

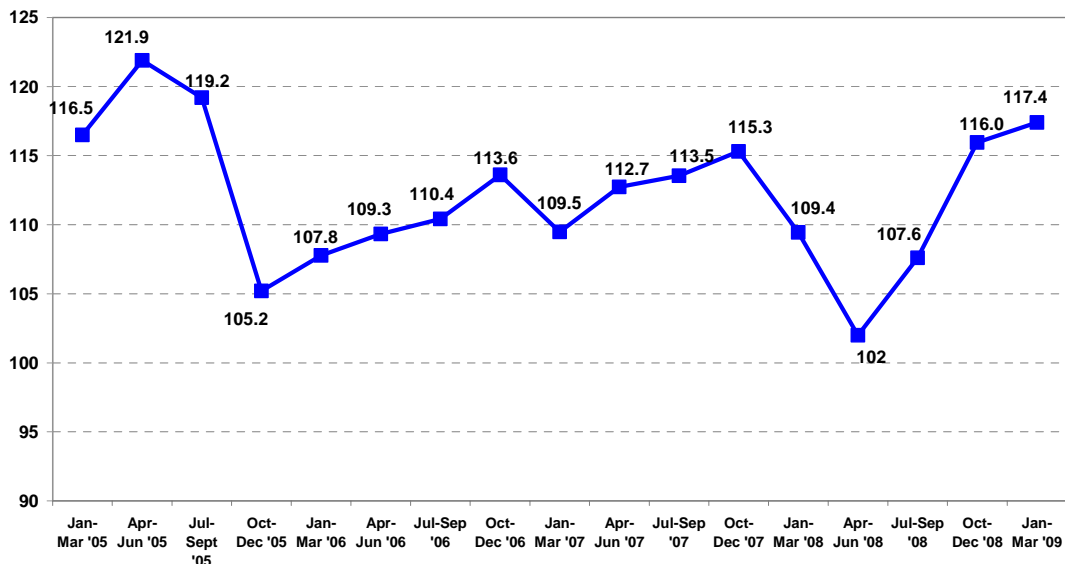
Critical need to read the local signs, not just the global.

Contrary to most countries anywhere, consumer confidence continues to rise steadily in Indonesia. The Roy Morgan Consumer Confidence index rose another 1.4 points in the January-March quarter to 117.4, higher again than the 115 of December 2007 and four points short of the dizzying heights of 122 in June 2005. Every major survey in the country is confirming that recovery in confidence levels, month after month.

Confidence is growing not only among consumers in the big cities where Bank Indonesia and Danareksa conduct their interviews, but also among their counterparts in the towns and villages measured by Roy Morgan Research. Traditionally, consumers in the top 20 cities are more upbeat than the rest of the country, pulling the index upwards. It is worth remembering that they account for only around 25 per cent of the population. This time, the differences in the levels of confidence between the cities, towns and villages have narrowed significantly. This time, the rural population leads the country in the expectation to be “better off this time next year”.

More than ever, appropriate distinctions between local, regional and global factors needs to be made by every marketer in Indonesia. The risk of being negatively influenced by external news, of being overwhelmed by global gloom and doom, is too high. From a global perspective, it would be difficult to understand that the automotive industry in India saw significant growth in April, cars and two-wheelers alike. That news is drowned by the unending din from Detroit, the prospect of bankruptcies looming large. The news of demand for steel going up in China last month barely got a mention in media. That Indonesia’s GDP grew by over 4 per cent in the first quarter of 2009 appeared to be unworthy of celebration around the world.

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PT. Roy Morgan Research, Wisma 46, Kota BNI, 17th Floor, Jl. Jend.Sudirman Kav. 1 Jakarta 10220

Tel: (021) 572 2021 or 572 7529 Fax: (021) 572 4864

411 Collins Street, Melbourne, Victoria 3000, G.P.O. Box 2282U, Melbourne, Victoria 3001, Australia

Tel: (03) 9629 6888 Fax: (03) 9629 1250 (03) 9224 5387 Email: melbourne@roymorgan.com

Website: www.roymorgan.com

Offices also in: Sydney, Brisbane, Adelaide, Perth, Canberra, London, Auckland and USA

Instead, too much time and attention is spent on debating how much growth these three Asian giants need to stay where they are, ahead of trouble. 7 per cent in China and 4 per cent in Indonesia are deemed inadequate. These double standards continue to be displayed to reassure audiences in the developed world that all is not lost for them, even as they race to sell Asia whatever it is ready to buy.

More than ever, marketers in Indonesia need to look inwards, to examine the relevant facts that are emerging before them in the local marketplace. Nobody would deny that export-oriented businesses in particular face difficulties today, that consequent job losses are adding to the national pain. Yet, what is often ignored, is that two-thirds of Indonesia's Gross Domestic Product is created by local consumption. Much of that consumption is outside of the big cities, with everyday essentials like food and other household needs making major contributions. In difficult times like these, competition will increase and many brands will decline, some will fade away. But it is these market realities that also influence the rate of inflation, lower than expected in recent months after a year of spiralling prices for groceries. The consumer is winning, but not everybody else needs to lose.

Invariably, leading brands that offer value for money will gain market share even in the face of a static product category. Manufacturers with multiple brands at different price points are at an advantage, able to reassign resources appropriate to the competitive forces within the category. This creates unusual difficulties for single-brand companies, especially the smaller players and new entrants. Big or small, these are not times for the weak and fearful. In contrast, this is when the proverbial "tough get going". There are just too many examples in marketing history that prove the theory.

In Indonesia today, there is even more good reason to keep on investing. Cutting back on anything other than wastage would be a mistake. More than any other factor, that reason is consumer confidence. Hope has been undervalued and underrated too much, too often. If industry at large joins the consumer on the street to build on hope and confidence, the dividends for both can indeed be incalculable. The other available option is to hide individual failures to that convenient and easy-to-blame excuse, "market conditions". Local companies especially don't have the privilege of hiding behind global directives to cutback on expenses. Among the multinationals, only the courageous are challenging such blunt instructions. They will reap the returns one day in the not-too-distant future.

How confident is your consumer? The answer is out there, if only you go looking for it. Blame anybody else you like, but not the consumer.

These opinions are based on Roy Morgan Single Source, a syndicated survey with over 25,000 Indonesians 14 years and older interviewed each year. That national database is updated every quarter, reflecting changes as they occur in the unpredictable times we live in. Almost 90 per cent of the population is covered, in both urban and rural Indonesia.

The writer can be contacted at Debnath.Guharoy@roymorgan.com