

## As times get tougher, how are shoppers reacting to brands?

All across the world, governments are doing what they can to encourage consumers to keep on spending, keep the wheels of the real economy turning. Interest rates are coming down, budgets for expenditure on infrastructure development and other job-creating initiatives are being re-examined. Though unaffected by subprime mortgages, Indonesia will eventually feel the effects of a global slowdown as export orders shrink, albeit to a lesser degree than many of its neighbours.

In the United States, almost 70 per cent of all expenditure is by the consumer. In Indonesia, that contribution by the consumer is estimated at almost 40 per cent of the economy. The sales of Spam, the cheap canned meat brand, have rocketed upwards in America as families trim their budgets. Other products and brands face turbulent times, as tough choices are made to tide over these difficult times. The main grocery buyer in each family now has an even greater burden of responsibility, managing the budget without inflicting too many sacrifices.

To most grocery buyers in Indonesia, frugality is a constant way of life. When the price of rice goes up, when fuel subsidies are suddenly removed, life gets tougher than it already is. It becomes even more difficult to make ends meet. When the cost of fuel goes down as it did recently, there is an immediate lift in spirits. Till the next round of hikes from some other unforeseen angle takes its toll, relative calm prevails. Watching consumers behave in better times and worse reveal useful clues, critical to the management of brand portfolios. Understanding how the combination of attitudes and opinions affect your brand differently than it does your competitor, can make all the difference between success and failure.

It would be logical to assume in inflationary times that the cheapest option in every single product category would gain market share at the cost of even the marginally more expensive brand. This is simply not true. That's because different grocery buyers make different compromises, willing to cut-back or down-trade in some areas and holding firm on others. Just because a particular brand's sales are declining does not necessarily mean that the entire category is sliding. Determining which consumers are switching can help suggest corrective actions to protect sales.

Today, two out of three shoppers in Indonesia "don't buy luxuries any more". In recent times, the 12 months from April 2006 to March 2007 reflected the lowest number of shoppers who shared that sentiment. It was a period of lower pressures on the shopping budget. The good times had a lasting impact, with almost eight out of ten people constant in their view that "quality is more important than price". That conviction would suggest that once a consumer has experienced better quality, it is difficult to go back. Instead, they may choose to use the better product more sparingly or less often.

Most shoppers enjoy shopping. In Indonesia, 47 per cent of main grocery buyers believe they were "born to shop", declining from 50 per cent in December of 2006. As the price of commodities continued to climb through all of 2007, "I try to buy Indonesian made products as often as possible" became the conscious act of more and more shoppers. Up from 76 per cent in March of 2007, today 82 per cent share that view.

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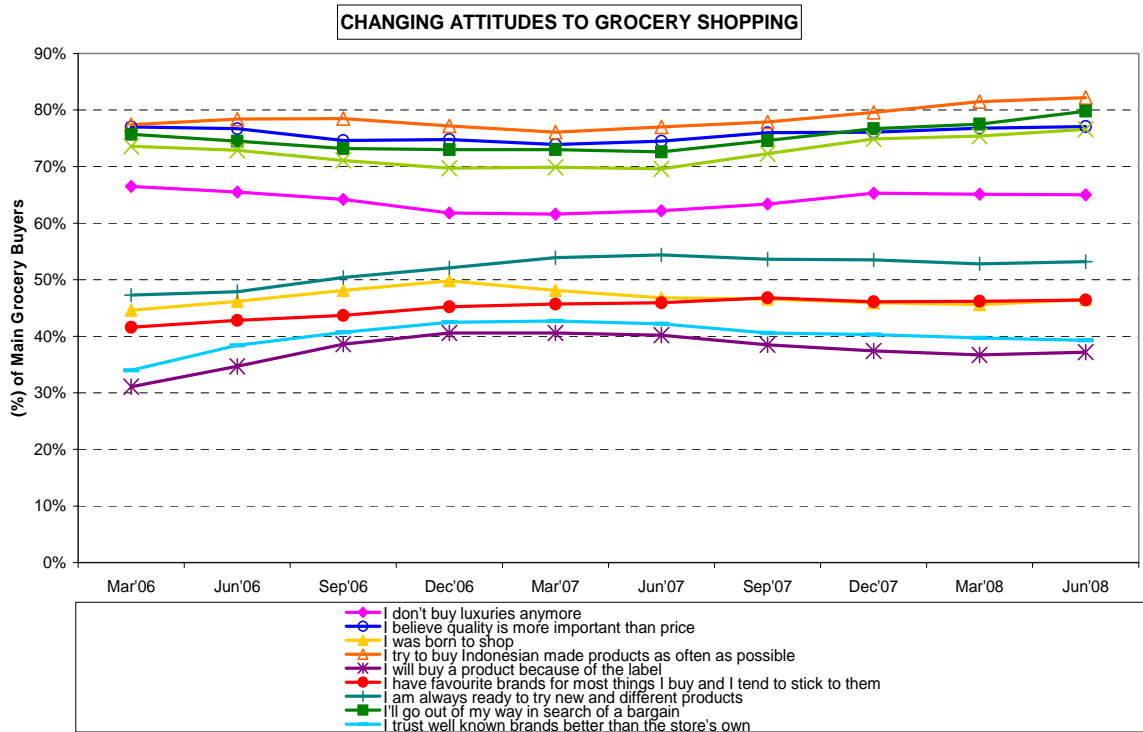
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It's no surprise that the small number of shoppers who "buy a product because of the label" continues to decline, from 41 per cent in March 2007 to 37 per cent today. Brand loyalty remains strong, at least as sentiment, with a steady 46 per cent saying they have "favourite brands for most things and I tend to stick to them". Conversely, at least half the shoppers are "always ready to try new and different products" today, quantifying the precise extent of market inertia. But the best sign of market realities is the growing number who "go out of my way in search of a bargain, up from 73 per cent in June 2007 to 80 per cent today.

"I trust well-known brands more than the store's own" is also on the decline, with barely 40 per cent sharing that view. With little money left for discretionary spending, no wonder "I enjoy grocery shopping" is a phenomenon steadily on the rise, now at 77 per cent of all buyers. Each of these attributes, each of the changes in habits are potential triggers for marketing brands in troubled times. The key lies in understanding the differences in attitudes, as well as the buyers of each brand, constantly. Reading sales data and demographics alone can in fact be misleading.

Roy Morgan Single Source makes it easy to profile these grocery buyers, from the perspective of each brand, not only the category. With over 27,000 Indonesian respondents annually, projected to reflect almost 90% of the population over the age of 14, both urban and rural, the country's largest syndicated survey is updated every 90 days.

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