

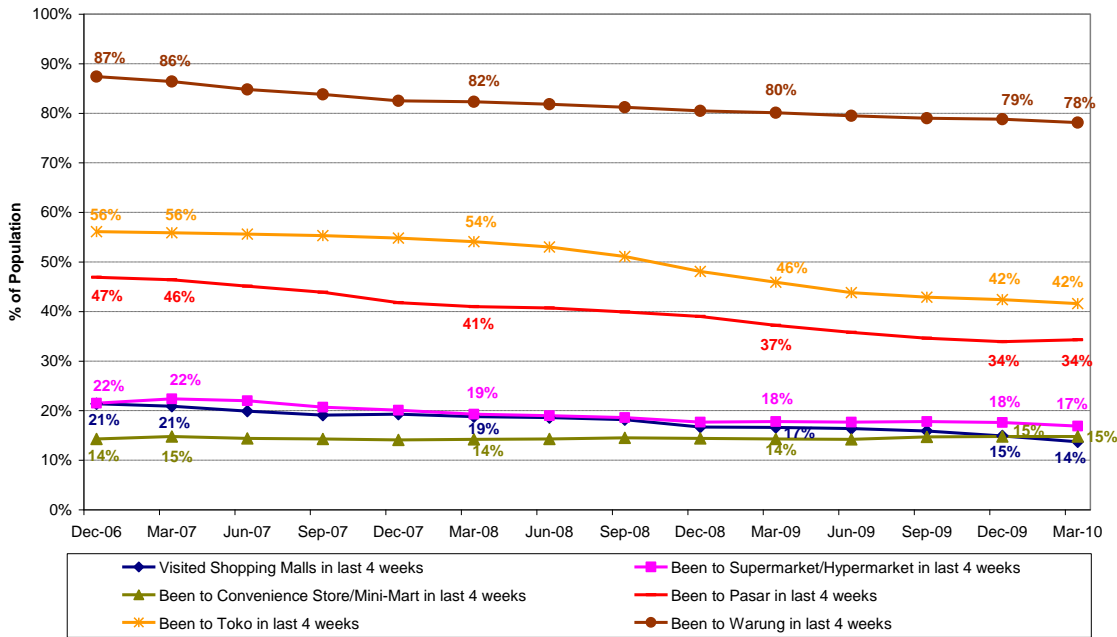
Does spending more and visiting less make retail sense?

An occasional walk through some of Jakarta’s high-end shopping malls always makes me wonder how some of the shop-owners pay their bills. You can see the bored staff, you can hear the air-conditioner humming, you can almost feel the losses mounting because there isn’t a shopper around. It’s a business I don’t understand. When I look at the information produced by the Roy Morgan Single Source survey, I wonder who’s paying the bills for all those glossy designer-label stores.

In 2006, 21 per cent of the population had visited a shopping mall in the ‘last four weeks’. This year, it’s down to 14 per cent. In 2006, 15 per cent of the population had actually bought something at a shopping mall. This year, it’s down to 10 per cent. Even though the country’s population is growing each year, the number of visitors as well as buyers, are actually declining. Despite that trend, some malls are holding their visitor numbers, but they are the exceptions. If shopping is entertainment, or even ‘therapy’ for some, it is one habit that’s changing. But let’s keep leisure and lifestyle aside, till next week.

The cross-currents traversing the country’s retail sector can be puzzling indeed. On the one hand, shopping malls have mushroomed across metro Indonesia especially in the last five years. That’s a visible reality, and not just in Jakarta. We know that unemployment is down to record levels, we know that household expenditure has steadily climbed upwards. On the other hand, the number of visitors to almost every kind of retail outlet is steadily declining while the cost of everyday essentials continues to creep up each month. While all positive signs are worthy of celebration, the negatives can only be ignored to our peril.

VISITATION TO DIFFERENT TYPES OF RETAIL OUTLETS



The *warung* remains the most popular retail outlet in the country, but visitors to these modest neighbourhood shops have steadily declined over the years. At the end of 2006, some 87 per cent of the population had visited one in the last four weeks. As at March 2010, that number had dwindled to 78 per cent of the population. During the same period, visitors to the *pasar*, the local market, had also declined from 47 to 34 per cent. What's brought about these significant changes in shopping behaviour?

There are a number of forces at play. While almost all indicators of the consumer economy have been positive, there is clear evidence that the rising costs of groceries has curbed the enthusiasm created by more, higher, incomes in households. More money has indeed been coming in, but more money has been going out. The amount of money spent on groceries per week by the average household has risen from Rp.199,000 per week in 2006 to Rp.252,000 in 2010. It's unlikely they are eating more, or buying luxuries. With electricity, cellular phones and even motorcycles essentials for the growing numbers who have them, the strain on disposable incomes has indeed increased for the modest majority.

This has led to the 'main grocery buyer' in each household to exercise greater control on the family budget. The incidence levels of 'casual shoppers', a teenager running across to buy a shampoo for example, has steadily declined over time. Nowadays, if the home has run out of tea or soap, it's more likely that a parent will go out for that essential, and increasingly, to a convenience store. Not the old *warung* or *pasar*. No wonder, it is the only type of retail outlet that is showing a growing, not declining, number of visitors. Today, 15 per cent of the population goes to a convenience store once every four weeks at least. Expect to see many more Alfamarets, Indomarets and their ilk mushrooming around the country.

Another significant reason for the decline in visitor numbers is the increasing popularity of the family treasure trove, the refrigerator. In just three years, the percentage of households with a refrigerator has grown from 35 to 38 per cent. In a country the size of Indonesia, 3 per cent in 3 years is a lot of refrigerators. It's yet another reason why *warungs* and *pasars* are seeing numbers of visitors decline. Equally encouraging for the manufacturers is the fact that 6 per cent of the population intends to buy a refrigerator "in the next 12 months". Considering that there are two to three adults per household, Indonesia can expect to see the penetration rate of refrigerators in households continue to march ahead. This is especially true of aspiring households from the cities and towns, more than the *kampungs* around the country. No surprises there, not just because refrigerators require electricity. With 37 per cent of the population agreeing that "now is a good time to buy major appliances", up from 24 per cent three years ago, the signs are positive. Having said that, I would urge you not to forget the 61 per cent who still disagree. Or the 3 per cent who aren't sure.

These conclusions are based on data collected by Roy Morgan Single Source, the country's only syndicated survey that covers the cities, towns and villages of Indonesia. It covers over 15 major industries, over 150 product categories. With over 25,000 respondents each year, the data is updated every 90 days.

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