

Bathe. Eat. Talk. Ride. Indonesia's weather-proof businesses.

Last week, when the the S&P 500 dived with the 777-point collapse of the Dow Jones, there was one notable exception. When the 'dumb money' goes one way, the 'smart money' often heads the other. The 485-point recovery of the Dow the day after the collapse is recent proof of that view. The sole winner on both days however, was one company that is famous for producing canned food. Inexpensive food. Campbell Soup shares went up, on both days.

With no real prospects for any respite from the high cost of food and fuel anytime soon, it is the 'weather-proof' businesses that are best-equipped to ride out the kind of storm we are all experiencing presently. That doesn't mean that canned foods will do well in Indonesia too, where such products are bought only by a small, affluent section of society. Common-sense and instinct have a lot to do with the financial choices people make, most of the time. But in the attempt to look to the future, there is no better alternative than reading robust, smart data to arrive at conclusions.

Most of the people in Asia's emerging markets are unlikely to feel the shockwaves from Wall St, not directly anyway. Unlike the majority in affluent countries, less than 1 per cent of Asia's population has any shares. That is also true of Indonesia. Average citizens aren't going to lose their homes, their jobs, their shirts. But the prices of everyday essentials have been soaring for over a year now and there is enough evidence gathered already that reflects consumer behaviour. Though the days of cheap food are well and truly over, they are unlikely to continue climbing at recent rates.

In contrast, the credit squeeze in America that is now embracing Europe will take a heavy toll on many of their residents. As they tighten their purses, declines in exports will affect Asia as well. The impact in Asia will require some countries to revise GDP growth downwards from double to single-digits, but the prospect of a recession is comparatively low in the region.. Resource-rich countries like Indonesia will be further cushioned by the unstoppable demand for natural resources.

Indonesia's 3-speed consumer economy will each behave in their distinctly characteristic ways. Broadly speaking, the affluent 3 per cent at the very top wont be bothered much except for the few who are seeing their shares devalue, those who are affected by the cost of credit going up. As a whole, the relatively comfortable top10 per cent will postpone purchases of big-ticket items like cars and major appliances. The middle class, the next 30 per cent who have a motorcycle in the household, will trim their shopping lists whenever they can but life will continue without too many sacrifices. But the pain felt by 60 per cent of the population, the have-nots, will be even more acute for some time to come.

These conclusions are based on the continuous monitoring of the consumer market by Roy Morgan Single Source, the country's largest syndicated survey. Each year, over 27,000 respondents are interviewed in the big cities, small towns and villages across the country. The findings are projected to reflect almost 90% of the population over the age of 14, with insights updated every 90 days. The survey is used by more marketers and advertising agencies than any other survey in the country.

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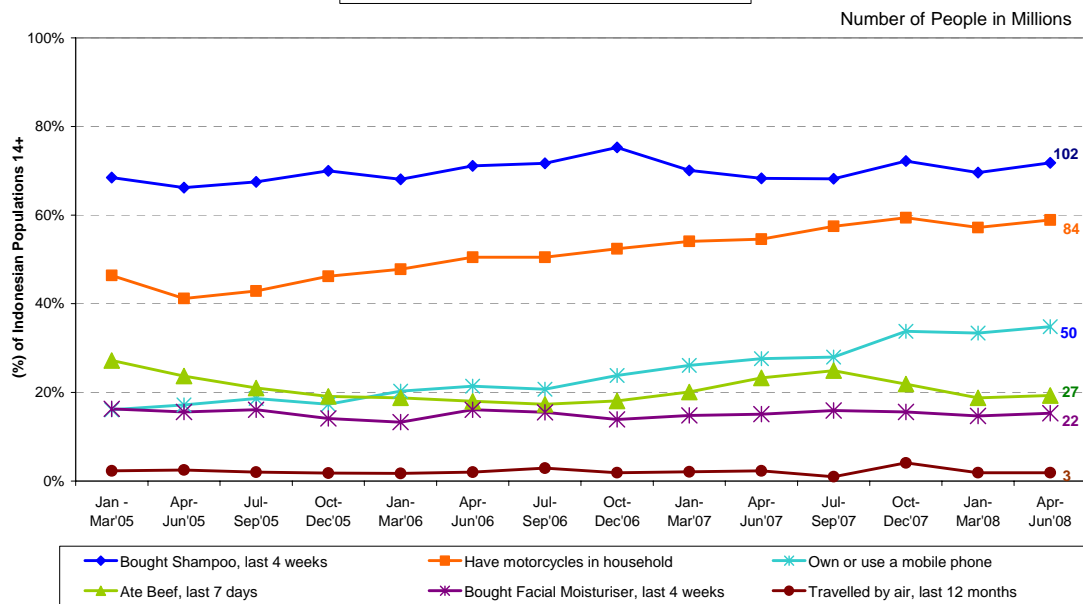
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INDONESIA'S WEATHER-PROOF BUSINESSES



Consumer sales of cars are down. More bank accounts are left dormant or have been formally closed than have been opened in the last 12 months. Less people are eating beef often now, a luxury for most people, but even instant noodles are off the table for many people because gram for gram, processed foods are more expensive than home-cooked meals in Indonesia. More people have stopped reading the newspaper, but remain glued to the television set. While many products and services haven't lost customers yet, marketers will tell you that volumes have shrunk in many categories. Many people are continuing to consume what they used to, but less of it or less often than they did a year ago. Understanding the dynamics of changing consumer behaviour, their down-trading within product categories, and how it all affects their choice of brands is vital to the defence of market share.

'Weather-proof' products are obviously the everyday essentials consumed by just about everybody. They include not only edible oil and basic cereals, but shampoo and toothpaste as well. Noticeably, the number of women using moisturisers hasn't gone down, but deodorants have been affected. On the other hand, the number of people using cellular networks continues to rise beyond 50 million, even in these difficult times. Today, there are some 85 million people above the age of 14 who have a motorcycle in their household, a number that continues to grow. It is a good indicator of the health of Indonesia's middle class today, despite soaring food prices and the prospect of a recession in much of the developed world.

In contrast, the only real hope for alleviating the pain of the underprivileged is new jobs. Only loans to small businesses, development of essential infrastructure and renewed attention to agriculture can create those opportunities in the millions.

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