

Consumer & Retail Report: Five Links in the Chain to Driving Growth in Asia



“Asia stands to deliver nearly two-thirds of global growth and accounts for 40% of the global economy”.

Christine Lagarde, IMF.

Growth in APAC’s fast-developing economies has created a consumer group with a voracious demand for products and services that represents 61% of the world’s middle class.

With a predicted economic growth humming along at above 5%, the question is: Are Western multi-national companies (MNCs) effectively capturing the opportunity that these figures represent?

In late 2014, Odgers Berndtson published a paper called “Are Multi-National Companies Taking the Most Intelligent Approach in Asia?” in which 63 APAC leaders of global companies from multiple sectors reflected on issues unique to APAC. Two years on, we have revisited the same questions with 22 APAC leaders of global consumer and retail companies.

The themes that emerged in 2014 – Communication, Talent, Competition, Strategy and Corruption – still resonate, but there has been an interesting change in focus and attitude.

The message from the 22 leaders we interviewed can be summarised in the following five broad, interrelated themes, all of which are linked to driving growth in the Consumer & Retail sector in Asia. They are:

- Business Model Innovation
- Technology & Customer Experience
- Talent & Leadership
- Globalisation vs. Localisation
- Explaining Asia to HQ

Theme 1 - Business Model Innovation

When it comes to business model innovation, Asia has jumped into the driver's seat as a result of technological advancements, a younger workforce and brutal local competition. All of these factors dictate how companies go to market and differentiate themselves.

According to an April 2016 report by Nielsen, Go Glocal, MNCs have historically dominated consumer markets in Asia, but the competitive landscape is shifting. With low running costs, well-established networks and an understanding of local tastes, local players have become a force to be reckoned with. They have irreversibly re-shaped Asia's fast moving consumer goods sector.

"The cost and speed of entry has reduced significantly in the last ten years, making the competitive set more complex. The real threat comes from local players."

"Consumer change is ten times faster in Asia than in Europe."

"The traditional model of our business has gone out of the window. We have entered a new market purely through e-commerce."

"To compete in Asia, we need to be able to bring products to market in weeks. We are a long way from this. It takes us a year."

Local players employ nimble business models which give them the edge in responsiveness to real market conditions:

"Innovation is being done in three months by some of our local competitors. We were caught napping, so had to change the way we viewed innovation. Different demographics and whether a customer is in the premium or value segment require a different approach to innovation."

"The competition is not waiting for us. We need to focus on the speed of innovation and speed to market and drive this with technology."

So, how are MNCs thinking about the priorities?

"Our challenge is ensuring we are fast enough. We are behind the curve when it comes to transforming the singular shopping experience into an omni-channel environment for our customers."

"We need to bring back higher productivity across the organisation, as the cost of labour has increased significantly in certain key markets like China."

"Operational efficiency is a big requirement in the next five years."

"The markets are becoming more competitive and we need to become more focused on how and where we allocate resources and which initiatives we get behind to become more successful."

"Productivity, innovation and customer-centric behaviour are key, as well as personal growth and being accountable to learn new skills."

A final word ...

"It is a wonderful game of mental chess: You need to have an entrepreneurial mindset to survive and excel."

Theme 2 – Technology & Customer Experience

The speed of technological change is astounding and it is transforming the fundamentals of entire industry sectors. E-commerce alone is creating globally-savvy Asian consumers, generating new markets and surfacing unexpected competitors.

Technological change was much more on executives' minds in this survey than previously, clearly presenting both challenges and opportunities. The challenge is in keeping up with the pace of change; recognising that there are now multiple ways to reach customers and matching company capabilities with changing consumer expectations.

"Technology has revolutionised how we create our customer experience."

"The challenge is for our in-house capabilities to keep up with the pace."

"The e-commerce market will be much larger three years from now and we need to reach new consumers. They are younger and buy online."

"Some countries have leap-frogged all traditional go-to-market methods and as such, will never have a normal development plan as there are multiple channels all happening at the same time – it is chaos!"

And looking at this from a positive angle ...

"Digitalisation and disruption isn't a problem. It's an opportunity; but to do it better than anyone else – that is the challenge!"

How are they speaking about adapting?

"Everyone's business is being or will be disrupted due to new technology adoptions. The key is to evolve and adapt, or die."

"We have to ask ourselves; how well can we leverage new millennial talent with a sense of urgency, understanding of the markets and integration into the business?"

"There needs to be a willingness to experiment, fail fast, pilot fast and up-scale fast in today's markets."

"Digitalisation and disruption isn't a problem. It's an opportunity; but to do it better than anyone else – that is the challenge!"

Theme 3 – Talent & Leadership

There is no escaping the importance of having the right talent at all levels – hiring and keeping talent is a perennial concern for all MNCs in Asia.

Talent and leadership are always the biggest issue for MNCs in Asia, but there has been an interesting shift in attitude in this area over the last two years. Two years ago, most leaders were looking for a silver bullet to fix their talent challenge. **Most now see this same issue as their own personal leadership challenge.**

“The fight for talent is no longer a surprise, but it is still an obsession.”

“Agility comes from people, not from processes. A willingness to learn, listen and see can save you months, if not years.”

“Talent development is a priority for our business. Our focus is on improving capability and developing existing teams; getting more out of what we have.”

“We focus on hiring talent that embraces new ways of doing things – if you are not willing to change, you are out – the market doesn’t give you a choice.”

“Millennial talent is driving strategic change. We have a 24-year old running digital marketing in China.”

Many leaders report that the talent pool in Asia is deep, highly adaptable and innovative.

“Take the time to build localisation of leadership – 90% of the success we have had is because we have built local teams.”

“We have very few expats now. In Japan, we are a Japanese company.”

“Local talent brings the most value to our business. In countries like China, you can still value having a good mix of talent, but you need local expertise on the ground.”

“People, even our board, say there is no talent in Asia. I have no idea what they are talking about. There’s lots of talent.”

“Local talent brings the most value to our business. In countries like China, you can still value having a good mix of talent, but you need local expertise on the ground.”

There's always an opposing point of view. Some companies have been successful by importing leaders from their home market.

"I don't believe in localising the management team. It is valuable to have a good mix. Half of our managers in the region are expats and this has value as it teaches best practices."

"All of our managers are foreigners and have been brought to Asia from within our company. This works for us and we will have gone from zero to \$1 billion in ten years here."

Some leadership comments that come from deep and long experience in Asia:

"When moving talent from Europe to Asia, it is important that these individuals aren't set up to fail. Understanding cultural sensitivities and styles is crucial; emerging markets are different to the more mature markets in Asia, and require different skills."

"Across Asia, the desire to progress is very strong and this has created a culture where employees consider it necessary to look for new jobs every two years. This is hard to fight and creates big retention challenges."

"We have had to adjust as an organisation to traditional vs. new ways of doing things – hiring millennials, changing our strategy so that we can hire the right people and recognising that in some cases, traditional hierarchy lines don't work anymore."

"Learning and growing is the key to retention. They need to move forward fast."

"The emphasis in Europe is praising the individual, while in Asia it is about praising the team publically and individuals privately. Try to encourage expression of views and spend more time explaining the emotional rationale behind decisions. Win hearts, then minds."

The bottom line is...

"If you want diversity in your organisation, you need to think differently yourself."

"We need to take more risks when it comes to hiring; we need to think in terms of potential talent rather than proven experience and move away from the objective checklist and tick-box approach."

"One good person saves you months and years."

"We need to take more risks when it comes to hiring; we need to think in terms of potential talent rather than proven experience and move away from the objective checklist and tick-box approach."



Theme 4 – Globalisation vs. Localisation

Some MNCs adopt a truly global product and marketing approach while others create a mix of global messaging with “local topspin”. Most regional executives we interviewed emphasised the diversity of the Asian market; that there was, in fact, no “Asian” market but a plethora of diverse markets requiring different strategic approaches:

“In Asia, as a foreigner, you learn to lose a lot of biases and the first thing you learn is that there is no [single] Asia.”

“Our in-country operations are very localised and decentralised – there is no ‘one size fits all’ approach in a region as diverse as Asia Pacific.”

“The challenge for us is standardisation in a region that prides itself on non-standard processes that are flexible country to country.”

“There is such a thing as having processes that are too standardised and too rigid – there needs to be a degree of flexibility to allow us to be more competitive in emerging markets like Cambodia and Myanmar.”

“Life is tougher these days. With such diverse countries and economic forces, we must adapt our strategies in each market, as they have nothing in common.”

The flip side is that there are companies which have achieved outstandingly with a strongly global product and message:

“Today’s consumer is global. Our retail concepts are the same across the world and our customers have the same experience wherever they shop and through whichever channel they use.”

“The market for us here is identical to Europe. No localisation of product or campaigns has been needed. It’s the same hot items and the same failures everywhere.”

“Growth will stop after a point – where there is no standardisation, there can be no scale.”

What are the implications of this apparent contradiction in strategic approaches? Building a strong global brand and backing it up with research seem to be key, so that MNCs – particularly in the area of non-durables – can work with distinctive local preferences and habits.

“There is a natural tension between local look and feel and global branding.”

“The challenge for us is standardisation in a region that prides itself on non-standard processes that are flexible country to country.”

“Global alignment and local market needs are opposing forces we need to work with.”

Theme 5 – Explaining Asia to HQ

Fostering communication and understanding between HQ and Asia remains a crucial link in the chain for driving realistic growth in Asia. There is no quick fix; ensuring executives at HQ understand the nuances and unique characteristics of all the different markets in Asia requires continual effort. MNCs that get it right claim a distinct advantage. To achieve fluidity between HQ and Asia, executives in the region are bringing their international colleagues up the Asia learning curve.

“In my company, at HQ, we have 600 people who think they know China.”

“We encourage HQ in Europe to come to Asia more frequently. There’s a fine balance between prioritising the centre and the individual markets, and we are not there yet.”

“Compared to Europe, it is easy to underestimate how overwhelmingly diverse Asia is. In business and cultures, the environments and challenges in each country are so different. It has rebalanced my view of the world.”

“Our organisation is still very Euro-centric in its mindset. The main challenge is describing to HQ what Asia is all about – over and over again!”

“In Asia, more time is spent on planning than executing, while the reverse is true in Europe. Leaders come out here and struggle with this concept. They want to leap into action immediately, and they get frustrated.”

Still, there’s no denying the sense of optimism and positivity for this sector in Asia:

“The mindset in Asia is that anything and everything is possible. There is enthusiasm, a passion for new things and a hunger to make things happen – can do, let’s do!”

“Make things work. If you can’t change it, don’t try – don’t judge it. Have a second thought and ask yourself, “What is right for this business?”

“Asia is constantly changing. It is so dynamic and individuals seem to be able to make more impact here compared to in Europe. It is hugely motivating.”

“Compared to Europe, it is easy to underestimate how overwhelmingly diverse Asia is. In business and cultures, the environments and challenges in each country are so different. It has rebalanced my view of the world.”

Conclusion

The message from the 22 Asia leaders we interviewed is that while the market is changing faster than anywhere else in the world, and disruption abounds, Asia provides huge opportunities.

MNCs are making gains by focusing on two BIG internal factors:

1. Innovation of their business models to deal with speed of change, technological disruption and fierce competition.
2. Creating a culture and environment that attracts and retains the best Asia talent, through effective leadership.

As one regional executive points out:

“The challenge is the opportunity. Make decisions with less information. Markets here are unpredictable.”

It's just not as easy as it sounds ...



ABOUT ODGERS BERNDTSON

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