

ACTIVATING ASIA

Converting opportunities
to outcomes with Asia

RESEARCH REPORT





FOREWORD



As consumer demand across Asia continues to strengthen, Australian small to medium businesses are alive to the opportunity. In fact, harnessing these export markets remains a strategic consideration for 80 per cent of surveyed Australian businesses, and it's evident that China is the preferred target market.

However, according to the research herein only around one in ten businesses report that Asia drives their business planning, and many are yet to capitalise on this vast commercial opportunity with more than one in two sourcing less than 5 per cent of their revenues from Asia. This presents a substantial untapped growth opportunity for those with the right strategy.

Conversations with our business customers confirm that a successful Asian export strategy requires an adaptable and innovative approach to market entry — one that combines local expertise, strong partnerships and an appreciation for the diverse cultural factors that drive consumer preferences at a local level.

To better understand the capabilities that can help Australian businesses tap into Asian growth opportunities, we partnered with Asialink Business to explore the characteristics of businesses that are generating a substantial proportion of revenue from Asian markets. The resulting insights, showcased in *Activating Asia: Converting opportunities to outcomes with Asia*, provide practical assistance to those seeking to expand their presence in the region.

The *Activating Asia: Converting opportunities to outcomes with Asia* report, builds on previous research outlining key capabilities that will support the Asian market entry plans of Australian businesses. This identified foundational considerations for businesses seeking to navigate the complexities and cultural contexts and to develop long-lasting networks that will underpin successful Asian expansion.

As Australia's largest bank, we are well equipped to support Australian businesses in their pursuit of growth opportunities in Asia. Our team of more than 70 Asian Business Banking Specialists works closely with business customers to help them grow, nurture connections and unlock new opportunities in Asian markets.

As businesses seek to realise their Asian growth aspirations, it's imperative to consider the innate skills, capabilities and tools that have underpinned the success of their peers. Those with an acute understanding will be best placed to move from merely planning their offshore growth to executing their Asian expansion.

Adam Bennett
Group Executive, Business & Private Banking
Commonwealth Bank of Australia



Asian economies have been a critical part of the Australian growth story for decades. This engagement has been built on demand from booming Asian economies for Australia's vast mineral deposits and agricultural products. As Asia's middle class grows, the opportunities for Australia's world-class services sector also grow. Our value-added services are in high-demand in Asian economies.

Australian businesses are aware of the opportunities created by the rapid economic growth in Asia. But activating strategies for Australian businesses to engage in the region requires understanding, commitment and capability, which are proving elusive. As a result, many businesses are generating significantly less revenue from Asian markets than they could be.

The first report in this series, *Growing with Asia: Developing Asia Capability in Australian Businesses*, outlined six key capabilities all Australian businesses need to succeed in Asia. Over the past six years, Asialink Business has worked directly with thousands of Australian businesses to help them develop these capabilities, identify market opportunities, and activate strategies to succeed in Asia.

Our support enables Australian businesses to become more aware, more knowledgeable and capable of identifying, defining and capturing opportunities with diverse Asian markets.

This research report is based on data collected from the Asialink Business Commonwealth Bank of Australia survey and interviews with Australian business leaders. The research revealed three important lessons that Australian businesses that have succeeded in Asian markets have used to activate their Asia strategy. These lessons are: invest in Asia-capable staff; understand customer preferences; and establish an in-market presence.

These findings should provide a call-to-action for Australian businesses that want to tap into the vast opportunities in Asia. We hope this report provides an initial path forward on how to activate their ambitions to achieve growth outcomes.

Mukund Narayanamurti,
CEO, Asialink Business



Jakarta, Indonesia

FAST FACTS



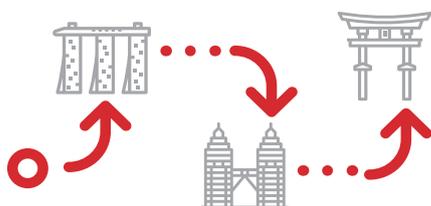
Asia is on the radar for most Australian businesses.

More than 80 per cent of businesses reported that they at least consider Asian markets in their formal business planning and strategy documents.¹



Australian businesses aren't tapping into Asia's potential.

83 per cent of Australian businesses generated less than half of their annual revenue from Asian markets. 55 per cent of organisations generated less than 5 per cent of their annual revenue from Asian markets.



You need a roadmap.

When Asian markets are an important part of a business' strategic planning, they earn, on average, 61 per cent of their revenues from Asian markets. That's more than 2.5 times the revenue of businesses with only a minor focus on Asia (who only earn 17 per cent).



China is front of mind, but Southeast Asia is gaining attention.

44 per cent of Australian businesses have a presence or interest in doing business in China. 32 per cent of Australian businesses currently have an interest in Southeast Asia.

CONVERTING OPPORTUNITIES TO OUTCOMES



Individual Asia capabilities matter.

Businesses that always mention Asian language capabilities or experience in Asia in job ads earn, on average, more than 5 times the revenue from Asian markets than those that never mention these skills.



Products and services need to be customised to Asian tastes.

Businesses that tailor and adjust their product/service and marketing earn, on average, more than 8 times the revenue from Asian markets than those that sell the same offering using the same marketing.



You need to be on the ground.

33 per cent of Australian businesses that earn more than 5 per cent of their revenues from Asia undertook in-country visits at least once a month. More than double that of businesses earning less than 5 per cent of revenues from Asian markets (16 per cent).

¹ Note: This data is drawn from an Asialink Business Commonwealth Bank of Australia Asia Capability survey. Businesses had the opportunity to select one of five levels of how important their Asia-market focus was to their formal business planning/strategy, ranging from no consideration through to driving their business planning. Please see Appendix A for more detail on the survey methodology.



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INTRODUCTION

In order to make the most of opportunities in Asia, Australian businesses need to activate their strategic intent for the markets at our doorstep. Activation requires embedding Asia ambitions in strategic planning processes, actively seeking, valuing and rewarding Asia capabilities in their staff, and understanding local trends and tastes.

Developing and embedding the skills necessary to successfully activate Asia in your business strategy requires ongoing commitment that demands a whole-of-business approach. This research report provides practical insights for Australian businesses from interviews with Australian business leaders and unique survey data collected using the Asialink Business Commonwealth Bank of Australia Asia Capability survey.² The report builds on the Discussion Paper *Growing with Asia: Developing Asia Capability in Australian Businesses*, which outlined the capabilities required by Australian businesses to win in increasingly competitive Asian markets.

The research reveals that most Australian businesses are alert to the opportunities Asian markets present and are

keen to engage. But many Australian businesses are yet to take the steps necessary to grow with Asia. It is now critical that Australian businesses have the information and capabilities required to convert opportunities to outcomes.

The research reveals that Australian businesses that have successfully generated revenue from Asian markets have learned three common lessons that are essential for any business looking to increase its Asian footprint. These lessons are:

1. Asia capable staff are critical.
2. You have to keep up with customers' fast changing preferences.
3. Technology is a complement, not a substitute, for being on the ground.

These lessons are supported by insights from successful businesses operating in Asia, which are detailed in case studies throughout this report and provide practical insights into what it takes to succeed in Asia.

² Available at: <https://www.asiacapabilityassessment.com/>. See Appendix A: Methodology.



Terminal 21 Asok Shopping Mall, Bangkok, Thailand
Image credit: David Bokuchava / Shutterstock.com

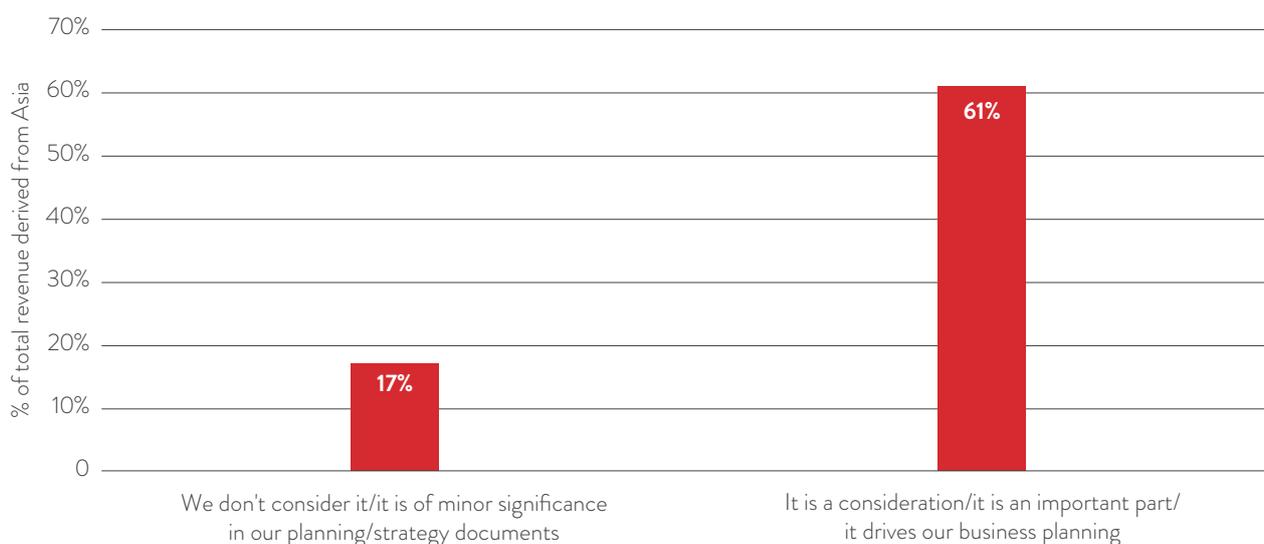
ASIA IS ON THE RADAR FOR AUSTRALIAN BUSINESSES

Australian businesses are aware of the immense growth opportunities Asian markets present. Most Australian businesses are interested in engaging with Asia, regardless of their size, sector or the proportion of revenue they currently derive from Asian markets. But despite the high level of awareness, few Australian businesses are taking the steps required to activate strategies and grow revenues in Asian markets.

To capitalise on the growth opportunities that Asian markets present, Australian businesses need to translate

their interest to action by ensuring Asia is an integral and meaningful part of their planning. Without a roadmap it's difficult to compete. More than 80 per cent of surveyed businesses reported that they at least consider Asian markets in their formal business planning and strategy documents.³ The survey data shows that when Asian markets are an important part of a business's strategic planning they earn, on average, 61 per cent of their revenues from Asian markets. This is 44 per cent more (2.5 times more) than businesses that say Asia plays a minor role in their strategic planning (Figure 1).

FIGURE 1 IMPORTANCE OF CONSIDERING ASIA IN BUSINESS PLANNING (WEIGHTED AVERAGE)⁴



Source: Asialink Business Commonwealth Bank of Australia Asia Capability Survey (2019).

3 Note: Businesses had the opportunity to select one of five levels of how important their Asia-market focus was to their formal business planning/ strategy, ranging from no consideration through to driving their business planning.

4 This graph shows the revenue for businesses that had the highest level of Asia-market focus in their formal business planning/strategy.



CHINA – A MUCH LARGER PIE

China is by far the most attractive Asian market for Australian businesses, with 44 per cent of businesses reporting a presence or interest in engaging with the Chinese market (see Figure 2 below). China is the largest economy in Asia and Australia's largest export market for goods and services. In 2015–16, China was one of the biggest destinations for Australian exporters (by number), with over 7,000 exporters choosing China as a destination.⁵ The Chinese market also experienced significant year-on-year growth in the number of good exporters.⁶

It is unsurprising that Australian businesses are attracted to the Chinese market, especially given the significance of existing bilateral trade and its growth. The China–Australia

Free Trade Agreement (ChAFTA), which was entered into force in 2015, simplified a range of provisions for Australian goods and services exporters to China. Since ChAFTA was introduced, Australian exports to China have increased. For example, from 2016–17 to 2017–18 'Australian [service] exports to China grew 17.2 per cent to A\$16.9 billion ... more than doubling the growth in Australia's total services exports over the same period'.⁷

The case study below shows that for Australian business Envirostream Solutions (Enviss), it was the scale of the opportunity that attracted them to China. The population and density of urban areas in China meant that demand for Enviss' water-treatment product is 400 times greater than for the same area in an Australian city such as Melbourne.

5 Mark Thirlwell, *Australian Exporters by the Numbers: 2015–16*, (29 June 2017) Austrade, <<https://www.austrade.gov.au/News/Economic-analysis/australian-exporters-by-the-numbers-2015-16>>.

6 *Ibid.*

7 ABER and CCIEE, *Getting the Australia–China Relationship Right*, (May 2019), <http://www.eaber.org/system/tdf/documents/Getting%20the%20Australia-China%20relationship%20right_0.pdf?file=1&type=node&id=26963&force=->>.

CASE STUDY: ENVIROSTREAM SOLUTIONS

“THE GROWTH OPPORTUNITIES IN CHINA ARE SO MUCH GREATER THAN AT HOME”

Envirostream Solutions (Envis) is a Melbourne-based business that specialises in the design and manufacture of treatment systems for polluted water.

The company’s products and services have been adopted by Australia’s leading construction and infrastructure companies, major utilities, local and state governments and are currently being installed in municipalities throughout Australia, China and India.

Envis CEO, Jim Tanner, says that the company moved into Asia due to the scale of the market. “*The opportunity to grow and sell more products in China far exceeded the opportunities available in Australia,*” he said. For example, where in Australia Envis would deal with 3,500 water-treatment pits in the Melbourne CBD area, in the same sized area in China, there would be closer to 1.5 million pits.

UNDERSTAND THE LOCAL GOVERNMENT REQUIREMENTS

A key challenge to the success of Envis in Asia was a Chinese government requirement for the business to establish a subsidiary in China.

“Establishing a business in China takes time, persistence, patience, re-education in cultural norms, a good network of contacts built up over time, a modicum of luck and a large amount of travel and considerable time on the ground.”

— **Rowan Kennedy, Chairman, Envis**

Establishing a subsidiary in China posed a greater commitment and assumption of risk than a distributorship model for the business. But the company executive recognised it as a necessary step for their continued success in the Chinese market and have seen the additional benefits that come from being there.

“Government representatives in China are looking to work and deal with people who have in-depth knowledge and experience in the country.”

— **Jim Tanner, CEO, Envis**

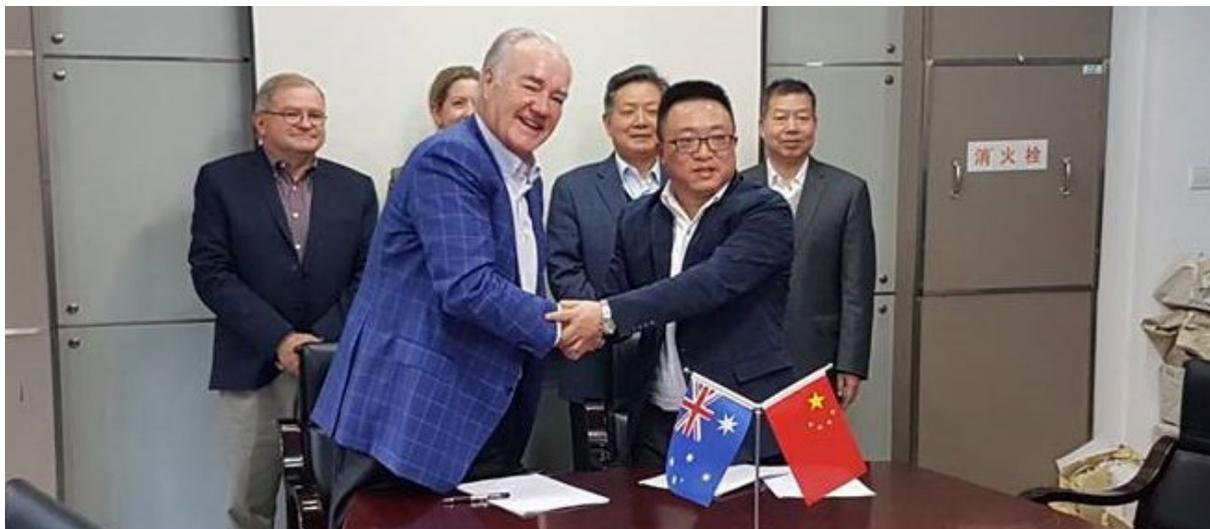
BUILD A PRESENCE IN-MARKET

To be introduced to the right potential buyers and customers in China it is essential to have a local person that is well respected on the ground. The company has identified that having the right people — who can interact with stakeholders in China — is key to the company’s future success.

Getting approval to establish the office took years but eventually Envis was able to set up a wholly-owned foreign enterprise in China with a local management team. Jim Tanner now spends two weeks of every month with the China team.

“It is essential, in China, to spend time in China with the team and meet with government officials and prospective clients. It is not enough to do this yearly or twice a year.”

— **Jim Tanner, CEO, Envis**



Rowan Kennedy (chairman) with the team signing a Co-operation and Technology Demonstration Agreement in China

SOUTHEAST ASIA – THE LOW HANGING FRUIT AT OUR DOORSTEP

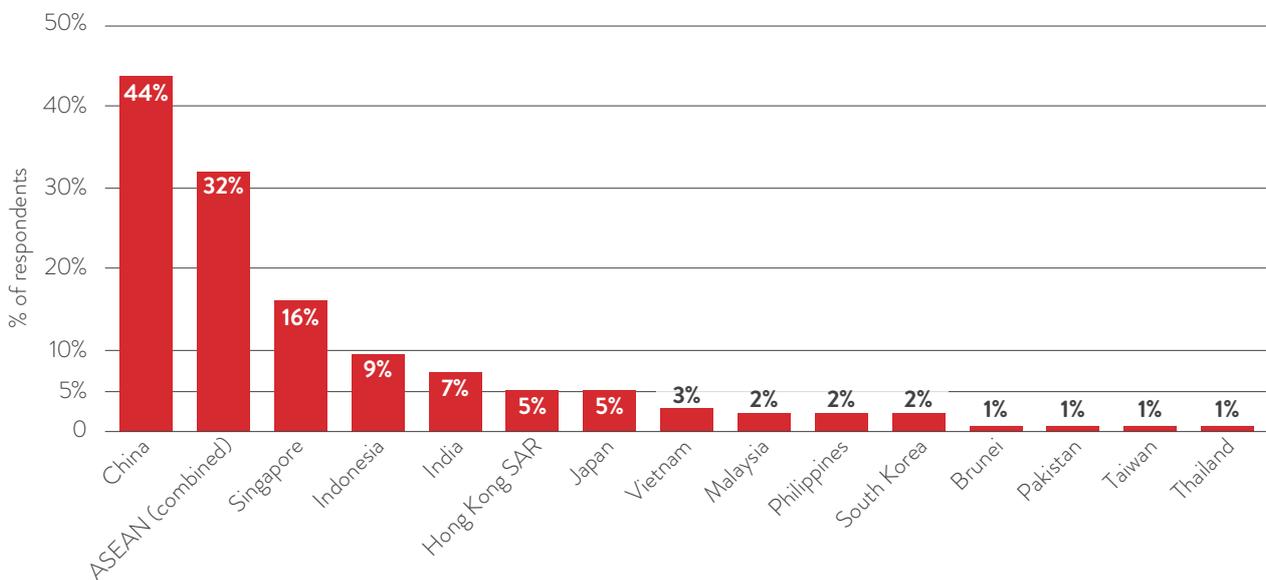
Australian businesses also have significant interest in the opportunities presented by markets in the Association of Southeast Asian Nations (ASEAN).⁸ Australian businesses reported significant interest in the 10 ASEAN markets, with 32 per cent of businesses interested or engaged with these markets.

There are over 12,000 Australian businesses exporting to ASEAN markets, making ASEAN a destination for 11.5 per cent of Australia’s overall exports and an important market for Australian businesses.⁹ Free Trade Agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (2018), and the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (2010) will continue to help Australian businesses access these markets.

For Icon SOC, a Singapore-based company (featured in *Growing with Asia: Developing Asia Capability in Australian Businesses*), it wasn’t until CEO Teena Pisarev moved to Singapore that she started to appreciate the scale of the opportunity for Australian businesses in ASEAN. Understanding the opportunity was an important step but being on the ground and being able to form personal relationships with business leaders throughout the region was critical for getting outcomes for the business in ASEAN.¹⁰

ASEAN’s diverse membership presents a huge and growing opportunity for Australian businesses. By 2030, it is expected that more than half of the world’s middle class will live within a six-hour flight of Bangkok, Thailand.¹¹ While the ASEAN Economic Community (AEC) is driving regional integration, ASEAN countries will still need to be engaged on their own terms. Although the 10 ASEAN economies have a combined value of around \$4.5 trillion¹², Southeast Asia is also home to some of the richest and poorest countries in the region. Strategies that may work in Singapore may fail in Cambodia.

FIGURE 2 KEY MARKETS FOR AUSTRALIAN BUSINESSES



Source: Asialink Business Commonwealth Bank of Australia Asia Capability Survey (2019).

8 ASEAN (the Association of Southeast Asian Nations) includes: Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

9 Austrade, *Australia and ASEAN Trade and Investment Relationship*, (accessed 29 May 2019) <<https://www.austrade.gov.au/asean-now/why-asean-matters-to-australia/australia-asean-trade-investment-relationship/>>.

10 See *ASEAN Rising: Industry insights for Australian businesses to grow and expand in Southeast Asia* for further case studies including Cochlear, Jeta Gardens and Blackmores.

11 Asialink Business, *ASEAN Rising: Industry Insights for Australian Businesses to Grow and Expand in Southeast Asia*, (2018), page 2.

12 Department of Foreign Affairs and Trade, *ASEAN-10*, (accessed 10 July 2019), <<https://dfat.gov.au/trade/resources/Documents/asean.pdf>>

THREE LESSONS FROM AUSTRALIAN BUSINESSES THAT ARE CONVERTING OPPORTUNITIES TO OUTCOMES WITH ASIA

The Asialink Business Commonwealth Bank of Australia Asia Capability survey data and interviews with business leaders revealed three key lessons from Australian businesses that are successful in Asia.¹³ These lessons are:

1. **Asia capable staff are critical.**
2. **You have to keep up with customers' fast changing preferences.**
3. **Technology is a complement, not a substitute, for being on the ground.**



Mumbai, India

CHARACTERISTICS OF SURVEYED AUSTRALIAN BUSINESSES THAT EARN 50 PER CENT OR MORE OF THEIR REVENUE FROM ASIA



46 per cent have their largest Asian presence in China, **21 per cent** in Singapore, **13 per cent** in Indonesia



25 per cent are in the education and training (private) sector, **26 per cent** are in professional, scientific and technical or 'other' services

¹³ Businesses that draw more than half of their revenue from Asian markets.

LESSON 1: ASIA CAPABLE STAFF ARE CRITICAL

Individual Asia capabilities (see Appendix 1) matter. Businesses that always mention Asian language capabilities or experience in Asia in job advertisements earn, on average, 64 per cent more (5 times more) revenue from Asian markets than those that never mention these skills (Figure 3).

If companies fail to embed these Asia capabilities, it will be difficult for them to identify opportunities and activate

strategies that will allow them to win in an increasingly competitive Asian marketplace. As outlined in *Growing with Asia: Developing Asia Capability in Australian Businesses*, the capabilities required to effectively engage with Asia depends on the size of the business and the intent of their Asia engagement strategy. But for all businesses, understanding the cultural context is a crucial component of success. Strong cultural intelligence, for example, will underpin all individual interactions and relationship building activities.

FIGURE 3 AUSTRALIAN BUSINESSES THAT MENTION ASIAN LANGUAGE SKILLS OR TIME ON THE GROUND FOR HIRING (WEIGHTED AVERAGE)



Source: Asialink Business Commonwealth Bank of Australia Asia Capability Survey (2019).





Understanding or adapting to a regional or national culture is not sufficient in many countries in Asia. Rather, understanding the nuances of sub-national cultures — outside of the dominant culture — are critical for a person or business to operate within a country effectively. For companies with a significant in-market presence, it is important to understand local workplace culture and how to effectively manage locally-engaged staff. In *Growing with Asia: Developing Asia Capability in Australian Businesses*, business owners outlined valuable insights they would not have appreciated without a sophisticated understanding of local cultures. These lessons include paying staff for the ‘13th month’ in Singapore and remembering the importance of Chinese numerology in business interactions.

A global survey found that 81 per cent of business leaders (from companies with total annual revenue above \$250 million) valued knowledge as the most critical factor for business success.¹⁴ For these businesses, their success was

linked to their ability to effectively capture and use their skills and experiences within the business and to improve the customer, product and market knowledge.¹⁵ For businesses that are seeking to expand their engagement in Asian markets, harnessing the internal capabilities of their staff is crucial.

Asia capability is also an increasing source of competitive advantage for Australian businesses operating at home. The 2016 Australian census showed that for the first time, the majority of the 6.15 million residents (accounting for 26.3 per cent of the total population) who were born overseas were from Asia, not Europe.¹⁶ More than 2.5 million Australian residents reported that at least one of their parents were from an Asian country.¹⁷ The case study below shows how ShineWing Australia has turned an Asia capable workforce into a source of competitive advantage in the domestic Australian market.

14 Ernst & Young, The Knowledge Advantage <[https://www.ey.com/Publication/vwLUAssets/EY-The-knowledge-advantage-digital-edition/\\$FILE/EY-The-knowledge-advantage-digital-edition.pdf](https://www.ey.com/Publication/vwLUAssets/EY-The-knowledge-advantage-digital-edition/$FILE/EY-The-knowledge-advantage-digital-edition.pdf)>, pages 3-5.

15 Ibid.

16 Australian Bureau of Statistics, *Census of Population and Housing: General Community Profile*, (2016).

17 Ibid.



ShineWing partners ringing the company bell for the Hong Kong Stock Exchange.

CASE STUDY: SHINEWING AUSTRALIA

“WHEN WE CONNECT, WE CAN GET BUSINESS DONE”

ShineWing Australia is a leading international Asia-Pacific accounting and advisory firm with more than 30 partners in Australia and an 80-year history of servicing local and international clients. Previously Moore Stephens Melbourne, the firm joined the international ShineWing network — with offices in over 20 locations in Asia — in 2015.

ShineWing Australia has found a competitive advantage within Australia’s service industry by leveraging deep Asia capabilities — including language and cultural competency along with staying plugged into ShineWing’s expansive regional network. The company tailors its services to Australian clients with diverse cultural backgrounds.

BUILD A DIVERSE TEAM TO CAPITALISE ON ASIA’S GROWTH

One of ShineWing’s strengths comes from the diversity of its staff in Australia, which has been a focus of the company’s leadership. Out of a team of around 250 people in the Australian offices, 100 speak an Asian language, including Mandarin, Cantonese, Hindi, Indonesian and Malay — as well as various dialects. “ShineWing probably has a bit of a different cultural and linguistic make-up of staff compared to many businesses in Australia. And we are active around developing that culture further,” says Managing Partner Danny Armstrong. Armstrong indicates that one advantage of that is being able to deal with clients in their own language - from junior staff right through to the partner level.

“Language is important but true cross-cultural awareness and communication are the key to succeeding in Asia.”
— Danny Armstrong, Managing Partner, ShineWing Australia

Part of the company’s strategy to build on cultural understanding and regional networks has included a secondment program and staff rotation throughout the region. At a senior level, the Australian office meets with the global ShineWing Chairman and China General Manager quarterly. But there are also partner-to-partner interactions at annual ShineWing international conferences as well as staff engagement at the transactional level and through industry-led initiatives.

“Know what you don’t know.”
— Danny Armstrong, Managing Partner, ShineWing Australia

BE AWARE OF DIFFERENT CULTURAL CONTEXTS

In Danny Armstrong’s previous experience in Vietnam and China he learnt the need to understand the influence his Australian cultural background had on hiring decisions. He found that during the hiring process he was drawn to applicants based on their English proficiency rather than being able to focus on the skills and experience that were required for the role.

“In Australia, I would get a gut feel and a sense of which applicants were going to be best for the organisation, but I found that in Vietnam or in China I couldn’t count on that.”
— Danny Armstrong, Managing Partner, ShineWing Australia

In order to make sure he was hiring the best talent, Danny removed himself from the interview stages of the process, instead appointing hiring managers that shared the same culture with the applicants. This allowed Danny to be certain that the business was getting the best applicant for the job.

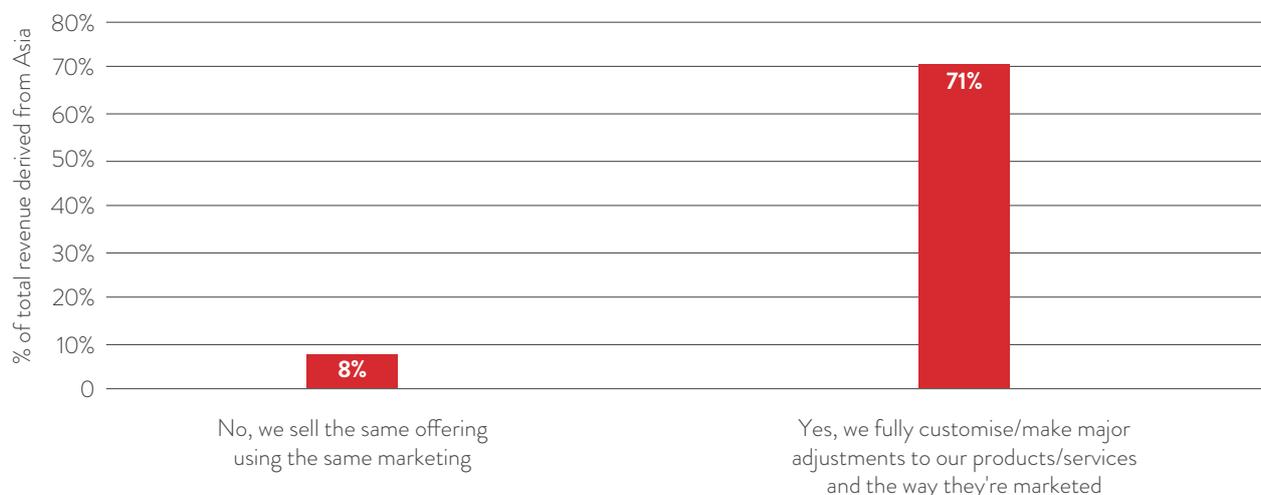
LESSON 2: YOU HAVE TO KEEP UP WITH CUSTOMERS' FAST CHANGING PREFERENCES

Australian businesses know they need to customise their offerings for Asian customers. Surveyed businesses that tailor their product/service and marketing, on average, earn 63 per cent more (7.8 times more) from Asian markets than those that sell the same offering using the same marketing (Figure 4).

Customisation is a crucial step for Australian businesses keen to activate their Asian strategy. However businesses need to be considerate of a number of factors when customising, including the type of product or service, place of sale, along with the geographic, linguistic and cultural diversity associated with the local market. *Growing with Asia: Developing Asia Capability in Australian Businesses* found that Australian small and medium businesses have seen strong returns on even modest investments in customisation.

Keeping up with fast-changing consumer preferences in Asian markets is difficult. It requires Australian businesses to establish supporting frameworks to inform their customisation strategies. McKinsey analysis contends that to seize on Asia's huge potential, "companies will have to organise themselves regionally to coordinate strategy and use resources in the most effective way while at the same time targeting the tastes of consumers on a very local level".¹⁸ Most businesses initially base themselves in commercial hubs like Hong Kong, Singapore and Shanghai. However to understand and account for the diversity of tastes across Asian countries (especially China and India), businesses need to be plugged into city-level sub-national markets — some of which are the size of Australia. The case study of G&M Cosmetics below demonstrates how understanding customer preferences and demand is crucial to delivering tailored and high-quality products to Asia.¹⁹

FIGURE 4 REVENUE EARNED FROM ASIA BY LEVEL OF CUSTOMISATION (WEIGHTED AVERAGE)



Source: Asialink Business Commonwealth Bank of Australia Asia Capability Survey (2019).

18 Todd Guild, 'Think Regionally, Act Locally: Four Steps to Reaching the Asian Consumer' (September 2009) *McKinsey Quarterly*, <<https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/think-regionally-act-locally-four-steps-to-reaching-the-asian-consumer>>.

19 Note: Bundaberg Brewed Drinks provides another case of an Australian business learning that understanding local consumer preferences is vital to cracking the Chinese market (full case study: <https://asialinkbusiness.com.au/research-resources/case-study-bundaberg>).



CASE STUDY: G&M COSMETICS

“YOU NEED TO RESPECT THE CONSUMER AND UNDERSTAND THEIR PREFERENCES”

G&M Cosmetics is an organic certified skincare company based out of Sydney that has been manufacturing and selling to national and global retailers for over 22 years. The company applied for its first licence to export products to China in 1998 and has been exporting its products to the region ever since. The key justification for this move was to access the large and growing markets in Asia. G&M Cosmetics' key markets now include China, Hong Kong, Taiwan, Singapore, Malaysia, USA and Thailand.

“We’re all humans. The number one thing is that you respect the consumer. Give them a proper product and don’t promise the impossible.”

— Zvonko Jordanov, CEO, G&M Cosmetics

Jordanov and the team at G&M cosmetics have blazed their own path to customise their skincare products to suit market preferences in Asia and it has worked. G&M is now exporting 600,000 units of skincare products to China every week.

UNDERSTAND THE MARKET AND LOCAL REQUIREMENTS

But strong leadership vision is only part of the story. G&M also conducts extensive market research that has presented some interesting results and changed how the company has serviced different Asian markets. At their laboratory in Australia, the company looks at suitability of particular skincare for different markets based on local conditions, including local weather and humidity. A focus on creating value for money, offering quality ingredients and consistency in their approach have been key to G&M's success.

However, they have found that customer preferences don't always align to these conditions. Emu oil-based

products are the best-selling variety in Taiwan and Malaysia but in China the first preference is for Lanolin. But these preferences are fast-changing, with avocado, goat's milk and manuka honey products on the rise.

A sophisticated understanding of Asian markets comes from research and experience. G&M has learnt the hard way that entering markets in Asia requires up-front research before setting up and establishing a business in China. Jordanov says that when the company first established in China they did not organise their intellectual property and licences and they were dispersed among companies. This made for a regulatory nightmare. While they have since consolidated the licences under one company name, it certainly didn't make the initial stages easy.

FIND TRUSTED PARTNERS IN COUNTRY

Jordanov attributes the extent of G&M's success in China to its ability to find a trusted partner and agent in Guangzhou. Prior to that, the company had relied on ad-hoc arrangements mostly at a distance. But five years ago, Jordanov travelled to China to find a business partner whose values and vision aligned with G&M, this also led to the company registering as a business in China, which he says has led to increased brand trust in the Chinese market.



Zvonko Jordanov meets with the team at G&M Cosmetics.



LESSON 3: TECHNOLOGY IS A COMPLEMENT, NOT A SUBSTITUTE, FOR BEING ON THE GROUND

The ability of Australian businesses to quickly respond to customers in Asia is a crucial component of success. Australian businesses need to be able to adapt to fast-changing economic, political and social changes as they happen. *Growing with Asia: Developing Asia Capability in Australian Businesses* found that while exposure to Asia is a good first step for Australian businesses, internalising and building experience within the organisation is crucial to unlocking future growth opportunities.

To achieve this level of agility and depth of understanding, Australian businesses of all sizes need to be on the ground in Asia. While only 36 per cent of surveyed businesses drawing less than 5 per cent of revenues have a permanent presence in the region (an office or staff), there are many ways to keep a presence on the ground. The case study below, *Take Us To Thailand* shows how a regular in-country presence has allowed them to improve their service offerings, develop strong relationships with suppliers, and abide by local regulations.



CASE STUDY: TAKE US TO THAILAND

“YOU CAN’T BUILD RELATIONSHIPS OR YOUR BUSINESS WITHOUT BEING ON THE GROUND”

Owner, Anna Robinson established Take Us To Thailand (TUTT) after helping to plan her friend’s Koh Samui wedding in 2004. Since then, TUTT has developed a global reach, organising weddings and honeymoons for couples from Australia, the United Kingdom, China, the United States, New Zealand, Singapore, Malaysia, and the Middle East.

TUTT has established a reputation as a leading boutique service provider for luxury weddings and honeymoons throughout Thailand. Based in Melbourne, the team regularly travels throughout Australia and abroad to meet with clients and plan their events in person. On the ground in Thailand every other month, they are constantly expanding their local knowledge, supplier contacts and industry relationships to create luxury events for clients.

With almost 15 years’ experience in Thailand, TUTT has worked through significant political uncertainty and unrest. Business has fluctuated as clients have reacted to news on the changing political landscape in Thailand. To combat this volatility, TUTT has established extensive relationships to ensure they operate with the most up-to-date information. Despite these fluctuations, TUTT remains in Thailand, planning and hosting premium events for its international clients.

UNDERSTAND THE REGULATORY CONTEXT

Small businesses face different challenges operating in Thailand.

Understanding and operating in a foreign regulatory system has been one of the biggest challenges for TUTT’s success in Thailand. Anna says that at a business level, TUTT has tackled this problem by spending time on the ground and establishing a strong network of trusted advisers. “We have a locally-based lawyer who understands all of the current affairs and regulatory developments and how things work in Thailand.”

“You can’t build relationships or your business without being on the ground, showing up and putting the work in.”

— Anna Robinson, Owner, Take Us To Thailand

DEVELOP A STRONG NETWORK OF LOCAL RELATIONSHIPS

Local relationships, Anna says, are always key to service-based businesses, particularly in hotel accommodation and services. “We invest a huge amount of time in our relationships with people on the ground in Thailand. It is important in the hospitality business, but especially in Asia. People you have worked with on one island or at one hotel will keep popping up across the industry. Sharing food and ideas in Thailand is key to building those relationships.”

Anna says that TUTT has previously struggled with getting easy access to Thai Baht currency accounts in Australia. Foreign clients with events in Thailand don’t like the idea of paying currency conversion fees unnecessarily and a lot of Australian bank offerings have had requirements for in-person (or in-branch) attendance to access these accounts. But now TUTT has online access to a currency account in Australia, this issue is for the most part resolved. “Banks in Australia have changed their policies over the last two years, and I can do all our FX banking online. Being a small business, inconveniences like having to go into the bank branch can put a strain on the operations. This has been a significant win for us.”

TUTT has learnt a lot from their almost 15 years in Thailand, much of which could be applied to expansion through to other parts of Asia. The team see no shortage of opportunity in Asia, and business is booming.



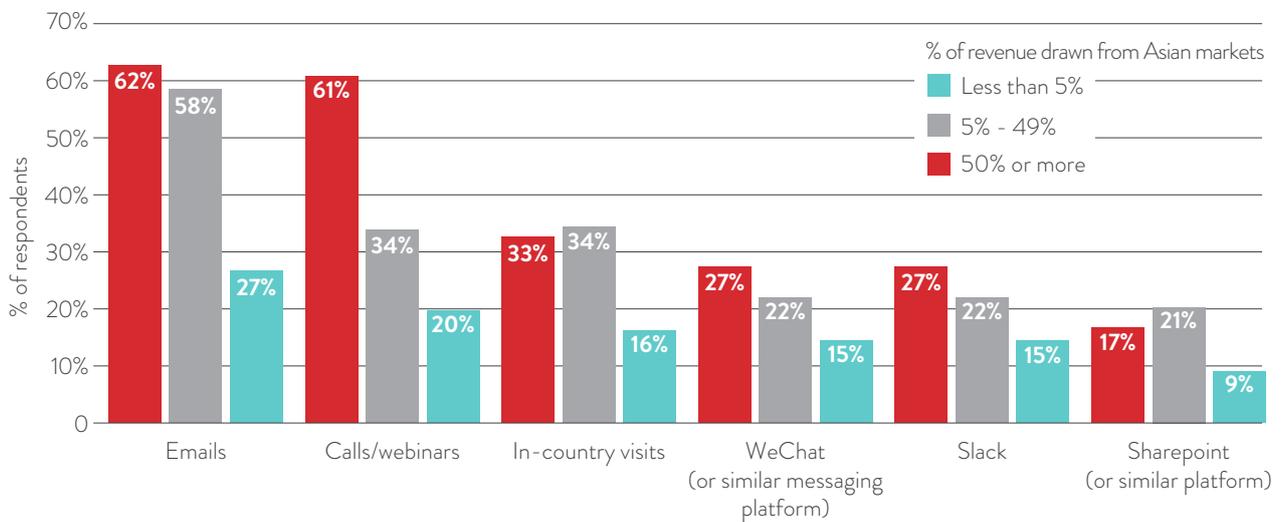
Rachel Flanagan (left) and Anna Robinson (right) of Take Us To Thailand.

Being present on the ground is vital to develop and maintain relationships with clients, business partners and government but it's also important to have regular face-time with permanent in-country employees. As businesses grow and workforces disperse across Asia, it becomes harder to implement systematic ways to share up-to-date insights on fast-changing markets.

Relationships are vital to success in Asia. While traditional and emerging forms of digital communication such as email, teleconferences and WeChat are important and cost-effective tools to engage with staff located in Asia, technology should not be viewed as a substitute for face-to-face interactions. 33 per cent of surveyed Australian businesses that earn more than 5 per cent of their revenues from Asia undertook in-country visits at least once a month, more than double businesses that were earning less than 5 per cent of revenues from Asian markets (16 per cent).



FIGURE 5 MAJOR COMMUNICATION CHANNELS BETWEEN COLLEAGUES IN AUSTRALIA AND ASIAN MARKETS



Source: Asialink Business Commonwealth Bank of Australia Asia Capability Survey (2019).



CASE STUDY: PROTEOMICS

“HAVING SOMEONE IN-COUNTRY HAS DRAMATICALLY CHANGED OUR OUTLOOK, AND REALLY HELPED OUR GROWTH”

Proteomics International is a medical technology company focused on proteomics — the industrial scale study of the structure and function of proteins. The company is focused on protein-based diagnostics and their flagship product Promarker D is approaching commercialisation. The commercialisation of the company’s Promarker technology will further support the company’s analytical services and research and development activities.

Proteomics is a medium-sized business based out of Perth but has a predominantly international client base. The company was co-founded by Dr Richard Lipscombe in 2001 and quickly found success in India for its analytical services, following a 2004 trade visit organised by Austrade. These business networks have been regularly maintained by Lipscombe to become a substantial proportion of the total revenues the company enjoys today.

ENGAGE IN-COUNTRY SPECIALISTS TO UNDERSTAND LOCAL REQUIREMENTS

Proteomics began its services engagement in India by connecting with distributors. It was a starting point, but as the business grew into more specialised services it required someone on the ground to better serve Indian customers and their requirements.

“Having someone in-country has dramatically changed our outlook there, and really helped our growth. We can confidently invest in staff product knowledge which improves communication value and the customer service we provide. It’s helped make a clear upswing to opportunities.”

– Shane Herbert, Customer Services Manager, Proteomics

KEEP THE LINES OF COMMUNICATION OPEN

With a key staff member in India, Proteomics have adopted methods of sharing knowledge to ensure the lines of communication between offices are clear — this is assisted by the close time zones (a two-and-a-half-hour time difference). Since the initial trade visit, Lipscombe would travel to India from Perth on an ad hoc basis. However in the past two to three years a conscious effort has been made to have twice yearly trips to catch up with staff and meet with clients. Visiting client sites and establishing business relationships has been particularly helpful for showing commitment to the market. Outside of the visits, technology has facilitated constant communication between staff across the Indian Ocean, with daily phone, video and email contact, as well as business development catch ups with their international team. For Proteomics, business opportunities overseas continue to be bigger than they are in Australia, so naturally they are focussed on staying engaged even when they’re not on the ground.

“Client demands tend to focus on being well-informed, so you have to keep this in mind and ensure that the whole team is focused on supporting the communicators, and thereby the needs of clients in India. Information sharing within the business is a critical part of that.”

– Shane Herbert, Customer Services Manager, Proteomics

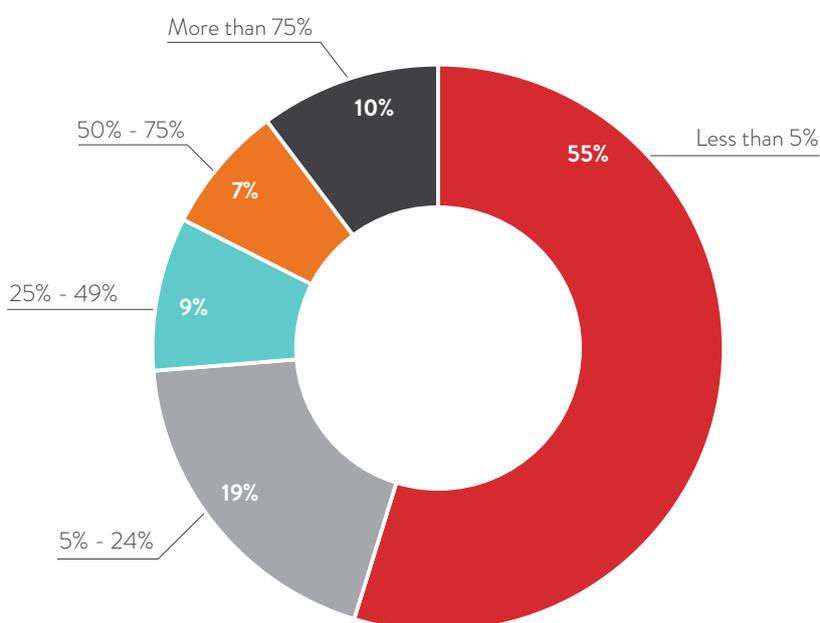
Having established its networks in India for the company’s analytical services, management is now looking at the synergistic prospects for the flagship Promarker D product in the country. Key to their success will be drawing on pre-existing relationships in India’s healthcare sector to get access to the right business contacts. Leveraging that experience, the deep cultural and language capability of its staff from diverse Asian backgrounds, positions Proteomics’ Promarker D to win in Asia.

CONCLUSION

Australian businesses could be generating more revenue from Asian markets. The size and growth of Asia's economies and consumer base presents huge opportunities for Australian businesses of all sizes and across all industries. The Asialink Business Commonwealth Bank of Australia survey revealed that although almost all Australian businesses are alert to the opportunities in Asia, most

are yet to activate strategies to convert opportunities to outcomes. The majority of Australian businesses surveyed (55 per cent) generate less than 5 per cent of their annual revenue from Asian markets (see Figure 6). However, that changes for businesses that incorporate Asian expansion into their business planning. These businesses earn 61 per cent of their revenue from Asian markets on average.

FIGURE 6 ANNUAL REVENUE DRAWN FROM ASIAN MARKETS (% OF RESPONDENTS)



Source: Asialink Business Commonwealth Bank of Australia Asia Capability survey (2019).

The first report in this research series, *Growing with Asia: Developing Asia Capability in Australian Businesses*, identified the Asia capabilities required for businesses to succeed in Asia. This report built on the initial findings to show that there are three key lessons to learn from successful Australian businesses engaging with Asia.

- 1. Asia capable staff are critical:** Attracting, retaining and developing internal Asia capability is a crucial component for successful engagement with Asia. When considering the development of this capability, companies that “always” include Asia capability as a requirement in their job advertisements enjoy a greater proportion of revenue from Asian markets than those that don’t.
- 2. You have to keep up with customers’ fast changing preferences:** Customisation is most effective when it goes beyond national or regional preferences to truly be customised to local requirements. Our research shows that businesses that fully customise their product or service source proportionately greater revenue from Asian markets compared to those that don’t.

- 3. Technology is a complement, not a substitute, for being on the ground:** An in-market presence underpins an organisation’s ability to build internal Asia capabilities, and gather the market intelligence required to respond to customers’ changing preferences.

Australian businesses need to do more to convert the opportunities in Asia to business outcomes. To effectively activate their strategic intent for Asia, Australian businesses will need to adapt business and product strategies to customers in Asia. This will require an ongoing commitment from businesses to take a long-term approach to growing their capability, presence and revenue in Asian markets. To do this, Australian businesses will need to embed an Asia-focussed mindset into their strategic planning processes and support its implementation by investing in talented Asia capable staff.



APPENDIX A

METHODOLOGY

Between 7 February and 17 May 2019, Asialink Business with the support of Commonwealth Bank of Australia surveyed 130 respondents, representing 94 businesses, on their engagement with Asia. The majority of responses (70.1 per cent) came from five services industries: professional scientific and technical services (24.8 per cent); education and training (private) (19 per cent); other services (13.1 per cent); financial and insurance services (7.3 per cent); and arts and recreation services (5.8 per cent).²⁰ These industries account for some of Australia's largest service exports, with professional services exports totaling \$4.8 billion and financial services at \$3.5 billion in 2016.²¹ Based on our extensive experience of researching Australian business engagement with Asia, we believe that the lessons drawn from the survey data are also broadly applicable across businesses of all sizes and sectors.²²

20 Industry categories align with the Australian government classifications.

21 DFAT, *The Importance of Services Trade to Australia*, (Accessed 31 May 2019) <<https://dfat.gov.au/trade/services-and-digital-trade/Pages/the-importance-of-services-trade-to-australia.aspx>>.

22 Asialink Taskforce 2012.

APPENDIX B

INDIVIDUAL ASIA CAPABILITIES

Individual capabilities encompass the knowledge, experience and skills a person requires to succeed in Asia.

TABLE 1 OVERVIEW OF INDIVIDUAL ASIA CAPABILITIES

| Capability | Overview |
|--|--|
| Sophisticated knowledge and experience of Asian markets/environments | <ul style="list-style-type: none"> • In-depth understanding of the business, cultural, political, ethical and regulatory environments specific and unique to each Asian country of operation • Understanding of the strength of local Asian competitors and of the importance of 2nd and 3rd tier cities |
| Extensive experience operating in Asia | <ul style="list-style-type: none"> • Extensive experience (>2 years) operating across a diverse range of Asian markets • Successful experience managing risk (e.g. FX/I.P.), working with governments and regulators, and navigating market access hurdles |
| Long-term trusted Asian relationships | <ul style="list-style-type: none"> • Investment in, and the ability to develop and maintain, business networks and long-term relationships • Ability to utilise long-term relationships to identify and select quality partners and/or acquisition targets • Ability to deal and negotiate with Asian business executives, potential partners and acquisition targets |
| Ability to adapt behaviour to Asian cultural contexts | <ul style="list-style-type: none"> • Sensitivity to the impact of culture on the process and content of business interactions • Flexibility to adapt behaviours to specific Asian cultural and business contexts |
| Capacity to deal with government | <ul style="list-style-type: none"> • Ability to work with government entities, state-owned enterprises and government processes • Ability to deal and negotiate with Asian political leaders and regulators in local markets |
| Useful level of language proficiency | <ul style="list-style-type: none"> • A useful level of proficiency in the local language(s), for better communication and to demonstrate commitment and cultural sensitivity |

Source: Asialink Taskforce 2012.



APPENDIX C

ORGANISATIONAL ASIA CAPABILITIES

Organisational Asia capabilities encompass company-wide strategies that if pursued and implemented comprehensively will contribute to the company succeeding in Asia.

TABLE 2 OVERVIEW OF ORGANISATIONAL ASIA CAPABILITIES

| Capability | Overview |
|--|--|
| Leadership committed to an Asia-focussed strategy | <ul style="list-style-type: none"> Engaged leadership with clear strategy for Asian operations and clear vision of how they fit within a more global business Leadership team of both expats and locals with experience gained through cross-cultural rotations |
| Customised Asian talent management | <ul style="list-style-type: none"> Customised local talent management strategies to attract, develop and retain local talent Fluid rotation of emerging leaders (both Asian and expatriates) to, from and within Asia |
| Customised offering / value proposition based on customer insight | <ul style="list-style-type: none"> Adaptation of offering, brand and value proposition to Asian market segments and preferences, informed by customer insights Global standardisation balanced with local customisation to optimise economies of scale and scope |
| Tailored organisational design with tendency toward local autonomy | <ul style="list-style-type: none"> Tailored organisational structure to suit one's own business and the local market conditions Tendency toward local autonomy and country-specific organisational structure, providing flexibility to adapt to complex and rapidly changing Asian markets |
| Supportive processes to share Asian learnings | <ul style="list-style-type: none"> Processes in place to ensure proactive and collaborative sharing of Asian learnings and best practice between business units, functions and countries |

Source: Asialink Taskforce 2012.



ABOUT US

Asialink Business is the National Centre for Asia Capability, mandated by the Australian Government to create an Asia capable workforce in Australia. Asialink Business supports organisations nationally to engage with Asia through capability development programs, research and information, and public forums and events.

Working across all sectors of the economy, we design and deliver impactful solutions tailored to our clients' niche Asian growth needs. Our expertise covers all Asian economies and includes extensive experience in assisting organisations expand into Asia. With national representation across Australia, Asialink Business has a highly-skilled team of Asian market and sector specialists, business practitioners, market intelligence professionals and capability development specialists.

Our commercially focused solutions enable our clients and partners to optimise their business with Asia, by accessing customised insights, skills and networks, including:

- Country, market and industry-specific insights and research
- Market development planning and opportunity assessments
- Cultural intelligence, negotiation skills and relationship building to drive business outcomes
- Executive and leadership training
- Business thought leadership
- Asian stakeholder engagement, business facilitation and events.

For more information visit asialinkbusiness.com.au

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