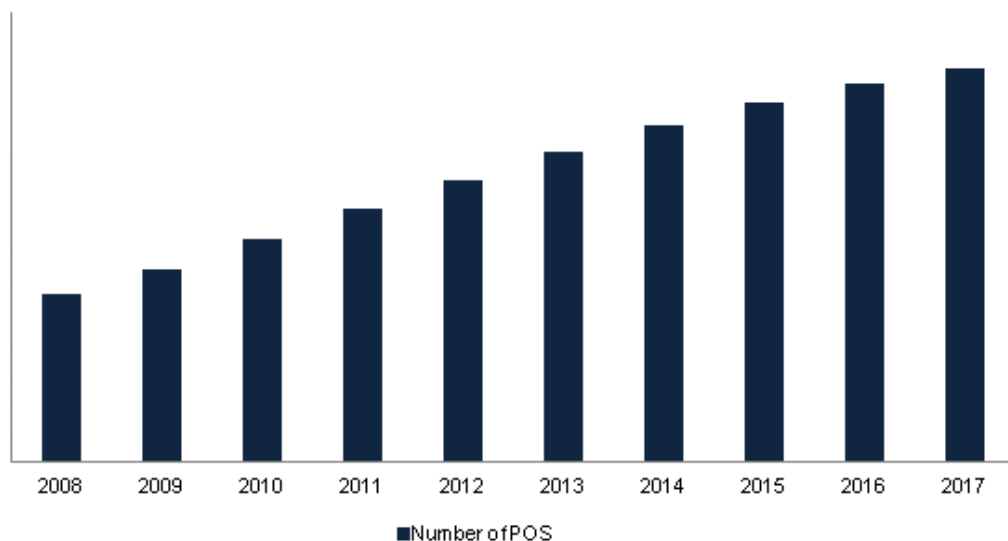
The Indonesian cards and payments industry is growing rapidly, with banks and card issuing companies now forced to offer innovative products in order to retain their market positions. This growth not only resulted in an increase in the volume of cards issued, but also improvements in their processes and functionality. Significantly, the emergence of highly secure payment gateways increased public confidence in payment cards and had a positive impact on industry development. Increasing per capital income, improving levels of customer acceptance and financial education are some of the key factors which contributed to the growth of the Indonesian cards and payments industry.

3.1.1 Growing investments in ATMs and POS

The number of ATMs installed in Indonesia increased to XX,XXX in 2012, at a CAGR of X.XX% during the review period. This increase is mainly due to the competitive pressures which have forced banks to open ATMs in order to attract new customers. The number of ATMs is expected to record a CAGR of X.XX% over the forecast period to reach a projected total of XX,XXX ATMs by the end of 2017.

The number of POS terminals in Indonesia increased from XXX,XXX in 2008 to XXX,XXX in 2012, at a CAGR of XX.XX%. This growth is mainly due to an increase in number of card-based transactions across the country during the review period. Although many transactions are still carried out in cash, people are increasingly adopting cashless payments such as cards. Financial education is promoted by the government. Consequently, card-based transactions increased during the review period which is forcing banks to install more terminals. The number of POS terminals is expected to increase at a CAGR of X.XX% over the forecast period.

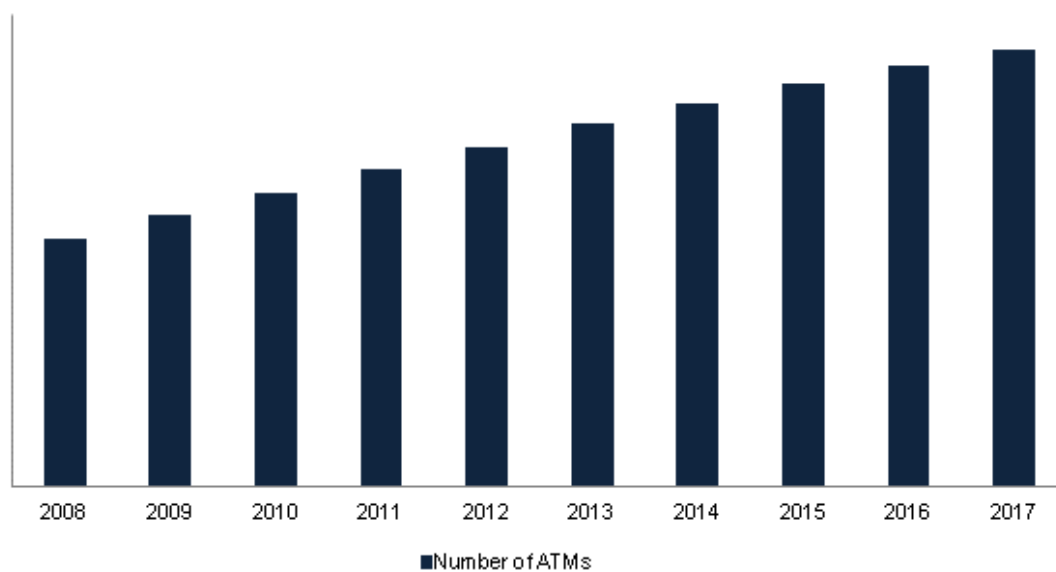
Figure 5: Number of POS terminals in Indonesia (Thousands), 2008–2012



Source: Central bank of Indonesia, Timetric Analysis

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Figure 6: Number of ATMs in Indonesia (Thousands), 2008-2016



Source: Central bank of Indonesia, Timetric Analysis

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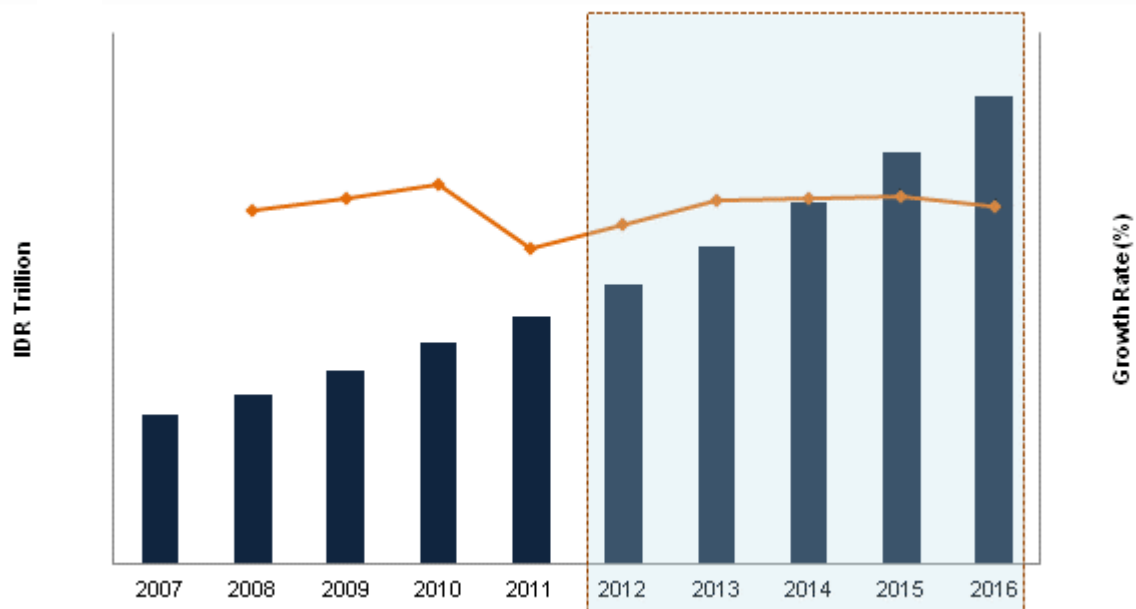
3.2 Business Drivers

3.2.1 Expansion of retail sector

The Indonesian retail sector recorded strong levels of growth during the review period. Sales grew from IDRXXX.X trillion (US\$XX.X billion) in 2007 to IDRXX,XXX.X trillion (US\$XXX.X billion) in 2011, at a CAGR of XX.XX% during the review period. Food and beverage retail formed the largest segment of the retail sector accounting for XX% of the total sales in 2011, followed by automotive products, consumer electronics and OTC pharmaceutical products. Increased spending by Indonesia's middle and upper-income population and a strong retail infrastructure contributed to the dynamic growth of the sector. The government opened the retail industry to foreign investment in 1998, which had a positive impact. Over the forecast period, the growth of the retail sales is expected to accelerate at a CAGR of XX.XX%, with projected total sales of IDRXX,XXX.X trillion (US\$XXX.X billion) in 2016.

Increased access to credit has been a boon to the industry as a total of XX.X million credit cards were in circulation as of 2012. The industry is expected to grow at a CAGR of X.XX% over the forecast period, from IDRXXX.X trillion (US\$XX.X billion) in 2013 to IDRXXX.X trillion (US\$XX.X billion) in 2016.

Figure 7: Retail Sales Value in Indonesia (IDR Trillion), 2007–2016



Source: Timetric analysis

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4 Competitive Landscape and Industry Dynamics

The Indonesian cards and payments industry reached X.X billion transactions in 2012, growing at a CAGR of XX.XX% during the review period. This growth was mainly due to an increase in the purchasing power of consumers and a growing interest towards more convenient payment solutions. Following the global financial crisis in 2009, card issuers introduced new offers and services in order to attract customers and encourage them to use cards for their transactions. There exists a growing range of payment methods available to consumers, merchants, businesses, corporations and governments in Indonesia such as cash, credit transfer, cards and checks. While electronic payment mechanisms such as credit transfers are growing, the use of conventional paper-based methods, such as checks is declining.

4.1 Market Share Analysis by Payment Channels

The section contains the market shares of various payment channels and details how these channels have grown during the review period. The channels covered include cash transaction, checks, credit transfers, card payments and direct debit.

4.1.1 Overview of payment channels

The popular payment channels in Indonesia are credit transfer, checks and cards. The payment channel structure has changed significantly in the past decade and new payment channels with paperless transactions have gained popularity. Most transactions are paid in cash. This is mainly because the over reliance of people in Indonesia over cash. As can be seen from the table below, there has been a slight change in the usage of various payment instruments between 2008 and 2012. In 2008, the most widely used payment channel other than cash was credit transfers with a market share of XX.X%, card transactions were accounted for X.X% of the market share with a market value of IDR XXX.X trillion which increased to IDR X,XXX.X trillion in 2012.

Table 3: Indonesia Payment Channels (IDR Million), 2008–2012

Payment Channels	IDR Million, 2008	Market Share (%), 2008	IDR Million, 2012	Market Share (%), 2012
Credit transfers	XX,XXX,XXX,XXX.X	XX.X%	XX,XXX,XXX,XXX.X	XX.X%
Card payments	XXX,XXX,XXX.X	X.X%	X,XXX,XXX,XXX.X	X.X%
Checks	XXX,XXX,XXX.X	X.X%	X,XXX,XXX,XXX.X	X.X%
Total	XX,XXX,XXX,XXX.X	XXX.X%	XX,XXX,XXX,XXX.X	XXX.X%

Source: Timetric Analysis

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5 Market Size and Growth Potential of Payment Card Industry

The following section contains an overview of the market size and growth potential of the Indonesian cards and payments industry. The section is divided into six chapters. Chapter one covers market share analysis by type of card; chapter two discusses the market share and future growth of the Indonesian card industry by value and volume; chapter three provides the market size of the Indonesian's credit card category; chapter four discusses the market size of debit cards in Indonesia; chapter five and six covers the market size and growth potential of the prepaid and charge card market respectively.

5.1 Market Share Analysis by Type of Card

Although the issuance of all card types increased during the review period, debit cards recorded the largest market share and grew at a CAGR of XX.XX% to reach XX.X million cards in 2012. The total volume of debit cards is forecast to reach XXX.X million in 2017, after registering a projected CAGR of X.XX% over the forecast period.

Prepaid cards captured the second-largest market share, growing at a CAGR of XX.XX% during the review period, from X.X million cards in 2008 to XX.X million in 2012. It is expected to grow at a CAGR of XX.XX % over the forecast period to reach XXX.X million cards in 2017.

The market size of credit cards increased at a CAGR of X.XX% during the review period. The number of credit cards in Indonesia is expected to grow from XX.X million in 2013 to XX.X million in 2017, after registering a CAGR of X.XX% over the forecast period.

The Indonesian charge card market forms the lowest market share increasing from XXX,XXX cards in 2008 to XXX,XXX cards in 2012, a CAGR of X.XX% during the review period. The volume of charge cards is expected to grow further over the forecast period at a CAGR of X.XX% to reach XXX,XXX in 2017.

Table 5: Indonesia Cards Market by Type of Card (Number in Thousands), 2008–2017

Types of Card:	2008	2012	2013	2017	CAGR 2008–2012	CAGR 2013–2017
Debit Card	XX,XXX.X	XX,XXX.X	XX,XXX.X	XXX,XXX.X	XX.XX%	X.XX%
Credit Card	XX,XXX.X	XX,XXX.X	XX,XXX.X	XX,XXX.X	X.XX%	X.XX%
Prepaid Card	X,XXX.X	XX,XXX.X	XX,XXX.X	XXX,XXX.X	XX.XX%	XX.XX%
Charge Card	XXX.X	XXX.X	XXX.X	XXX.X	X.XX%	X.XX%
Total	XX,XXX.X	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XX.XX%	XX.XX%

Source: Timetric analysis

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5.2 Total Market Size and Forecast of Card Industry

The cards and payments industry grew significantly both in value and volume terms during the review period. The cumulative average growth rate of the market size in volume terms is expected to grow by XX.XX% over the forecast period when compared to the review period. The growth will primarily emerge from debit, prepaid and credit cards. The increasing use of debit cards for high-value retail purchases and international travel is expected to contribute to the growth of the debit card category.

5.2.1 Analysis by number of cards

The market size of the Indonesian card industry in terms of volume grew at a CAGR of XX.XX% during the review period, from XX.X million in 2008 to XXX.X million in 2012 and a CAGR of XX.XX% over the forecast period.

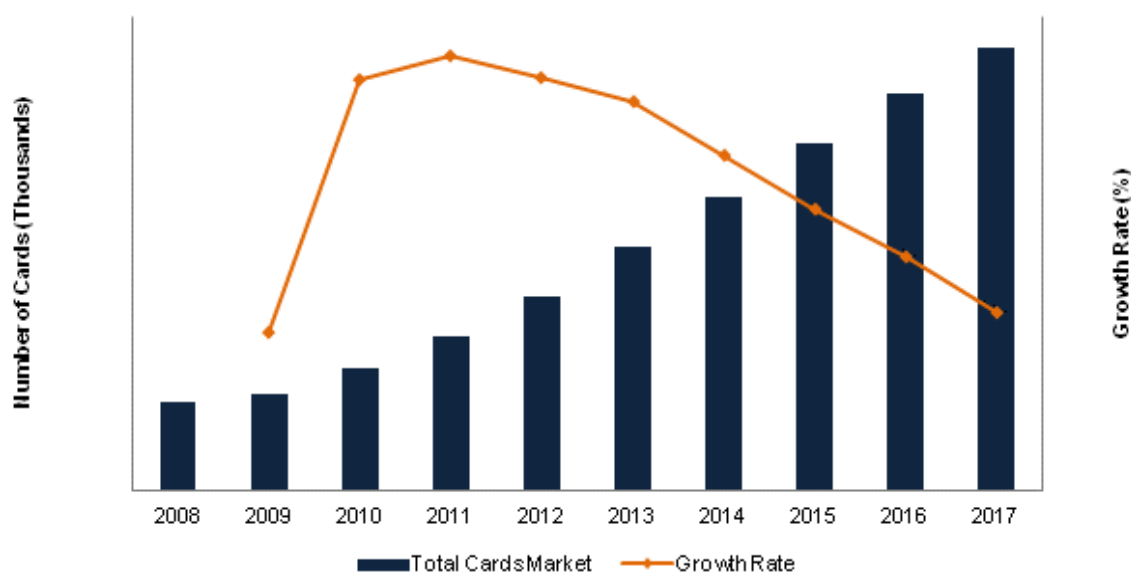
Table 6: Indonesia Cards Market Size by Volume (Thousands), 2008–2017

	2008	2009	2010	2011	2012	CAGR 2008–2012
Total Cards – Historical	XX,XXX.X	XX,XXX.X	XX,XXX.X	XX,XXX.X	XXX,XXX.X	XX.XX%
	2013	2014	2015	2016	2017	CAGR 2013–2017
Total Cards – Forecast	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XX.XX%

Source: Timetric analysis

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Figure 39: Indonesia Cards Market Size by Volume (Thousands), 2008–2017



Source: Timetric analysis

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5.2.2 Analysis by transaction value

The market size of the Indonesian card industry in value terms grew at a CAGR of XX.XX% during the review period from IDRXXX.X trillion (US\$XX.X billion) in 2008 to IDRXX,XXX.X trillion (US\$XXX.X billion) in 2012. The market size in value terms is expected to grow at a CAGR of XX.XX% over the forecast period, from IDRXX,XXX.X trillion (US\$XXX.X billion) in 2013 to IDRXX,XXX.X trillion (US\$XXX.X billion) in 2016.

Table 7: Indonesia Cards Market Size by Transaction Value (IDR Million), 2008–2017

	2008	2009	2010	2011	2012	CAGR 2008–2012
Total Cards – Historical	XXX,XXX,XXX	XXX,XXX,XXX	X,XXX,XXX,XX	X,XXX,XXX,XX	X,XXX,XXX,XX	XX.XX%
	2013	2014	2015	2016	2017	CAGR 2013–2017
Total Cards – Forecast	XXX,XXX,XXX	XXX,XXX,XXX	X,XXX,XXX,XX	X,XXX,XXX,XX	X,XXX,XXX,XX	XX.XX%

Source: Timetric analysis

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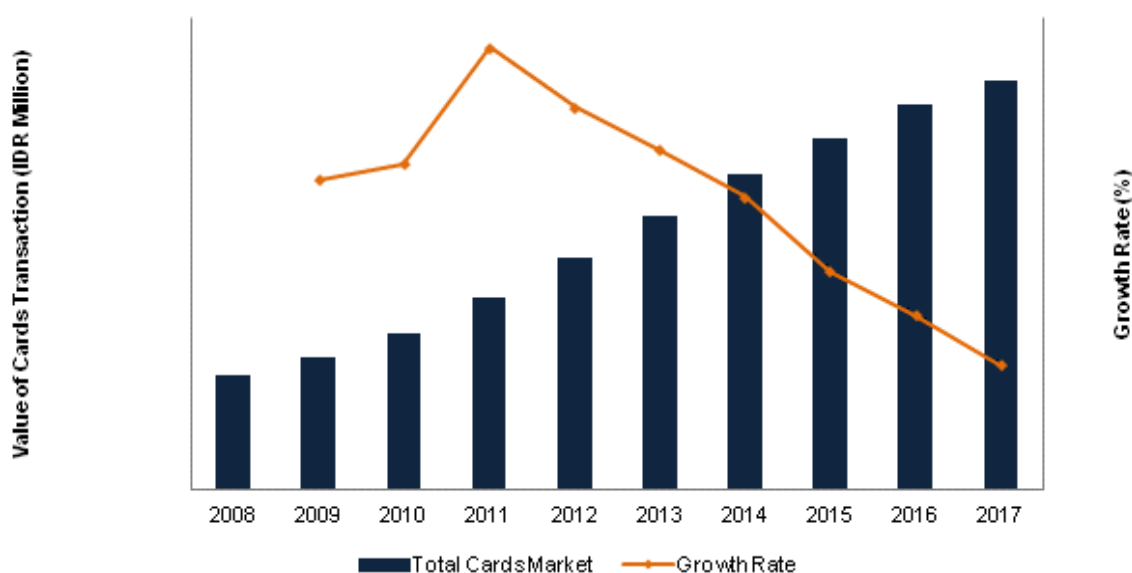
Table 8: Indonesia Cards Market Size by Transaction Value (US\$ Million), 2008–2017

	2008	2009	2010	2011	2012	CAGR 2008–2012
Total Cards – Historical	XX,XXX.X	XX,XXX.X	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XX.XX%
	2013	2014	2015	2016	2017	CAGR 2013–2017
Total Cards – Forecast	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XXX,XXX.X	XX.XX%

Source: Timetric analysis

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Figure 40: Indonesia Cards Market Size by Transaction Value (IDR Million), 2008–2017



Source: Timetric analysis

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5.2.3 Analysis by transaction volume

In terms of the number of transactions, the Indonesian cards and payments industry grew significantly during the review period from X.X billion transactions in 2008 to X.X billion transactions in 2012, at a CAGR of XX.XX%. Debit card transaction remained the key driver behind this effective growth followed by the emergence of charge cards. The growing demand for credit cards also contributed to the increase. Over the forecast period, the transaction volume is expected to grow at a CAGR of X.XX% to reach X.X billion transactions by 2017.

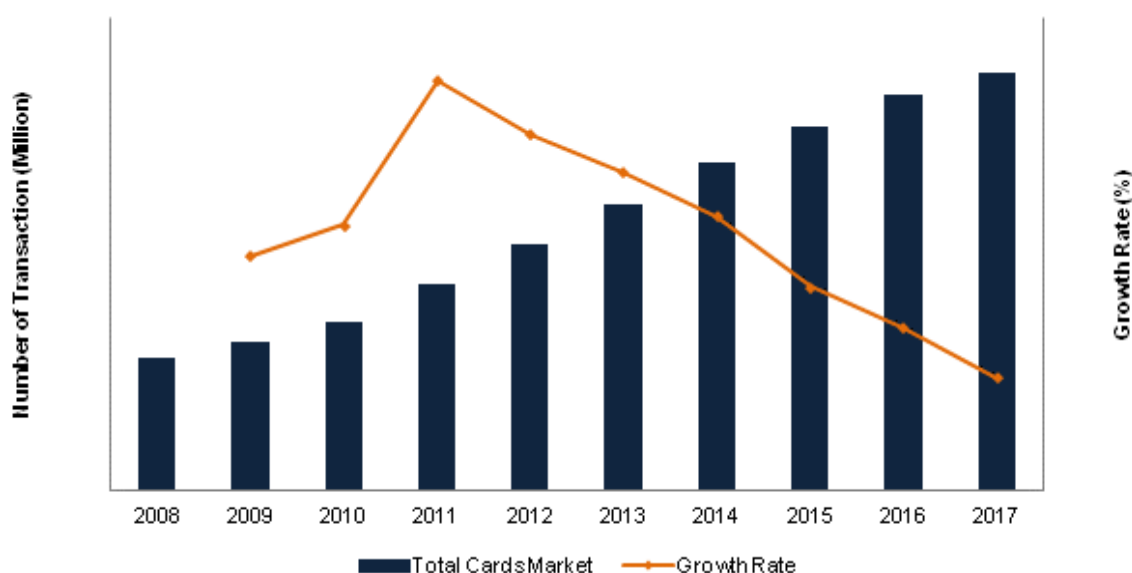
Table 9: Indonesia Cards Market Size by Transaction Volume (Million), 2008–2017

	2008	2009	2010	2011	2012	CAGR 2008–2012
Total Cards – Historical	X,XXX.X	X,XXX.X	X,XXX.X	X,XXX.X	X,XXX.X	XX.XX%
	2013	2014	2015	2016	2017	CAGR 2013–2017
Total Cards – Forecast	X,XXX.X	X,XXX.X	X,XXX.X	X,XXX.X	X,XXX.X	X.XX%

Source: Timetric analysis

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Figure 41: Indonesia Cards Market Size by Transaction Volume (Million), 2008–2017



Source: Timetric analysis

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6 Appendix

6.1 Methodology

All Timetric cards and payments reports are created by following a comprehensive, four-stage methodology. This includes market study, research, analysis and quality control.

1) Market Study

A. Standardization

- Definitions are specified using recognized industry classifications. The same definition is used for every country.
- Annual average currency exchange rates are used for the latest completed year. These are then applied across both the historical and forecast data to remove exchange rate fluctuations.

B. Internal audit

- Review of in-house databases to gather existing data:
 - Historic market databases and reports
 - Company database

C. Trend monitoring

- Review of the latest cards and payments companies and industry trends

2) Research

A. Sources

- Collection of the latest market-specific data from a wide variety of industry sources:
 - Government statistics
 - Industry associations
 - Company filings
 - International organizations
 - Cards and payments regulatory agencies

B. Expert opinion

- Collation of opinion taken from leading cards and payments industry experts
- Analysis of third-party opinion and forecasts:
 - Broker reports
 - Media
 - Official government sources

C. Data consolidation and verification

- Consolidation of data and opinion to create historical datasets
- Creation of models to benchmark data across sectors and regions

3) Analysis

A. Market forecasts

- Feeding forecast data into market models:
 - Macroeconomic indicators
 - Industry-specific drivers
- Analysis of cards and payments industry database to identify trends:
 - Latest cards and payments trends
 - Key drivers of the cards and payments industry

B. Report writing

- Analysis of market data
- Discussion of company and industry trends and issues
- Review of financial deals and cards and payments trends

4) Quality Control

A. Templates

- Detailed process manuals
- Standardized report templates and accompanying style guides
- Complex forecasting tool used to ensure forecast methodologies are consistently applied
- Quality-control checklists

B. Quality control process

- Peer review
- Senior-level QC
- Random spot checks on data integrity
- Benchmark checks across databases
- Market data cross-checked for consistency with accumulated data from:
 - Company filings
 - Government sources.

6.2 Definitions

Table 35: Cards and Payments Key Definitions

Categories	Description
Gift cards	Gift cards are suitable for a variety of purposes such as at key religious festivals or on specific anniversaries including marriages and birthdays. The gift card can also be used by corporations as gifts to employees, vendors or clients.
Meal cards	This card category is specifically designed to replace the inefficient paper voucher system used across the country. It also offers employees a meal allowance and eliminates the logistical problems associated with the procurement, stock-keeping and distribution of paper-based meal vouchers.
Payroll cards	This card is used to pay salaries to employees by eliminating the need to put funds into a specific bank account. The payroll card is loaded with the amount of salary or reimbursement clients are due, which they can spend using the card.
Travel currency card	This card targets international travelers and are available in multiple currency.
Remittance card	This card targets those who receive remittances from abroad.
Multi-purpose prepaid cash card	Multi-purpose cards can be used to purchase various goods and services from affiliated merchants.
Average Transaction Value	Average transaction value is the average value of transactions made through each card in a year.
Frequency of Use	Frequency of use represents the average number of transactions made using different cards in a given year.
Turnover Per Card	Turnover per card represents the value of transactions generated by various cards in a year.
Online Spending Through Mobile	It reflects the value of transaction made through mobile using various payment options.
Card Penetration (per '000)	Card penetration data represent the average number of various card types available per thousand populations.
Contactless Transactions	It reflects the total number of NFC enabled cards in circulation.
NFC-enabled Cards	It reflects the total number of NFC enabled cards in circulation.

Source: Timetric analysis

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6.3 Contact Us

If you have any queries about this report, or would like any further information, please contact info@timetric.com.

6.4 About Timetric

Timetric is an innovative, fast-growing economic and business research firm that provides critical intelligence on emerging economies and key global industries. We provide detailed independent economic and sector research, business insights and authoritative, independent commentary, all delivered using sophisticated content delivery and data visualization technologies.

We collect data through an extensive primary and secondary research network using robust methodologies and highly innovative data acquisition and storage technologies. Our highly qualified teams of economists and analysts draw on their collective industry experience to deliver analysis, comment, opinion and advice on the latest country and market trends and conditions. We provide extensive data services and commentary to influential business media operations around the globe.

The Timetric product team is based in London, San Francisco, Hyderabad, Sydney and Singapore and consists of over 300 economists, analysts, journalists and researchers and a team of 40 software engineers.

6.4.1 Our Approach

All of Timetric's products and services are founded on three key principles:

High-Quality Data

All our services are grounded in high-quality data. We collect data in a number of innovative ways — including extensive business and consumer surveys conducted via our sophisticated market research technology, exclusive industry research programmes and models, the systematic collection and curation of huge public data sets such as national statistics sites, regulatory filings and procurement databases, mining of business and government 'exhaust data', plus analysis of business and social media sentiment.

Combined, the Timetric data assets consist of well over 1 billion time series and tens of billions of data points, creating a powerful resource for our data models, forecasts and analysis.

Expert Analysis

Our intelligence services are provided by in-house teams of economists, analysts and researchers, working to programmes that are guided by global advisory boards of leading economists and industry advisors. Our analysts collectively have hundreds of years of research experience and pedigrees from the leading institutions.

Timetric analysis draws on high-quality data sources, including proprietary panel and survey data, and is grounded in proprietary data analysis methodologies, analysis frameworks and forecasts.

Powerful Delivery and Visualization Tools

We understand that our users want to spend more time analyzing information than finding it, so we have created a highly intuitive and extremely responsive user interface that organizes data in subject-specific modules, coupled with powerful search and index technologies to enable data to be easily found, classified and cross-referenced. The Timetric interface is designed by specialized UI experts, and builds on a platform constructed specifically to enable fast, powerful access, visualizations and analytics of big data and content sets.

6.5 Services

Timetric offers a range of economic, industry and consulting services:

Economic Intelligence Services

Timetric leverages its extensive data assets, through the use of innovative technologies, in order to produce thought-provoking analytical content delivered in the form of economic briefing services. We also enable you to access the data components that power this analysis, so that you can understand further, dig deeper or create your own assessments.

Industry Intelligence

Our industry Intelligence Centers are premium web-based services that provide access to interactive tools, comprehensive research and expert analysis in key industry sectors. They provide invaluable decision support presented in an easily digestible format and grounded in deep research.

Consulting

Timetric specializes in the development and delivery of innovative research solutions that are designed to provide competitive advantage and profitability to our clients. Our cutting-edge research processes, ground-breaking technology and expert researchers and analysts can be leveraged to produce timely, cost-effective, insightful and actionable recommendations to support your growth strategy.

6.6 Disclaimer

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