

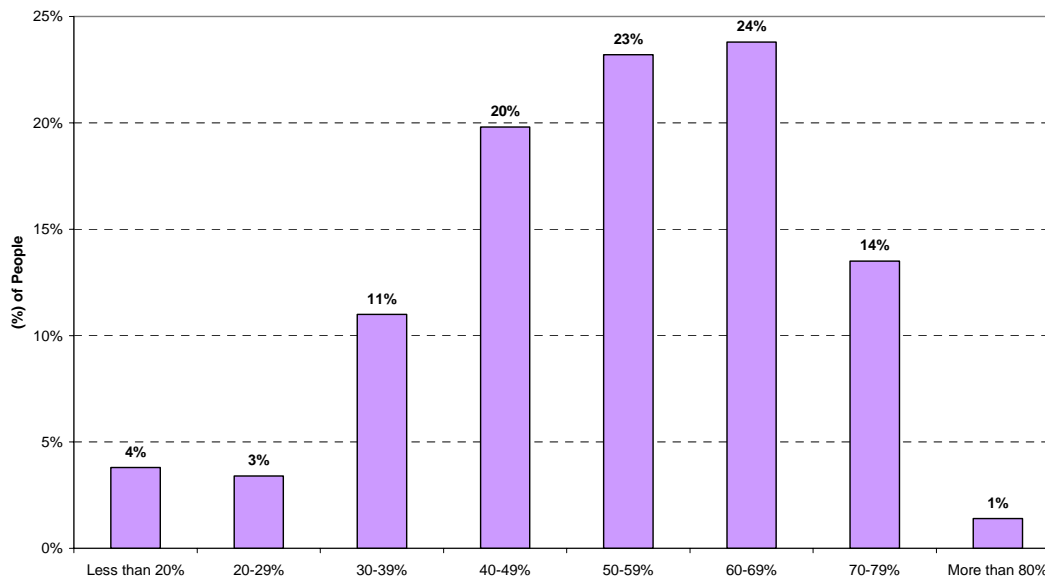
Giving credit where it is due will help alleviate the pain.

Continuing the effort to understand the impact of rising prices, another special poll was conducted by Roy Morgan Research around the country during the month of May. Of over 2,000 respondents contacted, 1,692 people regularly or occasionally buy groceries for their household. They were asked “How much of your monthly income do you spend on food?” Their responses are indeed distressing. Getting by is the primary motive for the majority.

Only 7 per cent spend less than 30 per cent of their monthly income on food. One out of ten spends between 30 and 40 per cent, two out of ten spend between 40 and 50 per cent. But over 60 per cent of people spend over half their monthly income on buying food. Among them, 15 per cent spend over 70 per cent of their income putting food on the table every day. Just to put things in perspective, the average Australian spends 13 per cent of its monthly income on food each month. It is a sobering contrast for the fortunate minority in Indonesia to recognise, appreciate and be grateful for.

The pain affects both urban and rural Indonesia almost equally, but is more pronounced among rural households as the intensity of the pressure on the monthly budget increases. Cynics may question the fact that no proof of income or expenditure was asked of the respondents. But perception often reflects reality with alarming accuracy. Without question, the findings reflect the degree of pain being felt across the country.

“How much of your monthly income do you spend on food?”

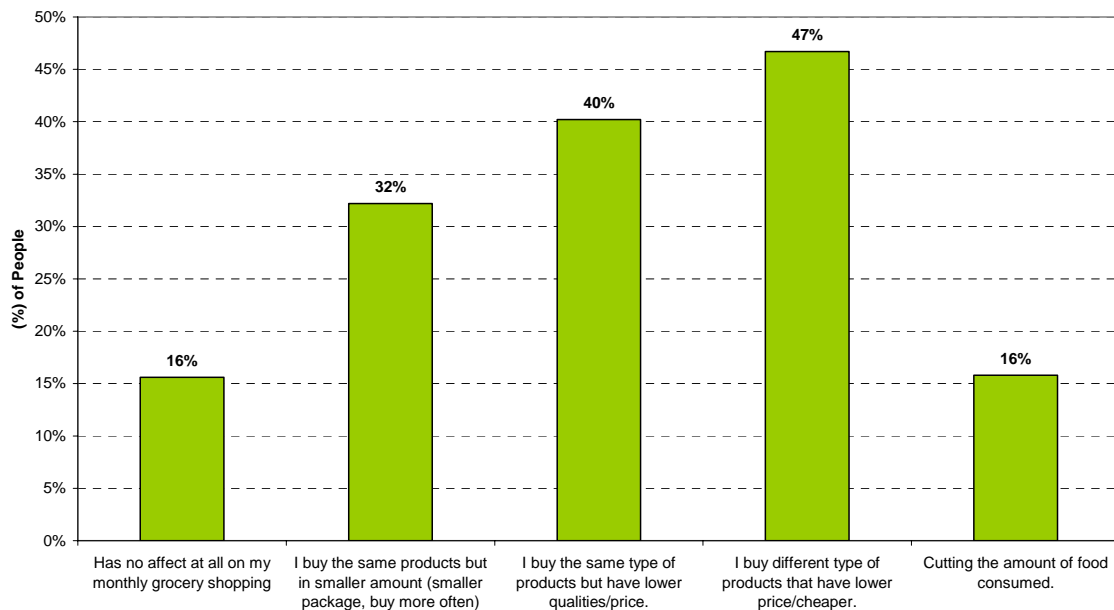


The 1,692 grocery buyers were then asked “How has the increased cost of food affected your grocery shopping?”. Given multiple choices for possible answers, only 16 per cent of grocery buyers believe it has no impact on their shopping behaviour. Affluent in the main, this small group would probably also include the poorest of the poor at the other end of the spectrum who are numb to the everyday pain they are accustomed to living with. 32 per cent are still

buying the same products, but buying smaller quantities. 40 per cent would seek out alternatives, buy cheaper products even if they are of lower quality. 47 per cent are buying different types of products altogether, as cheaper options to their usual choices.

Only time will tell whether the switching between brands and products are temporary or permanent choices. Product experience, not just changing fortunes will influence that determination. In the meantime, producers of products and services need to re-examine their product portfolios, price-points, sizes and cost of entry. Down-trading, down-sizing, cross-category transfers are all going to remain a part of the marketing landscape for some time to come. Discovering the likelihood of current users to switch brands is now vitally important.

"How has the increased cost of food affected your grocery shopping?"



At a macro level, perhaps the best news in a long time was left unsung last Thursday, when Bank Indonesia announced a multi-bank 'linkage lending' program that enlisted the support of major banks to lend downstream to hundreds of rural banks. In turn, these rural banks will lend funds to micro, small and medium-sized businesses or MSMEs as they are called. Neglected for too long, small businesses are the best way forward to create new jobs, create new wealth and thereby combat rising prices. Giving credit where it has long been overdue, responsibly, will eventually build a reliable backbone for the Indonesian economy.

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. In May, 1,692 grocery buyers across the country were asked the specific questions relating to the impact of rising prices. The opinions expressed are my own.

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