

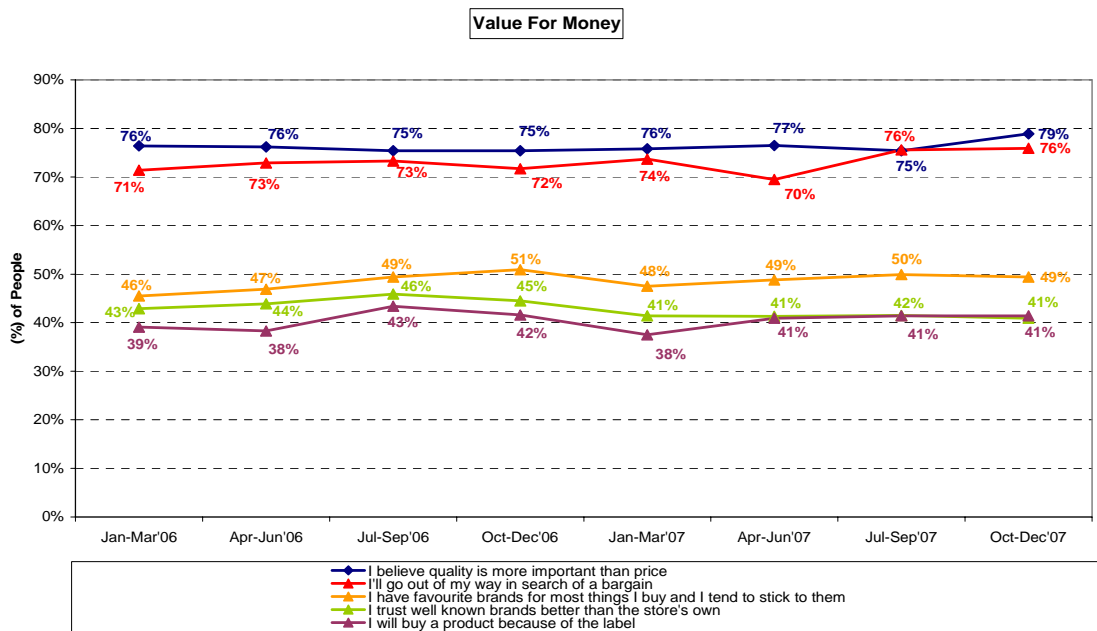


## Does ‘Value for Money’ Really Mean ‘Cheap’ in Indonesia?

Discussions about the pros and cons of brand equity will go on forever. In a world where the capacity for debate or the time available for intellectual exchange is often unavailable, a magical ‘score’ that summarises all the characteristics of brand health is often offered in lieu of a fuller understanding. As long as this number is better than the competition’s, that’s all that seems to matter.

Yet, regardless of country or segment, category of product or type of service, the overarching learning for all marketers alike is the same: customers want value for money, above all. Perception is reality. That perceived value may vary by product category and consumer type but by and large, society behaves in a particular way. Understanding that behaviour in macro terms that reflect the marketplace as a whole, as well as in micro terms that affect your brand in particular, is key to continued success. Measuring only the visible portion of an iceberg, analysing that exposed bit to melting point, can be dangerous to the health of your ship. Any instrument that gives you the big picture and the sharp focus on a continuing basis, will on the other hand give you a true picture of problems and opportunities.

The Indonesian consumer is as driven by ‘value for money’ as any marketplace anywhere else. Contrary to popular belief, almost four consumers out of five believe that “quality is more important than price”. This is as true for a housewife in rural Sumatra buying a shampoo as it is for a professional considering a new car in Surabaya. While quality and price may weigh differently in their minds in the two different contexts, cheap is not the only dimension on which even the consumer of modest means arrives at a purchase decision. Anyone who promotes that old clichéd view is simply wrong. Despite the pressures of rising prices and consequent hardships for the majority of Indonesian households, the desire for quality is not on the decline.



Following closely on the heels of that desire for quality is the apparently conflicting urge to “go out of my way in search for a bargain.” That’s because rich or poor, male or female, everybody loves a special deal. Whether it’s a bundled offer for soap or a free ticket for a companion, promotions work. The trick is to use those periodic promotions to also add value to the brand, without debasing it. In contrast, a discount store by definition needs to be perceived as ‘cheap’, always.

“I have favourite brands for most things and I tend to stick with them”. Brand managers everywhere would like to believe that everybody is brand conscious, across all product categories. In reality, only half the country agrees with that statement. While there’s enough evidence to prove that consumers form strong loyalties in some product categories and form a portfolio of favoured brands that they consider in others, it is vitally important to understand category behaviour as a whole and brand behaviour as it affects your own, in particular. Brands of food, apparel and even credit cards have higher levels of loyalty for their own unique reasons, with image playing a more influential role in the purchase process. In contrast, efficiency and service play a much more important role for the more invisible products, like cellular networks that you connect with or the insurance for your vehicle. But cars and motorcycles fall somewhere in between, with logic often used to rationalise a choice that may have been primarily emotional.

Despite the constant barrage of marketing efforts, only about 40 per cent of grocery buyers “trust well known brands more” than generics. Similarly, only an equal number of them will “buy a product because of its label’. These revelations will come as a surprise to many who nurse the view that brand image is the most important influencer. In reality, the recommendation of the shopkeeper, the very presence of a product in a reputed supermarket’s shelf, is assurance enough to the majority of customers. Cutting through that clutter is a challenge indeed and knowing which input is working harder than others in achieving those goals is the only real measure of return on investment.

The impact of unforeseen external factors can have devastating impact on a brand’s performance, even an entire category. While the price of oil climbs ever higher at a global level, the removal of fuel subsidies will damage the fortunes of many businesses in Indonesia, at least temporarily. Knowing which categories and which brands, by how much, where and why, will help determine corrective actions. Unless of course, you are in the oil business. In which case Chevron’s first quarter profits of over \$10 billion will be cause for celebration and you wont stop to wonder why the world’s biggest promoters of ‘free market pricing’ are now the loudest critics of market forces determining the price of a barrel of oil. Does anybody care which brand of fuel is going into the tank today? A sobering thought.

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 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.

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