



Asia Pacific: where fortune favours the careful

Unlocking markets in the world's fastest growing region.

The future has arrived early. For years, experts have talked about the immense potential of Asia. Asia is well and truly on the runway to 50% of the global GDP by 2040 and contribute at least 40% of the world's consumption. This is driven by the region's large and fast-growing population coupled with longer life expectancy, rapidly growing economies, burgeoning multi-tiered middle class with higher disposable incomes, increased technology adoption and integration into global flows of trade, capital, talent and innovation.

Diversity is the only certainty when it comes to understanding and unlocking new revenue streams for international brands in this dynamic market that is anything but homogenous.



This whitepaper draws on extensive research and industry insights and delves into critical areas and strategies that brands should consider when navigating the complexities and nuances of Asia-Pacific. The paper explores the cultural and structural features of the Asia-Pacific region supported by tangible case studies across a multitude of categories to demonstrate how brands have thrived or floundered when targeting Asia-Pacific as their next growth corridor.

The importance of market research, willingness to adapt to unfamiliar business models, cultural understanding, localisation, and strategic partnerships will ultimately guide brands towards sustainable growth and a competitive position in this lucrative market.



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The importance of regional diversity in Asia Pacific



The United Nations Department of Economic and Social Affairs (UN DESA, 2019) reported that the global population was about 7.7B in 2019 of which there are 4.74 billion people living in Asia – that's 60% of the world's population – accounting for around 37% of global economic output.

The report further elaborates that while Asia accounted for less than one-third of the global gross domestic product (GDP), it is on track to contribute about half by 2040!

Asia is in the middle of a historic transformation. If it continues to follow its recent trajectory, by 2050, its per capita income could rise sixfold in purchasing power parity (PPP) terms to reach Europe's levels today. It would make some 3 billion additional Asians affluent by current standards. By nearly doubling its share of global gross domestic product (GDP) to 52 percent by 2050, Asia would regain the dominant economic position it held some 300

years ago, before the industrial revolution.¹

A recent report by McKinsey & Company (2019)² acknowledges that the 'world's future' has arrived sooner than many realise. Indeed, Asia's Gen Z has grown up with unprecedented wealth. Coupled with greater exposure to Western culture, these young, affluent and digi-savvy Asian consumers are heavily influenced by their media consumption and their desire for conspicuous consumption. 2.2B (50%) of the world's internet users are from Asia and India and China alone account for one-third of this population. The exponential digital growth will continue.

Furthermore, the International Monetary Fund predicted that Asia-Pacific will be the most dynamic of the world's major regions by 2023³. The report 'The Regional Economic Outlook: Asia and Pacific' (Petrescu, M. & Zu, Y., 2023) cites that 'China and India will make up half of the global growth this year, with the rest of Asia and Pacific



50%

% of internet users 2019

Source: McKinsey & Company, Internet World Stats

Rest of World

19%

China

13%

India

10%

Rest of Asia

3%

Japan

3%

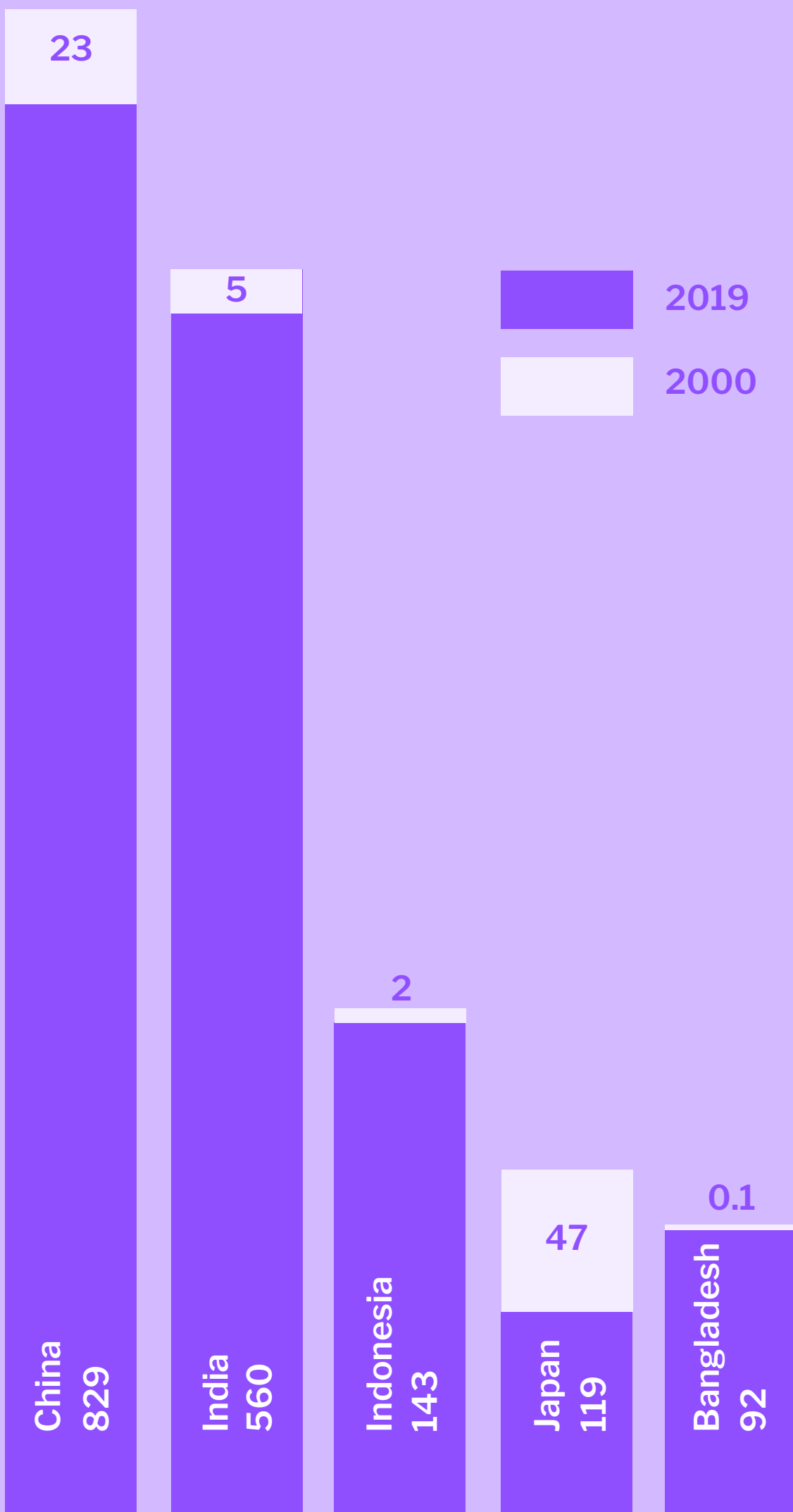
Indonesia

2%

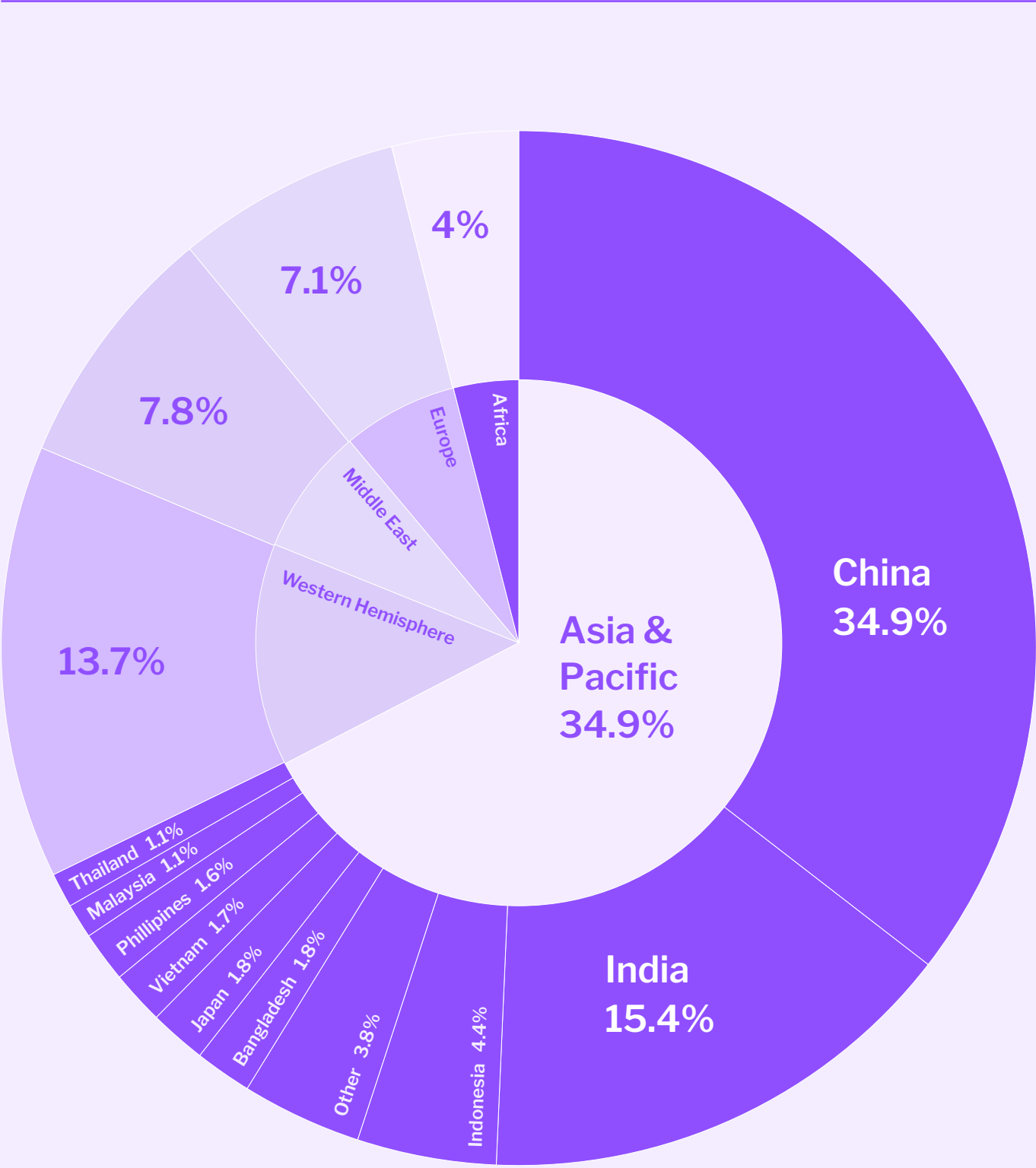
Bangladesh

Number of internet users 2000 vs. 2019 (million)

Source: McKinsey & Company, Internet World Stats



Asia will
contribute about
70% of global
growth this year.

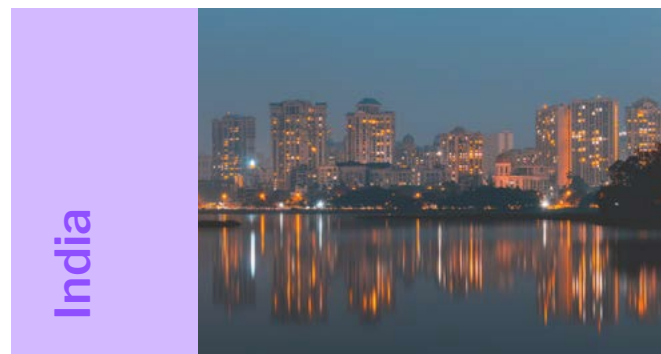


Source: IMF World Economic Outlook, April 2023

Note: Groupings based on IMF Regional Economic Outlook Classifications

Each sub-region has its own set of opportunities and challenges that need to be considered by brands looking to enter the Asia-Pacific. The most substantial markets and economies remain attractive destinations for brands and investment.

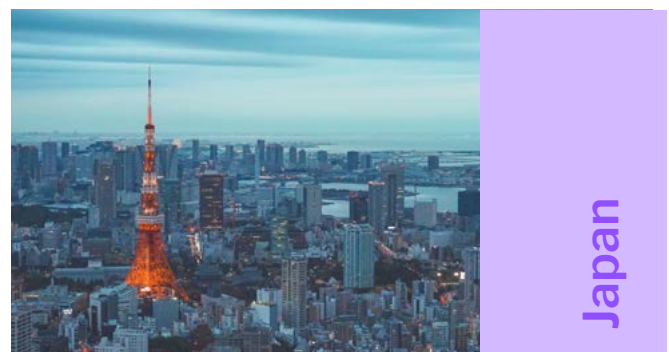
China has been a consistently fast-growing economy over decades due to its massive population, manufacturing, infrastructure investments and growing middle class. Despite the slowing down in economic growth post COVID-19 due to factors such as demographic changes, geopolitical tensions and structural reforms, China continues to be top contender for brands looking to grow for at least the medium term.



This year, India overtook China as the most populous country in the world, with a swiftly expanding economy fuelled by its young workforce, growing middle class with high disposable income, and economic policies to attract foreign investment.

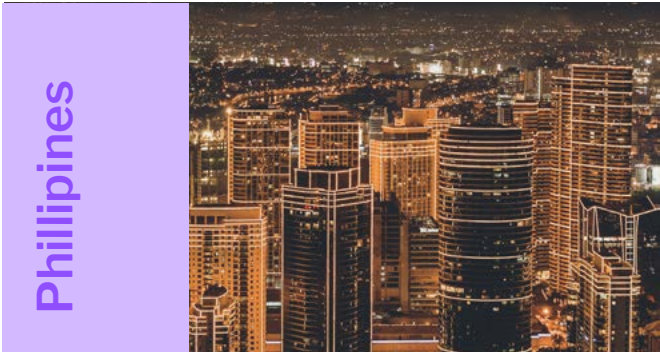
The challenges facing China have had a knock-on effect on the broader Asia-Pac economy, leading to increased interest from organisations looking to diversify production hubs. For example, Apple began manufacturing some of its iPhone models in India in recent years through partnerships with local manufactures like Foxconn and Wistron.

Japan's combination of traditional culture and cutting-edge technology makes it an attractive destination for foreign businesses looking to expand globally. The country's high GDP per capita, stable business environment, and affluent consumer base present a lucrative opportunity for companies willing to cater to the demands of discerning Japanese consumers. With its strategic location in the Asia-Pacific region and extensive network of trade agreements, Japan also offers easy access to other growing Asian markets. Furthermore, the Japanese government's business-friendly policies, well regulated industries and incentives create a conducive environment for foreign businesses to thrive.



Vietnam is Asia's quiet achiever with its low labour costs and export-orientation and has fast become an attractive alternative to China for manufacturing as brands seek to mitigate risks associated with trade tensions.

Section 1: The importance of regional diversity in Asia Pacific



The Philippines is also compelling market with a large and technology-conversant population, and its strategic location in Southeast Asia. Success in the Philippines, however, requires the penetration of long-standing relationships and the navigation of strong competition, deeply held cultural nuances and regulatory challenges while capitalising on its strong economic growth and consumer preferences.

Bangladesh’s focus on the textile and garment industries limits its potential but, with strongly competitive manufacturing costs, it is experiencing substantial economic growth. Businesses with the ability to be sufficiently resilient and flexible to look beyond short-term economic volatilities will be well positioned to position for success in the longer term. Vietnam, India and Bangladesh are projected to be three of the world’s fastest growing economies by 2050⁵.



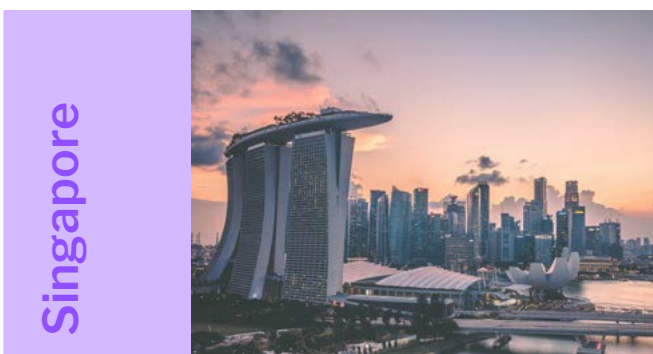
Thailand and Indonesia are emerging as important markets for Western brands due to their expanding economies, growing middle class, and increasing urbanisation. Aside from the obvious challenges of language barriers and cultural differences, there are complex legal and regulatory barriers to navigate in order to overcome bureaucratic and local business culture hurdles.

Toyota is a good example of a brand that has made Thailand a home away from home in more ways than one.



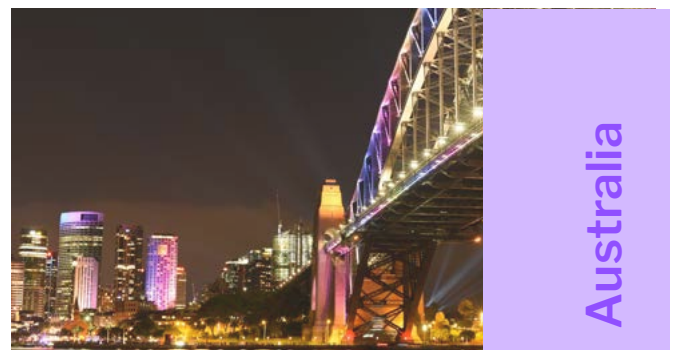
“ Basically I operate based on the principle of 3 S's (Sawasdee, Sabai Dee and Sanuk Dee). ”

Kyoichi Tanada, President of Toyota Motor (Thailand, 2013)⁵



It would be remiss to not mention Australia and Singapore for brands wanting to grow in these thriving markets across Asia-Pacific. Both countries possess strong economies, stable political environments, familiar regulatory environments and well-developed infrastructure, making them attractive staging points for growth across Asia-Pac. Singapore's strategic location offers access to the broader Southeast Asian market, while Australia provides a gateway to the Pacific region.

Additionally, these nations have high levels of discretionary consumer spending, advanced retail landscapes, and diverse populations with varying cultural preferences. Successful establishment in Australia and Singapore can serve as a stepping stone for brands to establish credibility and gain insights into the preferences and behaviours of the larger Asia-Pacific market.



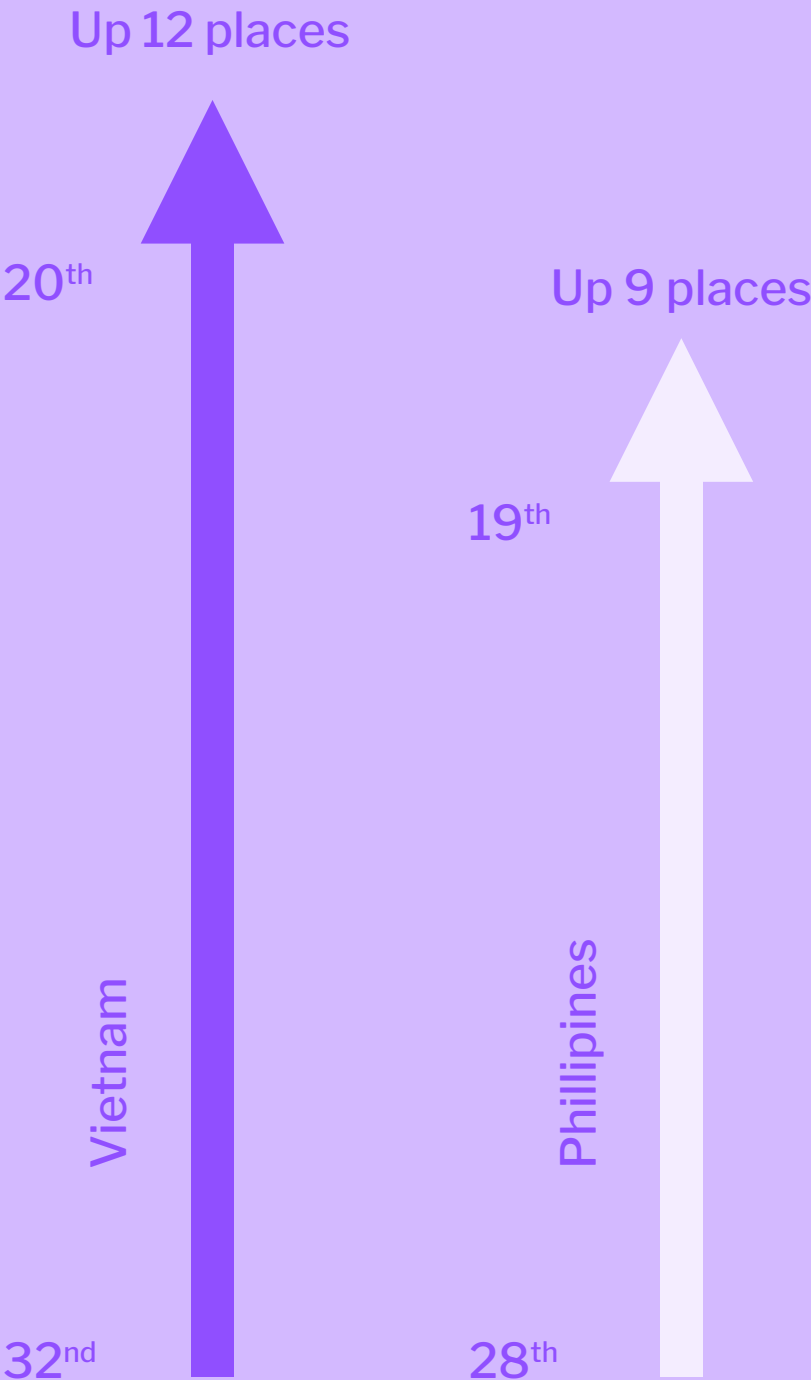
Emerging markets will dominate the world’s top 10 economies in 2050 (GDP at PPPs)

G7

E7

	2016	2050	
China	1	1	China
US	2	2	India
India	3	3	US
Japan	4	4	Indonesia
Germany	5	5	Brazil
Russia	6	6	Russia
Brazil	7	7	Mexico
Indonesia	8	8	Japan
UK	9	9	Germany
France	10	10	UK

Vietnam, the Philippines and Nigeria could make the greatest moves up the rankings by 2050



Source: The long view: how will the global economic order change by 2050? by PWC

Cultural and structural features of the Asia-Pacific market

The Asia Pacific market is incredibly diverse across a wide range of cultural and business norms. There are, however, some common cultural and structural features.

Cultural Features

Collectivism

Many Asian cultures emphasise group harmony and collective goals over individual interests, impacting consumer behaviour and business practices.

High context communication

Communication often relies on context, nonverbal cues, and implicit messages, which can differ from the direct communication style of Western cultures.

Respect for authority

Primarily class-driven societies, Asian cultures often value hierarchy and respect for authority figures, which may influence business relationships and decision-making processes. There is emphasis on social status and rank.

Face - saving

Saving face and preserving one's reputation are crucial, affecting negotiations and conflict resolution.

Cultural and environmental traditions

The Asia-Pacific is known for its rich and diverse festivals, traditions and array of languages and dialects spoken. In Pacific Island cultures, there is often a strong connection to environment and nature with sustainability being top of mind.

Relationships and reciprocity

In many Asian countries, relationship-building and reciprocity are integral to businesses. New collaborations often start with building personal connections and credibility – a contrasting feature when compared to Western economies that tend to be more transactional or short-term focussed.

A good example of this business practice is known in China as 'guanxi'. As KFC entered the Chinese market in the late 80s, the brand built a strong relationship with strategic partner, the Beijing Tourism Bureau, to develop a deeper understanding of the local market. This assisted the brand to navigate the complex regulatory landscape and secure prime outlet locations. KFC fostered relationships with government officials over an extended timeframe, enabling it to obtain licenses, permits, and approvals more efficiently. In 2013, fast food chain KFC was named the most powerful international brand in China, according to research compiled by [Millward Brown](#)⁶.



Cultural Features cont.



Emerging centres of IP
China, Japan and South
Korea are in the Top 5 for
patent activity globally, a
trend that looks to be firmly
established within the
medium term.⁹

Attitude to intellectual property

The attitude to IP is possibly the most significant difference between Asian and Western markets. While not uniform across all markets, there can often be more leniency with IP infringements than would be tolerated in western business cultures.

“It is increasingly hard for Western companies to do business there on equal terms with Chinese companies, and the flow of both money and ideas—out of and into China, respectively—is heavily curtailed” (Sullivan, M.,2019)⁷ This is clearly from the perspective of the West. And this is perhaps the nub of the problem. Western companies think it is unethical to steal ideas. Chinese companies think it is unethical to not share ideas.

In a country that produces between 4 and 5 million bachelor degree graduates a year and almost a million Masters and Doctorates (Statista 2022)⁸, ideas are relatively cheap.

Structural Features

Economic diversity

Asian markets vary widely in terms of economic development, with countries ranging from highly developed economies to emerging markets.

Government involvement

Government intervention and regulation can be significant factors in Asian markets, impacting market access, trade, and investment. Government involvement and regulations for businesses can vary significantly between Asia and some of the developed Western economies due to differences in political, economic, and cultural contexts. Taxation systems can also vary widely, with some Asian countries offering favourable tax incentives to attract foreign investment.

Cultural norms and traditions can influence government-business relations. In some Asian cultures, there may be a stronger expectation of close ties between businesses and government officials through practices like *guanxi* in China. Political stability and corruption levels can vary widely across Asia.

Family-owned businesses

Family-owned businesses often play a prominent role in Asian markets. Family businesses form the backbone of the Asian economy, with 85% of the companies in the Asia Pacific region owned by a family group. Of the top 750 global family businesses ranked by revenue, over 20% are Asia-based, with combined revenue of almost \$2 trillion.⁹

Distributor and agent networks

Many Asian markets rely on extensive distributor and agent networks for market entry and distribution.

E-commerce growth

Asia has seen significant growth in e-commerce, driven by the region's large population, increasing internet penetration, and adoption of digital technologies. Asia now accounts for half of the world's internet users.

Urbanisation

Rapid urbanisation is a prominent trend in many Asian countries, leading to changing consumer preferences and opportunities for businesses. In India, increased population density and traffic congestion has led to many successful ride sharing and food delivery businesses such as Ola, Uber, Swiggy and Zomato.

Infrastructure development

The level of infrastructure development varies across Asian markets, impacting logistics, distribution, and access to markets.

Language diversity

Asia Pacific is home to numerous languages and dialects, necessitating localisation efforts for effective communication and marketing. The region is home to about half of the world's spoken languages: more than 3,500 languages are spoken in Asia Pacific out of about 6,800 languages spoken in the entire world.¹⁰

To an outsider, it seems remarkable that **less than 1%** of people from mainland China speak English. It is clearly crucial for Western brands and businesses to understand and respect these cultural and structural features when entering Asian markets. Tailoring strategies to align with local norms and preferences can contribute to building successful and sustainable business relationships in the region.

Growth strategies playbook

1

Culture appropriation vs appreciation

Cultural appropriation isn't anything new but, in the age of viral social media, there can be significant consequences for a brand's reputation and success. Cultural insensitivity, reputation damage, the perception inauthenticity and the alienation of your target audience are all antipathetic to an impactful launch with genuine market engagement.

A famous example of this was seen in the [banning of the Barbie movie in Vietnam](#) due to the depiction in the film of a hand-drawn map of the hotly disputed South China Sea with boundaries aligned with China's broadly stated vision for the future.

2

Think global, act local

Following an in-depth analysis of results of it's Awards for Asian Strategy 2022, WARC had published an [insights report](#) stating that perceptions of 'local' are key to connecting with Asian markets.¹¹

McDonald's localisation strategy has been instrumental in the brand developing into the world's largest fast-food restaurant chain. Its go-to-market mix is adaptable, allowing tailoring to the needs of the local market by way of menu, culture, distribution, promotions and pricing. The Japanese menu features seasonal items like the Teri Tama burger and the Tsukimi burger and fries. Meanwhile drink serving sizes vary to the American counterparts. By contrast, in India, the Golden Arches feature a predominantly vegetarian menu.

3

Local partnerships

Local partnerships are unusually important to unlocking growth in new Asia Pacific markets. They bring a deep understanding of culture nuances, consumer behaviour along with the regulatory and business landscape. Importantly, they can expedite market entry and growth. As an example, Spotify attributes success in Philippines to its [partnership](#) with Globe Telecom. Globe offers free music streaming via Spotify to subscribers on its plans. Data showed the service is being used by one out of five Filipinos with internet access and nearly 70% of all Spotify subscribers use the service with Globe.

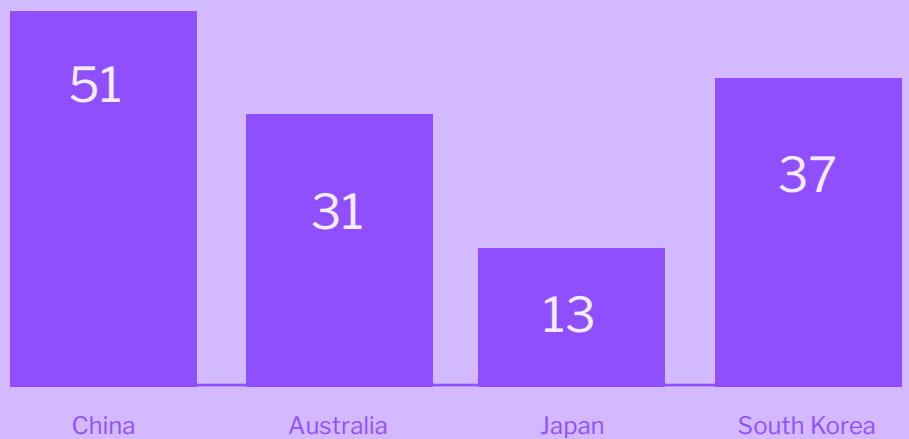
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Know thy audience

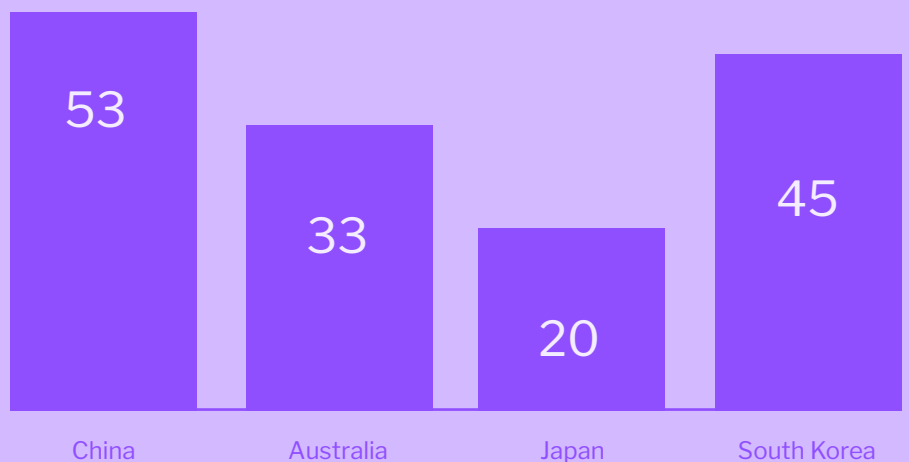
Apple's iPhones and other products have seen substantial success in China. Apple localised its marketing campaigns and product launches to cater to Chinese consumers. It also partnered with local carriers and offered instalment payment options to make their products more accessible. Apple's emphasis on user experience and premium branding appealed to the Chinese middle-class consumers seeking high-quality brand name products. Many notable local apps integrated with Apple's iOS, including WeChat, Alipay, QQ, Baidu Maps.

Gen Z across markets increasingly demand personalization of products and services.

I prefer brands that can customize their products for me (% who strongly agree or agree)



I prefer brands that offer tailored services (% who strongly agree or agree)



5

Local market dynamics

Starbucks expanded to Australia in 2000 when it was riding high on its success in the United States and was known for its consistent branding and specialty coffee offerings. Misreading the market, however, Starbucks faced significant headwinds due to the existence of a strong local coffee culture, and a mismatch with local preferences. This led to store closures and financial losses. Ultimately, two-thirds of Starbucks Australian stores closed, shifting the brand's focus to fewer locations with an emphasis on quality and customer experience. Despite setbacks, Starbucks continues to operate in Australia on a smaller scale, highlighting the need for adapting to local market dynamics and the realisation that global success doesn't guarantee success everywhere.

6

Focus on agility

Microsoft faced several challenges that contributed to its struggles in China. Some of the brand's hurdles included strong local competition, piracy (it's hard to compete with lower-priced or free pirated versions of your own software), government regulations that posed challenges for foreign tech companies, and geopolitical/localisation issues.

Despite these challenges, Microsoft has not entirely failed in China and continues to have a strong presence. It has combatted piracy and met with compliance challenges through efforts to collaborate with local partners

7

Unleash the IP Kraken

Chinese brands like XCMG, Liugong, SDLG, Shantui and Changlin are all multi-billion-dollar business that compete directly with Caterpillar in China. As the [Wall Street Journal reports](#)¹², these companies' ability to offer similar products to Caterpillar at far lower prices is, in part, due to reverse engineering. The Journal reports that, "There is no denying that Caterpillar IP has made its way into those products. Caterpillar has 8 development centres in China and product IP walks out of the door every evening, only to be used to make cheaper copies. Despite this, Caterpillar has been successfully growing their business in China for 45 years and remains committed to the market.

In conclusion

Asia-Pacific is fecund with dynamic opportunities for companies seeking new markets, partnerships, investment and talent. These opportunities will continue to grow rapidly (but unevenly) as the diverse economies of APAC mature and flourish and as new younger, affluent and digitally savvy consumer bases emerge, flourish as new industries and, themselves, connect with global markets. These markets are often volatile and opaque.



Businesses looking to grow in these hotspots need strategies that are as dynamic and flexible as the markets they seek to penetrate.

The case studies and pointers explored in this paper highlight the importance of cultural understanding, brand adaptation and market positioning to align and connect with intricate and ever-changing local nuances.

The governance norms of many APAC countries are very different to those of the US and Western Europe and have many characteristics that are unique in the world. Reconciling these differences against the accepted norms of western business practice can introduce elements of risk or, worse, unknowing ignorance. The western world is replete with stories of successful businesses losing skin while trying to gain a foothold in Asia Pacific markets.

Optimally, aspirants to this market should seek the council of advisors who understand both the local business, cultural and political landscape while also being grounded in the traditions and structures of western business.

The key attribute is an understanding of the differences between markets that need to be managed in order to achieve success. This enables those developing the business case for market entry to gauge whether those differences are easily overcome or simply represent too much risk.

Those businesses with the flexibility and drive to achieve a market entry at any reasonable scale, however, will find APAC to be a growth engine of staggering proportions.

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Manisha has held senior marketing and leadership roles across some of the most successful Australian and Global brands such as NAB (one of the World's top 60 banks), KPMG and Mercer.

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AMIN APAC and its membership

The Advertising & Marketing Independent Network (AMIN) Worldwide is an alliance of 50+ marketing firms across the Americas, Europe, Africa, the Middle East and Asia Pacific.

We're a network of independent allies who've united, to move each other and our clients forward using industry expertise, global market insight and knowledge of emerging trends.

AMIN APAC was formed in 2015 and now comprises seven members acting across 10 nations.

AsiaWorks

Established in 1996, AsiaWorks has created standout content and campaigns for brands, broadcasters, and intergovernmental and non-governmental organizations throughout Asia. With round-the-clock offices in Singapore, Bangkok, and Jakarta, and a robust network of partners around the globe, we know there's no one-size-fits-all approach, and tailor our strategies to the unique nuances and evolving dynamics of Asian markets.

Brandigo China

Brandigo is a full-service marketing communications agency based in Shanghai, with almost 20 years of history and experience. Brandigo provides B2B and consumer clients with a full range of services, from Chinese naming and messaging to content development, China social media platform management, and complete marketing campaigns.

Custom Media

Custom Media is a full-service B2B agency offering marketing solutions that unite data with creativity, harnessing local and international expertise to bridge the gap between Japan and the world. Its work enables international B2B brands succeed by crafting compelling stories that connect with Japanese audiences.

DPR&Co

DPR&Co is a results-obsessed creative agency that works with leading national and international brands to make a difference through the power of ideas. While Melbourne-based, DPR&Co delivers communications throughout Australia and the APAC region, often in concert with its AMIN partners.

ISC International

ISC International is an award-winning, fully integrated marketing communications agency based in Kuala Lumpur, Malaysia, with affiliate offices in Amsterdam, Jakarta and Honolulu. Its proud history includes over 120 local and international awards for creativity and marketing effectiveness in industry categories including airlines, automotive, hospitality, luxury brands and tourism.

Onads

Launched in 2008, Onads is a multi-award winning digital and mainline agency for D2C, B2B and B2C in India. With a client roster that includes Fortune 500 companies, SMEs and Start-ups, Onads combines exceptional creativity with actionable data, deep strategy and cutting edge digital expertise to empower brands and businesses to succeed.

Span Communications

Span is in the business of unlocking brand potential through integrated communication solutions. As one of the leading independent agencies in India, it leverages the 'power of simplicity' drawn from insights into human behaviour to build brand relevance. It has been executing big-ticket domestic and international campaigns for blue-chip Indian brands.



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