

Aspirations for a better life reflected in demand for electronics.

Before anything else, I need to make an apology to the readers of this column last week. Of the four trend-lines in the chart illustrating demand for cellular products and services in 2007 and beyond, I accidentally used a 2006 database to create one of the graphs. Nobody's fault but mine alone, an error I cannot explain. Consequently, I wrote about demand for mobile handsets continuing to climb to 35 million first-time intenders, as at June 2007. As you've guessed by now, that was the position in June 2006. Twelve months later, the situation has changed, with the number of first-time intenders dipping to 22 million. That's still a very large number.

There are two obvious lessons here. Like the nuclear button, information needs to be handled with caution. The second lesson is equally obvious. For almost every product or service offered in a developing country the size of Indonesia, the numbers are all rather large. That despite the fact that not nearly enough of the 5 to 6 per cent GDP growth is filtering downstream fast enough. Inflation steadying at 7 per cent per annum maybe good news for Indonesia's financially comfortable, but remains a strain on the monthly budgets of the less fortunate. If the current focus on empowering SMEs results in a blossoming upwards, the current dips in demand for many products and services will point skywards again. It will require a coming together of numerous initiatives, all involving new investments from within and without, to create a major boost in jobs and wages which will in turn result in real spikes across this large and growing consumer economy.

Up or down, the numbers for the consumer electronics industry remain big. A small percentage of a big country will still be a big number. That's true for all consumer products. Manufacturers complaining of marginal growth in Indonesia are in fact bemoaning the demise of boom-times. Many marketers I speak with tend to ignore the overall size of the product categories today, as well as the potential of tomorrow. Failure to carve a share of growing segments with relevant and competitive, not me-too offerings, should not be blamed on a sluggish economy. Things maybe tougher now than they were in the late 1980s when the economy was opening up, but market shares held by category leaders in Indonesia are still incredibly high in comparison to developed markets. That is true across the board, from shampoos and deodorants to cars and credit cards. The humbling truth for most underdogs is that they aren't working smarter than the old market leaders, to find their spot under the sun.

Let's take TV sets, because there is a good lesson there. Down from 10 million people planning to 'buy a TV set within a year' as at September 2005, just before the second fuel price hike that dark year, there are still 6.3 million people in the market today. For some, this will be a replacement. For others, a long-time aspiration will come true and for some it will remain a dream for a while longer. But it is the affluent minority who are influencing an upturn in the demand for TV sets, with interest in plasmas and other flat-screens stimulating the lift.

Industry-watchers are aware of the history. First, the Japanese turned up the heat on the Europeans and the Americans, the Koreans came next and the Chinese brands are coming. Anybody who simplistically explains the phenomenon by using price as the only element of

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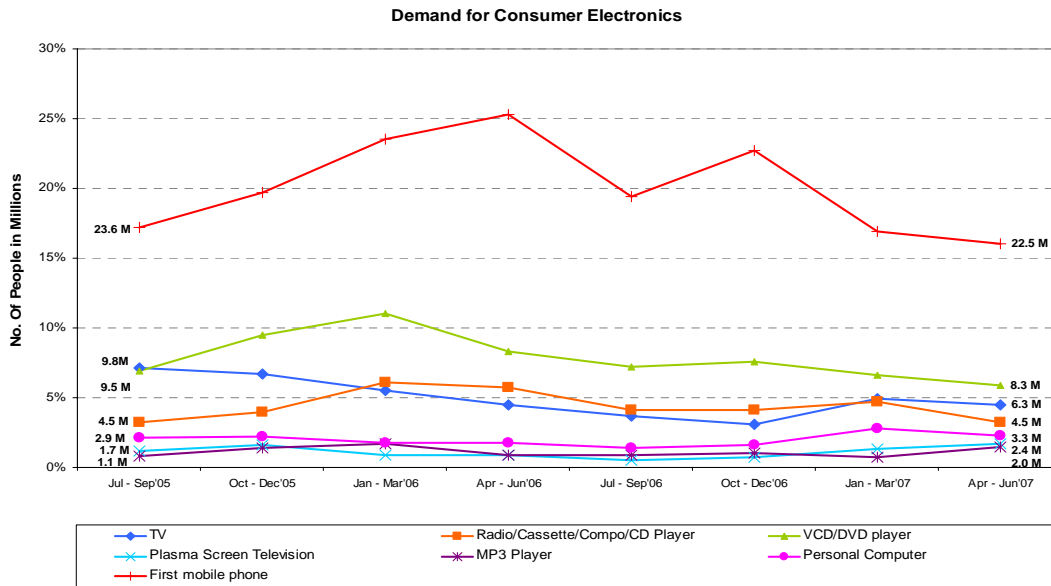
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the mix is making a mistake. As competition raises standards and consumer expectations, aspiring generations of new customers also enter the market for the first time. Seeking value, these first-timers spread their positive experiences by word-of-mouth and before you know it the world has an LG, a Samsung, then a Haier!



Consumers don't buy rubbish. If they do so once, they'll condemn it at the office, the *kampung*, the *pasar*. The reverse is equally true especially because everybody, rich or poor, loves a bargain. Most people like to give the underdog a chance, but they equally love a winner. It's a combination of these sometimes contradictory elements that makes our world go around. The moral of the story is simple: don't blame consumer inertia or the economy for your own shortcomings. If you have a relevant and competitive offering, hard work will get you there. What can get in the way temporarily is the volatile nature of the developing world, with millions on the aspirational fringe affected hard by a fuel price hike or a natural disaster.

There are currently over 3 million people planning to buy a personal computer. Almost half of them are also thinking of getting an Internet connection at home. Yet, how many offers do we see that bundles a monthly payment plan for the computer and a capped monthly access fee to the Internet? If a bank, a manufacturer and an Internet service provider teamed up and made an offer that is hard to refuse, the conversion from intention to purchase is likely to happen. Innovation is vital and there isn't enough of it going around.

These observations are based on Roy Morgan Single Source, the country's largest syndicated survey with over 27,000 Indonesian respondents annually, projected to reflect 90% of the population over the age of 14. That is a universe of 140 million people. The results are updated every 90 days and used by more marketers, media and creative agencies than any other syndicated survey.

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