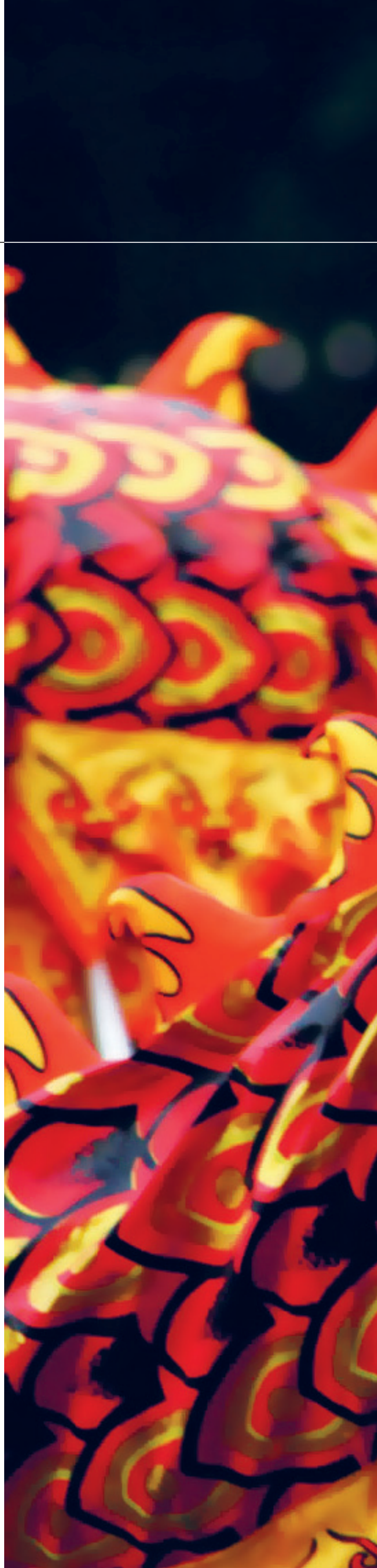

Asia Strategy—Game Plan for Success

By Pete Read

UK companies tackle Asia

The UK has always been an open economy and has enjoyed long traditions in global trade. In the midst of the European crisis and slow growth in American markets, and now with increasing levels of government support for exports and overseas venturing, UK companies are actively looking to growth opportunities in Asia and other emerging markets. Four out of 10 UK companies expect at least 30% of their global revenues to come from emerging markets by 2017, a big jump from only one in 10 earning 30% or more of their revenue in emerging markets in 2012, according to the "Business Perspectives on Emerging Markets 2012–2017" report .

Sectors that stand out as particularly strong for the UK in emerging markets include financial services, consumer products and retail, as well as the more specialised areas of aerospace and defence.

Almost 80% of the UK companies surveyed for the aforementioned report say their primary motivation is to gain a foothold in the large markets of the future, so as to be well prepared to benefit when the anticipated high volumes kick in. There is also a push factor, with 58% of companies saying lack of growth or profit in the West is forcing them to seek out new markets.

India is the number-one emerging market of interest for UK companies, with 82% of companies in the survey naming it as a top-five market, followed by China and Brazil at 73%. In the second tier of interest, Asia also ranks highly, with Indonesia, Thailand and Malaysia attracting the most attention.

Pitfalls await the unwary

Despite this enthusiasm, most companies that have already ventured into Asian markets admit to having made strategic errors along the way. In fact, fewer than one in 10 companies say they were completely satisfied with their strategy on emerging markets.

Of those who, with hindsight, would have liked to have done things differently, about a third regret not entering Asia sooner. That, of course, is something that cannot be addressed now, though other strategic mistakes can be corrected and lessons learnt for future market entries. And companies approaching Asian markets for the first time can also learn from the mistakes of others.

Following timing—the number-one pitfall reported by a quarter of all companies entering Asia—is failure to adapt better to local market conditions and local pricing. A good example here can be seen in the contrasting successes of two British retailers—Marks & Spencer (M&S) and B&Q—in Asia. M&S entered Hong Kong in the 1990s positioned as a premium brand—very different from its successful UK model of affordable quality—and this positioning has served well in Asia. B&Q later entered China in the late 1990s, attempting to replicate its successful DIY-warehouse proposition from the UK. After unsustainable losses it was forced in 2009 to close a third of its stores and reduce the floor space of half the remainder. What B&Q failed to understand was that consumers in China do not (yet) appreciate the quality or service promise that comes with a branded DIY chain store, and will not pay a premium for it. In fact, the DIY concept hardly exists in China at all—most people hire a cheap contractor, rather than do repairs and renovations themselves.

Not conducting the right intelligence and market due diligence in advance is another common snare, and UK companies appear to lack this intelligence more than their global peers. Seventy-one percent say that information on emerging markets is not readily available in their organizations, compared with the global average of 53%.

After these most common problems, a host of other potential pitfalls awaits the unwary. Not seeking a local partner, inefficient decision-making, failing to cultivate local talent, not anticipating supply-chain issues, not building sufficient government relationships and rushing into a new market unprepared, all feature as potential traps for companies entering Asian markets.

Ten tips for a successful Asia strategy

- Don't delay! Act now to explore opportunities and identify the best-fit markets and strategy for your company in Asia—but don't rush in unprepared.
- Expect to adjust your business model and your pricing to suit local conditions.
- Do your research. The available addressable market for many foreign companies entering Asia is much smaller than the total market, and it is essential to define that market segment, understand your potential customers and competitors, and target it thoughtfully.
- Consider teaming up with a local partner, but do your due diligence before signing any contracts, and don't be afraid to do it alone if that really looks to be the best course of action.
- Put together a specific decision-making team and/or process for Asian market entry to ensure there is sufficient focus on the opportunity and the potential risks.
- Use local talent and transfer UK best practices, training and standards to your team in Asia.
- Remember to consider and address supply-chain and procurement issues in advance. Materials, transport and logistics costs can destroy your margin in markets where your prices will almost inevitably be lower than in the UK.
- Develop government relations in your target market.
- Be selective about which markets to enter. Don't just follow the herd—use market intelligence to specifically identify the best opportunities for your company.
- Be prepared to commit resources to Asia. The payoff may not be immediate, but the long-term prospects are very promising if the strategy is right. ●