Business expansion in Asia: Developing a game plan

While signs of an economic slowdown in the Asian powerhouses of China and India tend to grab the media attention, the region still offers enormous potential for businesses looking to expand.

The establishment of the ASEAN Economic Community (AEC)* in December 2015, puts this potential firmly into perspective in the form of a huge market of US$2.6 trillion and over 622 million people. This ranks the AEC collectively as the third largest economy in Asia behind China and India and the seventh largest in the world.

With levels of consumerism, urbanisation and lifestyle needs within Asia as a whole set to increase over the next 5-8 years, the growth opportunities are appealing. However, tapping into this growth as the market becomes more sophisticated and complex requires a game plan.

Developing and articulating a game plan not only helps to clearly identify the business opportunities in Asia, but also helps others within the business understand the aims of expansion and how you will operate in your chosen markets. This is important when getting crucial buy-in from top management.

By identifying whether the opportunity is in exporting, franchising, a joint venture or setting up operations from scratch is important in terms of allocating the necessary costs and resources that will ultimately affect your chances of succeeding.

*ASEAN Economic Community (AEC) countries: Malaysia, Singapore, Indonesia, Cambodia, Vietnam, Thailand, Philippines, Brunei Darussalam, LAO PDR, Myanmar.
Leverage local expertise

While working on a game plan is the first step, forging local partnerships and relationships has a crucial role to play. It’s often the case that once you visit Asia, the reality of doing business doesn’t always mirror what you expect. Nor does it progress as quickly or as smoothly as expected. Working with a local partner not only acts as an access point to a range of services to help with choice of location or finance, but it can offer a lifeline in understanding and navigating your way around the local compliance and regulatory landscape. Don’t overlook the fact that a local partner often has the knowledge and experience to help motivate and organise front and back office staff or take on a range of office functions. It’s perhaps a cliché to say that outsourcing office functions such as payroll or tax and compliance functions leaves you to concentrate on growing your venture in Asia, but it’s often done too late in the expansion cycle with many companies having to call in help down the line. If outsourcing was in the game plan at the outset then essential resources can be used to focus on growth immediately.

The risk of non-compliance is also a key factor in managing reputation. No company expanding into Asia wants to run the risk of damaging their brand through non-compliance. This is often due to underestimating the risk and the tendency is to oversimplify the expansion process. But what is important to understand is that any damage to reputation in Asia can and will affect home markets almost immediately via social media.

Pay attention to soft factors

While the hard business factors such as set up costs, resources and compliance can be factored in, the sheer cultural diversity and difference in consumer behaviours within individual Asian countries means trying to cast a net over the entire region with one approach has little chance of success. While you can see Malaysia from the Singapore border, for example, it’s important to understand Malaysia is a totally different environment when it comes to doing business. Equally, knowing that consumers in Indonesia prefer their laundry detergent in handy-sized packages rather than the industrial sized boxes produced in Europe can save a lot of time and financial pain for businesses looking to sell similar products. Or generally understanding the importance placed on building connections and relationships first before you focus on business. Often it is a case of doing your homework on these soft factors that can make all the difference when conducting business in Asia.

Taking all these points on board, perhaps the most important aspect of any expansion game plan in Asia is that you are in it for the long haul. As markets change and evolve, only a long term strategy will be able to reap the rewards of a region with bags of growth potential, but one that allows you to ride through any short term economic challenges and gives you the breathing space to get it right.
Tips and Tricks for Success in Asia:

Based on over 25 years' experience with clients and regulators in Asia-Pacific we've identified 7 must-do actions:

1) Leverage local partnership expertise to improve chances of success.
2) Engage support from management to ensure that plans have clear commitment from the top.
3) Be innovative in how you customise or localise your products to Asian markets.
4) Don't overlook Asia as a sourcing hub for products, services and not just a region you can sell to.
5) Empower your 'on the ground' team to make decisions regarding local markets.
6) Manage perceptions and regulations to protect your brand.
7) Don't limit your expansion plans in Asia to China and India, there is also the wider potential of the ASEAN Economic Community (ACE).

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