

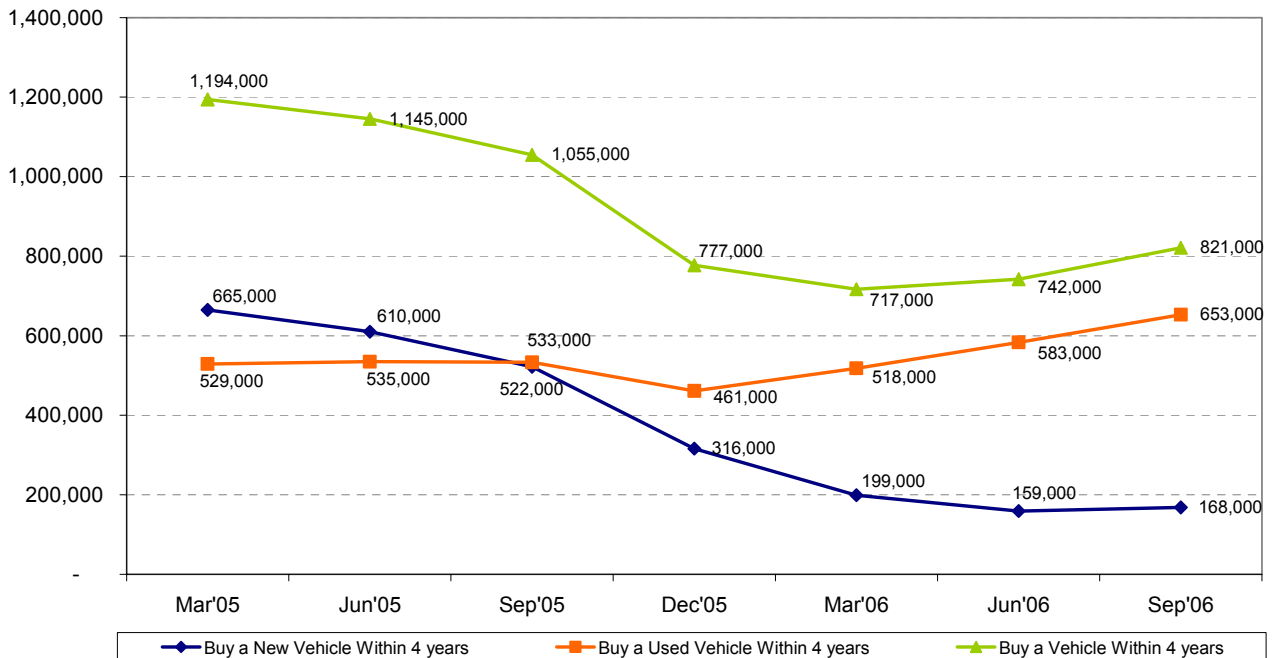
New Cars running low on gas

The industry hit hardest by the twin fuel price hikes of 2005 was perhaps the automotive industry, more precisely new cars. No surprises there, considering cars are a family's second-largest 'investment' and unlike the home, they run on fuel. The recovery that's now taking place in the car market has switched dramatically in favour of Used Cars, not New Cars. These conclusions are based on Roy Morgan Single Source, Indonesia's largest syndicated survey with 25,000 respondents annually, covering 90% of the population over the age of 14.

The survey also reveals that in the broader canvas of transportation, the use of public transport has also remained flat since September 2005. People, especially at the lower end of society, are using transport more for essential travel and seemingly less for leisure. About 60 million people around the country regularly travel by bus, while almost 12 million use the train. These numbers remain flat. In contrast, two-wheeler buying intentions are now on the way up reflecting the confidence of the middle class. Moving up the socio-economic ladder about 12 million travel by taxi often, almost unaffected by recent inflation, but only 4 million households have a car in urban Indonesia. These do not include institutionally-owned vehicles like company or government owned cars used at home after working hours. Nor do these figures include the few Rural homes that have cars. Demand has dipped for cars, crashed especially for new cars and the sluggish signs for the near term are a major problem for the automotive industry. On the other hand administration authorities of Metro cites like Jakarta for example, overwhelmed with traffic congestion, are probably sighing with relief.

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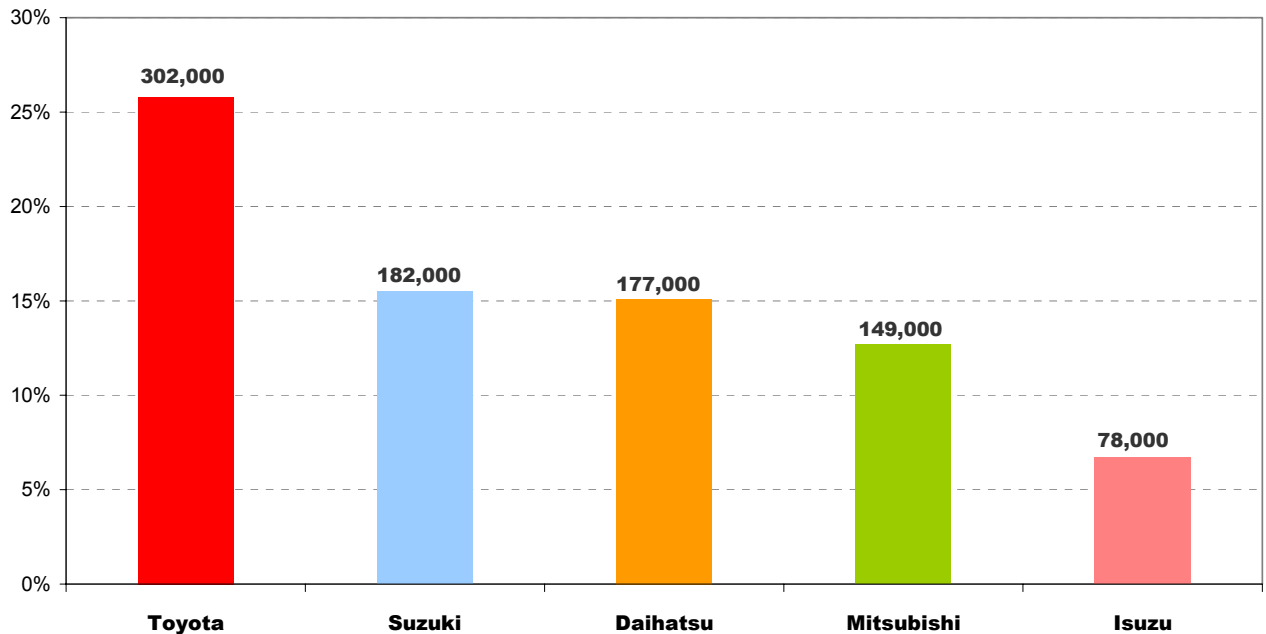
Car Buying Intentions



Source: Roy Morgan Single Source September 2006
Base: Total Indonesia Urban 14+

Dealers of Used Cars are in for good times, witness the upward swing in demand. How is the New Car industry reacting? Only by understanding the people who have dropped out of the market, and analysing the needs of people who remain interested in new cars, will automotive manufacturers be able to chart a course into the future. Any attempts to simply 'move metal' off the factory floors based on knee-jerk reactions are fraught with danger. For years, the Toyota brand has grown from strength to strength with well over half of all people planning to buy a new car actively considering the brand, across all categories. A lot of that success is thanks to the ubiquitous Kijang. Today, that grip on the new car buyer's mind has loosened with only 43 per cent of Intenders planning to buy a Toyota model. The signs of change in market dynamics were ignited by the price of fuel, a different marketplace today that is a problem for some and an opportunity for others. These are the facts that Toyota need to respond to in their attempts to protect market share and brand equity. These are the same facts that all their competitors need to understand, if they wish to seize the opportunity presented by a market in flux.

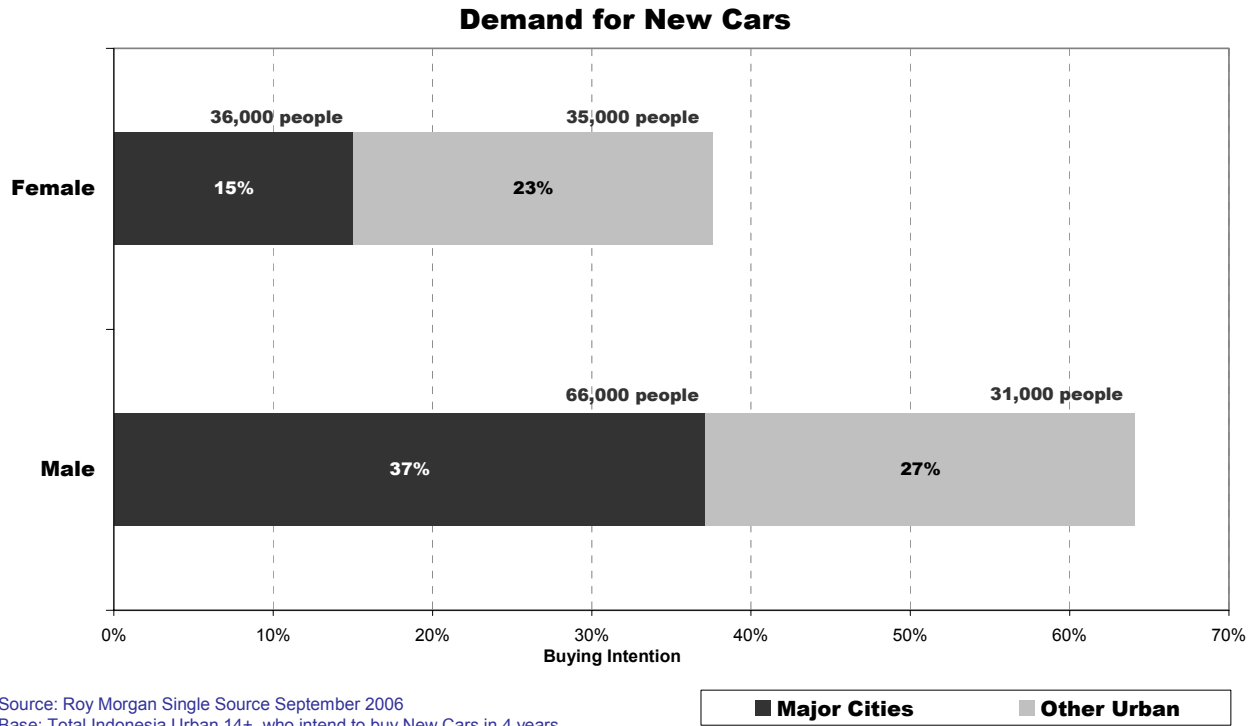
Top 5 Makes: Market Share



Source: Roy Morgan Single Source September 2006
Base: Indonesia 14+, Urban Main Drivers

This is yet another industry that has ignored the influence of the Indonesian Woman. All of the 'evidence' that carmakers have traditionally based their marketing upon has been registration papers and financing documents, usually in the name of the man of the house. Yet, over a third of the people intending to buy a new car currently, are women. Whose name is finally on the documentation is almost irrelevant. The people who influence the purchase decision, often but not always the primary owner-driver, are vital to success in the marketplace. If current demand for New Cars is at 168,000 units, isn't it important to understand the key drivers, as well as the lifestyles and needs of the owner-drivers themselves?

But look around you and what do you see in media out there? Billboards can be justified by the need to command a ‘presence’ but the use of free-to-air television defies logic. The fact that almost everybody watches TV everyday is not an intelligent rationale, when it’s obvious that most of the viewers aren’t buying a new car anytime soon. If ‘the medium is the message’, then Pay TV is a far more focussed choice. Combine that with selected newspapers and magazines, radio stations in cities where the Intenders reside, with promotions and financing packages offered from appropriate shopping malls and scarce resources today will be better used.



All it takes to verify the media selections is a simple quantification of people intending to buy say, a “Small Car”, the people who will consider or reject the Makes within that segment and the capability of each title, radio station, channel or even a major shopping mall to reach that identified group. Savvy marketers and their agencies are doing precisely that today, across every conceivable product category. It gives a whole new meaning to that oft-abused word, “Accountability”, especially when all stakeholders of the brand can monitor progress, every 90 days.

I should add that I have nothing against TV and I don’t have any pecuniary interest in any other media either. Nor has the invitation to speak at this week’s seminar hosted by SPS, the Publishers Association, influenced a ‘plug’ here for the printed medium. A detailed look at Indonesia’s media scene will be featured in this column, next Tuesday.

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