



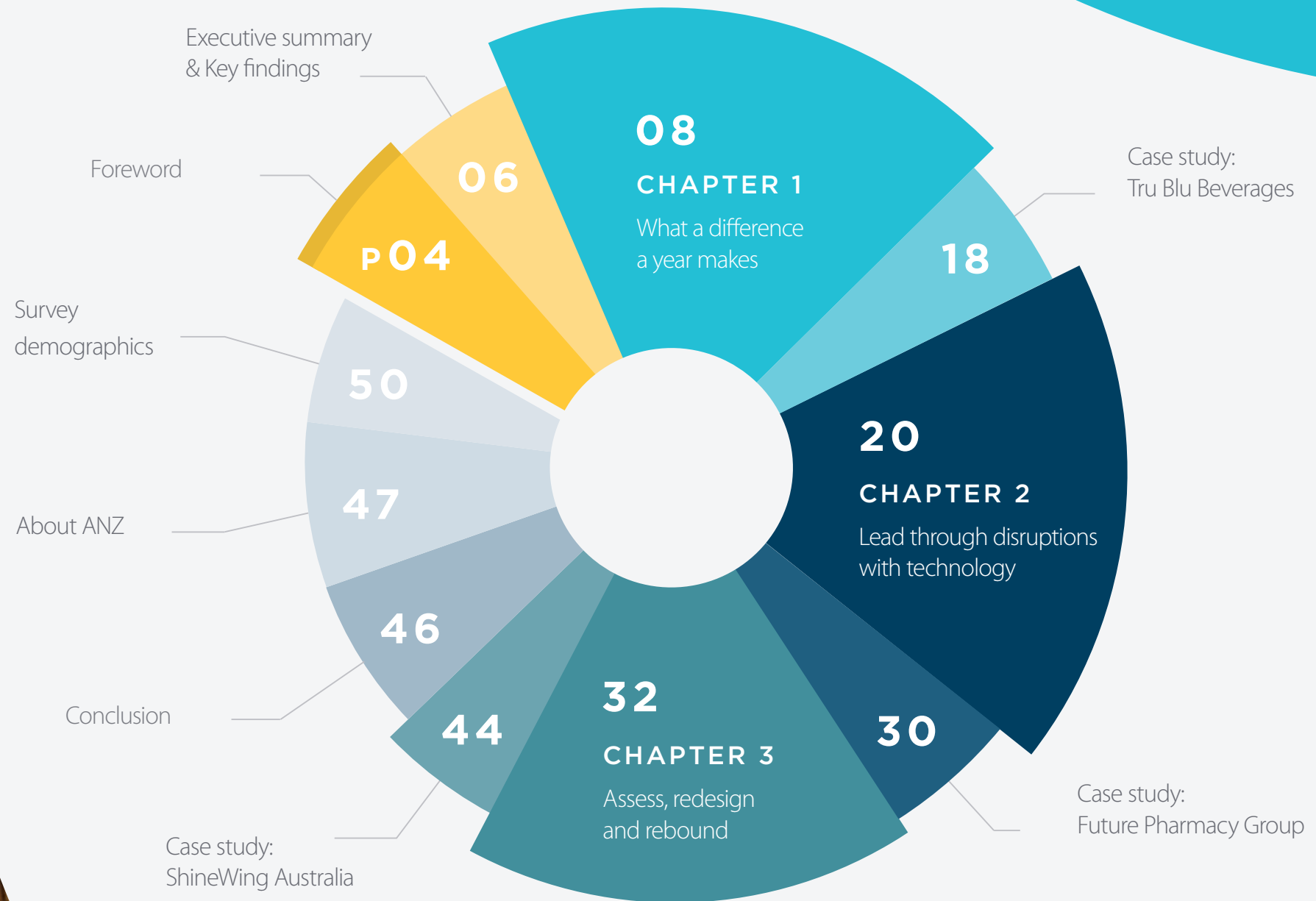
THE FUTURE OF BUSINESS IN ASIA

ANZ OPPORTUNITY ASIA REPORT 2020



Beijing

CONTENTS



FOREWORD



Isaac Rankin

Managing Director,
Commercial Banking,
ANZ Australia

We are living in a world experiencing a period of extreme uncertainty. Many business owners are trying to navigate through the wide-reaching COVID-19 disruptions just to ensure survival.

Invariably, in times of global crises, above all else, business owners look to protect and stabilise their home or core markets. This is often re-enforced and supported via Government assistance for domestic businesses. For many businesses however, irrespective of the support available, it is sadly a period that will result in the difficult decision to close.

So how does this period creating severe business conditions sit with businesses committed to the long term growth opportunities available offshore? We know that with extreme dislocation comes opportunity, particularly for those who are well prepared and with a clear long term vision. The International Monetary Fund (IMF) has projected Asia's emerging economies to be the only ones to maintain positive growth in 2020, and this may provide the strongest opportunity for Australia to recover faster than other western economies¹. But it is still the longer term growth prospect for Asia relative to the developed parts of the Western world that remains most compelling.

We know that starting and running a business is challenging. Those running a business with offshore operations or distribution in the current environment will be faced with even more difficulty and complexity, particularly when you can't even travel to the countries where your product or service is being sold. Never has it been more important to have and to develop deep relationships with trusted partners offshore to continue to drive growth where opportunities exist.

The power of the Asian economies however is not to be underestimated and Australia is well positioned to gain from this in the long run. By diversifying to offshore markets, businesses can benefit from reduced concentration risks and can cope better with sudden localised economic shocks.

In this year's Opportunity Asia Report, we hope you find actionable insights to help grow your business domestically but also internationally. With an extensive international network and rich experience spanning across the region, we are dedicated to supporting Australian businesses growing offshore. We encourage you to review insights from this report and share with your business partners, so you can continue the conversation and establish the right path for your business. During the current challenging environment, taking the next step isn't always easy, and may well be take longer to realise. We hope this report provides you with some practical insights to help your business survive and then thrive.

¹ The International Monetary Fund. "World Economic Outlook Update, June 2020: A crisis like no other, an uncertain recovery" <https://www.imf.org/en/Publications/WEO/Issues/2020/06/24/WEOUpdateJune2020> Jun 2020



Singapore

EXECUTIVE SUMMARY

The 2020 ANZ Opportunity Asia Report is a survey of 1,000 Australian business decision makers across a variety of industries, from small businesses to large corporates, to capture their sentiments and experiences in doing business in Asia.

This year marks the most dramatic changes to business operations and everyday life in decades. Our survey was conducted early in 2020 before the largest impacts from COVID-19 had been felt. However, over the past six years of collecting data, we have identified key trends that highlight best practice and common challenges for operating or expanding offshore.

We hope this can provide a blueprint for rebuilding and getting back on track, as we explore the future of business in Asia. We have included case study interviews and quotes throughout the report from business owners. This is combined with industry research to understand how companies are adapting to this new environment and building recovery and growth strategies.

We investigate this through three key sections of the report:

1. Asia Market Opportunities
2. Leveraging Digital Platforms
3. Assess, Redesign and Rebound

Chapter one discusses how the post-COVID-19 landscape could take shape and why Australia is well positioned to weather the storm. Chapter two explores how to leverage technology during disruption, while chapter three provides insights to help businesses assess current conditions; redesign their business model and prepare for the rebound.

Asia has come a long way to become a powerhouse of the global economy and will continue to be in that position for a while. There is a lot that Australian businesses can learn from this to better equip for sustainable growth but also prepare for unforeseen disruptions that can occur in any market.

We encourage Australians to remain resilient during this difficult time and ANZ is here to support you and the community. We believe Australia will rebound and emerge stronger and better prepared to thrive in a global economy.

KEY FINDINGS



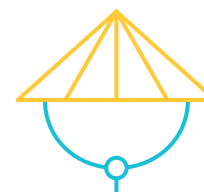
One in five jobs in the Australian economy was directly related to cross border trade activities in 2019.¹

40%

Asia will represent **40%** of global consumption and **52%** of GDP by 2040.²



Asia's emerging economies are the only ones projected to maintain positive although subdued growth.³



87% of global companies are considering changing their globalisation strategies and diversifying their supply chains across countries as their top priorities after the pandemic.⁴



Both **Greater China** and **ASEAN*** regions are amongst the most popular for Australian businesses⁶.



30%

of our surveyed exporters to Asia have already set up a hub in Singapore and/or Hong Kong as a powerful launchpad to the nearby regions⁶.

79%

of people worldwide and **91%** in Asia Pacific are now using tap-and-go payments.⁵



On average, businesses surveyed took **5 years** to achieve a positive return on investment (ROI) from Asian expansion, with 45% taking 3 years or less⁶.

* ASEAN stands for the Association of Southeast Asian Nations, which is a regional intergovernmental organisation comprising of Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam. ¹ Source from Australia's Department of Foreign Affairs and Trade. "Trade and investment at a glance 2020" ² Source from McKinsey, "Could the next normal emerge from Asia" Apr 2020 ³ Source from International Monetary Fund, "World Economic Outlook Update, June 2020: A crisis like no other, an uncertain recovery" Jun 2020 ⁴ Source from McKinsey, "Economic Conditions Snapshot, March 2020: McKinsey Global Survey results" Mar 2020 ⁵ Source from Digicon Asia "Cash can harbor COVID-19? The world goes contactless for a cause" May 2020 ⁶ Source from ANZ Opportunity Asia 2020 studies

“Getting our export sector back on its feet is crucial to reduce job losses through the crisis and a critical part of the ultimate economic recovery.”

Australian Trade Minister Simon Birmingham.⁹

CHAPTER 1

WHAT A DIFFERENCE A YEAR MAKES

Australia has benefited from 28 consecutive years of economic growth including spikes in Gross Domestic Product (GDP) uplift due to the mining booms during the early 2000s. Since that peak it has settled to a steady average growth rate of 2.6% per annum over the last five years.¹ However, the economic situation will be extremely challenging following the impacts of bushfires and COVID-19. This chapter explores the post-COVID-19 landscape, some key learnings and why Australia is well positioned to weather the storm.

1.1 COVID-19 AND BEYOND

The COVID-19 pandemic which started as a health crisis and disrupted the global economy as many countries entered into lockdown. The magnitude of the impact has surpassed the Severe Acute Respiratory Syndrome (SARS) in 2003 and the Global Financial Crisis (GFC) in 2008. The International Monetary Fund (IMF) projected global real GDP growth at -4.9% in 2020 before bouncing back to positive in 2021 (compared to -0.1% during the GFC).² It is a significant change, and striking comparisons have been made with the economic impact of 1930s Great Depression and both World Wars.

Repercussions for Australia

The Australian Bureau of Statistics' (ABS) regular Business Indicators survey indicated that more than seven in ten businesses (72%) had a decrease in revenue as a result of COVID-19.³ The dramatic restrictions placed on international travel have also resulted in major repercussions for the tourism and education sectors in Australia.

While the impact of the pandemic has been felt across the entire economy, some businesses in Australia have been able to continue trading normally. There are initial signs of business conditions starting to improve across a variety of aspects,

in-line with the gradual rollback of COVID-19 restrictions.

The positive improvements are noted first in wholesale trade, manufacturing, construction and retail, with recreation and personal services showing a slower recovery.⁴

The ANZ-Roy Morgan Consumer Confidence Index indicated that confidence is progressively improving since the low point in March when fears about the pandemic were at the most extreme. ANZ Head of Australian Economics, David Plank, commented:

"While still below average, sentiment has recovered strongly from its March low. Government measures and signs that the job market is stabilising seem to be playing a key part in the recovery of the index despite recent concerns over trade with China and weak retail sales."

1.2 ROAD TO RECOVERY

Despite COVID-19, offshore demand for Australian goods and services remains strong. Australian red meat exports have reportedly remained stable during the pandemic, driven by demand from Asia markets and particularly Japan,⁵ suggesting the preference for premium goods from trusted sources has not not been significantly impacted.

Australia is well positioned to weather the storm

Some industry experts have claimed that Australia's strong credibility alongside high quality and safety standards will continue to underpin strong consumer demand for Australian products.⁶ Export Council of Australia share a similar view that Australia, in comparison to other markets, is well positioned in the long term, supported by generous stimulus packages by the Government and links to Asia.⁷ While economies around the world recover during 2021, our closest trading partners throughout Asia may provide the strongest opportunities for Australia to recover faster than other western economies.

International trade has always played an essential role in Australia's economy. According to Australia's Department of Foreign Affairs and Trade (DFAT), trade as a whole is equivalent to 45% of Australian GDP. International trade has also created many job opportunities as one in five jobs in the Australian economy is directly related to cross border trade activities.⁸

"Getting our export sector back on its feet is crucial to reduce job losses through the crisis and a critical part of the ultimate economic recovery." Australian Trade Minister Simon Birmingham⁹

Although the pandemic has caused significant impacts to air freight of goods and disrupted supply chains around the world, the Australian Government launched the International Freight Assistance Mechanism (IFAM) in April 2020 which secured charter flights to several international hubs, including Singapore and Hong Kong, to help restore exports of fresh

produce.¹⁰ It is a positive sign that some of these with markets continued placing orders as they recover from the outbreak, so Australia's exports should remain resilient, as Air freight capacity slowly recovers.¹¹

Asia demand

Many Australian businesses have established a base in China, with some having endured multiple crises, including SARS in 2003 and other epidemics since then. Jack Brady, former CEO of the Australian Chamber of Commerce in Shanghai, commented on the local business sentiment:

"For many Australian companies, their investment in the China market has been well over 10 years in the making, so the appetite to be here and continue in the market is not going to evaporate. It is a matter of adapting to the new dynamic for existing business and those looking to establish themselves. Some sectors are more disrupted than others, but the view here, from Shanghai at least, is that the willingness to do business with Australian companies is still strong, perhaps more so than the United States and Europe."

Similarly, many Southeast Asian countries have been managing the COVID-19 crisis relatively well and had avoided the large scale infections of Europe and the United States. The Australian Chamber of Commerce in ASEAN* noted the cross border trade with Australia remained priority in the region. In its recent Australian Business in ASEAN survey 2020, President Chau Ta stated:

"Given the current global situation, it is imperative that we ensure ASEAN markets remain as open as possible for Australian business. I was pleased to read the Declaration made by the ASEAN Leaders at the Special ASEAN Summit on COVID-19 on 14 April 2020. This commitment to keeping ASEAN's markets open for trade and investment, preserving supply chain connectivity and refraining from imposing unnecessary restrictions on trade and investment are all critical going forward."¹²

Business lessons learned from the pandemic

Graeme Love, CEO of [Ingredients Plus](#), believes "Through adversity come positive changes". The company specialises in chemicals and allied products and have overseas offices in Malaysia, China, Indonesia and New Zealand. Graeme considers being prepared and keeping an open mind is a must during the current business environment, "The hours can change. Where people work can change. Work arrangement can change. Businesses always need to remain agile, adapt whenever necessary and zero in on their performance."

In Melbourne, as major events such as the Grand Prix were cancelled earlier in the year, suppliers like [Pasta Classica](#) made the switch from traditional wholesale to retailing. Roberto Tonin, who runs the family business, discovered direct retail avenues as he noticed a shortage of quality food. Rob quickly decided to sell pre-prepared meals through his retail outlet and distributed products to supermarkets. This strategic change resulted in instant orders flowing in across his three sites in a matter of days.

* ASEAN stands for the Association of Southeast Asian Nations, which is a regional intergovernmental organisation comprising of Brunei, Cambodia, Indonesia, Lao, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam.

Survey results: Key factors driving success in Asia



For premium food supplier **Prestige Foods**, the impact of COVID-19 was also instant. The company has been the largest Australian supplier of food and hotel items to luxurious holiday destination, the Maldives. “Never before has anything like this happened”, Mike Murray, founder and owner of Prestige Foods recalls. However, Mike believes the highs and lows of business and the ability to adapt to changes along the way will help them manage the pandemic.

Prestige Foods has developed a new brand targeted to the online market and made staffing and operational arrangements at the factory. Mike is confident that the business will resume and continue to thrive when the time is right. “We all have to change - everybody”, he adds, “the days of doing work like we’ve been doing previously, it’s over.”

Maintaining strong relationships and up-to-date market knowledge are key drivers of success in uncertain times

Our study suggests that **good relationships with partners and customers**, and **understanding of the market** are amongst the top elements that have underpinned success for Australian businesses that are already active in Asia. These key drivers remain relevant in the post-COVID-19 world, and in fact even more important in the new environment where travel is restricted and many activities are conducted remotely.

These changed behaviours effect not just consumers, but also about how to do business with suppliers and partners. Maintaining strong relationships with key business contacts is essential. As the markets are rapidly changing, these key contacts can serve as reliable sources for up-to-date market information and prepare your business for any changes ahead. More details and practical tips are explored in Chapter 3 of this report.

Victor De Bortoli, Executive Director of family business **De Bortoli Wines**, values long term partnerships established in the overseas markets to build the brand. When some partners altered their businesses to direct selling in China during the pandemic, the company continued to “ride along with them”. For example giving them some breathing space until they could adjust their business model such as moving from supplying restaurants to direct sales. In addition, he notes having a constructive relationship with their local partner not only helps with sales, but also production. When De Bortoli saw low alcohol or no alcohol beverages present good opportunities in Europe, a long term partner in Belgium was able to help area pave the way for the company’s market entry in to new categories.

DID YOU KNOW?



Which country has more than 3,800 businesses that are over 200 years old and 50,000 businesses more than 100 years old? Japan!

Source: The Atlantic



How many monthly active users are there globally on WeChat? More than 1.2 billion.

Source: Tencent

1.3 KEY MARKET FOCUS OR DIVERSIFICATION? - THE ASIA VIEW

Disruption to international trade during 2020 has highlighted the risks a business may face due to exposure to a single market, along with the challenges and costs of operating in different ones at the same time. As the pace of Australian export and import activity recovers, it may be an opportunity to consider various markets in Asia.

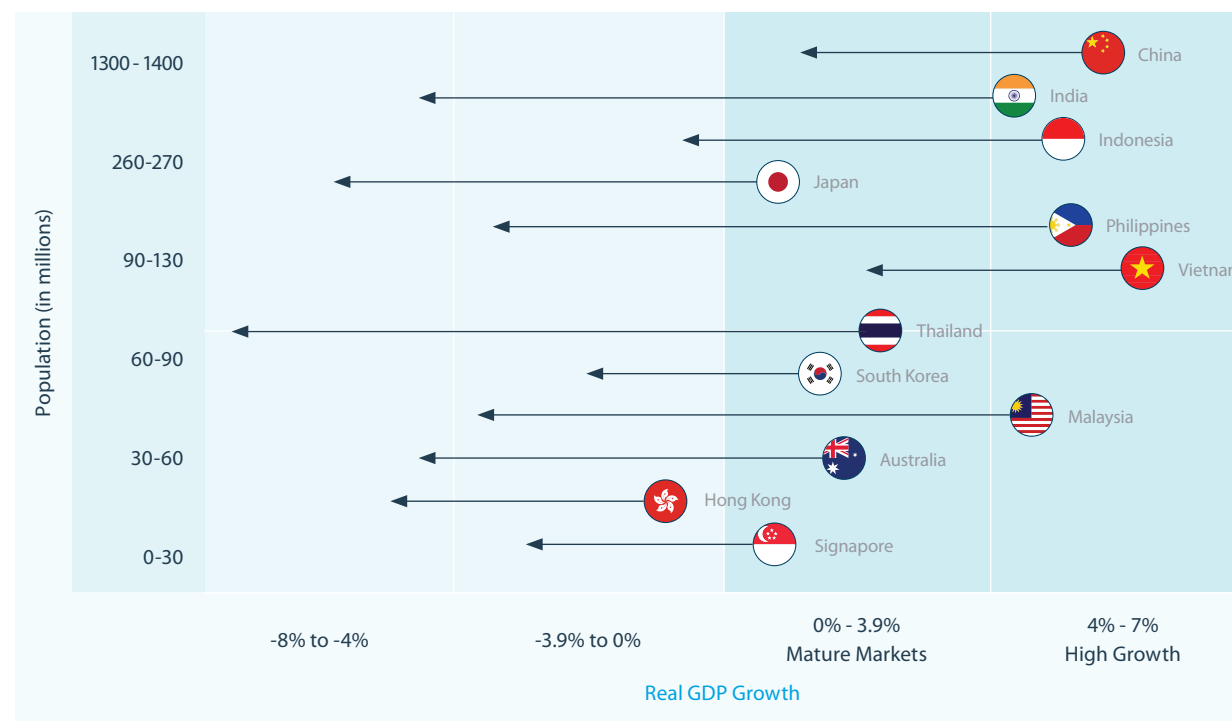
Victor De Bortoli from [De Bortoli Wines](#) described the current situation as “GFC on steroids”. They made some changes from lessons learned from the GFC which had them well placed for this pandemic. When facing strong headwinds, the company’s solid footprints across Asia Pacific and a good set up in Europe has helped to diversify the risks. As Victor succinctly points out, “It’s all about market representation.” While markets in Dubai and Fiji have been hit hard because of reliance on tourism and distribution channels in airline and cruises, “overall, Asia held up reasonably well. Some countries have been impacted more than others”.

As discussed earlier in the chapter, there have been signs of gradual recovery as some countries emerge from the lockdown in the second quarter of 2020. Based on recent IMF’s forecast of real GDP growth, most of the advanced economies such as Australia, New Zealand, the United Kingdom and the United States will experience negative growth in 2020 while Asia’s emerging economies are the only ones projected to maintain positive although subdued growth.¹³ This is partly driven by the underlying strength of domestic consumption and relatively less reliance on inbound tourism.

It is worth noting that many Asian businesses have navigated through a number of crises over the years such as the Asian Financial Crisis in 1997, SARS in 2003 and the GFC in 2008 to rebound strongly. The region’s dynamic development and constantly changing consumer demands have prepared those who operate in Asia to be agile and resilient. It is expected

that the economies of many Asian nations will recover from COVID-19 and move to regular levels of consumption again. The graph below maps out some key Asian economies based on population and real GDP growth in 2019, and the arrows indicate the magnitude of economic contraction projected by the IMF in 2020.

Asian country population and real GDP growth 2019/2020



Data source: IMF and DFAT, April & June 2020

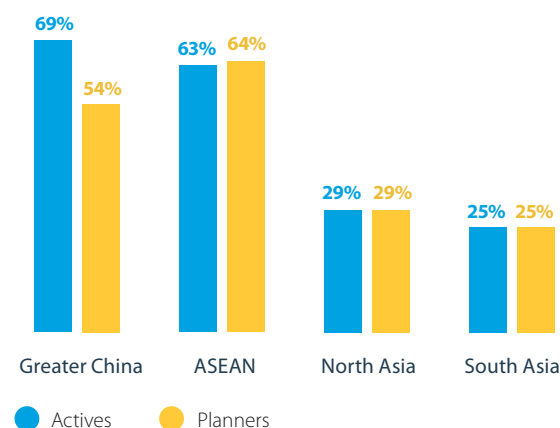
It is clear that China is Australia's number one export market by value, accounting for 33% of Australia's total export of goods and services in 2018-2019.¹⁴ This concentration on a key market can pose a risk, due to economic or geopolitical factors. It is important to consider if other markets are a suitable fit. Nick Henderson, Director of China Practice at Asialink Business commented:

"The Chinese market provides significant opportunities for many Australian goods and services exporters. Diversifying beyond China's more developed Tier 1 markets, to Tier 2 and 3 cities offers new growth opportunities and serving new emerging middle class consumer markets. But it is also prudent for businesses to investigate additional growth market opportunities in Asia, all of which are different, and many which can provide a unique appetite for products or services. Investigating more of these may be the best way for Australian companies to balance risks that may be experienced in an individual market."

Other emerging markets in Asia

As shown in the graph above, alongside China, some Asian emerging economies are within the high growth and high population quadrant, which presents favourable conditions for Australians to trade and invest in. This is further supported by our studies over the years which revealed that the ASEAN region is a popular trade and investment destination, consistently ranked highly, similar to the Greater China region.

Regions where businesses currently have/planning to have business activities in



Greater China includes China, Hong Kong and Taiwan.

ASEAN includes Brunei, Burma (Myanmar), Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Timor-Leste, Vietnam.

North Asia includes Korea and Japan.

South Asia includes Bangladesh, Bhutan, India, Sri Lanka, Nepal, Maldives.

Australia's complementary economy together with proximity to the ASEAN region strongly supports trade with the combined population of almost 700 million consumers. Australia's agricultural exports to ASEAN were around AUD \$9 billion in 2018-19, compared to similar exports to China at AUD \$12.3 billion in the same period. ANZ Agribusiness Research noted modelling of population growth and rapidly rising ASEAN income trends suggested total agricultural commodity consumption in the region growing to 285 million tonnes by 2024-25, a jump of 28% since 2016-17.¹⁵

DID YOU KNOW?



Starbucks has over 30,000 stores worldwide and was on track to open over 2,000 stores per year outside the USA.

Source: Starbucks



Ho Chi Minh City

Vietnam, Philippines and Indonesia are good examples of strong economies with huge populations within the region. Vietnam, in particular stands out to be one of the few nations that is projected to achieve positive growth in 2020, and notably higher than China and India. Vietnam has benefited from trade liberalisation and a series of economic and political reforms over the years which have yielded a solid level of GDP growth, averaging at 6.6% per annum over the past 30 years.¹⁶

Prior to COVID-19, this Southeast Asian country had already seen a large shift of international brands such as Samsung for its smartphones and Nike for its sportswear moving their Chinese manufacturing to Vietnam. This is expected to increase post-COVID-19 as 87% of global companies are reportedly considering changing their globalisation strategies and diversifying their supply chains across countries as their top priorities after lessons learned from the pandemic.¹⁷

“Investigating more of these [markets] may be the best way for Australian companies to balance risks that may be experienced in an individual market.” Nick Henderson, Director of China Practice at Asialink Business.

Diversifying into multiple markets may help to reduce business risks as the customer base and supply chains are not concentrated in the same region, which may be prone to unexpected events such as natural disasters, economic shocks and political events. Operating in multiple markets brings increases in complexity, due to differences in compliance and regulations. However this can be mitigated by leveraging relationships in trading hubs such as Singapore and Hong Kong.

Trade barriers and protectionism

Following the global pandemic, trade barriers have been heavily discussed as major economies face increasing pressure to prioritise domestic economy and employment over international trade. This is a not a new trend but has been accelerated by the pandemic.¹⁸

Despite the geopolitical pressure, Australians have been largely supportive of the contribution of free trade and globalisation to the country. The Lowy Poll update in May 2020 indicated that 70% of respondents believe globalisation is ‘mostly good for Australia’, falling only 2 points from the 2019 overall result.¹⁹

Some experts also believe that Australia should continue to tear down its trade barriers, to accelerate productivity, exports and national income growth. Australia experienced this in the 1980s and 1990s, and that proved successful when it grew Australia’s total export grew at a trend rate of 6.9% in the 10 years to 1994-95, almost double of the previous 10 years.²⁰

Despite ongoing trade tension in some parts of the world, Australia has already resumed negotiations of a new trade agreement with the United Kingdom and has concluded the Australia-Singapore Digital Economy Agreement.²¹ These agreements will support Australian businesses to participate and benefit from cross border trade. It is clear that there is a lot to gain through international trade and this will play a critical role in helping the nation to recover from the pandemic. If Australian businesses can formulate a robust plan to manage both the domestic and international business, we will be well positioned to bounce back quickly. More practical tips are highlighted in the following chapters.

DID YOU KNOW?



Australia currently has 14 Free Trade Agreements (FTAs) in force covering up to 20 countries including China, Singapore, Vietnam and Indonesia.

To find out more about these, visit: [betradeready.anz.com](https://www.betradeready.anz.com)

Source: DFAT

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An aerial night photograph of the Manila skyline. The image shows a dense cluster of high-rise buildings, many of which are illuminated with warm yellow and orange lights. A river, likely the Pasig River, flows through the center of the city, reflecting the city lights. In the background, more buildings and the distant hills are visible under a dark blue night sky. A bright blue curved graphic element is in the top right corner.

CHAPTER 1

Manila

TRU BLU BEVERAGES

Need a 'Pick-me-up'? Refresh your business in uncertain times

Tru Blu Beverages (Tru Blu) is one of Australia's leading beverage companies, producing an impressive range of fruit juices, cordials, carbonated beverages, still and sparkling mineral waters, kombucha and energy drinks.

"The business is proudly 100% Australian made and owned!"

Source: Tru Blu Beverages. "Our brands". trublubeverages.com.au/our-brands

Whether you've had a refreshing glass of Waterfords Sparkling Mineral Water on a hot summer day, or sipped on a bottle of Pub Squash Lemon Soft Drink at a family barbeque, chances are at some stage you have enjoyed one of the many iconic brands made by Tru Blu. In fact, one in every six beverages purchased by Australian grocery consumers is made by Tru Blu¹.

Tru Blu has three state of the art factories around Australia which produce brands such as Pub Squash, Waterfords, Diet Rite, Juicee Crush, FruitCo, Glee, Riviera and Wicked Energy Drink. By having full operations in Australia, Tru Blu has the advantage of speed to market as well as being at the forefront of product innovation. Tru Blu's vision is to provide every consumer with a quality product at an affordable price. As part of its social governance, Tru Blu's mandate is to develop healthy beverage alternatives for its consumers and strive for environmentally sustainable manufacturing and packaging solutions¹.

Looking into Asia and beyond

Tru Blu's products are currently sold in leading supermarkets and retail outlets Australia wide, however, never resting on its laurels, Tru Blu had its eyes firmly set on the Asia market and started exporting in 2017.

Regarding the Asia market, Tru Blu's Executive Director of International Sales, Mr Pat Pavlis, said "it holds a wealth of growth opportunities for Tru Blu; Asian consumers are thirsty for quality Australian products and as such, the business has been able to increase and broaden its distribution reach into over 15 countries in the region!"

Tru Blu considers gaining first-hand insights paramount and as such, it has invested heavily in major international trade shows to connect directly with Asian customers. Further to this, Pat joined the ANZ Opportunity Asia Delegation in October 2018 which opened considerable new opportunities for Tru Blu. The company has been growing and never looked back.

Recipe for Success in Uncertain Times

This year many businesses across different industries are faced with challenges such as the COVID-19 pandemic, however, Tru Blu is optimistic about the future. About the pandemic, Pat stated that it "had not significantly impacted the business from an export perspective; key markets such as China were impacted for a period, however, orders quickly came back strong as the market got back into action."

¹ Source: Tru Blu Beverages. "About us". <https://trublubeverages.com.au/about-us>

The pandemic has also prompted Tru Blu to explore new opportunities in the Asia region. Whilst Vietnam and Sri Lanka continue to be very consistent markets for the business, Tru Blu recently explored opportunities in the emerging India market. In such a vast sub-continent, Indian consumers are as diverse as its landscape! Hence, having such a broad product platform, Tru Blu can adapt very quickly to develop market-specific products either from a branded, original equipment manufacturer (OEM), or private label perspective.

Always do Your Homework and Spend Time in the Market

When asked to provide advice to other peers starting their market expansion, Pat stated:

“Ensure you have done your homework, spend some time in the field to understand market prices and consumer trends abroad; but be vigilant and realistic of the economic climate...if a customer insists on credit, consider a documentary credit which ANZ will be able to assist with.”



Refreshingly Australian

The key is to reassess customer needs and consider how to use technology to deliver new and improved experiences.

CHAPTER 2

LEAD THROUGH DISRUPTIONS WITH TECHNOLOGY

We are facing increased disruption in the 21st century and the global pandemic has fast-tracked our adoption of digital channels. It has transformed the ways of doing business including shifts to online purchase preferences and remote communications. But there are also emerging consumer trends from the new needs and wants as the world transforms.

It is still early in the race to pinpoint the leading trend emerging from the current disruption to life and work, but it is clear that the future will be even more digital than it is now.²² Past financial crises have prompted changes in consumer behaviours and the same could happen now.²³ During this time, some might find the economic uncertainty and shifting sands of consumer needs have loosened their grip on existing markets.²⁴ The key is to reassess customer needs and consider how to use technology to deliver new and improved experiences for these customers.²⁵ Digital technology is native to many in Asia and has forced businesses to constantly innovate to compete, thereby accelerating growth of their economies.²⁶

This chapter discusses some of these new trends, many of which are already prominent in Asia, and suggests practical ways on how to leverage technology to strengthen businesses. This chapter focuses on three key aspects:



2.1 PROMOTION – MARKETING AND SOCIAL MEDIA

Promoting a brand is no longer a one-way communication process. With the help of social networking platforms and digital channels, businesses can now create additional channels to interact with customers on an ongoing basis.²⁷ This interaction also enables businesses to receive valuable information and feedback from customers that can help improve product offerings and brand engagement.

Product information is critical

Consumers in Australia and from many developed countries enjoy the benefits from extensive regulations and protections such as food production standards and advertising claims which have built high levels of trust over time. In contrast, Asian consumers have experienced food scandals or incidents of counterfeit goods which eroded their trust in some local brands. For this reason, Asian consumers expect to see up to five times more information about a product compared with consumers in developed markets, along with highly rated reviews online.²⁸

After the global pandemic, health-conscious consumers around the world will pay even more attention to the source and quality of goods before purchasing. It is therefore

DID YOU KNOW?



Nearly half of Vietnam's population is under 30 years old. This is also called the "golden population structure".

Source: PwC

DID YOU KNOW?



WeChat has significant reach with over 1.2 billion monthly active users compared to Facebook at 2.5 billion worldwide.

Source: We Are Social

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Alibaba Group initially started as a business to business (B2B) marketplace in 1999 and continues to support trade between Chinese factories and international buyers

Source: Alibaba

critical for businesses to position their goods and services appropriately with information such as quality standards and materials used. Future Pharmacy Group shares the same view and ensures relevant information is included on product labelling and marketing communication when they launch a new product range. See case study on page 30 for further details.

Everyone is online, all the time

Prior to the pandemic, a growing middle class population across Asia was already a mobile-first demographic with more than four billion internet enabled smartphones in use. In China

alone, over 390 million smartphones were sold in 2019.²⁹ These consumers are also more likely to make a purchase through smartphones; for example, up to 90% of purchases were made on smartphones during the Alibaba's Singles' Day shopping festival in 2019.³⁰

Consumers in Asia use their mobile phones regularly throughout the day; users in China spend approximately four hours per day on their phones.³¹ In addition to online shopping, they are also sharing their daily experiences with other users through various social networks. For example, WeChat is one of the mainstream channels in China and

Asia Pacific mobile and internet use 2020



**4.30
BILLION**

Urbanisation
48%

Mobile Phone
Connections



**4.43
BILLION**

vs. Population
103%

Internet
Users



**2.42
BILLION**

Penetration
56%

Active Social
Media Users



**2.14
BILLION**

Penetration
50%

Source: We Are Social "Global Digital Report 2020", Jan 2020, <https://wearesocial.com/digital-2020>

Facebook is more frequently used in Vietnam and Singapore.³² Huge potential for growth is possible by tapping into this digital consumer base, using the relevant social media networks and online marketplaces to promote Australian products and services.

TIP

For more Asia social media tips, refer to ANZ Be Trade Ready “Resources” betraderready.anz.com/Resources

The switch to online and mobile consumption is not limited to Asia as COVID-19 has forced many to stay home during the pandemic. Adoption of digital and remote channels also extended to online education and even entertainment businesses, such as the performance of “Geister”, which was livestreamed by the Berlin State Opera in March 2020, attracting an audience of 160,000.³³

Consumers forced into isolation at home under local law directives, promoted a significant shift to ecommerce purchasing. In China, Alibaba, JD.com and Pinduoduo recorded significant scale increases during periods of lockdown, struggling to keep up with demand for deliveries.³⁴ This was mirrored across Southeast Asia with the top three platforms, Shopee, Lazada and Tokopedia reporting increased sales.³⁵

Digital marketing efforts to drive consumers to product pages were already competitive under normal conditions, but the pandemic resulted in a spike in the number of brands racing to capture consumers. CEO of digital marketing company UMS, Jessica Miao commented on the surge in interest:

“Disruption creates new opportunities. Fast responding marketers have already adopted strategies to engage with audiences on multiple digital channels. Creative ways to connect with consumers such as livestreaming activities, Key Opinion Leader (KOL) and influencer marketing have shifted to the front of marketers’ minds. These new strategies have been effective in driving sales and gaining consumer attention”.

It is also important to remember that social media marketing is not a ‘set and forget’ strategy. It requires regular active interactions with consumers, which could be through live chats on social media apps and handling enquiries from potential customers. It is vital that businesses maintain this mindset and be committed to this investment, which can turn into a steady stream of new leads and highly engaged customer advocates who will promote a brand to friends over time.³⁶

2.2 SALES - ECOMMERCE AND MOBILE PAYMENTS

Ecommerce is increasingly relevant to various industries as research shows that consumers are now more willing to buy new product categories online, such as household goods, appliances and even vehicles.³⁷ The emergence of Generation Z (people born between 1995 to 2010) has also brought in new waves of technological innovation as they demand quick results and conveniences at their fingertips.³⁸

Further, restricted social movements during global pandemic have forced many to shop online and ecommerce has experienced exponential growth.³⁹ Notably, some of these modified shopping behaviours are likely to persist, creating an imperative for businesses to fast-track adoption of ecommerce.⁴⁰

DID YOU KNOW?



Indonesia had 175.4 million people (64.8% of total population) already connected to the internet by January 2020.

Source: The Indonesian Internet Providers Association



Drones with high resolution cameras are now being used in the United States and Europe to fly inside supermarkets and warehouses at night to perform stocktake operations.

Source: Pensa

DID YOU KNOW?

Indonesia's eCommerce market size (USD \$11 billion) was more than double Singapore's (USD \$5 billion) in 2019, but Singapore has higher average revenue per user at USD \$1,222 compared with Indonesia at USD \$76.

Source: EntrepreneurCampfire.com



You can get anything delivered from Alibaba's Freshippo Supermarkets in China within 30 minutes if you live within a 3km radius of a store. It's also free – even if you ordered just one onion to finish cooking dinner!

Source: Alibaba

Reimagine the online experience after COVID-19

Adoption of digital channels had been strong across all age groups around the world. Positively, many new users that tried ecommerce for the first time during the pandemic, have liked the experience and will continue to use it in the future.⁴¹ Whether this is grocery shopping, telehealth services, or even online concerts, this is significant to businesses as technology advances and adoption has enabled many elements of the traditional face-to-face experience to be delivered online and remotely.

On the other hand, COVID-19 is said to change the in-store experience for shoppers. For instance, the ability to touch and feel products will be greatly diminished as we follow the new social distancing rules. While there is still value in bricks-and-mortar shops, consumers will reconsider the needs and benefits before visiting. The question of online or offline is not binary, it can be a mix of both. The key is to deliver an effective and meaningful experience for consumers in the post-COVID-19 environment.⁴²

It's about creating an excellent end-to-end customer experience

Capitalising on opportunities in ecommerce requires a clear strategy. Ecommerce is not merely about making products available online, it is also about engaging customers to create an excellent end-to-end customer experience.⁴³

Online channels play an essential role as consumers move through clear stages: becoming aware of the product, considering the purchase by researching, online purchase, and then providing feedback and reviews as they evaluate the purchase. Amongst the consumer groups, Asian customers are reportedly more driven by brand and online reviews when compared with Australian and New Zealand consumers.⁴⁴ For businesses targeting the Asian markets, marketing efforts should be dedicated to ensure relevant information and online reviews are readily available to meet these needs.

4 stages of online purchase



Source: KPMG

Tailoring for the Asian markets

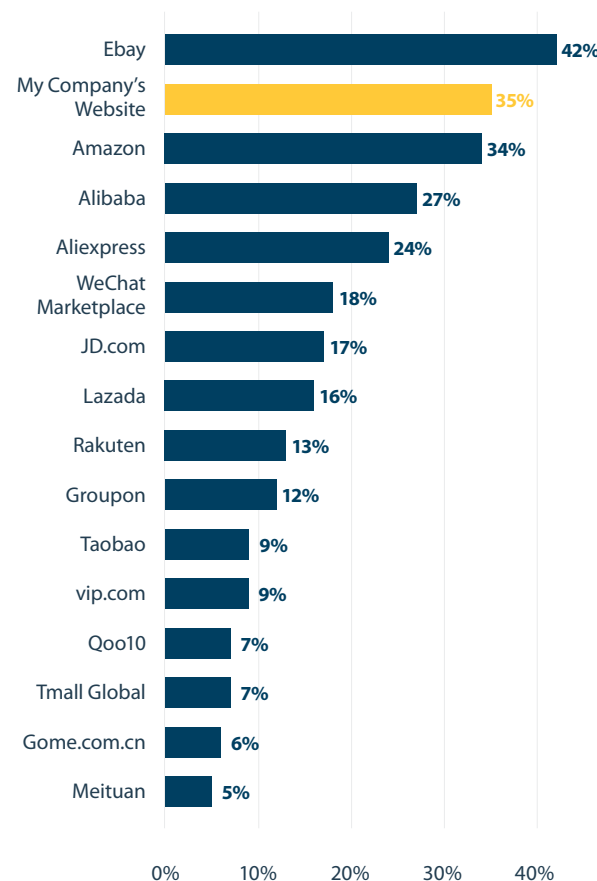
Industry research indicates Asia will represent 40% of global consumption and 52% of GDP by 2040.⁴⁵ Asia is estimated to account for two-thirds of the global ecommerce market by 2021, measuring approximately USD\$2 trillion.⁴⁶

The power of the ecommerce market in Asia is best illustrated by the renowned Singles' Day shopping festival (also known as the Double 11 festival) which is prominent in China and increasingly turning global.⁴⁷ Alibaba reported total sales for the 2019 festival at USD\$38 billion, up 25.7% from the previous year.⁴⁸ Australian products were highly popular, ranking fourth behind Japan, the United States and South Korea. Strong offline retail sales growth also followed and this provides an ideal window for businesses to launch new products or boost awareness.⁴⁹

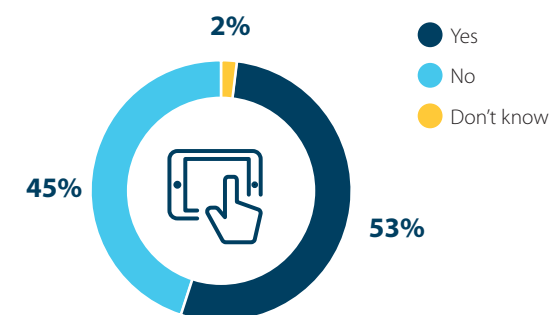
"Asian consumers are reportedly more driven by brand and online reviews."

From our study, around half (53%) of the exporters to Asia are currently selling online. Amongst them, eBay (42%) and Amazon (34%) are the most common channels alongside businesses' own company websites (35%). It is worth noting that some channels may not be accessible in some parts of Asia. For instance, some websites may not pass through the Chinese internet firewall, resulting in consumers not being aware of certain brands and products being in existence. For this reason, Chinese based ecommerce platforms such as Alibaba and WeChat Marketplace have gained popularity.

Opportunity Asia survey: online platforms used to sell products in Asia



Selling online products/service to Asian Market



The world goes contactless, even more after COVID-19

Industry research suggests that payment options are one of the important factors when consumers select vendors.⁵⁰ The recent pandemic has driven many more consumers and retailers to adopt contactless payments. It is evident that consumers regard this as a safe and secure way to pay as 79% of people worldwide and 91% in Asia Pacific are now using tap-and-go payments, according to consumer polling by Mastercard.⁵¹ This behavioural change is widespread across Asia Pacific and several Asian countries have seen faster adoption including Indonesia, Vietnam and India where cash was the mainstream method for payment prior to COVID-19. Mastercard data also revealed there was more than 40% growth in contactless transactions globally in the first quarter of 2020 and this trend is believed to be sustained.⁵²



For more information about the ANZ report “The Digital Economy: Transforming Australian Businesses” visit media.anz.com/digitalmindsets

For more information about the ANZ report “How tech will drive your future growth” visit institutional.anz.com/tailored-with-technology/article/infographic-how-tech-will-drive-your-future-growth

TIP

For more tips and information, visit anz.com.au/security and scamwatch.gov.au/

China is even more advanced as digital payments, ecommerce marketplaces and social media are seamlessly integrated in one mobile phone application such as WeChat Pay and AliPay. Prior to the pandemic, it was already commonplace for retail stores to accept tap-and-go payments from mobile phones. This technological advance is transforming many aspects of life, remarkably some stores and taxi networks no longer accept cash.

2.3 RESULTS – DATA ANALYTICS AND CYBERSECURITY

Leveraging today's technology, businesses are able to collect a lot of valuable data about potential customers, their preferences and market trends. A simple visit to a local café and clicking ‘like’ on their social media page already gives away data about who that person is and likely their social lifestyle as well. By collecting that data, the café can tailor products and marketing to a specific segment. The power of data is almost limitless.

The power of data

Technology advances have brought customers closer to businesses that can unlock new opportunities. The ANZ report “The Digital Economy: Transforming Australian Businesses” reveals that by using digital tools, businesses can save 10 hours of work each week and improve revenue by 27% on average.⁵³ Digital tools help businesses to work smarter, not harder.

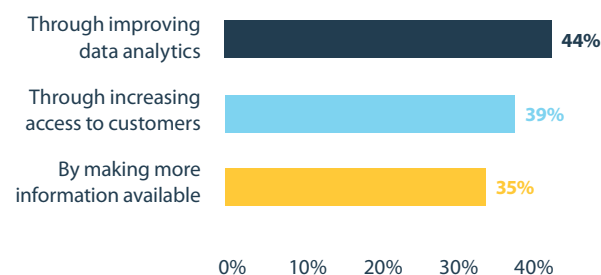
Our study shows that three quarters of businesses surveyed are currently collecting and analysing data beyond sales numbers. Connecting customer data to sales figures uncovers meaningful trends that can help sales and marketing to focus on the appropriate segment. It also provides insights for managing resources such as stock, supply chain and staff. As businesses face more uncertainties such as COVID-19, this information will become even more essential for survival and success.

Technology helps with Asia expansion

Digital tools also enable businesses to venture into new markets, according to the ANZ report “How tech will drive your future growth”. 44% of large corporates in Asia Pacific see technology as a powerful tool to expand in new markets through improving data analytics, 39% through increasing access to customers and 35% by making more information available.⁵⁴

Although some technologies require heavy investment in time and costs, there are some quick wins which SMEs can achieve. Social media and ecommerce are two examples discussed earlier. Many of these platforms already have the infrastructure in place and businesses can sign up and benefit straight away.

Technology helps with Asian expansion



What happens after COVID-19?

Despite meaningful insights that can be drawn from the data, most of these are historical. COVID-19 has brought about dramatic changes to consumption patterns during the pandemic and likely post-pandemic as well, businesses are urged to review data carefully and renew the analytics models where appropriate.⁵⁵

Another consideration is cybersecurity. Whilst data presents many opportunities, it also comes with huge risk if not managed appropriately. Generally, a data breach or attack may result in a small loss or delay in standard operating rhythm. As the economy shifted online during COVID-19, there have been reports of increased cyberattacks – the amount lost and number of reports were both on the rise⁵⁶.

Scammers took advantage of the anxious situation during the pandemic by impersonating Government authorities and phishing for personal information. Australian Competition & Consumer Commission's (ACCC) ScamWatch revealed the total

amount lost to scams in Australia was recorded at AUD\$16.4 million within the month of April 2020, and total of over AUD\$ 634 million in 2019.⁵⁶ Investment scams, false billing, online shopping and remote access scams were amongst the top categories by amount lost. Phishing, ransomware and malware were also common.

Protecting business data

Cybersecurity is vital to keeping businesses operational and protecting customer information is even more paramount as the economy transitions to online channels. To support your business, ANZ has put together some practical tips here →

Top cyber attack contact methods by reports in 2019



41.4%
PHONE

69,522 reports
\$32.6 million
reported lost



24%
EMAIL

40,277 reports
\$28.4 million
reported lost



16.6%
TEXT MESSAGE

27,894 reports
\$3.03 million
reported lost



7%
INTERNET

11,776 reports
\$31.6 million
reported lost

ANZ tips to protect your business from cyberattacks

- **Ensure appropriate controls** – including segregation of duties around vendor management, accounts payable and banking platforms.
- **Beware of phishing scams** – look out for suspicious emails with typical signs such as not addressing you by name at the start of the message, misspellings and poor grammar, patchy graphics and asking for personal information.
- **Be vigilant** of sending money to people or organisations who are new to your business. Don't send money solely based on emails, phone, SMS or voicemails. Always double check with the organisation directly.
- **Validate change in payment information** with the organisations directly. Make sure to speak to people you know already.

Source: <https://www.anz.com.au/security/fraud-detection/computer-threats>

2.4 CONCLUSION

Digital technology is no longer science fiction; it is already playing a big part in many aspects of business and our lifestyles, especially during the pandemic. Consumers emerging from COVID-19 will expect more capabilities, and businesses are encouraged to reassess customer needs and deliver an excellent end-to-end customer experience. Technology provides many benefits, but access to the information it holds must be managed carefully, so it does not become a risk factor.

Source: ACCC ScamWatch "Targeting scams report 2019"

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Mumbai

FUTURE PHARMACY GROUP

Connecting new health products to digital consumers

Andrew Stent owns and operates four pharmacies in Perth. Several years ago when he noticed “Daigou” personal shoppers clearing a number of product lines from his shelves to send back to family and friends in China, he saw an opportunity to tap into this market and sell the desired products directly to China.

A new kind of customer

Having seen the demand of “Daigou” shoppers, Andrew has reshaped his business to better serve these consumers. He noticed these shoppers were highly engaged with their mobile phones and social media to sell and promote products to their networks. Accepting Chinese payment platforms (WeChat Pay and AliPay) at point of sale and online was also essential to grow sales.

“In Australia, there may be a segment of the local market that businesses may be missing out on, simply because they don’t offer the relevant China payment solutions. The investment can be low and easily attract new customers to a business.” Andrew Stent, Future Pharmacy Group

Cross-border eCommerce

Andrew has also developed a cross-border eCommerce business with a business partner. He met an experienced dairy exporter who was born in China and based in Perth for 20 years. They collaborated on strategy and development for six months before launching an online store. Andrew looked for a business partner that was well respected in China to help navigate the complex market.

They have also released a shopping app which showcases Australian health care products, alongside a WeChat store that operates inside the main social network app. Product inventory is now shipped in bulk to Free Trade Zone warehouses in two locations in China to fulfil individual orders locally, rather than sending individual packages from Australia.



Examples of branded mini app (above) and product information displayed inside WeChat (sidebar)

CASE STUDY

New opportunities in less competitive markets

During his research stage, Andrew visited several smaller (Tier 3 and 4) cities in China, and identified the opportunity to develop his own brand of health and beauty products. He observes:

"These Chinese shoppers thought of Australia as clean, green and safe with high quality products, however they did not immediately recognise all of the most well-known brands. It is possible to promote our own product, alongside the large range we already carried."

With the support of their own team in Shanghai and Hangzhou conducting market research, combined with sales and customer support locally in China, they have developed their own BioZen branded product range to be released in 2020. With such a massive market to serve, the marketing expense could be very large. Andrew says although this is one of the biggest challenges, the key is to set this up as an integrated system that keeps growing organically. By having a strong foundation to keep customers connected, they are more likely to return with more orders as they spread the word to their networks. This is a powerful channel not to be underestimated.

Tips for other Australian brands

Andrew points out that while China is a massive country, there is no need to try and conquer all of it. The biggest cities draw in competition from all over the world. His advice is:

"Focus on other cities where the living quality is improving rapidly. Many of those cities are home to millions of mobile-connected consumers. You could be the only Australian business providing your type of product or service to a city of 3 million people."

品牌故事



办公环境



澳洲政府认证



天然精粹 长久呵护

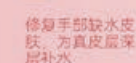


滋润防裂



有效滋润因干燥、风吹及不当护理造成干燥脱皮的手部及足部肌肤，防皸裂

直达肌底



修复手部缺水皮肤，为真皮层深层补水

修复身体肌肤



修复其他部位干燥身体肌肤，作为身体乳来使用

成份介绍

产品特点



BioZen STRESS RELIEF SLEEP AID

舒压睡眠片

MADE IN AUSTRALIA



睡眠问题 困扰着很多人群

品牌故事



办公环境

A global survey conducted by EY in March 2020 revealed that 52% of executives were taking steps to change their global supply chain, and 40% were reviewing⁶¹.

CHAPTER 3

ASSESS, REDESIGN AND REBOUND

There is always something that we can learn from each historical event, and it has been said: “Don’t waste a good crisis”. It is vital that businesses assess the current conditions and challenges, explore a redesign of business models and prepare for the rebound. Uncertainty caused by the pandemic is clouding the picture for many businesses – whether it is supply chain, consumer demands or cash flow, it is difficult to predict the next challenge. The only way is to prepare as much as possible and adapt to new changes quickly. This chapter examines some common challenges that exporters face and suggests solutions to overcome these.

1. Assess the current conditions and support available
2. Redesign supply chain and cash flow
3. Consider market diversification
4. Reimagine product offering and marketing

3.1 ASSESS THE CURRENT CONDITIONS AND SUPPORT AVAILABLE

The global pandemic has brought about many changes in a short period of time and this has essentially reset the base of consumer demands, expectations and ways of doing business across every industry and everywhere around the world. In this new environment, any business with export operations have felt an immediate impact. Many challenges still remain before operations will return to a ‘new normal’.

Government support to the export sector

International border shutdowns, limited freight services and restrictions on travel in many countries have had a significant impact on exporters, especially those in the perishable goods sectors.⁵⁷ As a result, there is a range of support available for exporters facing these challenges. The Australian Government provided an AUD\$170 million boost by relaunching hundreds of flights with an attempt to resume export to key international markets as part of the IFAM program in April 2020. In addition to that, there was also an extra AUD\$49.8 million added to the export market development grants (EMDG) program along with a new COVID-19 export capital facility supported by Export Finance Australia.

TIP

For more information, visit:

- **IFAM program:** export.org.au/global-trade-updates/updated-freight-information-for-exporters
- **EMDG program:** austrade.gov.au/Australian/Export/Export-Grants
- **New COVID-19 export capital facility:** exportfinance.gov.au/covid19

DID YOU KNOW?



Imported goods/services make up 50% of Thailand’s total eCommerce spend. Lack of local options provides a strong appetite for international goods and brands.

Source: JPMorgan

DID YOU KNOW?



In China, more than 50% of digital consumers live outside main cities, in what is known as tier 3, 4 or below.

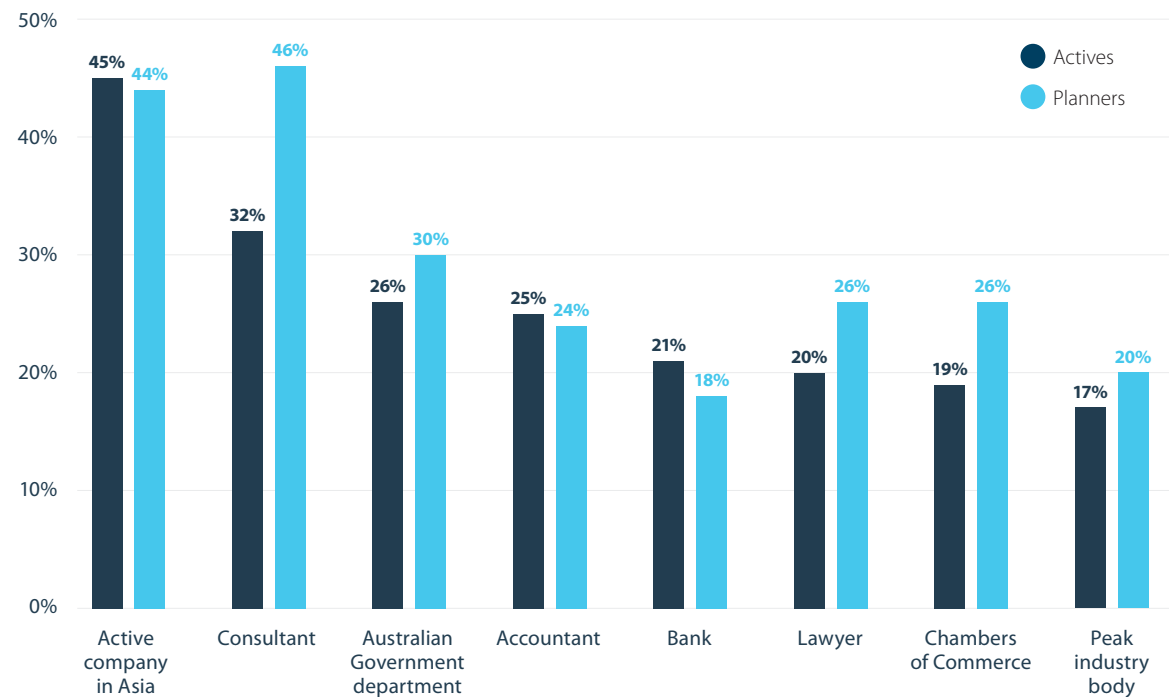
These cities still contain millions of people in each one, with 72% below the age of 35.

Source: McKinsey

Aside from financial assistance, there are experts or agents that can assist by providing up-to-date market information to prepare businesses for the 'new norm'. Our study reveals that when formulating an Asian market strategy, almost half (45%) of active businesses in Asia sought advice from

other companies that are already active in Asia, followed by consultants (32%) and Australian Government departments or agencies such as the Australian Trade and Investment Commission (26%). These experts can serve as reliable sources of information when assessing and reviewing the export

Source of advice when formulating an Asian market strategy



Note: Respondents could choose up to 3 options

Work with those who know the market well

It is a good strategy to engage a mix of experts to give different perspectives. These experts could include:

- The Australian Trade and Investment Commission (**Austrade**) – an Australian Government agency that supports Australian exporters by providing market insights and facilitating business connections. Austrade can also assist with trade related enquiries.
- Australian Chamber of Commerce (**AustCham**) – is a vital network for Australian businesses in an offshore country and often organises business events to support connections with the local business community.
- The local government bodies or agencies such as **InvestHK** in Hong Kong and Singapore's **Economic Development Board (EDB)** – they can provide advice on local practices and additional perspectives in terms of how well Australian products or services are likely to be received in the local markets.

Having people on the ground is an effective way to stay informed with first-hand information and enables businesses to respond and adapt to the changing environment quickly. This can be achieved through a local business partner, staff, agent or distributor.

Graeme Love, CEO of **Ingredients Plus**, agrees. “Having relationships on the ground has proven successful”, relating to his experience of opening the Malaysian office in 2008. The office is currently supported by a strong partnership, sound relationships with key distributors and staff who “know the business back to front”. This approach has paid off as they “received a large revenue stream almost straightaway from the start”.

He also points out that, “working with people that you don’t know will likely fail”. Learning from experience after testing the water for some years, the company decided to exit two markets due to red tape, market saturation and high running costs. Graeme attributes the success of their offshore business to “having the right people”, alongside “doing your research” and “being conservative and planning for the long term”.

It is important to conduct due diligence on that local partner to ensure credibility of their work and value alignment. Asking a few questions such as previous work projects and their background could help to understand their legitimacy, strengths and track records. Other partners in the market can help to validate claims. Ensuring value alignment is vital as there may be differences in values and expectations. For instance, some may focus on gain of market share whilst others may focus on financial returns.⁵⁸

TIP

Due diligence – ask questions such as:

- Do they have good business networks and contacts? Do they have good knowledge of the local market? Do they speak any local language(s)?
- How many years of experience do they have? Which sector and product line?
- What other projects/customers have they worked on/with?
- What do they like about your products/services? How does that fit into their current portfolio?

Source: Austrade Guide to Exporting⁵⁹

3.2 REDESIGN SUPPLY CHAIN AND CASH FLOW

Concentrated supply chain was undoubtedly one of the major vulnerabilities exposed during the pandemic. With the lockdowns almost immediately shutting down all factories and freights for an extended period of time, many companies experienced difficulties in sourcing and supplying to their customers. Limited air freights also caused costs to soar up to five times the normal rate.⁶⁰ A global survey conducted by EY in March 2020 revealed that 52% of executives were taking steps to change their global supply chain, and 40% were reviewing.⁶¹

Where are the suppliers, production and inventory?

Export Council of Australia suggests businesses to take this opportunity to review the supply chain from start to finish. In particular, understand if there are any exposures for critical

components and who are the key suppliers of your supplier? A key question to consider is whether these components come from a single source. If there is concentration, businesses are urged to redesign supply chains to spread the risks.⁶²

One of the considerations is where to locate production – whether it's best to be placed near customers to meet local needs and accommodate variations in demand, or does production need to be located near innovative supply bases to keep up with technological changes. For instance, in industries where consumer preferences change quickly, it would be favourable to locate production close to the consumer market.⁶³

A major lesson learned from the pandemic is that market conditions and consumer demands can change rapidly. Salal Humair from Amazon's Inventory Planning and Control Group advised that "Inventory really has to be very close to the customers now",⁶⁴ noting agility is critical in meeting

consumer needs in uncertain times. Delays in delivery were not uncommon during the pandemic but consumers have indicated 'speed to delivery' as the second most important factor when picking shipping options, following costs.⁶⁵

During difficult times, it may also be wise to consider tightening international payment terms to mitigate risks as much as possible.⁶⁶ The risk of not being paid for the goods or services delivered, or not paid in a timely manner can put unnecessary strains on cash flow which may already be under pressure. Review working capital requirements and speak with banks who can help businesses manage cash flow pressure.

Trade finance mitigates payment risk and alleviates working capital pressure

Generally there are three main types of payment terms in cross border trade are the following:⁶⁷



Low



RISK TO EXPORTERS



Increased

It is not always possible to agree on the same payment terms, therefore trade finance could be a good solution to bring both parties to the middle ground. ANZ can provide a variety of trade finance solutions to support both exporters and importers to address these concerns. Some involve providing letters of credit and/or temporary funding to cover working capital gaps associated with shipments.

For more information, please contact our international business specialists: internationalbusiness@anz.com

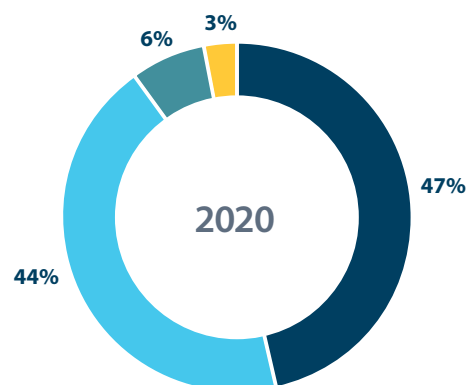
TIP

With over 180 years of trade experience and an extensive global network covering 75% of global trade and capital flows, ANZ can provide a variety of trade finance and foreign exchange risk management solutions to support exporters and importers.

Managing costs in a changing environment

It is not uncommon for businesses to underestimate costs in an ordinary course of trade, increasingly more common in rapidly changing environment. Operating internationally also exposes businesses to more uncertainties. Our study revealed that 47% of surveyed active businesses realised the amount of capital required in Asia expansion was greater than expected, and 44% in line with expectations prior to COVID-19.

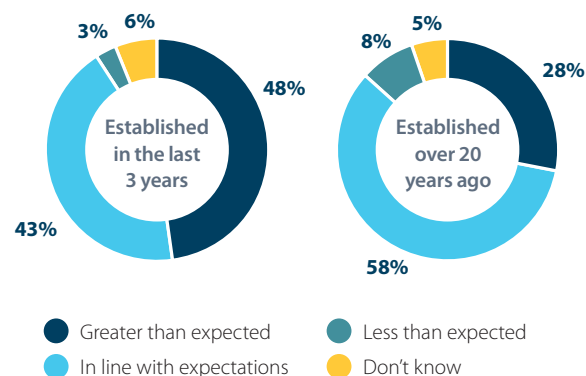
Actual capital requirements for Asian expansion



The proportion of respondents stating that capital was 'greater than expected' considerably increased over the past few years from 28% in 2015. Asian operating costs are becoming more commonly underestimated, possibly driven by the changing regulations in some parts of Asia or an overall cost inflation. It is also worth noting the disruptions caused by the COVID-19 pandemic are likely to result in greater delays in logistics and culminate in higher costs on a temporary basis.

Nonetheless, businesses with more experience in Asia tend to have a better understanding of their costs and therefore they are more in line with their cost expectations. Up to 58% stated in line with expectation and only 28% greater than expected amongst those who first established operations or dealings with Asia over twenty years ago.

Compared to businesses with more experience in Asia



TIP

Did you know?

You can use the International Business Expansion calculator on ANZ Be Trade Ready to estimate likely investment costs:

Visit: betradeready.anz.com

“Singapore has shown resilience and an ability to adapt quickly to changing opportunities throughout its history, and a system that supports its place in facilitating global supply chains and trade in the region. Singapore’s established position as a regional hub for many key sectors, along with a strong commitment to global trade, makes it well placed for recovery in a post COVID-19 economy”

Andrew Brown, former president, AustCham Singapore.

3.3 CONSIDER MARKET DIVERSIFICATION

As mentioned in Chapter 1, market diversification can be a key factor impacting business recovery. The global economy recovers at different pace and Asia stands out to be the region that can rebound quickest.⁶⁸

It is crucial to remember that Asia is a region made up of various different markets and each market has its own characteristics, opportunities and challenges. There is a wide range of factors to consider when comparing markets and this usually includes:

Market opportunities and competition

While the pandemic has impacted the global economy, many Asian markets present valuable opportunities for businesses in the medium and long term. Noting that China is becoming a competitive market for foreign companies and can present a concentration risk for some Australian sectors, many businesses are increasingly exploring other markets in Asia.

Small business owner Catherine Cervasio, has been exporting her [Aromababy](#) Skincare range to multiple countries for years and commented on this:

“We began exporting to UAE 20 years ago, followed closely by Hong Kong, South Korea and Singapore. The expansion in these smaller markets will be slower than in mass markets like India, USA or mainland China, however you are going to meet intense competition in any market which has less entry barriers. Each market itself is unique, yet there are many similarities too in the ways they conduct business. Naturally, by not placing all your eggs in one basket, you are lowering your overall export risk.

Entering into a new market requires a lot of time and energy. Catherine added “It does require additional time and finances to do both the research and the ground work in a number of regions at the same time, but I have found it manageable.”

There is also an increased level of complexity as each market has different practices. This is likely the reason why many businesses have set up their first offshore presence in Singapore or Hong Kong where ease of doing business and familiarity with legal systems have enabled businesses to manage more easily. 30% of our surveyed exporters to Asia have already set up a hub in Singapore and/or Hong Kong, and these markets can serve as a powerful launchpad to the nearby regions. In both of these markets, there is also a high concentration of ex-pat community which means some of these consumers are more likely to be familiar with international products already, reducing the barriers to entry.

Regulations and free trade agreements (FTA)

Rules and regulations can also vary in different markets. Fortunately for Australia, there are currently 14 FTAs in force covering up to 20 countries including China, Singapore, Vietnam and Indonesia. This means that Australian businesses may have an advantage by being able to access these markets with reduced tariffs which may be lower than competitors from other countries.

Other major regulations that Australian businesses should be cautious of include limitations of importing certain products types, restrictions on foreign ownership in some industries, and the likes of animal testings for cosmetics products. These rules may acutely impact market entry strategies. More information on key markets and industries can be found on the [ANZ Be Trade Ready](#) website.



Visit: betradeready.anz.com and “Explore your market”

Language and cultural understanding

Language barriers are often considered a common challenge and some studies have found that understanding the cultural differences is just as important to succeeding in cross border trade and investment.⁶⁹ Businesses should be aware of these differences and adjust their approach accordingly. This may also mean spending more time to get to know the people more and be flexible in ways of doing business. The ability to display sensitivity to cultural values and showing empathy is paramount in the current market conditions.

Different cultural values drive different ways of communicating and doing business. One example is direct versus indirect communication. Typically, Chinese people prefer indirect communication because respect and harmony are highly valued in the Chinese culture, whereas the western culture often encourages straightforward responses.⁷⁰ Cultural awareness is also relevant to businesses managing local staff

based in Asia. Asialink Business identified a number of “Asia capabilities” which businesses should possess when doing business with Asia.⁷¹

When the pandemic subsides and it is safe to travel, businesses are recommended to visit the market regularly to obtain the latest information about consumer demands, keep up to date with any regulatory changes and strengthen business relationships with distribution partners or suppliers. When travel is not feasible, working closely with trusted local contacts would be a good alternative, but nothing replaces obtaining this information first-hand.

ANZ has regularly run delegation programs to explore markets across Asia for several years. These programs usually involve a combination of insights presentations from local experts, business meetings with partners and site visits. Doing business remotely presents a new challenge, especially due to language and cultural difference, but there are significant networks in place for Australian business leaders to engage with..

To find out more regarding our programs, visit:
<https://betradeready.anz.com/OpportunityAsia/Delegations>

3.4 REIMAGINE PRODUCT OFFERING AND MARKETING

Australia is often perceived by Asian consumers to be clean, green and natural. Despite COVID-19, Australian products and services are still popular amongst Asian consumers.

Victor De Bortoli from [De Bortoli Wines](#) sees value and the trusted brand as what distinguishes De Bortoli from competitors outside Australia. During challenging times, “people tend to fall back on the things they trust”, he says.

DID YOU KNOW?



Where is the oldest company in the world? It’s located in Japan. Construction company KongoGumi was founded in year 578 (over 1,400 years ago) and is now part of Takamatsu.

Source: KongoGumi

ANZ has been operating throughout Asia for more than 35 years and was established in Japan in 1969, 50 years ago.

Being successful in home market does not guarantee success in new territory

The key, however, is to modify to accommodate consumer needs, particularly the new trends emerging from the pandemic. Some industry bodies such as AusVeg encourages businesses to maintain strong and consistent international customer engagement to understand the current market demands and economic environment.⁷²

Being successful in your home market does not guarantee success in the new territory.⁷³ Certain types of products may be viewed or consumed differently because of differences in social behaviour and consumption patterns in the target market. A good example is Australia's household brand **Bulla Dairy**.

When Bulla first entered the China market, they assumed their domestic biggest seller ice cream tub would be hugely popular because of its natural, premium quality. However later they realised the two litre ice cream tub could not fit into many Chinese household freezers due to the smaller size of household and apartment space. Bulla subsequently modified the product range and started selling in multiple size packages (460ml, 1L, 2L) to fit into the local market. This illustrates the importance of understanding the consumer market and sometimes adjustments to products are necessary.

For more information about Bulla's story, refer to ANZ Be Trade Ready "Resources": betradeready.anz.com/Resources



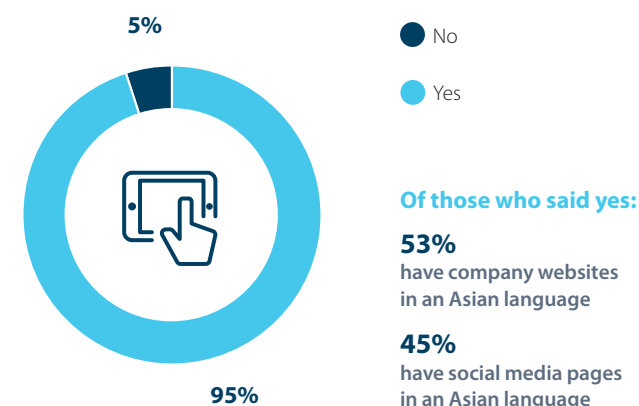
ANZ Relationship Manager Tony Fato (left) with Bulla CEO Allan Hood, tracking down Bulla products in a supermarket in Shanghai during an ANZ Opportunity Asia delegation.

"Bricks and mortar" versus online?

One common question raised during the pandemic is whether businesses should fully transform to online. "Bricks and mortar" retail used to be an effective way to show presence and raise brand awareness. However, with the rise of digital consumers and measures of social distancing, a full time physical presence may not be viable in the near term. Alternative models include running marketing campaigns and temporary pop-up stores. These can be powerful tactics to boost brand awareness whilst not needing to commit to a long term rental commitment. Prior to COVID-19, our study suggested that 95% of active

businesses in Asia already had an online presence with a company website and/or social media page(s). However, only about half had their company website (53%) or social media page (45%) content in an Asian language. This is despite a majority 78% of active businesses in Asia believing that providing website content and product information in at least one Asian language is important. Amongst those who already had an Asian language on their online pages, 74% indicated Chinese as their primary language after English, followed by Japanese (33%) and Indonesian (22%).

Active businesses in Asia with online presence (website or social media)



3.5 ANZ SUPPORTS YOUR BUSINESS TO GROW SUSTAINABLY IN DOMESTIC AND INTERNATIONAL MARKETS

Setting up a strong foundation of business in the home market is crucial to any business and industry. Offshore expansion is a long term investment that requires significant time and effort – both financial and non-financial. Our study shows that the average time to achieve a positive ROI on an Asia expansion is about five years, but the fruit it bears can be rewarding to many.

Active businesses have provided advice for other operators, with the common themes including: do your research, build strong relationships with local staff or partners, and understand the local culture. Many have also noted “stay strong” and “be persistent”.

There are many resources available to support Australian businesses to rebound from the pandemic and grow sustainably. Many have been mentioned in this report; banks, accountants and legal advisors can provide excellent support too.

For more information about ANZ’s support for businesses that have been financially impacted by COVID-19, visit www.anz.com.au/business/covid-19/.

To reactivate your international operations and better understand the future of business in Asia, we invite you to assess market conditions, redesign your international business plan and rebound with insights from ANZ Be Trade Ready website: betradeready.anz.com.



Seoul

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VISIT
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to redesign your international business
plan and capture the rebound



CHAPTER 3

Bangkok

SHINEWING AUSTRALIA

Road to recovery: Tips on preparing for the rebound

ShineWing Australia (“ShineWing”) is an Australian owned advisory and accounting practice, with 85 years of experience in supporting businesses locally in Australia, as well as inbound and outbound trade and investments. With their strong network and client relationships across the region, they support Australians doing business with Asia by facilitating business connections and advising on local accounting and tax compliance.

shinewing.com.au

ShineWing Australia has been supporting many businesses, from small enterprises to large corporates, with their advisory and accounting expertise for 85 years. The global pandemic has adversely impacted many around the world, but the company remains positive that Australia is relatively well positioned to weather the storm.

Danny Armstrong, Managing Partner of ShineWing Australia, has a keen interest in helping Australian businesses succeed in China and Asia. He believes that there are still sizable opportunities driven by fundamental growth of middle class population in Asia and this will flourish in the medium to long term.

“Australia’s strong link to Asia is driving growth for the nation across a variety of industries.”

“Prior to COVID-19, many Asian nations were developing rapidly and they are expected to be back on track once the pandemic subsides. These Asian countries are resilient and they require a lot of goods and services which Australians are good at producing – particularly natural resources, food and beverage, and healthcare, which are essential to their economic development.” Danny added, “Within a relatively short distance and similar time zone compared to other traditional western markets, Australia stands to benefit from this advantageous position.”

Watch out for common mistakes and being prepared is key

This is not to say jumping in head-first is the best approach. Danny said, “We have seen some common mistakes, such as rushing into new business relationships too quickly, and also assuming success at home can be easily transplanted to the new market without modification and that success will follow instantly.”

Prevention is better than cure, and this is especially true in the new environment after the pandemic. “Don’t just rush into a transactional relationship with the first person you meet.” Danny has lived and worked in Ho Chi Minh City, Vietnam and Shanghai, China for 10 years. Based on this experience, Danny advises Australian businesses who are planning to trade with Asia to conduct appropriate market research and preparation before proceeding; also for those who are currently operating in Asia, to strengthen their relationships and knowledge base in times of change.

> Keep in regular contact with your customers, suppliers and local staff – Maintaining close contact with relevant parties in Asia is an essential part of doing business, even more so in a cross-border context. Market conditions can change quickly as evidenced during the COVID-19 period, and closely monitoring the situation can help your business adapt to the changed conditions more effectively – whether this be new consumer trends, regulatory changes or supply chain challenges. Peak industry bodies can also support you with up-to-date information.

Later when travel is permitted, visiting the market is recommended to obtain insights on the ground as well as to develop and ‘road-test’ your business model and value proposition. Invest time to visit and become familiar with local practices and networks before commencing trade.

- > **Continuously review and update your business plan** – based on insights gathered from first-hand experience and/or trusted contacts in the field. The business plan should include ways to approach the market and the specific segments you wish to target. It should also determine what type of business model is most suitable (for example, online presence or physical presence, and whether to partner with locals). Businesses should also take into account the changed environment and how to adapt, for instance a contact-less service model and how to scale up promotion and delivery again when the pandemic situation improves.
- > **Undertake due diligence** on the counterparties that you intend to work with, including background checks, their character, capability and capacity.

Danny also urges businesses to be sensitive to other cultures. “Listen to their perspectives and observe how they do business.” Clear and open communication is the key to reaching consensus and building a win-win relationship in the current climate.

“There are obviously cultural differences... but fundamentally the people I encountered are no different to us. With good communication, all differences can be overcome and productive personal and business relationships will grow.”



CONCLUSION

We believe Australia will rebound and emerge stronger and better prepared to thrive in a global economy.

Australia is well positioned to benefit from the rapid growth of the Asian markets. Despite disruptions caused by the global pandemic and various geopolitical conflicts in recent years, opportunities for success based on demand for quality Australian products and services remain.

We encourage Australians to stay resilient through this difficult time and take this moment to assess how an international business plan might support future growth. We hope that sharing some practical insights and tips in this report will help businesses get ready to rebound and seize the opportunities.

ANZ is here to support you start, run, and grow your business. We have also included in the next section some additional tools and resources. If you would like to learn more about our international capabilities, email ANZ's International Business Development team.



internationalbusiness@anz.com

ABOUT ANZ

ANZ operates in 33 markets globally. We have a dedicated team of bankers on the ground to support Australian businesses in key markets including New Zealand, Singapore, Hong Kong and China. Your relationship manager together with our Asia Pacific specialist will work with you on a suitable solution to support your international banking needs. We connect you to opportunities centred on trade and capital flows.



ANZ recognised as one of the Top 5 Corporate Banks in Asia, 2012-2019.¹



The #1 Institutional Bank across Australia and New Zealand.²



With the widest geographic coverage amongst the Australian banks, we are best placed to support your international business needs.³

¹ Greenwich Associates Large Corporate Banking Study 2019

² Peter Lee Associates Large Corporate & Institutional Relationship Banking surveys, Australia 2014-2019 and New Zealand 2010-2019.

³ ANZ International Reach: <https://www.anz.com/corporate/our-expertise/global-network/>

BUILD YOUR STRATEGY

with ANZ's international insights and network

ANZ has a range of resources to support you to grow your business internationally. We welcome you to explore these resources.

BE TRADE READY TOOL

An interactive digital tool designed for Australian businesses to research, plan and prepare for international expansion. The tool is a one-stop-shop which allows businesses to:

- Navigate Free Trade Agreements;
- Explore dynamic market and industry trends;
- Determine your readiness for international growth;
- Leverage insights from the Opportunity Asia reports; and
- Create a bespoke international expansion plan



betradeready.anz.com

OPPORTUNITY ASIA REPORTS

Digital versions of the current and previous editions of this report are also available for download. Previous editions have included other key trends, discussion topics and case studies which are useful information for planning expansion offshore.



betradeready.anz.com/OpportunityAsia

SUCCESS STORIES

Many ANZ customers have achieved success in Asian markets. Learn more about their strategies and experiences in doing business in Asia, including those gained during our ANZ Opportunity Asia Delegation Programs.



betradeready.anz.com/Resources

Shanghai

SURVEY DEMOGRAPHICS

The purpose of the research is to understand the evolving opportunities, experiences and outlook of Australian businesses already doing or wishing to do business in Asia, as well as those not currently considering it.

After a successful launch of the program in 2015, new topics are focused on each year, along with key existing topics remaining for trend purposes.



Actives

Already have operations or business dealings with Asia



Planners

Considering operations or business dealings with Asia



Potentials

Not considering operations or business dealings with Asia

Sample profile

Total		# Sample size (unweighted) 1,000	% Percentage of sample(weighted) 100
Segment	Actives	335	35
	Planners	216	20
	Potentials	449	45
Business size (by annual turnover)	Small \$250K - \$4.9m	399	37
	Medium \$5m - 39m	373	39
	Large \$40m+	228	24
State	NSW/ACT	312	31
	VIC/TAS	279	29
	QLD	240	23
	SA/NT	87	9
	WA	82	8

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