



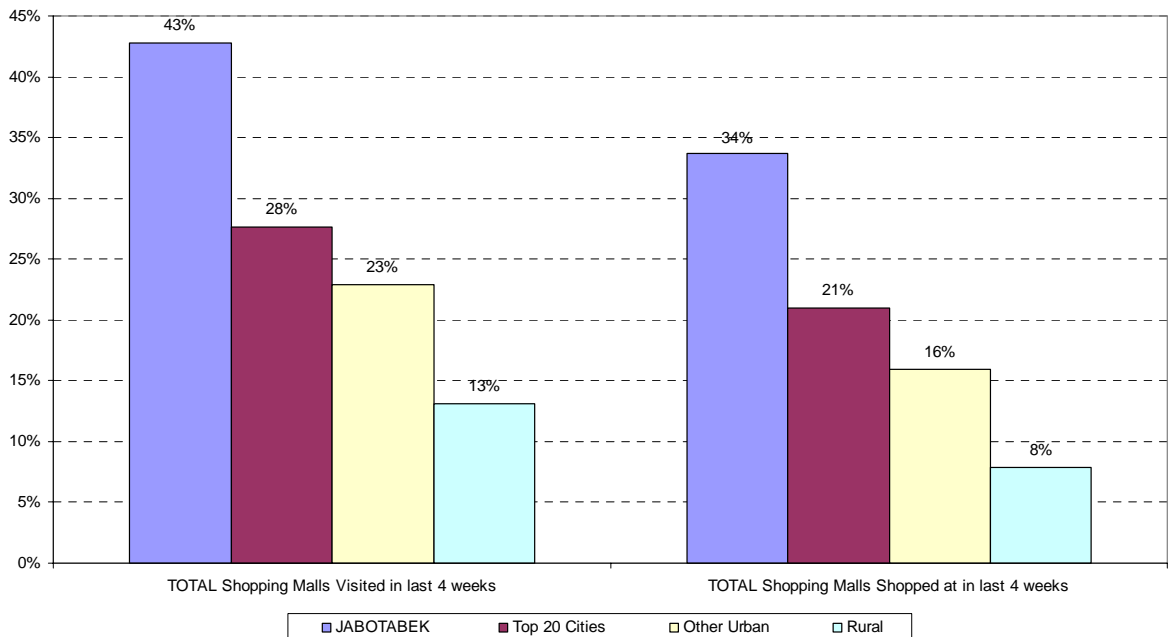
**Too much of a good thing will be disastrous for the retail sector.**

The runaway development of shopping malls in Jakarta is living proof of reckless greed, a monumental disaster in the offing. It is a good example of how poor information, bad planning and a lack of common sense is already hurting, and will continue to hurt investors and workers alike. As always, it is the people at large who will eventually pay the price for the folly of a few.

Anybody who has wandered into one of the shiny new malls in Jakarta will have been surprised by the eerie quiet at midday. Where is the midday crowd, you wonder? How do the owners pay the staff for waiting patiently for that elusive customer? How will these shiny new shops get returns on their investments? How will the banks recover their loans?

Of all Jakartans 14 years of age and older, 43 per cent have been to a shopping mall in the last month. 34 per cent have actually spent some money at the mall. In other words, about one in four visitors are there for the ‘entertainment’. These numbers reflect the collective weight of Jakarta’s affluent, its middle class and some of the less privileged. Significantly big, both in terms of footfall and spending. But there is a limit to how many malls they can visit or how much money they can spend. Not surprisingly, there is no dramatic surge in mall visitation in recent years, with inflationary pressures and rising prices keeping many in the middle class at home. The kind of surge in mall development that Jakarta is going to witness in the next 24 months will overwhelm many, but “under-whelm” the shopper. 14 new malls, with an estimated floor space of some 600,000 sq metres are mushrooming right now. For whom? Like most of Indonesia’s top 20 cities, the middle class in Jakarta isn’t really growing and any assumptions of expansion based on population growth are simplistic and inaccurate. The reality is quite the contrary, in fact.

Frequency of Visiting and Shopping at Shopping Mall





In sharp contrast, developers, bankers and builders are putting up shopping malls as if the country is in the middle of an economic boom. “Build and they will come”. That mantra may work in Dubai, an oasis among the rather bland cities in their neighbourhood. But it cannot work here. It is unlikely that Jakarta is going to become a shopper’s paradise for the region anytime soon, in competition with Singapore. Depending on Jakartans to fill the empty spaces or aiming to attract shoppers from the other cities of Indonesia is wishful thinking.

These conclusions are based on Roy Morgan Single Source, the country’s largest syndicated survey with over 27,000 Indonesian respondents annually, projected to reflect almost 90% of the population over the age of 14. That is a universe of 140 million people. The results are updated every 90 days but the opinions expressed are my own.

The prognosis isn’t difficult to construct. The developers are going to be hit hard. Distress sales will bring down revenues from existing malls. Banks who have financed some of these mammoth new projects will find themselves unwilling owners of real estate. As always, they will aim to recover those losses from their other customers, big and small. Big retailers and franchise-holders will see smaller returns from each outlet they currently own and feel pressurised to open more in the new malls to protect their overall market share. Small retailers hoping to win from the sheer presence in a glitzy new mall will suffer from sparse traffic. Many of the new retail jobs created will wither away in time, creating anguish among families. The shopping mall ‘pie’ simply isn’t growing and slicing the same one up in to even smaller pieces is going to leave a lot of red on the balance sheet. It won’t be ketchup.

Why does this kind of self-inflicted malaise occur in Indonesia? Whether it is developers, retailers or bankers, there is an amazing lack of maturity among decision-makers. While some industries have their own associations, very few of them are effective. This appears to be true of most industries, across the spectrum. The primary reason for the malady is the instinctive desire of captains of industry who convince themselves they know everything there is to know, have the winning ideas, nobody else does. The utter lack of appropriate data, the misplaced over-confidence, the scant regard for basic marketing discipline are the primary culprits. Add to those failings the shallow use of book-knowledge, phrases like “first-mover advantage”, and irrelevant commercial secrecy practiced by most companies becomes the recipe for a collective fracture. There is no advantage in jumping off a cliff ill-equipped, either individually or one after the other.

If industry association meetings are forums to protect vested interests and spread disinformation to confuse the competition instead of being the industry platform to collate and share hard data, experiences and concerns, the immaturity of individuals at the helm will inflict pain not only upon themselves but also upon their associates and society at large. Without intellectual maturity, without commercial discipline, every type of business is vulnerable not just the retail sector. If an essential resource for a successful business is reliable information, not misinformation or disinformation, what does your association offer? Then ask yourself what you have done for it, lately.

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