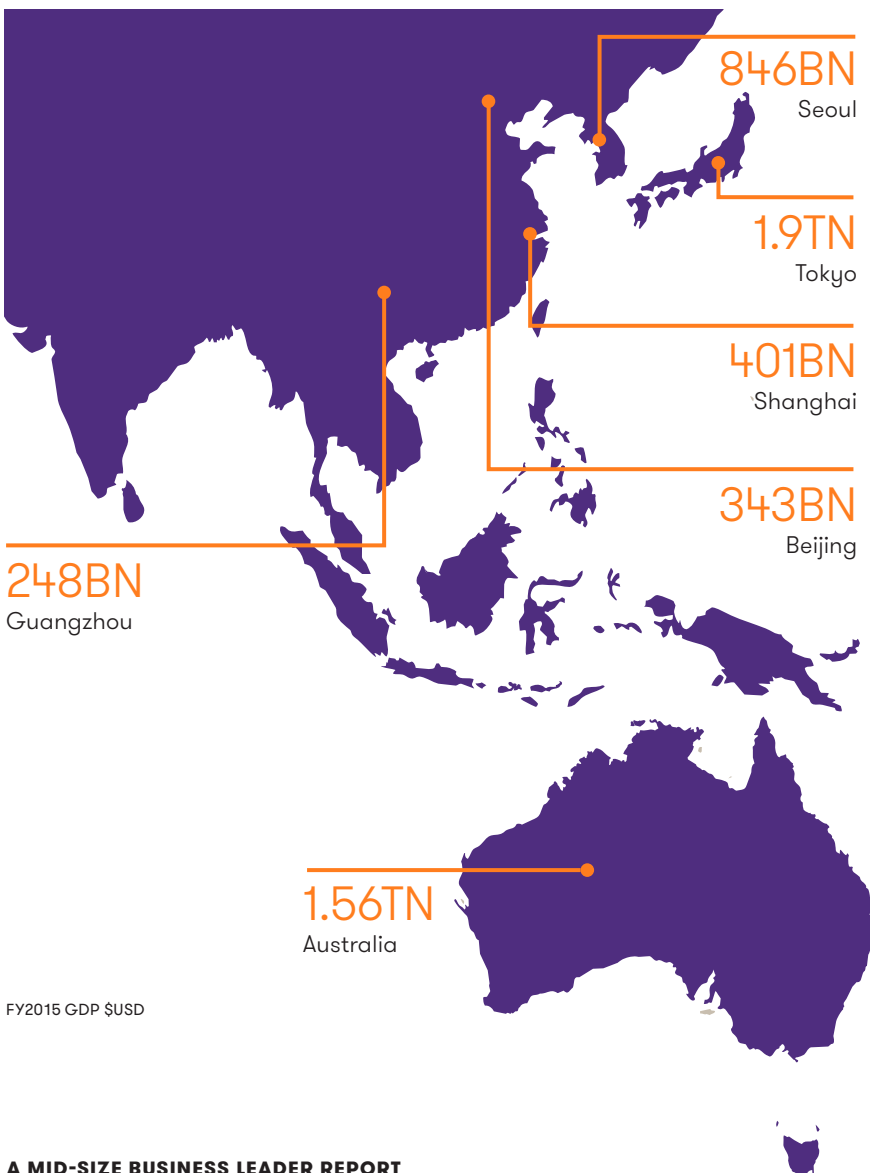


Pathways to Growth

Asia

Continuing to deliver long-term growth, Asia is a stand-out exception to current global economic trends. With GDP across Asia set to rise by 5.5% in 2016, significantly more than Australia's projected 3.2% figure, the Asian market is a pathway to growth for Australian mid-size businesses.



Grant Thornton research into the differences between faster-growing and slower-growing mid-size businesses identified two traits that set the faster-growers apart: they are ambitious in their pursuit of growth, and they are increasingly export-oriented.

Faster-growers are finding ways to go global fast; rethinking business models and reinventing product/service offerings with the booming Asian market in their sights. Slower-growing mid-size businesses are satisfied with their stability, yet concerned with domestic competition and price pressure. Shifting focus to developing international markets can help businesses struggling to accelerate growth by diversifying their investments, increasing margins, and fending off disruption attempts from competitors.

We have seen one other characteristic that's integral to the success of mid-size businesses expanding into Asia: confidence. It is the cornerstone of successful expansion, and along with a clearly defined strategy and implementation plan has set many mid-size businesses on the path to growth.

Old dog, new tricks

52% of mature mid-size businesses in Australia rely on diversification to boost their growth rates. What if you could give a twist to product re-engineering and single out high-margin markets to boost sales abroad, particularly in Asia's dynamic consumer markets? This has proved to be a winning strategy for Sanitarium, whose breakfast staple Weet-bix is now selling online in China for a whopping \$50 per box, compared to its \$4 domestic price. How did this happen, and will profit margins be sustainable in the long run?

The combination of Australia's clean and green brand and celebrity endorsements has turned Weet-bix into a top choice for China's wealthy and digitally-savvy shoppers. While the effect might be temporary, and pricing certain to balance out, the brand now benefits from premium positioning, and will no doubt reap the benefits of this position for other products it might choose to launch in the Chinese market.

A fast-growing middle-class with an increasing discretionary income and high sensitivity to food safety creates an opportunity for Australia's food and beverage sector. However, the same principle can be applied to other consumer products ranging from cosmetics to fashion, which can benefit from Australia's natural and green reputation.

Explore the opportunities, and take the time to understand Asian markets

How can companies identify opportunities, and match their products and services to the right Asian markets?

A market scan can help mid-size businesses understand the situation in each country: its level of development and trends, and its public's preferences in terms of promotional channels, language and tone. To put it simply, what works in Japan might fail in the Philippines, and without the right intelligence, businesses could invest in the wrong market. Mid-size businesses need to dedicate sufficient time to understanding local Asian markets before selecting those to focus on, and then concentrate their efforts on developing local relationships.

There is no need for mid-size businesses to reinvent the wheel when expanding to Asian markets; they can simply leverage the knowledge and skills of specialised advisors who can provide best practices and tailored entry roadmaps based on each company's individual strategy and industry.

We have seen clients with the right tools, accurate information, and who have invested appropriate time to explore growth opportunities in Asia, do well. Our close collaboration with colleagues based in 85 local offices across Asia keeps us up to speed with all legislative and fiscal changes and upcoming trends in each country. When working with clients pursuing an Asia expansion strategy, we follow a clear, yet flexible process to help them match their growth expectations, products or services, and cultures to the best-fitted Asian markets.

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The secret ingredient – which you won't find documented in any process – is out-of-the-box thinking.

While growth strategies on the domestic market may rely on price wars or new channels, success stories abroad are closely correlated to understanding local market characteristics and building local networks, savvy marketing campaigns that utilise local social media and viral marketing to build heightened product awareness, and a talent base able to respond to demand. Mid-size businesses looking to expand into Asia must also consider their Asian capability – do they have in-house experience, or can they utilise a specialised consultant to create the culture change and momentum necessary for a successful expansion into Asia?

Connect

Gather preliminary information, determine motivations for growth, and share success and war stories.



Discover

Introduce key trends across Asia, identify best fit markets and products, and select deep dive topics (markets, industries, products or services).

Diagnose

In-depth overview of growth potential on selected markets, including the local business environment, value proposition, operating model, financials, talent and culture.



Implement

A successful growth strategy and operational model on the selected Asian markets.

Optimise

Ensure that growth potential is properly leveraged on each Asian market, from product and service offering to R&D tax breaks offered by certain countries.



Manage risk intelligently for a smooth expansion process

Thinking out-of-the-box is important but it doesn't guarantee growth in the Asian market.

Implementing flawlessly is the second part of an Asia expansion success story. A critical factor influencing growth in Asia is building onsite relationships. Joint ventures, local vendors, online platforms, pop-ups: mid-size businesses have a myriad of options available to help implement their expansion strategies. However, as with any geographical expansion, they must also manage risks effectively.

From corruption scandals to changing regulations, going through cyber risk and relative political instability, developing markets in Asia are triggering circumspect reactions from many Australian businesses. Effective risk management doesn't mean shying away from the increasingly stable markets in Asia – rather mid-size businesses can benefit from a planned approach that seeks the upside of risk and allows them to access Asia's growth potential.

Choosing the most appropriate model for entering Asian markets, as well as hedging financial exposures, are among the basic steps to securing operations abroad. However, when it comes to Asia expansion, there is one strategic risk that cannot be understated: cultural fitness.

Businesses must consider their needs in terms of local talent, language capabilities, and above all their cultural affinity with their markets of choice. It is critical that expansion rely not only on a product and service fit, but also on solid cultural common ground. Growth in Asia is a long-term proposition, and can only be sustained through close relationships. The investment in people and culture is considerable; yet the payouts are well worth it, and many of Australia's mid-size businesses are now realising the growth available from Asian markets. Will you be next?

Asia is providing Australian mid-size businesses with an opportunity to accelerate their growth; geographic proximity and established trading relationships with the largest economies in the area bring together the foundation. Agile mid-size businesses are well-placed to leverage these advantages, and tap into future growth across the region.

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High-tech. Higher Potential

Another success story from China is related neither to product, nor to brand, but to the marketing channel used. Good news first: there is huge potential for social selling in China. Less-than-good news: you'll need to master WeChat. China's largest social platform has over half of the population hooked, and boasts one of the highest usage frequencies in the world: 60% of users check their WeChat over 10 times a day. They use WeChat for activities ordinary and extraordinary: to order cabs, share photos, send messages, buy high-fashion items, and expand their professional network.

The world's top retailers have realised the potential and created free of charge WeChat pages, alerts, and publications. One global fashion retailer reports WeChat as its leading social platform worldwide, along with a boost in sales after only three months of use. We expect to see an increasing number of brands choosing WeChat to enter or consolidate their presence in the Chinese market, and leveraging its sales growth potential.

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People globally



130+

Countries



\$4.8BN

Worldwide revenue 2016 (USD)



1,160+

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