

### **360-degree view of consumer behaviour, amid the downturn.**

I'm in Jakarta this week and my conversations continue about how the consumer is faring, while the global financial crisis rages on. There are those who will point to the doldrums at the JSX and suggest the sky is falling, ignoring the fact that less than 1 per cent of Indonesians own shares. Then there are those who will conclude that the economy is in meltdown, influenced by the dwindling fortunes of the brands they happen to manage.

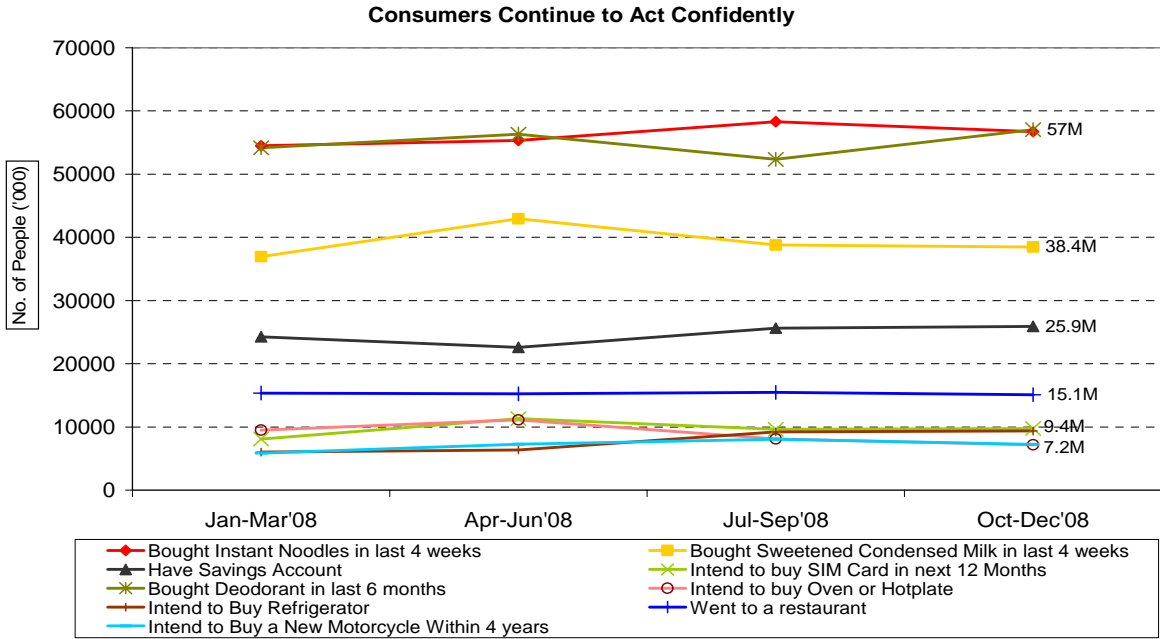
Only by looking at the marketplace as a whole, both urban and rural, will a realistic picture emerge. Challenging the elitist perspective, the last quarter of 2008 showed the Roy Morgan Consumer Confidence surge upwards by almost 9 points, in total contrast to the trajectories in most countries around the world. Bank Indonesia's own index also showed a similar upswing. The primary reasons of course were the continuing decline in the prices of consumer essentials, most importantly fuel.

What many city-based managers reading city-based surveys tend to forget is that life for the average Indonesian around the country is tough, even on a good day. The magic number is Rp 1 million, the amount the main income earner brings home each month, and is spent on household expenses. That number is slightly higher than the national average in urban Indonesia, slightly lower in rural. But the key difference is that the rural income is spent almost entirely on groceries, with little to spare for school fees or visits to the doctor.

In many urban, but even more so in rural homes, a second income has become a necessity, not a luxury. The growth in the number of 2-income homes, particularly in rural Indonesia, during the October-December quarter was clearly visible. The noticeable spike in unemployment as a result of job losses added to the pain. Direct cash payments by the government to the weakest sections of society last year had an obvious impact on cushioning the blow delivered by food and fuel prices spiralling upwards. As they started coming down, Lebaran and Christmas bonuses during the last quarter also helped boost the mood of the consumer.

The collective impact of the various influences can be seen across the spectrum of products and services. Some product categories are affected more than others, some brands within those categories even more so. Essentials remain essential, but some discretionary spending falls by the way. Downtrading occurs, smaller units become temporarily more popular, value for money becomes even a bigger influence and category leaders strengthen their dominance over the tail-end. These are proven conclusions, proving true yet again.

With everyday groceries a major part of the domestic budget, the dip in the consumption of rice and instant noodles is not surprising especially in rural Indonesia. Beef became even less popular, around the country. Among fast-moving consumer goods, value-for-money family brands like Lifebuoy continued to grow in market share. Pantene's growth continues thanks to small sachets and competitive pricing. Sacrifices were made to the detriment of tea and coffee brands, even milk wasn't spared but is now recovering. Restaurant visitation is down nationally, including fast-food outlets. The exceptions are the top 20 cities, where visits have climbed.



Moving up the socio-economic ladder, the number of people with savings accounts is growing again. Cellular networks, an essential to many, have 65 million subscribers firmly in the community with millions more planning to join. Travel has been hit, with people's intentions to take a holiday declining. While the demand for motorcycles has flattened, it remains strong with over 9 million still considering the purchase of a new one. Not true for new cars where demand remains low, confirming that even the affluent are postponing such big-ticket purchases. In contrast, the demand for refrigerators continues to climb.

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 20 cities, other urban centres and rural as well. Depicting life across Indonesia, the distorted view of surveys conducted only in the major cities is avoided. That national database is updated every 90 days, tracking changes as they occur.

Nobody would argue that the global situation is not having an effect on Indonesia, nor would anyone suggest that there aren't going to be more job losses. But six months into the crisis, it has now become obvious that it is Asia which will lead the world out of recession, with China, India and Indonesia showing the way. These three large countries have similar socio-economic structures, with social inequality, unemployment and poverty staring at the faces of their governments at the best of times. Under even greater pressure now, they have all looked inwards, pouring trillions into infrastructure and rural development programs, all aimed at creating jobs and bolstering the domestic economy.

Life isn't going to be easy in Indonesia for the next few years, but we shouldn't forget that it wasn't ever easy for the overwhelming majority. Their choices in the marketplace will depend largely on how well brands are supported and consumer behaviour monitored.

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