

Spike in Consumer Confidence based entirely on hope.

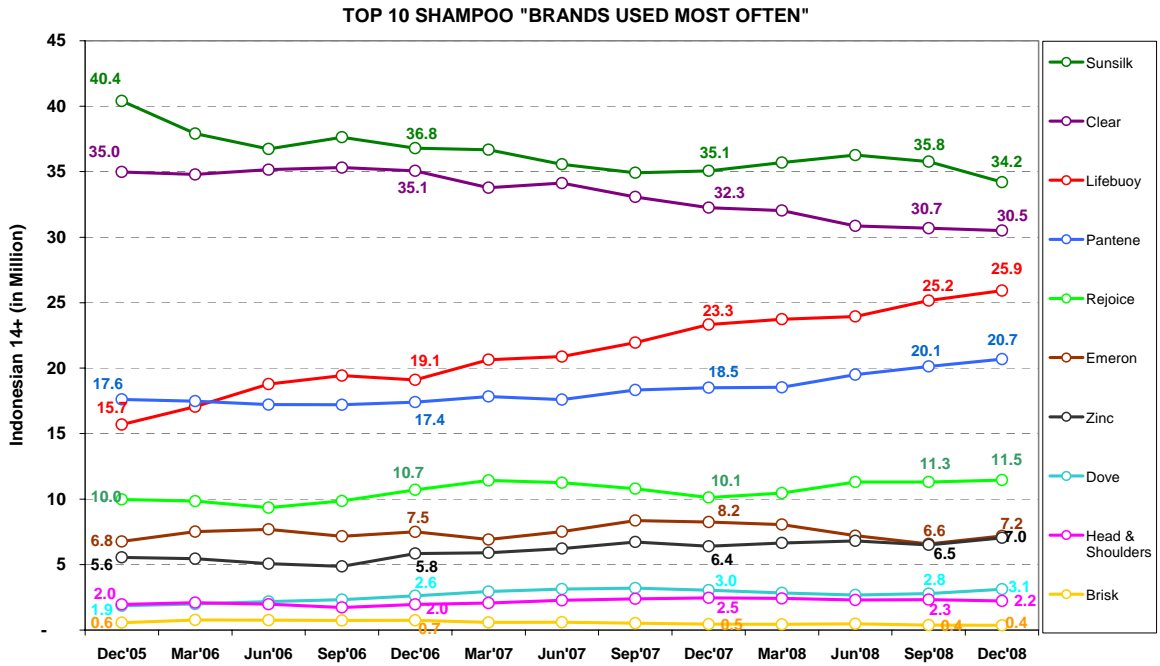
The Roy Morgan Consumer Confidence rating shot up almost nine points in the October-December quarter, to a high of 116. Influenced by the reduction in fuel prices consumers clung to hope for better times ahead ignoring reports on the global economy. But only 31 per cent say “this is a good time to buy major appliances”, a key indicator. Faced with rising prices, grocery buyers made some adjustments, some sacrifices. What is the fallout for manufacturers of consumer products? Though many product categories are weather-proof essentials, what was the impact on individual brands?

A close look at the buyers of a basket of five selected fast moving consumer goods reveals an interesting phenomenon. While the population is growing, the number of people buying grocery products has been shrinking. Very slowly, but noticeably. The simple conclusion is that the main grocery buyer in the family is tightening controls on grocery purchases, doing more of it herself. At the end of December 2008, 79 per cent of the population 14 years and older bought shampoo in the “last four weeks”; 41 per cent bought detergent, 39 per cent instant noodles, 29 per cent cooking oil and 28 per cent bought condensed milk. Each of these everyday essentials lost about 1 per cent of all their buyers last year.

In Indonesia, 1 per cent is a lot of people. That loss of buyers would not necessarily mean a decline in the number of users. In fact, evidence for most categories of essentials confirms no major declines in users though the same number may be using each product more frugally. But a look beyond the obvious, by focussing on just shampoos for example, another revelation becomes crystal clear. At a time when the average breadwinner alone is barely able to cover the household’s monthly expenses, there is significant down-trading and brand-switching taking place. Lifebuoy continues to take share from Sunsilk and Clear. Unilever’s shampoo market share remains protected, but revenues are not. In contrast, Procter & Gamble’s premium brand Pantene continues to grow steadily at the top-end of the market, proving that the well-off still have the capacity to maintain their favourites. Economy brands Rejoice and Emeron are also holding their own.

In contrast, another established category like condensed milk is slowly losing ground to fresh milk at the top end of the market, though it remains a multi-purpose dairy product across all homes, from the humble to the affluent. With the exception of a premium brand like Anlene, powder milk is also being affected by fresh milk particularly at the top end. Caught in the pincer attack of high fuel and food prices, even the ubiquitous instant noodle lost both buyers and users last year, with Sedaap strengthening its grip in the category overall. But cooking oil has always been the main grocery buyer’s domain, not the casual runner to the corner store. The number of buyers remain steady, though some downtrading and sparing usage will have affected sales volumes for the better part of last year.

These conclusions are based on Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older interviewed each year. Almost 90 per cent of the population is covered, in the top cities, other urban and rural as well. The national database is updated every 90 days.



What is too often ignored is the fact that at least half the consumers for these product categories are residents of rural Indonesia. Almost uniformly, about 20 per cent of the consumers are from the top 20 cities, the rest from other urban centres. It is the grocery buyers from these smaller cities and towns that are most under pressure to make ends meet. Yet, boardroom conversations remain too focussed on big city lifestyles, ignoring the fact more than one income is essential for the survival of most families, everywhere. The family remains the centre of the universe but the tough circumstances within which they exist should not be confused with double-income big-city couples, the privileged few.

Managing a portfolio of brands judiciously, preventing and arresting cannibalisation is vital to the company's bottomline. That's obvious. But the only way to do this early, before too much damage is done, is to continuously take a holistic view of buyer and user behaviour. By watching cross-category behaviour evolve, by monitoring in-category switching, new products or new brands can be clearly positioned, pricing and distribution choices fine-tuned. Poring over sales data alone can cause tunnel-vision, injurious to brand health. A narrow focus needs to be set in the context of the bigger picture. Just because one brand is in decline doesn't mean that the category, or the economy, is in trouble.

The global financial crisis and its cloud over Indonesia's consumer marketplace will remain with us for some time to come. Job losses have only just begun, the toll will rise in the months ahead. The need to remain vigilant will become even more vital. Next week, this column will feature an update on the demand for consumer durables.

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