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De-mystifying the business of managing brands.

If managing a portfolio of brands requires the constant untangling of different elements, as in a mystery, how do you stay on top of the continuing mystery that is the consumer marketplace? That's a question I've been asked, because of a remark I made in this column last week.

More than anything else, common sense is advisable. Regardless of the product, whether it's an instant noodle or a 4WD, a good starting point is to recognise the context, the marketplace, in its entirety. Just because cola drink sales in general or a particular brand of mosquito coils aren't doing as well as they were in 2005 doesn't mean the entire economy is sagging. That kind of jumping to conclusions is infantile and I've heard them too many times. It could simply mean that some erstwhile consumers may have made sacrifices, others may have down-traded, some may have found better alternatives or value-equations. Many brand managers unknowingly fall prey to tunnel vision, with access to limited information focussed on their product category alone.

A finger on the pulse of the marketplace as a whole may offer a different diagnosis of the product category or brand in question. Consumer Confidence is a good place to begin putting that finger. In Indonesia, the index continues to creep upwards and is currently at a healthy 113, well above the neutral 100 mark. That's a national average, with the Middle and Lower classes the most confident, the Affluent and the Poor at the top and bottom ends of society less so. But the most appropriate use of the index would be to see it through the prism of the category in question, say Cellular Phone Intenders or Grocery Buyers for example, and a different picture may well emerge.

Before rushing to that tailor-made Cluster or CRM database, another useful asset is a societal segmentation tool like Values Segments to evaluate the performance of a category or a particular brand. Last week, I had used it to demonstrate the fact that very different users of shampoo "Brand Used Most Often" can patronise the same brand from across the diverse sections of society, or switch between brands within the same product category.

Another capability to cross-check assumptions is to understand how different consumers within the same product category have different attitudes or opinions that affect the brand. Under normal circumstances, these trends don't fluctuate much over each quarter of a given year. External circumstances like fuel price hikes, inflationary pressures or even natural disasters can create volatility temporarily and seem to be a part of life in developing economies where large swathes of society are financially fragile.

While almost every other business has recovered, the industry that still remains most affected by the twin fuel price hikes of 2005 is New Cars. The easiest thing to do in tough times is to drop prices. Any fool can sell cheap. Looking beyond the obvious and at the different layers that make up the changed "mystery" is the only way to find an appropriate way forward for the brand.

These observations are based on trends continuously measured by Roy Morgan Single Source, Indonesia's largest syndicated survey. That study is now expanding to include over 27,000 respondents this year, projected to reflect the behaviour of 90% of the population over the age of 14.

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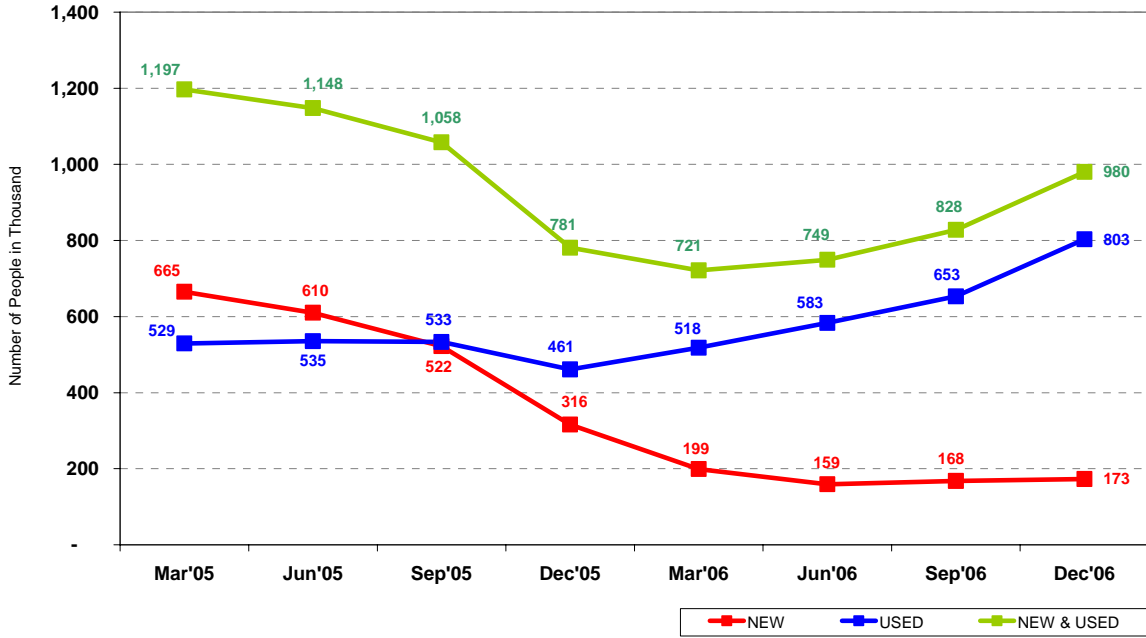
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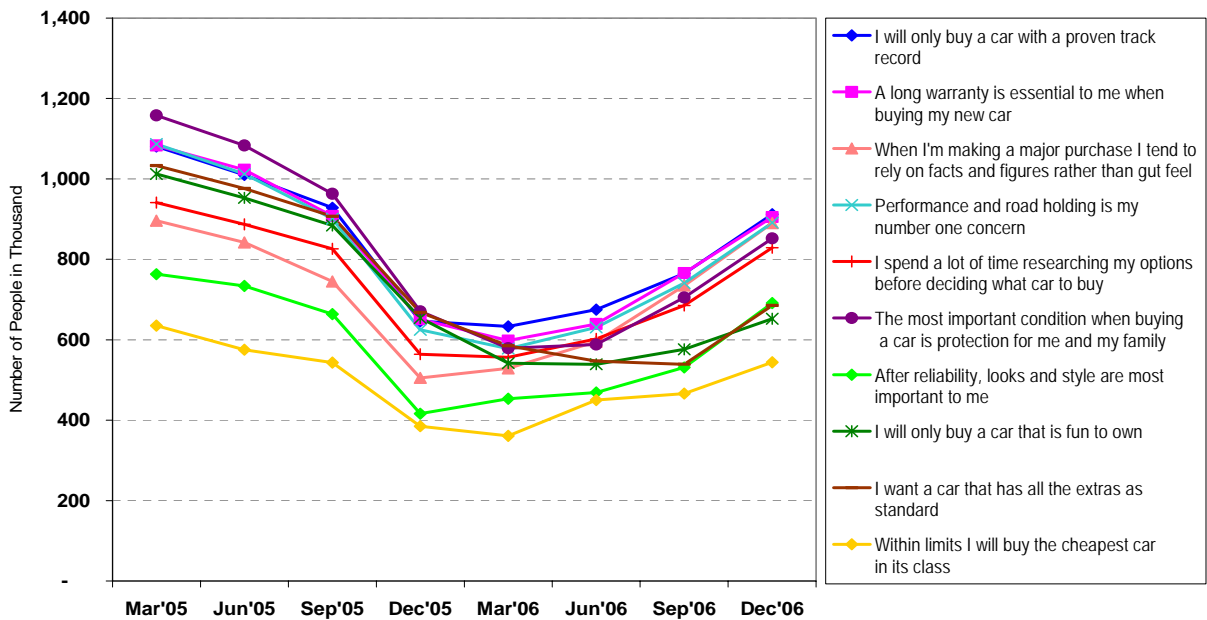
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Demand for Cars: All Intenders



In the relatively small market for Cars in Indonesia, the demand in Rural areas is difficult to read with certainty. Even in Urban, the demand for use as “Mikrolet” by individual owners also needs to be untangled. But a look at the way the urban market has behaved over the last two years reveals the volatile fortunes of consumer demand for cars. The chart does not reflect demand from government, institutional or corporate bodies. The first petrol price hike in March 2005 triggered a dip, the second caused a nose-dive from which the recovery has only just begun, more than twelve months later. I would expect greater fragmentation to continue as more manufacturers make their mark, taking advantage of changing attitudes.

Attitudes to Cars: All Intenders



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The demand for Used cars overtook the demand for New cars in September 2005, and attitudes to cars changed in priority. But I have yet to see a fundamental change in the way cars are marketed in Indonesia. In most dealerships, the carmaker's new models remain idling on display. Trade-ins aren't as encouraged as you would expect to see in these changed circumstances, nor do I see car loans in media screaming out attractive weekly repayments to nudge customers to swap their old cars for new ones.

To point out the obvious, the two segments can be catered to by the same dealership, with trade-ins and on-the-spot financing meeting the needs of both types of customers, one feeding the other. Two sales opportunities instead of one, both making money, both satisfying a customer.

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