

“It’s the economy, stupid”. But how does it affect your brand?

With survival at stake, politicians across the world know that the vote and the wallet are inextricably linked on polling day. The primary political issue is always the state of the economy. Marketers are conscious of similar sentiments affecting their own fortunes.

But the state of the overall economy may have a little or a lot to do with the immediate future of a particular brand. Depending on the nature of their business, marketers need to peel the grey away from the black and white. The Roy Morgan Consumer Confidence index was at 115 at year’s end, showing four modest quarterly crawls upward in 2007. The workforce has obviously been working harder, some at two jobs, to pay household expenses. It was as if Indonesia’s battlers had come to terms with rising prices of bare essentials and returned to their characteristic optimism, regardless of the odds. That robust national average of 115 masks the fact that at the top, people earning over Rp 5 million per month had their confidence heading in the opposite direction. The privileged few, affected by local repercussions of a looming recession in the United States, ‘crashed’ to 144 from a euphoric 161 in the third quarter of 2007. At the bottom, their 107 rating reflects the modest hopes of the poorest, earning Rp 600,000 or less per month.

The vast differences in ratings gleaned from these diverse sections of society illustrate three economies, at different speeds. That means that different product categories will perform differently. While discretionary expenditure across all product and service categories could be affected as global factors impact the local economy, it is important to remember that the overwhelming majority of Indonesians have never had much discretion left at month-end.

At the top end, carmakers recovered lost ground in 2007 and were looking forward to a rosy 2008, with consumer demand for new cars at 320,000 units. That bullish outlook could wilt in the perspiration of a bouncy stock market. Add potential hikes in fuel prices to that fire. Malls catering to retailers of luxury brands could similarly see a dip in footfall if the buffeting continues as expected. While modest bank accounts continue to head south, closing or becoming dormant, plastic cards are moving north. At the cusp of the affluent and the middle class, the bank account symbolises a societal bridge. Only one in five Indonesians above the age of 14 has a bank account today. While the number of basic transaction accounts is dwindling as a direct result of rising prices of essentials through 2007, the affluent have continued to acquire debit and credit cards with no sign yet of a slowdown.

For now, demand for new motorcycles is holding strong. The barometer of middle-class aspirations in Indonesia, marketers of all products and services would do well to keep an eye on the two-wheeler market. While current intention is running at 9 million units annualised, over 7 million units are likely to be sold, in continuation of the gap between hope and reality. About half that demand is from rural Indonesia, a quarter from the towns and only the rest from the big cities. Bridging the middle and the lower classes is the cellular phone today, no longer the exclusive symbol of the affluent that it was only a decade ago. The demand for SIM cards has levelled but still robust with some 22 million planning to buy one for the first time, “sometime in the future”. In the meantime, the cellular phone is driving small businesses across the country today, with email still the instrument of bigger enterprises.

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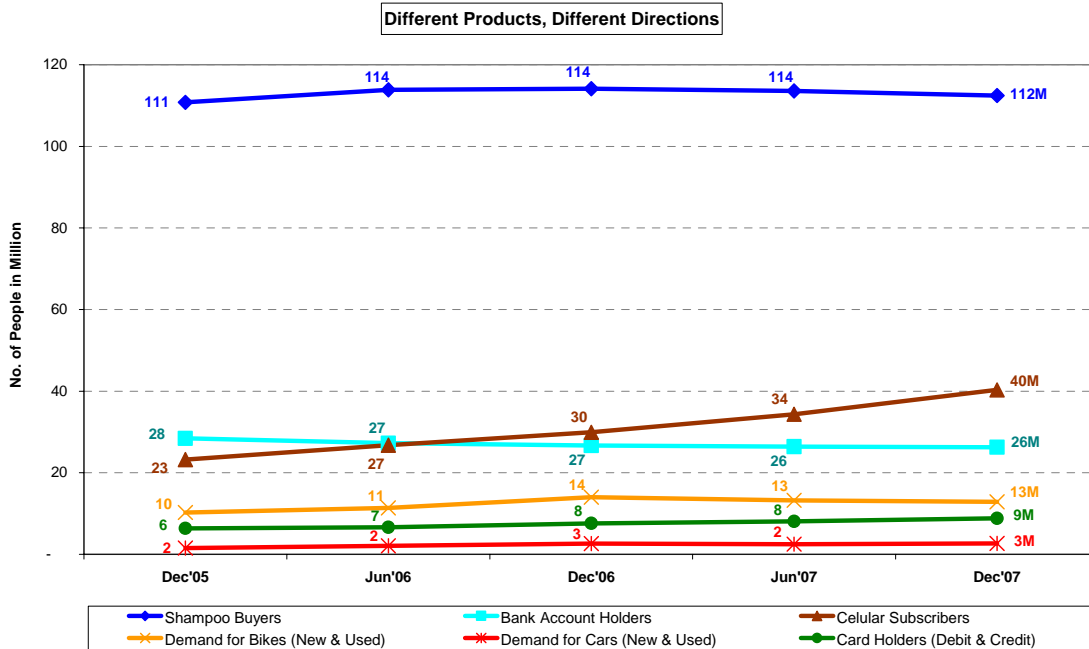
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Then there are the all-weather ‘bullet-proof’ mass-market consumer goods, symbolised by the shampoo. Almost everybody in Indonesia uses one nowadays, at varying frequencies, in good times and bad. The truth is candy sales don’t slip in hard times either, because even the poorest need some of life’s simpler and affordable pleasures. Some amount of down-trading will happen in certain product categories, but most mothers will want to give the kids the same brand of milk, no matter what else they may have to sacrifice. Edible oils and laundry detergents brands are more vulnerable. For people who don’t use deodorants as an essential every day, it will come off the shopping list. Across the board, down-trading to cheaper brands and smaller pack sizes are obvious threats to a brand’s performance. Portfolio management should not depend on retail audits and sales reports alone.

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. The opinions expressed are my own.

How do you create a marketing plan for Mandiri personal loans, if you do not have a reliable finger on the national pulse? How do you monitor the relaunch of Mandala Airlines if passenger insights are restricted to big cities only? How do you minimise the effect of a cheaper Lifebuoy shampoo cannibalising the more expensive Sunsilk across the country? These questions have little to do with the grey, overall state of the economy. They have a lot to do with really understanding the consumer, holistically, reliably, continuously. In black and white, against a national landscape.

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