Imagining Australia in the Asian Century

How Australian Businesses are Capturing the Asian Opportunity
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September 2012
‘The Future is Here – It’s Just Not Evenly Distributed Yet’
- William Gibson, 1993

This is the Asian Century.

Beyond the tremendous growth of Australia’s resource industries lies another story of great Asian potential. This is the story of a future Australian economy and society that is fully engaged with Asia. Already, companies from outside the resources sector that have begun their journey into Asia are writing the first chapters of that story.

The 13 Australian companies profiled for this report, in sectors as diverse as logistics, architecture and food processing, exemplify what it will take to claim an Asian future. They are part of a vanguard of companies leading the way based on observable competitive advantages, understandable patterns of Asian needs and constant innovation of their customer propositions and business models.

Above all, these companies share a vision of an interconnected future.

Others should take note and prepare to follow. We believe Australia can add A$60b of economic value over the next decade just by maintaining its current share of non-resource trade into Asia, and as much as A$125b by doing just a little better (indeed, just by recovering our 2001 share). Impressive though these figures are, they reflect only what we can measure - there is so much more that we can’t.

The choice to make the Asian Century an Australian Century is ours to make. It is time to decide.

Ross Love
Senior Partner and Managing Director
Managing Partner, Australia & New Zealand
The Boston Consulting Group
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1. Executive Summary

This century will be defined by the rise of Asia. In just 40 years, Asia’s share of global output has doubled. Real GDP is expected to more than double to US$67t by 2030, larger than that projected for the Americas and Europe combined. For Australian businesses, this enormous growth in our neighbourhood prompts the question: how to capture the Asian opportunity?

The resource sector is clearly profiting from demand growth in Asia. Still, there are major opportunities for Australian firms in other sectors. This report outlines the experience of some firms capturing these opportunities that lie at the intersection between Asia’s economic transformation and the capabilities of Australian businesses.

Asia’s economic transformation is most evident in three areas. First, Asian economies have sustained high investment in infrastructure, housing, industry and human capital. Second, these economies are increasingly sophisticated and integrated across the region and with the rest of the world. And third, household incomes are increasing, driving sustained growth in consumer demand for a broad range of products and services.

Each of these areas represents opportunities for firms outside the region: to support Asian investment, connect Asia and meet Asian consumer demand. To capture the opportunities, Australian firms are drawing on three broad capabilities: adding value to natural resources; operating network industries and tourism; and developing and delivering services.

We have identified nine areas of opportunity for Australian firms in exporting to and investing in Asia. Thirteen case studies illustrate how some firms are grasping these opportunities and building businesses in or with Asia.

In developing the case studies, we asked each firm three questions:
- What is your customer value proposition in Asia?
- How have you grown into Asia?
- What is the key to your Asian operating model?

The answers show that Australian firms have found pathways to success by adapting their business models in response to lessons around specialisation, relationships and adaptability.

Asian customers value local specialisation in concert with regional advantage—the ability to specialise a product or service to meet local preferences while offering regional capability. Similarly, relationships are critical in highly competitive Asian markets. Australian firms expanding to Asia must place a higher bar, relative to their domestic businesses, on prioritising market entry, building relationships and gaining advantage from intellectual property and expertise. And finally, Asian markets are diverse and dynamic, so Australian firms need agile, adaptive operating models.
All our case study firms see their Asian businesses as core to their overall success. Most are already valuable financial contributors. In all cases, the firms we talked to believe entering Asia has strengthened them more broadly, including through: developing their staff; building scale; investing in capacity, technology, and IP; and diversifying their cost and revenue bases. As they integrate into Asia, these firms are becoming more productive and resilient.

As Australian firms develop and deliver services and products to Asia, they drive incomes and living standards for Australians. Non-resource exports to Asia already generate A$65b of revenue while Australia has A$74b of direct and portfolio investment in Asia. Yet despite the rapid growth of Asia, Australia’s share of non-resource imports into the region has fallen over the past decade. If Australia could arrest this decline or even increase its non-resource share of Asian imports to the peak levels of 2001 Australia could gain between A$10b and A$30b in annual export revenue by 2021. Over the next decade this could be worth between A$60b-A$125b in total value for the Australian economy. These estimates do not account for revenue from Australia’s direct and portfolio investment stock in Asia and further revenue likely to flow from the increased resilience and adaptability of Australia’s institutions and firms due to their engagement with Asia. Despite their conservatism the figures clearly indicate Australia has much to lose if it fails to grasp the opportunity of the Asian Century.

In 20 years, many major Australian firms will be integrated into Asian economies. They will operate in markets that are in essence regional rather than national. This move mirrors a historical one in Australia as state-based firms consolidated or expanded to serve a national market, and became more productive under competitive pressure as a result. The benefits this delivered are now taken for granted. In two decades this may be the case for those Australian exporting businesses outside the resource sector that moved early to integrate with Asian economies.
2. Introduction: The Asian Opportunity for Australia

2.1. Asia’s Rise: Investment, Integration and Consumption

Asia’s century has arrived. Asia is the world’s largest and fastest growing regional economy. Real GDP is projected to increase from US$27t in 2011 to US$67t in 2030, making it larger than the expected GDP of the Americas and Europe combined.

Asia’s economic transformation is evident in three areas. First, Asian economies have sustained high investment in infrastructure, housing, industry and human capital. As shown in Exhibit 1, real investment in Asia may reach as much as US$22t per year by 2030.

Second, economies across Asia are increasingly sophisticated and integrated across the region and with the rest of the world. Intra-regional trade in Asia has tripled since 2000. The number of Chinese companies exceeding US$1b in sales could triple by 2020.

Third, household incomes are continuing to increase, driving sustained growth in consumer demand for a broad range of products and services. Exhibit 1 shows that real consumption in Asia may reach as much as US$45t per year by 2030.

Exhibit 1: Real GDP by Major Global Region, 2011 and 2030e

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<th>Region</th>
<th>Real GDP (US$t 2011 PPP)</th>
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Note: Asia: China (excluding SARs), Hong Kong, India, Indonesia, Japan, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand, Vietnam. Americas: Argentina, Brazil, Canada, Chile, Colombia, Mexico, USA, Venezuela. Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, UK, Bulgaria, Czech Republic, Hungary, Poland, Romania, Slovakia, Ukraine.

Source: EIU, May 2012; BCG analysis. Figures are in 2011 US$ PPPs, at current market prices.

2.2. Australia’s Exports and Investment in Asia

Australia engages with Asia through trade and capital flows, with Australian businesses earning revenue through exports to Asia, and from business activities and investments in Asia.
Australian firms’ responses to the opportunities presented by Asia’s growth over the past decade have been far from uniform across sectors. Exports of resources have boomed but otherwise Australian exports have hardly grown in real domestic currency terms, with cost pressure from the resource boom and revenue pressure from the high real exchange rate likely to be contributing factors. Similarly, Australia’s stocks of investment in Asia have not increased in value since 2007, driven by low asset valuations and uncertainty about global economic growth.

However, some growth areas are apparent. Service exports to Asia have risen somewhat in aggregate and some subsectors have grown strongly. While manufacturing exports to Asia have fallen slightly and rural exports remain volatile, a range of subsectors have delivered sustained export growth.

**Exports**

Australia’s exports to Asia increased by over 80 percent in real domestic currency terms in the decade to 2011, while exports to the rest of the world declined by over 20 percent. Australia’s exports to Asia now exceed A$220b, almost triple the value of exports to the rest of the world.

As shown in Exhibit 2, resource exports now account for over 60 percent of Australia’s exports to Asia. By value they have more than tripled in real domestic currency terms since 2001. Four Asian countries buy 80 percent of Australia’s global resource exports: China (40 percent), Japan (20 percent), South Korea (12 percent) and India (9 percent).
Australia’s non-resource exports to Asia exceeded A$65b in 2011, or around 30 percent of total exports to Asia. However, when adjusted for inflation, they have not grown in Australian dollar terms since 2001 (see Exhibit 3). The top three Asian markets for our non-resource exports account for just 25 percent of the total, with China the largest customer at around 13 percent. Japan and South Korea account for around 8 and 5 percent respectively.


Australia’s non-resource exports to Asia can be divided into three broad groups, each totalling approximately A$20b: rural merchandise, manufactured merchandise and services. Inflation-adjusted, the value of rural merchandise exports to Asia (which is subject to weather and price volatility) was 4 percent lower in 2011 than in 2001. The value of manufactured merchandise exports to Asia in 2011 was 12 percent lower than in 2001. Total service exports grew by 16 percent over the same period.

The largest categories of rural exports to Asia are cereals, meats and textile fibres. Each of these is roughly the same size in terms of value and together they account for around 60 percent of all rural exports. Australia’s largest manufacturing exports to Asia are pharmaceuticals and industrial machinery, which total about A$2b and A$1.5b respectively, or under 20 percent of manufactured exports to Asia. The largest services exports to Asia are education-related travel services (predominantly fees and living expenses of foreign students) and tourism, which together comprise almost 80 percent of services exports to Asia.
Over the decade to 2011, the fastest growing categories of non-resource exports to Asia (worth over A$1b in 2011) have been cereals, education-related travel services, pharmaceuticals and other business services. Cereals exports (A$4.9b in 2011) tripled in value over the last decade (inflation adjusted), largely as a result of increasing world prices and strong harvests in the last several years. Education-related travel services (A$11b) more than doubled; pharmaceuticals (A$2.1b) approximately doubled; and other business services (A$1.7b), including engineering, architecture, legal and consulting services, increased by around 50 percent. In manufacturing there is some evidence of a shift towards higher-end exports to Asia. For example, machinery specialised for particular industries grew by 12 percent over the decade while the value of iron and steel exports fell by around 30 percent.

Investment

Australian businesses’ investment in Asia is another important metric of engagement. As shown in Exhibit 4, Australia’s direct and portfolio investment stock in Asia totalled around A$74b in 2011 dollars, approximately double its real value in 2001 but well below its peak of A$95b in 2007. Asia now accounts for around 10 percent of Australia’s direct and portfolio investment abroad, compared with about 7 percent in 2001.

Exhibit 4: Australia’s Outward Investment Stock in Asia, 2001-2010

Sector-specific data on Australian foreign direct investment (FDI) in Asia is unavailable, but global data may provide some indication of the direction of this investment. In aggregate, the largest Australian stocks of outgoing FDI are in mining.
and quarrying (A$150b), financial intermediation (A$102b) and manufacturing (A$59b).  

An Estimate of the Future Opportunity

As shown in Exhibit 4 Australia’s non-resource exports to Asia have been constant in Australian dollar terms for the past decade. Exhibit 5 shows that Australian non-resource exports as a share of Asian imports has declined since 2001, even as their US dollar value has increased. If the trajectory were to continue Australia could still gain an additional A$64b in annual exports by 2021. However, if Australia could maintain share or even return to the peak share it held in 2001 annual exports could increase by a further A$13b or A$27b respectively by 2021. Over the next decade this could translate to between A$60b and A$125b of cumulative value in the Australian economy. These estimates do not include the upside that could occur due to increases in Australian direct and portfolio investment stock in Asia. If this is taken into account the upside could have the potential to more than double.

Australia can only achieve the gains indicated in Exhibit 5 if it can develop an Asia-capable workforce and then grow even faster into Asia with new and innovative business models. This will create a virtuous cycle with further strengthening of our firms and institutions as they become more resilient and adaptable to global pressures due to engagement with Asia. Clearly, Australia has much to lose by failing to engage with Asia.
### 2.3. The Asian Opportunity for Australian Firms

As illustrated in Exhibit 6, the Asian opportunity for Australian firms outside the resource sector is represented by the intersection of Asia’s economic transformation and Australian firms’ capabilities.

Asia’s economic transformation is evident in three areas. First, Asian economies have sustained high investment in capital across infrastructure, housing, industry and human capital. Second, economies across Asia are increasingly sophisticated and integrated across the region and with the rest of the world. And third, household incomes are increasing, driving sustained growth in consumer demand for a broad range of products and services.

Australian firms also have advanced capabilities in the service sector. Finance and insurance is the fourth largest sector in the Australian economy, generating A$81b of GDP in 2008-09. Of the nine banks in the world that Standard and Poor’s rates as AA or above, Australia has four. In addition, Australian firms have developed strong capabilities across a range of professional services, information technology and other business services.

Australian businesses also have strong capabilities in logistics, travel and tourism. Some Australian firms have built travel and logistics businesses with sufficient scale to be credible in regional markets. In tourism, Australia’s natural endowments and its position as one of the closest developed countries to Asia provide it with natural advantage.

Australian firms have expertise and experience adding value to natural resources from wool and grain to iron ore and coal, and building related industries around them. For example, Australia’s mining technology, services and equipment (MTSE) sector has developed alongside the mining boom, and was valued at A$8.7b in 2008-09. Innovation, a skilled workforce and the ability to customise products and services are core capabilities that have made Australia a strong competitor in resource products around the world.

As Exhibit 6 illustrates, when Australian capabilities are mapped to Asian economic transformations, nine areas of opportunity are apparent. Each of these is already a major export or investment focus for some Australian firms, or is leading to rapid export growth.

High levels of investment in Asia are creating opportunities for Australian firms to participate in infrastructure development (“Build infrastructure”), financial sector deepening (“Finance Asia”), human capital investment (“Provide education and health services”) and support for resource development in Asia (“Leverage resource capabilities”).
Asian economies’ increasing sophistication and integration are creating opportunities for Australian firms to provide professional and technology services to Asian customers (“Integrate Asia”), and to deploy transport and logistics capabilities to link Asian economies (“Move Asia”).

Growing consumer demand in Asia is providing avenues for Australian manufacturers of advanced consumer goods, health care and pharmaceutical products, and capital goods for Asian consumer goods manufacturers (“Innovate in manufacturing”). In addition, some Australian firms are developing new businesses to attract Asian tourists (“Promote ‘Destination Australia’”) and servicing Asian demand for quality food products (“Food bowl for Asia”).
3. Case Studies: Australian Firms Capturing the Asian Opportunity

To understand what it takes to capture the Asian opportunity, we talked to 13 representative firms that have been successful in one or more of the nine areas of opportunity identified in Chapter 2. In each case, we asked:

- What is your customer value proposition in Asia?
- How have you grown into Asia?
- What is the key to your Asian operating model?

This section provides vignettes on the 13 firms in relation to those questions. The appendix contains more comprehensive case studies for all of the firms.

3.1. Support Asian Investment

Asia’s growth has been spurred by heavy investment in physical and human capital across the region. Capital investment is in the order of US$10t per year and could grow to over US$20t by 2030 (see Exhibit 1). These high levels of investment provide opportunities for Australian businesses in financial services, design and construction services, resource extraction, education and health.

Finance Asia

Australian financial services firms with presence in Asia and cross-border capabilities are well positioned to capitalise on increasing investment and intra-regional trade flows. Asia’s imports, exports and intra-Asian trade have significantly increased with a lowering of trade barriers.10

The Australian and New Zealand Banking Group Limited (ANZ) case study shows how Australian financial sector firms can progressively build a position in Asia by serving clients’ investment and trade requirements, and developing selected local franchises.
Case Study: Australia and New Zealand Banking Group Limited

The Australia and New Zealand Banking Group Limited (ANZ) regards strong growth across the Asia-Pacific in GDP, credit formation, investment and trade flows as a significant opportunity, and is pursuing a strategy to become a “Super Regional” bank. It now has A$7.5b of capital invested in Asia and is Australia’s largest outbound foreign direct investor in Asia. Asia-Pacific sourced revenues are targeted to drive 25-30 percent of group profit by 2017.

ANZ seeks to expand into high growth Asian markets and high growth industries with strong exposure to the region, including resources, agriculture and infrastructure. It also seeks to align to regional trade and investment flows. ANZ expects the strategy to diversify its funding base and earnings profile by building its business across the region.

ANZ provides a broad suite of financial services to institutional, commercial, retail, wealth and private banking customers in Asia, and to Australasian customers who do business in Asia. ANZ’s Super Regional strategy is increasingly a differentiator for it in attracting customers who are doing business across the region from Australia and New Zealand.

ANZ has followed a predominantly organic growth strategy, with selective partnerships, acquisitions and minority positions in Asian banks. It aims to build significant local franchises, providing the full set of banking services across all segments, in Singapore, Greater China, Greater Mekong, Indonesia, Malaysia and the Pacific, and to build a position as a leading foreign bank in Greater China and India. It has built a network presence more broadly across Asia.

ANZ’s success in Asia is underpinned by a number of factors. It has sought to appoint experienced “Asia insiders” for its Asian businesses and to rotate senior leaders through the network. It has made a number of product innovations and has developed a “throw and catch” capability to serve customers across the region. It has also built regional operations and technology hubs that provide a lower and more flexible cost base and access to deeper pools of talent.
Build Infrastructure

Asia is expected to invest around US$8t in infrastructure between 2010 and 2020, with approximately US$2t going to design and construction services. As such, it is an important market for Australia’s design and construction expertise. Some of the biggest opportunities are in Asia’s emerging markets, where there is strong demand and a shortage of domestic expertise and capabilities.

The Leighton Group, a large engineering, construction and contract mining firm, and HASSELL, a leading architecture and design firm, demonstrate the value of long-term commitment and organic growth in developing strong businesses to design and build Asia’s infrastructure.

Case Study: The Leighton Group

Founded in Australia in 1949, The Leighton Group of companies (Leighton) is one of the world’s major contracting, services and project development organisations, and the world’s largest contract miner, with total revenues of just under A$20b in the 2011 financial year. Leighton is one of Asia’s leading construction and mining service providers, operating in Hong Kong, Macau, China, Taiwan, Mongolia, the Philippines, Indonesia, Malaysia, Singapore, Brunei, Thailand, Vietnam, Laos, Cambodia, Sri Lanka and India.

Leighton expanded its footprint in Asia through incremental organic growth. This enabled it to build an integrated platform and to be selective about its participation in markets and projects where its expertise complements the local skill-set. Leighton has invested to build its relationships and reputation in Asia.

Leighton also prides itself on having a positive impact on the communities in which it works. In Indonesia, Leighton works to improve safety standards and environmental practices, and also runs a training program for 200-300 graduates each year.

Leighton’s business in Asia has been a significant growth engine for the Group. In the 2011 financial year, its operations in Asia generated revenues in excess of A$2.1b, over 11 percent of the Group’s revenue.

Case Study: HASSELL

HASSELL entered the Asian market in 1991 when it acquired a Hong Kong firm, EBC. After winning early master planning and urban design commissions in China, it broadened its Chinese practice to include the full range of disciplines it offers in Australia. Today, HASSELL is China’s largest foreign multidisciplinary design practice and employs more than 250 people in studios in Shanghai, Hong Kong, Shenzhen, Beijing and Chongqing. Elsewhere in Asia, it has studios in Bangkok and Singapore.

HASSELL has maintained its commitment to Asia since the early 1990s. Where other designers switched focus after the downturn of the late 1990s, HASSELL stayed its course in Asia. Its commitment to China has been fundamental to gaining the trust of its Chinese customers.

HASSELL has also retained wholly owned studios rather than the looser arrangements chosen by less successful entrants into China. Full ownership of its studios has allowed HASSELL to bring the best of its global capabilities to bear for clients.
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Provide Education and Health Services

Many Asian countries are improving access to and the quality of their education and health systems. For example, India will need to build over 1,000 new universities over the next decade to meet demand from its burgeoning youth population. Across the region, demand for high quality services is likely to outstrip local supply. Chinese seeking healthcare abroad has increased from only several thousand a few years ago to 60,000 in 2011. In the higher education sector the number of outbound students from Asia has almost doubled over the last decade to more than a million.

Australia remains an attractive destination for international students, enrolling roughly 20 percent of all outbound higher education students from the region. In addition, Australian institutions are well positioned to offer a variety of educational services to Asian students from within Asia. In contrast Australia’s international health services industry is underdeveloped. Melbourne is one of only three cities worldwide to have two world-class medical research hubs. Yet Australia only captures an estimated 0.2 percent of global share of patients seeking healthcare overseas.
The experience of RMIT University and Navitas Limited demonstrate that Australian-based service providers can meet Asia’s demand for high quality. About 40 percent of RMIT University’s 74,000 students are international, of which about half are educated in Australia and half in Asia on a range of RMIT and partner campuses. Navitas provides entry pathways to tertiary education and increasingly offers full degree courses through a range of providers to a predominantly Asian student body.

Case Study: RMIT University

RMIT University (RMIT), founded in 1887, is a global university of technology and design. It is Australia’s largest tertiary institution and offers degrees and diplomas to 74,000 students in a range of vocational and professional disciplines.

Thirty thousand of RMIT’s students are international, predominantly Asian. Thirteen thousand international students take classes on-campus in Australia. RMIT first established its offshore program in 1987 through a partnership with Singapore’s Institute of Management. Today, 11,000 RMIT students are enrolled offshore in over 25 award programs across 13 international partners. A further 6,000 students attend two RMIT campuses in Vietnam.

RMIT’s growth model is founded on relationships and the strict protection of intellectual property and expertise. The focus on relationships with both governments and local education institutions has allowed it to develop partnerships and self-run campuses in Vietnam. The academic standards, staffing, curriculum and coursework of all RMIT’s courses are centralised to ensure integrity and academic rigour.

RMIT’s operating model is to provide personal, high-quality education to meet evolving student needs. RMIT has adjusted its offerings to reflect the demands of its Asian students. Over its longstanding engagement with Asia, the university has experimented and diversified its product offer through different models, partners and structures.
Case Study: Navitas Limited

Navitas Limited was founded in 1994 to provide pathway courses for international students wanting to enter English-speaking universities. The group combines the course content of its partner universities with a high-touch teaching model, helping students from diverse backgrounds to transition to university. It has over 83,000 students per year studying in 23 countries.

Navitas’ first students came from Asia, predominantly Hong Kong, Indonesia, Malaysia and Singapore. Asian students have remained its core customer base. Navitas operates regional offices to provide on-the-ground support to its colleges and network of recruitment agents. In Asia, Navitas’ regional office network spans Vietnam, India, China, Japan and Hong Kong. Navitas also manages a Curtin University campus in Singapore and operates a co-branded college with Edith Cowan University in Sri Lanka.

Navitas provides a high-quality experience in a diverse range of education sectors and locations across the world. Unlike many of its peers, Navitas’ pathway program offers a fully integrated and approved first-year university curriculum.

Leverage Resource Capabilities

The global mining technology, services and equipment (MTSE) sector continues to grow with worldwide demand for commodities. Australian MTSE exports have grown rapidly over the last decade, from A$450m in 1997 to around A$2.5b in 2009. At over A$850m, Asia has the leading share of these exports. Australia’s relative proximity to Asia and status as a global leader in environmental management provide Australian firms with advantages over competitors.

Sedgman Limited designs, builds and operates processing facilities for mineral and coal mines around the world. It is building a business in Asia by capturing opportunities to sell services, operate facilities, source components and employ skilled local workers in its areas of expertise.
3.2. Connect Asia

Asia’s economies are increasingly integrated and sophisticated. Trade and travel in the region are growing rapidly. Communities, industries and markets are moving online. Businesses are increasingly realising regional and global aspirations. In the process, industries like travel, transport, logistics, professional services, online marketplaces and IT services are growing rapidly across Asia and are themselves becoming more integrated and sophisticated.

Australian firms have opportunities both to “Integrate Asia” by providing services to increasingly sophisticated customers and to “Move Asia” by taking Australian-developed travel and logistics capabilities to Asian markets.

Integrate Asia

Australian companies are participating in “Asian integration”, taking their service capabilities to Asian markets. Some Australian law firms, for example, have developed joint ventures or other regional business models with Asian firms; and a
broad range of other Australian services firms are buying, building or partnering with Asian businesses to profitably deploy intellectual property developed initially in the Australian market.

One of many such opportunities is the development of online marketplaces across Asia. While Asia has the world’s largest and fastest growing online population, with over 1 billion users in 2011, some of its internet marketplaces are less developed than those in Europe, America and Australia. SEEK Limited, a provider of online recruitment and job search services, has developed a strong portfolio of firms in Asian markets. Its experience shows that a portfolio approach can be an effective way to deploy intellectual property developed in Australia into Asian markets.

Case Study: SEEK Limited

Founded in 1997, SEEK is the largest online job board company in the world in terms of market capitalisation, with exposure to over 2 billion people. SEEK and its international associates offer jobseekers and advertisers access to a large, high quality pool of potential matches in the markets in which they operate.

Since 2006, SEEK has expanded its reach by acquiring interests in online employment websites in China and South East Asia. SEEK now owns 56 percent of Zhaopin (China), 22 percent of JobStreet and 55.2 percent of JobsDB (both in South East Asia). SEEK’s Asian business is a valuable, rapidly growing operation that generated profits of A$12.1m (12.5 percent of the firm’s total profits) in the 2011 financial year.

SEEK has elected to grow by taking stakes in market-leading job boards in a range of geographies, and providing active strategic and operational support to local management teams. Unlike some other global online recruitment companies, SEEK does not attempt to replace acquired brands with the SEEK consumer brand as it recognises that, to most job seekers and advertisers, the job market is local.

SEEK helps its portfolio firms capture the benefits of market and brand leadership by focusing on what it has learnt across markets about the main drivers of success for online job boards. SEEK has a dedicated Australian-based team that supports its international investments and it sends project teams overseas to support the planning and execution of specific projects.

SEEK expects Asia’s online recruitment market to continue growing strongly due to urbanisation of labour, growth in white collar jobs and increasing internet penetration rates.
Move Asia

Asia is also becoming more integrated in terms of trade and travel. The world’s leading exporter,\textsuperscript{18} Asia has doubled its trade with countries outside the region since 2000. Intra-Asian trade has tripled in the same period.\textsuperscript{19} Nine of the world’s ten biggest container ports are in Asia, up from just five in 2000.\textsuperscript{20} Between 2000 and 2011, the number of bilateral Free Trade Agreements (FTAs) recorded by the World Trade Organisation (WTO) involving an Asian country increased from 8 to 74.\textsuperscript{21} Asian governments have also made some progress towards deregulating the airlines and transport and logistics (T&L) industries.\textsuperscript{22}

Travel and tourism in Asia are also growing rapidly. For example, Chinese travellers made 16 million overseas trips in 2010. Japanese travellers made 14 million. Over the next decade, overseas trips from China could grow to 53 million and spending could approach US$120b.\textsuperscript{23}

The experiences of the Jetstar Group and Linfox Logistics highlight how Australian-based network businesses are leveraging their expertise in low-cost travel and premium logistics respectively to capture the opportunity presented by Asia’s increasing integration.

Case Study: The Jetstar Group

Jetstar was launched in 2004 as the wholly owned low-cost carrier (LCC) of the Qantas Group. It has become the most successful LCC ever launched by an incumbent.

The Jetstar Group includes three joint ventures in Asia (Jetstar Asia, based in Singapore, Jetstar Pacific, based in Vietnam and Jetstar Japan) and another joint venture in development (based in Hong Kong, and planned to commence operations in 2013).

Jetstar’s scale gives it advantaged access to critical assets, including aircraft fleets and operational hubs. Jetstar’s regional network, strong safety record and proven operating reliability make it an attractive partner. Jetstar screens potential local partners to ensure interests are aligned and may progress several partnership discussions in parallel to ensure the overall strategy can be delivered. As governments see the airline industry as strategically sensitive, engagement with governments and regulators is important and complex.

Jetstar’s Asian business is a key growth engine, with Jetstar Asia’s passengers growing by 18 percent to 2.7 million in 2011. Jetstar Asia accounted for 13.5 percent of the Jetstar Group’s total pre-tax earnings of A$169m.
3.3. Meet Asian Consumer Demand

In 2009, 28 percent of the world’s middle-class\(^{24}\) lived in the Asia-Pacific region. By 2030 the share will be 66 percent.\(^{30}\) In the next 20 years, over half of projected global consumption growth will occur in developing economies, the majority in Asia. The shift of buying power in the world economy is driving change in three key areas of interest to Australia: tourism, innovative manufacturing and food.

Innovate in Manufacturing

Consumption growth in Asia is increasing demand for a broad range of manufactured goods and the inputs and machinery needed for their production. At the same time, the manufacture of many simpler goods has moved to Asia, with Asian manufacturers now climbing up the “quality ladder” to more complex products and more capital-intensive processes.

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**Case Study: Linfox Logistics**

Linfox Logistics (Linfox) is Australia’s largest privately held logistics company. It delivers supply chain solutions across the Asia Pacific region, including domestic transport and warehousing, cold chain support, and supply chain network design.

Linfox’s expansion into Asia began in Malaysia in the 1980s, in response to the needs of its multinational customers. Their aggressive growth targets require sophisticated, consistent and reliable supply chains across Asia, and they value premium, customised service such as just-in-time deliveries.

Linfox grew organically alongside its customers into other key markets in Asia, with joint ventures where required. Early on, regulators typically required foreign operators to form joint ventures with local firms, but in most instances Linfox has sought to move over time to full ownership and control. Linfox also focuses on growing into countries with sufficiently mature regulatory, legal and banking systems to minimise operational risks.

Linfox now operates in China, Hong Kong, India, Indonesia, Malaysia, the Philippines, Singapore and Vietnam, employing around 12,000 people in Asia. Linfox’s Asian business is profitable and growing twice as fast as its non-resource Australian business.
Australian firms sell around A$20b of manufactured goods to Asia, but their value has declined by 12 percent in the decade to 2011, driven by pricing, exchange rate and volume changes. A high Australian dollar and competition from Asian manufacturers have reduced profitability for labour-intensive, less sophisticated manufactured products.

However, some Australian firms manufacturing for the Asian market are growing and profitable. An example is tna Australia Pty Limited (tna), which designs and installs innovative systems for Asian food product manufacturers. tna has tailored its product range to the demands of its Asian customers.

Case Study: tna Australia Pty Limited

Founded in 1982, tna Australia Pty Limited (tna) designs and manufactures food processing systems, primarily for snack foods. tna has installed over 6,000 systems in more than 120 countries.

tna entered the Asian market in 1996 with sales in the Philippines, followed by Indonesia, Thailand, Korea and Japan. China has become a key market in the last two years. tna expects Asia to be its major growth market, as demand for its labour saving systems increases in response to demand for packaged food and rising labour costs. Asia currently accounts for 10-15 percent of tna’s total sales. tna hopes to enlarge this to 20 percent by 2015.

While tna’s customers in Europe and North America typically buy single components from tna that they then integrate into existing systems, Asian food product manufacturers generally have more labour-intensive processes and less in-house engineering capability. tna adapted to customer demands in Asia by providing “turnkey” integrated systems to transform the production process.

tna designs and manufactures its most sophisticated machines in Australia. In 2011, tna opened its own factory in China. While it has begun with simpler subassemblies, it is expected to transition to more sophisticated systems. tna’s initial Asian expansion was managed by a sales force based in Australia, but tna quickly developed an Asia-based sales capability to present its product in a credible, in-depth and clear fashion, while building relationships and responding to local market conditions.
Promote “Destination Australia”

In 2010-11, the value of Australia’s Asian tourism export revenue was A$6.7b, or 44 percent of total tourism exports. Six Asian countries made it into Australia’s overall top ten most valuable inbound markets in 2010. In that year China overtook the United Kingdom to become Australia’s most valuable tourism market.

Successful businesses in the tourism space, such as Crown Limited and Tangalooma Island Resort, build on Australia’s natural attractions, strong interpersonal relationships and the strength of branding to secure a stable and successful customer base.

Case Study: Crown Limited

Crown Limited (Crown) is a leading provider of world-class integrated resorts offering gaming and entertainment facilities. Crown’s resorts in Australia attract over 25 million visits per year.

In FY11, a third of Crown’s revenues, totalling A$800m, was generated by international visitors, predominantly from Asia. In 2007, Crown entered into a partnership with Hong Kong’s Melco International (the holder of one of six concessionaries in Macau) through a 33.65 percent stake in a joint entity, Melco Crown Entertainment. In 2009, the partnership opened one of Macau’s leading integrated resorts. Twenty-six percent of Crown’s FY12 profits were attributable to Melco Crown Entertainment’s operations in Macau.

Crown’s operating model is to be customer-focused, provide an innovative and exciting product and leverage its own and Australia’s brand and expertise. Through its training facilities and hiring practices, Crown aims to ensure its Australian staff members are Asia-literate. Privacy, discretion and a complete integrated experience are key differentiators for its brand in Asia. Crown’s ability to maintain relationships and adapt its expertise to Asia, illustrated through its dealings with Melco International, is now a key component of its operating model.
Case Study: Tangalooma Island Resort

Tangalooma Island Resort (Tangalooma) is a family-owned, eco-style holiday destination located on Moreton Island, not far from Brisbane. In the late 1990s, Tangalooma began to tap demand in Asia. Its customer base was then 80 percent domestic and 20 percent international. Today, the split is 50:50. The number of Chinese tourists visiting its resorts annually has quadrupled to 20,000 in the last four years. Tangalooma has representatives in China, India and Thailand, and a managed office in South Korea.

Tangalooma invests heavily in relationships in the Asian region. The sales and marketing director spends around five months of the year in Asia and several other sales and marketing managers travel to Asia on a bi-monthly basis. Tangalooma has also developed a range of unconventional marketing approaches, such as co-marketing with retail chains that serve its target demographic.

Tangalooma has worked to develop products for the specific needs of its Asian customers. Staff members are Asia-literate and marketing materials are available in a range of languages. Tangalooma offers personal experiences customised for Asian customers who are often looking for experiences that are unavailable at home, such as customised helicopter or ATV Quad bike tours and parasailing.

Tangalooma’s success in attracting tourists from many parts of Asia has helped shield it from downturns and low season business periods, as different parts of the region have different holiday periods. Initiatives such as the opening of a hospitality and English training school have also diversified Tangalooma’s offering.

Food Bowl for Asia

Asia will be the key contributor to an estimated 70 percent increase in global food and beverage demand by 2050. Japan and China are already two of the world’s largest wine markets. In 2010, China imported more than US$1b worth of wine. Similarly, Asia has high demand for food products such as pork and seafood. Higher incomes in Asia are leading to increased food consumption per capita, including a shift to higher-end products.
Australia’s relative abundance of arable land and the quality of its agriculture practices makes it well positioned to export food to Asia. Australia is a world leader in the production of grains for human consumption and for feedlots, as well as in the production of land-intensive meat products such as beef. Strong regulatory and quality management systems allow Australia to produce high quality foods that are traceable along the entire production chain.

As shown in the Craig Mostyn Group case study, Australian firms are well positioned to capture the high-quality food export opportunity through trusted quality management systems and proximity to Asia.

### Case Study: Craig Mostyn Group

The Craig Mostyn Group (Craig Mostyn) has been operating for over 80 years and is one of Australia’s leading diversified food and agribusiness companies. It is a producer and trader of several sought-after food and feedlot products, supplying retail and wholesale customers in more than 60 countries.

Craig Mostyn has exported various food commodities to Asia for over 40 years. Today, Asian exports account for approximately 30 percent of its revenues. Major exports include protein meals to Indonesia and Malaysia, live lobsters to China and, more recently, fresh and chilled pork to Singapore.

Craig Mostyn has found the most important way to build its Asian customer base is to develop strong relationships with its customers and understand what they need. Even where products may be highly commoditised, reliance on tradeshows or the internet is unlikely to lead to sales. The Craig Mostyn sales team visits customers’ facilities to understand their requirements, constraints and how they operate. On occasion it has flown customers to Australia—for example, to teach its butchers how they want specific products to be prepared and presented.

Craig Mostyn exports directly to its Asian customers, with distribution directed from Australia. Air freight provides both rapid delivery after processing and a timely feedback loop, without the need for local production plants. So far, Craig Mostyn has not established production facilities in Asia, as it observes that joint ventures in the industry have proved risky for many Australian firms.
## 4. Findings: How the Case Study Firms Captured the Opportunity

There is no algorithm for capturing the Asian opportunity. Each of our case study firms developed its own strategy in Asia. Each faced its own challenges. However, common themes have emerged in the areas we have identified as critical for businesses interested in entering Asian markets: developing a value proposition for Asian customers; building a growth strategy; and adapting the operating model to Asia.

First, customers value local specialisation with regional advantage. Customers prize a firm’s ability to customise its product to local preferences. In many cases customers also value a regional capability. In others, regional scale is key to serving local customers cost-effectively.

Second, the Asian market is highly competitive and relationships are critical. Australian firms expanding to Asia cannot rely on domestic growth strategies. Firms must identify and enter the right markets, and build relationships with partners and customers if they are to gain advantage from their intellectual property and expertise.

Third, Asian markets are diverse and dynamic, so Australian firms need adaptive, localised operating models.

### Exhibit 7: Common Themes from the Case Studies

<table>
<thead>
<tr>
<th>Topic</th>
<th>Asian realities</th>
<th>Firms’ responses</th>
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<tr>
<td>Customer value proposition</td>
<td>Local differences exist, regional advantages apply</td>
<td>Understand the customer</td>
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<td></td>
<td>• Preferences are different across economies, demographics and cultures</td>
<td>• Identify differences in business environment</td>
</tr>
<tr>
<td></td>
<td>• Customers value advantages of regional scale</td>
<td>• Localise product or service</td>
</tr>
<tr>
<td></td>
<td>Relationships matter</td>
<td>• Market regional capability</td>
</tr>
<tr>
<td></td>
<td>• Asian market is competitive</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Relationships are key and entrants need to earn trust</td>
<td></td>
</tr>
<tr>
<td>Growth strategy</td>
<td>Markets are diverse and shifting</td>
<td>Build relationships</td>
</tr>
<tr>
<td></td>
<td>• Markets are dynamic</td>
<td>• Prioritise markets and relationships</td>
</tr>
<tr>
<td></td>
<td>• Businesses face rapidly changing needs and demands</td>
<td>• Protect expertise and IP</td>
</tr>
<tr>
<td>Operating model</td>
<td>Enact local and adaptive operating models</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Localise operating model</td>
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<td></td>
<td>• Adapt and respond</td>
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</table>

### 4.1. Delivering Customer Value: Local Differences, Regional Advantages

Asian consumers’ tastes and preferences differ by country and by demographic, culture and income group. Commercial customers’ requirements also vary across Asia with the level of economic development, the pace of industry growth and the commercial and regulatory context. Yet the economies of regional scale and
networks often advantage firms that service multiple markets. Our case study firms have all sought to find a balance between customisation of their products or services and regional scale.

**Lessons from Asia: Local Differences, Regional Advantages**

There can be no pan-Asian approach to customers and clients for Australian businesses. Cultures, economics, demographics and business practices differ widely across the region—for example, Japan’s slow-growth, technology-driven economy contrasts sharply with the high-growth, low-labour cost economy in Vietnam. The Asian consumer is different not only from the Australian consumer, but also from her or his peers in neighbouring countries or even in different provinces in the same country.

Asian customers and clients value regional scale and reputation. Intra-Asian trade is spurring the growth of multinational companies and regional businesses, which are creating sophisticated networks as they expand across the region. In aviation, logistics, technology and other industries, Asian customers are demanding regional networks and scale.

**Case Studies: Customer Value Proposition**

Our case studies show that success in Asia demands a local customer value proposition that is backed by a regional offer or provided at low cost thanks to regional scale. To achieve this, and gain a thorough understanding of their Asian customers, our case study firms developed a three-stage customer value proposition: identification, localisation and regionalisation.

First, they identified the Asian customers they already served. These customers knew and understood the firm’s value proposition and were willing to take a chance on them in a new market. Second, they used this to understand local customer demands. With a foothold established in the market, each of our case study firms adjusted its product or service to reflect customer demand. Finally, each used this local knowledge and regional advantages to build a dual customer value proposition: local knowledge with regional capability.

Linfox’s first customer in India was Tata Bluescope, a joint venture between Australia’s BlueScope Steel, an existing domestic customer and India’s Tata Steel. After adjusting to operating in India’s business environment, Linfox gained more customers, including a major producer of fast moving consumer goods. This customer was drawn to Linfox for its local knowledge and presence elsewhere in the region (e.g., China and Malaysia). Having built local expertise, Linfox had a dual customer value proposition that was valuable to its Indian customers: local knowledge coupled with regional capability.

Jetstar used its knowledge of the Vietnamese market, gained from existing customers in Singapore, to relaunch Pacific Airlines as Jetstar Pacific in 2008. Initially focused on the domestic market, Jetstar Pacific responded to customer demand for more regional services, backed by an established brand and trusted service at the regional level.
While it had a customer base in Asia, tna Australia struggled to grow sales of its packaging machines in the region until it introduced a customised product and training materials in local languages. Local customisation, combined with tna’s regional economies of scale in manufacturing and R&D, has been a successful formula for the company.

These three examples illustrate how our case study firms built a customer value proposition by identifying existing Asian customers and developing local products while retaining the advantage of regional capability. The checklist below, while certainly not exhaustive, provides a broad overview of the actions our case study firms considered and implemented to construct a customer value proposition for their Asian businesses.

### Exhibit 8: Checklist for Customer Value Proposition

- Identify differences in business environment and consumer preferences
  - Survey existing clients and customers
  - Review differences in culture, economics and demographics of target country
  - Identify areas of compromise/no compromise for clients and customers

- Localise product or service
  - Create a product that is adaptive to local business environment and consumer preferences
  - Continue to review local consumer and client preferences

- Market regional advantage
  - Identify customer and client needs across region
  - Build off local base and Australian capability to offer a regional value proposition

### 4.2. Growing: Building Relationships

Capturing the opportunity in competitive, relationship-centric Asia is not easy. The firms we studied prioritised geographies and relationships while deploying and protecting intellectual property and expertise.

#### Lessons from Asia: Competitive Markets and Trust

Domestic success for Australian firms does not assure success in Asia. Intense competition from local and international interests in Asian markets can result in an arms race for price, quality, acquisitions and customers. Many local firms offer products and services competitive with those of Australian businesses.

In Asia, as in Australia, relationships and trust are at the centre of doing business. Many writers have argued that relationships are particularly critical in the Asian business world\(^\text{10}\) and it is easy to see why this is true for foreign firms. Local clients and customers must be certain that a foreign firm will not exit the market at the
earliest sign of difficulty. Local clients must also be assured that Australian firms understand the local business environment. Business relationships cannot be conjured from a single visit or acquisition. Asian suppliers and stakeholders require a high level of consistency, reciprocity, courtesy and commitment from foreign firms. An Australian firm entering an Asian market must work to earn the trust it will need to succeed.

**Case Studies: Market Selection**

Careful selection of markets was a key to success for our case study firms. They used their existing customer bases, relationships and research to identify the best markets to enter. Once a beachhead was established, these firms generally began a methodical expansion both in-country and across the region.

Linfox entered China in 1984 at the request of domestic customers looking for a reliable logistics partner. It then expanded with its clients across the region.

Due to already established relationships, HASSELL opened an office in Hong Kong in 1991. This served as a gateway to China as ownership regulations on the mainland eased.

**Case Studies: Relationship Building**

All our case study firms grew on the back of strong relationships, whether through joint ventures, local agents or direct ownership. These relationships encompass all stakeholders: customers, partners and government.

Jetstar has spent years talking with potential business partners and governments. Its executives acknowledge the criticality of long-term relationships in what Asian governments see as a strategic industry. The high bar Jetstar sets for relationships has helped it grasp opportunities in Singapore, Vietnam, Japan and now Hong Kong.

The sales and marketing director of Tangalooma Resort spends five months each year in Asia and has visited China over fifty times in the last decade. He cites his relationships as a key competitive advantage in Tangalooma’s ability to attract and retain agents and customers.

Craig Mostyn is committed to its customers for the long term, and does not abandon them as world prices fluctuate. In addition, if a customer identifies an issue with a Craig Mostyn product, the company will immediately dispatch a representative to rectify the problem. This service ensures the issue is resolved before the next delivery and assures the client of Craig Mostyn’s commitment to quality and to their ongoing relationship.
Case Studies: Expertise and Intellectual Property

Many of our case study firms grew into Asia through the careful deployment of their expertise and intellectual property. Australia’s mature economy has much to offer developing markets, and these companies shared the benefits of their expertise with partners while gaining a foothold in rapidly growing economies.

Crown applied its expertise and intellectual property in the development of Melco Entertainment Group’s casinos in Macau. At the same time, Crown’s one-third stake in the company allows it to protect its intellectual property.

SEEK has taken only minority interests in some of its Asian partners’ businesses, but applies its intellectual property—expertise in online employment marketplaces—to add value to those businesses.

Educational providers across Asia seek out RMIT to assist in course design and teaching. In turn, RMIT only enters partnerships with providers and countries that do not interfere with or compromise its own intellectual property.

Exhibit 9: Checklist for Growth Strategy

- Prioritise markets
  - Identify existing customer bases
  - Size the potential market
  - Complete competitive analysis
  - Identify potential partners
- Prioritise relationships
  - Seek active relationships with clients, partners and government
  - Choose suitable partnership option: JV, full ownership, minority stake
  - Commit to market and relationship
- Apply and protect intellectual property and expertise
  - Identify areas of expertise advantage
  - Engage partners to work off relative strengths in application of expertise
  - Ensure contractual arrangements protect intellectual property and reputation

4.3. Operating: Responding to Diversity and Change

Our case study firms illustrate two key aspects of successful operating models in Asia’s diverse, rapidly changing markets: localisation and agility. Australian companies in Asia are continually challenged by diverse customer groups, developing consumer tastes and strong local competitors that often have lower cost bases. Macroeconomic shocks are likely to remain part of the fabric of the region.
Case Studies: Local Staff and Asian literacy

Successful Australian firms in Asia adapt to local markets and build local teams. They hire and mentor local staff, and are literate in Asian society, politics, economics and cultures.

tna had little success with its original Asian marketing strategy, which was based around centralised teams in Australia. Hiring local sales teams has proved a much more successful model for the innovative manufacturer. Its recent establishment of a factory in China has not only lowered its manufacturing costs but also provided on-the-ground insight into regional demands.

HASSELL’s ratio of local to international staff is 70:30 and Leighton’s is even more striking at 98:2. Tangalooma has sales agents across Asia, runs its own marketing office in South Korea and hires a healthy proportion of Asian staff.

Case Studies: Agility

Our case study firms have innovative operating models, developed through on-the-ground experience, capable of adapting to dynamic market conditions. The ability to learn and respond to change is common across each of the companies we surveyed. In Asia, our case study firms built advantage through agility: they experimented and they adapted.

Our case study firms illustrate the need for experimentation when entering Asian markets. None immediately settled on a winning business strategy. Instead, each learnt from its mistakes and responded to the market conditions.

SEEK tried several different strategies with its Asian partners and experienced setbacks before settling on a model that worked.

Navitas has successively experimented with providing a range of campuses across Asia, Australia, the UK and America. Its ability to forge new partnerships has allowed it to share the economic risk caused by exchange rate fluctuations and regulatory uncertainties, while providing a more complete offering to its customers.

tna Australia’s operating model is heavily based on experimentation and innovation in food packaging. tna experimented with different products and experienced some failures before developing the unique offering its Asian customers demanded. After a slow take-up of its single, incremental improvement, machine offerings, tna realised its Asian customers were seeking a full “turnkey” solution—an entire production line rather than incremental improvements.

Australian firms operating successfully in Asia are adaptable as well as agile. Our case study firms adopted structures, leadership, cultures and systems that suited the external environment. While committed to a shared purpose, they embraced uncertainty, charted new courses and encouraged experimentation. They incorporated uncertainty into planning and enshrined flexibility in their operating models.
Tangalooma has established a non-hierarchical, adaptive organisational structure. Its business groups are trusted and encouraged to originate and implement creative business development ideas, such as a targeted marketing campaign in Singapore and the development of an English hospitality training school for Korean students. This kind of creative thinking has allowed it to adapt quickly to changing economic environments.

Navitas has established capability in a range of areas including English, workforce, creative media and university programs. These groups encourage an entrepreneurial culture and drive competition to perform. The different areas complement each other, in particular by offering students a pathway to a recognised and reputable university degree. This shared purpose combined with an entrepreneurial spirit has driven Navitas’ ability to adapt to its environment and provide a quality educational offering.

Exhibit 10: Checklist for Operating Model

- Localise your operating model
  - Provide training on local culture, society and business practices
  - Give responsibility to local staff
  - Establish mentor programs to train local staff

- Create an adaptive advantage
  - Ensure shared purpose for company
  - Maintain an external orientation
  - Expect constructive dissent
  - Encourage creativity and experimentation
  - Tolerate, and reward, failure
  - Form clear learning and feedback mechanisms
5. Looking Ahead

The firms we interviewed all see their Asian businesses as core to their success. In most cases, these businesses are already valuable financial contributors. In all cases, the firms concerned see their Asian businesses as strengthening them more broadly, including through developing their staff and permitting them to build scale, invest in capacity, technology and IP, and diversify their cost and revenue base. As they integrate into Asia, these firms are becoming more productive and resilient.

As Australian firms grow into Asia, they drive up domestic incomes and living standards. Non-resource exports to Asia are already at A$65b and Australia has A$74b of direct and portfolio investment in the region. Our estimates indicate Australia could add a further A$125b of annual exports above current trajectory by 2021.

In 20 years’ time, many major Australian firms are likely to be integrated into Asian economies. They will operate in markets that are in essence regional rather than national. This move mirrors a historical one in Australia as state-based firms consolidated or expanded to serve a national market, and became more productive under competitive pressure as a result. The benefits this delivered are now taken for granted. In two decades this may be the case for those Australian exporting businesses outside the resource sector that moved early to integrate with Asian economies.

The changes in Australian/Asian business relations also have broad implications for policymakers. Government reform was integral to creating the open and engaged economic and political environment that has distinguished Australia’s engagement with Asia since the 1980s. Australian governments will continue to play a critical role in supporting economic engagement with Asia. This will include continuing to clear obstacles to efficiency gains in the core resource sector.

Our case studies identified two policy areas of importance for Australian competitiveness in Asia: complementary services and political and economic diplomacy. Government controls many complementary services that affect Australian businesses. These exist across tourism, public infrastructure and regulatory structures for services such as health and education. For instance, executives of some of the case study firms observed that greater certainty in the visa process and a streamlining of Australian entry requirements would aid their competitiveness in the region. Enhanced diplomacy was also seen as vital by many of our case study firms. Greater and more consistent government commitment to building important commercial relationships would, they believe, complement their own efforts to build businesses in the region. Our case study teams highlighted the importance of “people-to-people” contacts above and beyond formal diplomatic relations. They saw a vital role for government in facilitating the establishment of grassroots relationships across the region.

Success is not guaranteed. No-one owes us a living. Yet our case study firms—and many others—confirm that Australian businesses can succeed in Asia. These firms faced a choice. They could take risks engaging with Asia, or they could ignore the region and focus on their domestic market. They concluded, as Australia must, that Asia should be engaged. The prize, after all, could be the opportunity of a century.
# Appendix: Full Case Studies

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Australia and New Zealand Banking Group Limited

Profile
The Australia and New Zealand Banking Group Limited (ANZ) has had an Asian presence since 1969, when it opened a representative office in Japan. Since Mike Smith’s appointment as CEO in 2007, ANZ has focused on growing its Asian business. It now has A$7.5b of capital invested in Asia and is Australia’s largest outbound foreign direct investor in Asia. Asia-Pacific sourced revenues are targeted to drive 25-30 percent of Group profit by 2017.

Opportunity
ANZ regards strong growth across the Asia-Pacific in GDP, credit formation, investment and trade flows as a significant opportunity, and is pursuing a strategy to become a “Super Regional” bank. ANZ seeks to expand into high growth Asian markets and high growth industries with strong exposure to the region, including resources, agriculture and infrastructure. It also seeks to align to regional trade and investment flows. ANZ expects the strategy to diversify its funding base and earnings profile by building its business across the region.

Customer value proposition
ANZ provides a broad suite of financial services to institutional, commercial, retail, wealth and private banking customers in Asia, and to Australasian customers who do business in Asia.

For commercial and institutional customers, ANZ provides services including cash management, trade finance, foreign exchange, commodities and debt capital placements that match the regional needs of its customers. The bank seeks to differentiate its offer on the basis of deep industry-sector specialisation and a strong regional network.

For affluent and emerging-affluent Asian customers, ANZ provides wealth management, private banking and retail banking services. The bank is increasing its private banking and wealth management service offering, and increasing its presence in a number of Asian markets.

Growth model
ANZ has followed a predominantly organic growth strategy, with selective partnerships, acquisitions and minority positions in Asian banks. ANZ acquired part of the Asian business of the Royal Bank of Scotland in 2009. The bank has taken several minority positions in Chinese, Malaysian and Indonesian banks, and has formed strategic alliances with banks in several other Asian countries.

It aims to build significant local franchises, providing the full set of banking services across all segments, in Singapore, Greater China, Greater Mekong, Indonesia, Malaysia and the Pacific, and to build a position as a leading foreign bank in Greater China and India. It has built a network presence more broadly across Asia, including nodes in Korea, Thailand and Japan that currently focus on institutional banking.
Operating model
The bank regards its human resources strategy as essential to building a strong, sustainable business in Asia. ANZ has sought to appoint experienced “Asia insiders” for its Asian businesses and to rotate senior leaders through the network.

ANZ’s success in Asia is underpinned by a number of other factors. First, it has made several product innovations—for example, ANZ offers Chinese RMB trade settlement to its New Zealand customers. Second, it has developed a “throw and catch” capability and a customer-centric culture that have resulted in an increasingly integrated set of services offered to customers who operate across the region—for example, Chinese customers can open Australian and Chinese accounts with a single online application. ANZ also operates multilingual call centres and has developed a network of dedicated China and India specialists. Third, it has built major regional operations and technology hubs in Bangalore and Manila, and smaller hubs servicing China and the Pacific, that provide a lower and more flexible cost base, access to deeper pools of talent and better service at lower risk.

Challenges
ANZ has developed the capability to manage a complex regional business, including attracting and retaining talent and responding to a rapidly changing competitive landscape. Such changes include the emergence of Chinese banks as among the world’s largest, very rapid changes in technology and consumer behaviour and, in some markets, less regulated non-bank competitors.

The diverse regulatory and institutional environments across Asia have been a particular challenge to Western banks expanding into Asia. Regional challenges include navigating diverse regulatory, compliance and prudential requirements. Country-specific challenges include ownership restrictions, operational restrictions on the number of branches, product-specific regulation and regulated pricing. China, for example, currently has a 20 percent cap on foreign ownership and Malaysia and India cap foreign bank ownership stakes.

Impact
ANZ’s Super Regional strategy is delivering a number of benefits. It is increasingly a differentiator for it in attracting customers who are doing business across the region from Australia and New Zealand. The contribution of ANZ’s Asia business to Group profit has more than doubled, from 6 percent in 2008 to 13.5 percent in 2011. In the 2011 financial year, its Asian revenues and net profit after tax grew by over 20 percent, while deposits and lending grew by over 40 percent.
Craig Mostyn Group

Profile
The Craig Mostyn Group (Craig Mostyn) has been operating for over 80 years and is one of Australia’s leading diversified food and agribusiness companies. It is a producer and trader of several sought-after food and feedlot products, supplying retail and wholesale customers in more than 60 countries.

Craig Mostyn has been trading in various food commodities with Asia for over 40 years. Major exports to Asia include protein meals for feedlots and aquaculture plants in Indonesia and Malaysia; live lobsters, which are sold exclusively to China; and fresh and chilled pork to Singapore.

Today, Craig Mostyn’s exports to Asia account for approximately 30 percent of its revenue. Pork and lobster exports to Asia each generate around A$40 million a year and protein meal exports to Asia account for around A$15 million of its A$40 million protein trading business.

Opportunity
Craig Mostyn believes the future for Australia’s agribusiness lies in the quality and high value niche. Australia’s production costs are often significantly higher than those of many competing countries—for example, pork production costs are roughly double those in Asia. However, Australia’s quality management practices give it a competitive advantage. Traceability to source is particularly important to many Asian consumers who value guaranteed freedom from chemical residues or GMO ingredients.

Customer value proposition
Craig Mostyn has customised its product range and service model to its Asian customers’ requirements. What Asian markets value is often different from what is valued in the domestic market—for example, filleted pork is valued in Australia but consumers in China value pork on the bone. Asian markets may not be as sensitive as Australian ones to animal welfare issues, but may be more sensitive about chemical additives (e.g., hormones and antibiotics).

Craig Mostyn responds rapidly to feedback from customers. When a customer reports a problem, senior leadership works with production facilities to immediately identify and rectify the source—for example, after feedback from Singapore on the colouring of some pork, a production facilities visit identified the cause as minor bruising caused by hanging the pieces of meat too close together, and the problem was quickly remedied.
Craig Mostyn Group, (continued)

**Growth model**
Craig Mostyn has built its Asian customer base by developing strong relationships with its customers and understanding what they need. Even where products may appear highly commoditised, Craig Mostyn has found that relying on tradeshows or the internet is unlikely to lead to sales. The Craig Mostyn sales team will visit customers’ facilities to really understand their requirements, constraints and how they operate. On occasion it has also flown customers to Australia—for example, so they could teach its butchers how they want specific products to be prepared and presented.

Craig Mostyn has not established production facilities in Asia. It observes that joint ventures in its industry have proved risky for many Australian firms, especially for meat prepared for human consumption. Craig Mostyn is considering joint ventures for local rendering plants that produce meat for feedlots. However, the market has not developed to a point yet where this would be viable.

**Operating model**
Craig Mostyn operates a direct distribution model from Australia and sets long-term export commitments.

Craig Mostyn’s Asian exports are distributed direct from Australia. Orders are processed and dispatched via air freight, and arrive at the customer’s premises by the following day. This also allows for a very quick feedback loop, with phone calls at least daily to discuss quality and volumes.

Craig Mostyn has a long-term commitment to exporting a proportion of its produce to Asia. Unlike many competitors who are driven by short-term price variations, Craig Mostyn does not neglect the Asian market when prices fall below those in the domestic market, nor does it flood the Asian market when prices there are relatively high. This commitment builds invaluable trust and loyalty with its customers, and pays off in the long term.

**Key success factors**
The factors that have allowed Craig Mostyn to succeed in Asia include: building strong, long-term relationships based on mutual trust; really getting to know its customers’ businesses and what they value; and investing for the long term rather than chasing short-term gains.

**Challenges**
The challenges Craig Mostyn has faced in Asia include: limited options to establish local production facilities, given regulatory environments and market conditions; and the need to be more proactive in determining customers’ needs, which may not be as readily apparent as those of domestic customers.

**Impact**
Craig Mostyn has built a solid business in Asia, with several product lines now highly valued by relationship customers. The Asian business generates 30 percent of the firm’s revenues and provides stable cash flows.
Crown Limited

Profile
Crown Limited (Crown) is a leading provider of world-class, integrated resorts offering gaming and entertainment facilities. Crown’s resorts in Australia attract over 25 million visits per year.

Asia has always contributed a substantial proportion of Crown’s international visitors. In FY11 a third of Crown’s revenues, totalling A$800m, were generated by predominantly Asian international visitors. In 2005, Crown established a joint venture, Melco Crown, with Hong Kong’s Melco International. In 2009 Melco Crown opened City of Dreams in Macau.

Opportunity
In 2011, gaming revenue in Macau was more than five times that of Las Vegas. Gaming revenue in Singapore’s two integrated resorts, which opened in 2010, is expected to surpass that of Las Vegas in 2012. Vietnam and the Philippines are constructing new integrated resorts to capture the Asian gambling boom, while Taiwan and Japan are considering enabling legislation.

Growth model
Crown views the rapidly growing Asian gambling market as a key opportunity for its Australian operations, but also acknowledges the need to have operations based in Asia. It has adopted two strategies to support growth: continued local investment and Asian expansion.

Crown has invested heavily in local growth to attract Asian tourists. By number of visits, the Melbourne and Burswood casinos are two of Australia’s most significant tourist destinations and international brands in their own right. Over FY07-FY13 Crown has announced a capital spend of more than A$2.2b to maintain, improve and expand its facilities in Melbourne and Perth.

Crown has used a partnership model to expand its physical assets into Asia. It has 33.65 percent ownership of Melco Crown Entertainment, which is one of six concessionaires in Macau and operates two of the island’s 34 casinos.

Operating model
Crown’s operating model is to be customer focused, provide an innovative and exciting product and leverage its own and Australia’s brand and expertise.

Crown has a relentless focus on customer experience. Through its training facilities and hiring practices Crown aims to ensure its Australian staff members are Asia-literate. Multi-lingual staff members assist customers with their needs and casino services are offered with the Asian customer in mind.

Crown has sought to differentiate its customer offering through innovation. It was an early leader in offering private gambling salons for VIP customers. Privacy, discretion and a complete, integrated experience are key differentiators for the Crown brand in Asia and continue to drive innovation in the organisation.
Crown has adapted its expertise to the Asian market. It provided its intellectual property, expertise and capital in taking a 33.65 percent stake in Melco Crown Entertainment. Crown’s abilities to maintain relationships and adapt its expertise to Asia are now key components of its operating model.

The Australian brand is an important aspect of Crown’s product offering. Australia’s cities, their attractions and their businesses are central reasons for foreign visitors to choose Crown as a destination. Crown customers also care about non-gaming experiences when they visit Australia. While Crown can provide many of these experiences through its integrated resorts, it relies on the Australian brand, infrastructure and some third parties for support. As such, Australia’s status as a top five destination for tourists from countries such as China is an essential driver of Crown’s continued success. The strength of Australia’s brand helps drive customers to Crown’s resorts, while the continued strength of Crown’s brand and offering helps drive Asian tourists to Australia.

**Key success factors**
Crown’s success is driven by: a strong domestic and growing international brand; a partnership model for its expansion into Asia; innovative product offerings; and Australia’s own strong brand.

**Challenges**
As intra-Asian tourism increases, Crown and Australia will have to work to maintain a strong product offering.

Australian visa entry requirements, changing government relations, Australia’s continued need to market its brand and rapidly growing competition in Asia are all challenges to be overcome. Crown argues that Australia’s offering for high value international tourists has become less competitive due to a relatively modest investment in large-scale tourism attractions. New casinos are being established across Asia, with two recently opening in Singapore and Vietnam and the Philippines close behind.

**Impact**
A third of Crown’s business revenues originate from international visitors. Twenty-seven percent of its revenues are from VIP customers, the majority from Asia, specifically China. In HY12 twenty-six percent of Crown’s profits were attributable to the group’s operations in Macau, with the share expected to increase as Macau’s market continues to develop and expand. Crown’s expansion into Asian casinos has informed its understanding of customer requirements, allowed it to build relationships with Asian customers and, in turn, reduced barriers for Asian customers travelling to Australia. They know the Crown brand and Crown understands their needs.
HASSELL

Profile
HASSELL is one of the largest multidisciplinary design practices in the Asia-Pacific region, with expertise in architecture, interior design, urban planning and design, and landscape architecture. It has built a substantial business in China.

In 1991, HASSELL opened a Hong Kong studio by acquiring a local firm, EBC. After winning early master planning and urban design commissions in China, it broadened its Chinese practice to include architecture, interior design and landscape architecture. HASSELL established a studio in Shanghai in 2003 and has progressively won engagements in around 30 Chinese cities. Today, HASSELL employs over 250 people in studios in Shanghai, Hong Kong, Shenzhen, Beijing and Chongqing. It also has studios in Bangkok and Singapore, as well as in the UK, and has won projects in Europe and the Middle East.

Opportunity
HASSELL sees Asia’s growth as central to its multidisciplinary design practice. Asia is the most dynamic part of an increasingly global design industry. The sheer scale of development and the increasingly large and complex development projects undertaken are driving strong demand for integrated design capabilities. On the supply side, Asian designers are highly capable and strengthen the HASSELL team. Asian design experience is increasingly seen as a differentiator in other markets.

Customer value proposition
Asian developers value the scale and multidisciplinary expertise that HASSELL brings from across its practice. For example, the internet giant Alibaba selected HASSELL to design its headquarters in Hangzhou. Developing the Alibaba campus, which stretches across an entire city block, drew on the full range of HASSELL’s disciplines and its mix of global and local expertise and capabilities.

Growth model
Two critical aspects of HASSELL’s growth strategy in Asia are its long-term commitment to the market and the maintenance of full ownership and control of its studios.

HASSELL has maintained its commitment to Asia since the early 1990s. Where other designers switched their focus to the Middle East after the Asian downturn of the late 1990s, HASSELL stayed the course in Asia. Its enduring commitment to China has been fundamental to understanding and gaining the trust of its Chinese customers.

HASSELL has also retained its wholly owned studios rather than the looser arrangements chosen by some less successful entrants into China. By retaining full ownership of its international studios it has been able to bring the best of its global capabilities to bear for each client. HASSELL waited until 2003, when the laws changed to permit wholly-owned foreign entities (WOFEs), before opening its first studio in mainland China.
HASSELL, (continued)

**Operating model**
HASSELL’s operating model in Asia is a mix of commitment and agility. For example, the firm is committed to the Chinese market but responsive to changing client demands and new opportunities across geographies and practice areas.

HASSELL’s staffing model is also designed to be versatile. Its staffing mix, which in China is around 30 percent foreign nationals (including from Asia outside China) and 70 percent local staff, provides a balance of international design expertise, consistency and quality, as well as deep local commitment, experience and understanding.

**Key success factors**
HASSELL’s success in Asia is founded on: its early identification of China as a long-term opportunity; its enduring commitment to and understanding of the region; and the international capabilities it brings to bear while being present and accessible in Asia.

**Challenges**
The challenges HASSELL has faced in Asia include managing demand volatility through the business cycle, developing the versatility to take on diverse projects in Asia, and responding to the increasing sophistication of domestic competitors.

**Impact**
HASSELL is now the largest foreign multidisciplinary design practice in China. Its Asian practice benefits the broader business by: increasing the scale and depth of expertise across design disciplines; increasing the cross-fertilisation of ideas and cultural understanding across geographies; and creating international career opportunities for its staff.
The Jetstar Group

Profile
Jetstar, the low-cost carrier (LCC) brand of the Qantas Group, was launched in Australia in 2004 and is now the most successful LCC ever launched by an incumbent carrier. It is the largest Asia-Pacific LCC. The Jetstar Group of companies has more than 7,000 staff across the Asia-Pacific region. In FY2011, it carried 18.8 million passengers with a fleet of 89 aircraft to over 60 destinations in 16 countries in the Asia-Pacific region. Jetstar Asia carried 2.7m passengers in 2011, an increase of 18 percent on 2010.

The Jetstar Group includes Jetstar Australia, Jetstar New Zealand, and Jetstar International (all wholly owned Qantas subsidiaries), three joint ventures operating in Asia (Jetstar Asia, based in Singapore, Jetstar Pacific, based in Vietnam and Jetstar Japan), and another joint venture in development (based in Hong Kong, and planned to begin operations in 2012 and 2013).

Opportunity
Jetstar views the Asian market as attractive and strategically important. Low cost air travel in Asia is the fastest growing segment in a fast growing market: half the world’s air traffic growth to 2030 is expected to be to, from or within the Asia-Pacific region; and Asian air traffic is expected to almost quadruple over this period. The LCC segment has grown to 25 percent of the Asian passenger aviation market over the past decade and is expected to grow further. Jetstar is confident that its expertise in LCC operations will permit it to grow profitably in Asia over the long term, despite intense competition.

Customer value proposition
Jetstar offers its customers low fares and friendly, frequent service across an expanding Asian network. Jetstar differentiates itself from its competitors with market-leading fares and a strong focus on safety and operating reliability, as well as many innovations on the website, at the airport and in flight. Jetstar’s extensive schedule across the region creates network advantages and allows the airline to offer a broad range of ancillary services, including accommodation, car rental and entertainment solutions. Jetstar also develops solutions, including commercial agreements with other airlines, for business, wholesale and international connecting customers.

Growth model
Jetstar’s growth model is explicitly pan Asian. Jetstar’s scale gives it advantaged access to critical assets including aircraft fleets and operational hubs. Jetstar has committed to a record fleet purchase of 125 Airbus A320 aircraft. Jetstar also hires skilled teams ahead of demand to ensure it can deliver experienced launch teams into each new market.

Jetstar takes a portfolio approach to expanding its network via joint ventures. It builds subregional airlines and links them into a growing regional network using a franchise model that permits rapid growth without heavy capital demands. Jetstar is committed to building relationships with partners, governments and regulators across Asia. Its large regional network and proven LCC capability make it an attractive partner.
The Jetstar Group, (continued)

Operating model
Jetstar’s operating model in Asia is based on franchising to airlines leveraging different traffic rights. This allows it to provide a consistent offer to the customer and leverage scale across the region. Jetstar has developed efficient approaches to each stage of its operations, including direct marketing, efficient ground services, high seat capacity utilisation, high aircraft utilisation and a standardised aircraft fleet. Jetstar focuses on building strong local management teams who understand the local business environment and can engage with governments and regulators. Jetstar may recruit local senior leadership teams from outside the airline industry, supporting them with expatriate experts in advisory roles to help them develop aviation expertise.

Jetstar has adapted all aspects of its operating model to local market requirements. It may use travel agents more heavily than in Australia; its ground service model uses more labour than in Australia; its on-board service model uses local cabin crews, food choices, languages, and in-flight entertainment; and its ancillary services model includes different product bundles and market-relevant products and services.

Jetstar employs an integrated approach to managing all commercial aspects of the Group’s business, including brand, network, pricing, sales and promotions, and its websites. This allows it to transfer insights across markets and geographies in a way that smaller competitors are unable to match.

Key success factors
A number of factors underpin the success of Jetstar’s Asian expansion. Jetstar’s world-leading expertise in LCC management makes it attractive to governments, communities and joint venture partners. Enabled by its increasing scale and innovation, Jetstar operates with the lowest unit cost in its markets, allowing it to sustain fare leadership. Jetstar complements this core expertise by building strong relationships and developing local management teams in each market. It has local strength through its people and global strength through its scale and brand.

Challenges
Jetstar has overcome many challenges in its Asian expansion. Rolling out reliable airline operations in a new market requires deep technical and operational expertise. Governments consider the airline industry strategically sensitive, so engagement with governments and regulators is important and complex. Jetstar’s growth and operations track record show it has the required capabilities.

Impact
Jetstar’s Asian business is key to the growth and diversification of its overall business and has strengthened Qantas’ successful dual brand approach in its domestic market. Jetstar Asia delivered 13.5 percent of the Jetstar Group’s total EBIT of A$169 million. In addition, the Jetstar Group has been able to reduce unit costs by 5 percent every year through access to scale benefits as well as opportunities to leverage labour cost differentials between each of its operating countries. Overall, this has made the Jetstar Group more competitive and consistently able to offer market-leading fares.
The Leighton Group

Profile
Founded in Australia in 1949, the Leighton Group of companies (Leighton) is one of the world’s major contracting, services and project development organisations, and the world’s largest contract miner. It had total revenues of just under A$20b in the 2011 financial year.

Leighton has been operating in Asia since the early 1970s. In 1975, Leighton established a permanent presence in Asia through Leighton Asia, a wholly owned subsidiary headquartered in Hong Kong. Leighton has continued to expand its footprint in Asia through organic growth.

Leighton is now one of Asia’s leading construction and mining service providers, with operations in Hong Kong, Macau, China, Taiwan, Mongolia, the Philippines, Indonesia, Malaysia, Singapore, Brunei, Thailand, Vietnam, Laos, Cambodia, Sri Lanka and India. Leighton’s revenues in Asia exceeded A$2.1b in the 2011 financial year, over 11 percent of the Group’s revenue.

Opportunity
Leighton expects to continue building its businesses in Asia as the flow of opportunities in the region continues to grow. Leighton also expects some of the biggest opportunities to come from Asia’s emerging markets, and it is likely to remain focused on consolidating its successful expansions in Mongolia and India, where demand is strong but domestic expertise and capacity are still developing.

Customer value proposition
Leighton predominantly works for large, long-term clients who value its expertise and track record of successfully delivering large and complex projects, as well as its engagement with the broader community. Leighton provides expertise across the entire life of a project, from design and engineering through to final delivery. Leighton offers a combination of best practice international project delivery experience and sector and geographic diversification. Its expertise in remote area logistics has also played an important role in several major infrastructure projects.

Leighton prides itself on having a positive influence on the communities in which it works. In all its markets, Leighton works to improve safety standards and environmental practices through the way it operates and develops its people and their behaviours. Leighton also contributes to education in the local community—for example in Indonesia alone Leighton trains 200-300 graduates each year through its training programs.

Growth model
Leighton’s growth strategy in Asian countries involves a long-term commitment and participation in selected sectors through organic growth. The ownership model is specific to each country. A long-term commitment to Asia is a fundamental part of its strategy. Leighton’s consistent participation and relevance in Asia through many decades and economic cycles are testament to this commitment. Leighton sees Asia as a rich part of its history and a core part of its future.
Leighton’s expansion in Asia has mostly been achieved through incremental organic growth, enabling it to build an integrated platform and to be selective about its participation in markets and projects where its expertise complements the local skill-set. Organic growth has been possible because of Leighton’s investment in relationships and reputation in the region.

Leighton’s preferred ownership model in Asia is specific to each country and tailored to its particular economic and political environment. For example, in India, Leighton chooses to partner with local firms that can provide guidance on local issues, but it has a 100 percent ownership model in its Indonesian contract mining and infrastructure businesses.

**Operating model**
Leighton’s operating practices in Asia include a consistent local presence, a high proportion of local employees, and a balance of centralised and decentralised decision-making.

Ninety-eight percent of Leighton’s total employees in Asia are locals. Around 50 percent of managers are expatriates. This ensures international best practice is embedded in Leighton’s in-country approach, as well as local knowledge.

Leighton has centralised capital and risk decision-making, but decentralised project oversight. The Leighton Group board and management provide guidance on major investment decisions in new markets and higher risk projects. Decision-making and accountability for most of Leighton’s Asian business sit with Hong Kong-based Leighton Asia, India and Offshore, which has responsibility for project decisions and oversight.

**Key success factors**
Leighton’s success in Asia is due to: its long-term commitment to Asian markets; tailoring its approach to the specific attributes of each country; participating in sectors where Leighton’s skills in complex projects are most valuable; and willingness to engage early with local leaders on the communities’ long-term development needs and aspirations. Leighton also differentiates itself by providing an absolute focus on safety in its operations. It is recognised as being able to deliver with certainty on time, cost and quality.

**Challenges**
Key challenges that Leighton has faced in Asia include: competition from increasingly sophisticated and mature local construction and contract mining companies; and the navigation of complex regulatory and political environments. To overcome these challenges Leighton is very selective about the projects it pursues.

**Impact**
Leighton’s business in Asia has been a significant growth engine for the Group. It has also strengthened Leighton’s capabilities through cross-fertilisation of experience and skills across its Asian and non-Asian businesses.
Linfox Logistics

Profile
Linfox Logistics (Linfox) is Australia’s largest privately held logistics company. It delivers supply chain solutions across Asia Pacific, including domestic transport and warehousing, cold chain support, and supply chain network design.

Linfox’s expansion into Asia began in Malaysia in the 1980s. It has since grown into Thailand, China, Singapore, Indonesia, the Philippines, Vietnam and India. Linfox has chosen to focus on in-country domestic logistics and supply chain support.

Opportunity
Linfox expects a progressive transformation of the Asian logistics industry. Asian governments continue to make large investments in infrastructure, opening up opportunities to link and serve the growing middle class across urban and rural regions.

Linfox also expects “one-size-fits-all” supply chains to be increasingly graded for different products. In anticipation of continued growth in the size and sophistication of Asian markets, Linfox is focused on building its footprint in Asia and demonstrating to customers how its premium logistics service creates value.

Customer value proposition
Linfox’s proposition to its customers in Asia is a premium, customised service. Linfox’s customers choose “effective” over “cheap”. They derive value from superior service—for example, inventory reductions through just-in-time deliveries and solutions tailored to their unique needs.

Growth model
Linfox’s growth model is to: expand with its customers; enter markets via organic expansion (with joint ventures if required); and prioritise growth in countries with maturing regulatory environments. Linfox expanded into Asia in response to the needs of multinational customers including Unilever, Tesco, ExxonMobil, BlueScope Steel and the Tata group. These companies have aggressive growth targets across Asia that require sophisticated, consistent and reliable supply chains. Linfox has progressively grown with these customers.

Early in Linfox’s expansion in Asia, regulators typically required foreign operators to form joint ventures with local firms. Linfox sought to move over time to full ownership and control. After progressive deregulations, Linfox now has only one joint venture left in Asia. Linfox also seeks to minimise operational risk by growing into countries with mature regulatory, legal and banking systems.
Linfox Logistics, (continued)

Operating model
In Asia as in Australia, Linfox relies on an asset-heavy and employee-heavy model, with selective use of leasing and subcontractors. Limiting the use of subcontractors permits a range of practices that increase efficiency and improve performance, including an emphasis on accountability, structured staff training and development, and staff transfers between Australia and Asia.

Continual innovations that have historically increased Linfox’s productivity in Australia by 1-2 percent per year have been deployed in Asia and are the basis for step-change improvements. Linfox’s Australian business benefits in return from innovations developed from managing Asia’s enormous growth. Linfox has developed a deep understanding of local Asian business environments after 25 years’ experience operating in Asia and adapting to local Asian markets.

Linfox has adopted a matrix organisational structure with a business unit overlay to enable effective, efficient decision-making, capital allocation and knowledge transfer. Linfox centrally allocates capital and resources by applying a priority ranking system based on quality of opportunity and customer importance. The matrix structure also enables effective knowledge transfer within business units and across geographies.

Key success factors
The success of Linfox’s Asian expansion is due to its logistics and supply chain expertise, continual innovation, understanding of local Asian markets, and willingness to listen to customers and tailor individual solutions for them.

Linfox’s operational experience in Australia has also proved an advantage when expanding into Asian regions with less developed infrastructure.

Challenges
Linfox has faced a number of challenges in the diverse business environments across Asia, shaped in particular by regulation, infrastructure and culture. The cost and complexity of doing business are increased by differences in regulations across countries and, in large countries like India and China, across states or provinces. The quality of transport infrastructure is also variable.

Linfox also faces the challenges of running a large, complex organisation in multiple geographies and cultures. For example, 12,000 of Linfox’s 19,200 employees are now in Asia (only 13 are expatriates) and 20 different languages are spoken across the firm. Linfox continually works to embed its safety culture and standards into local operations, including in areas where logistics firms and road users have traditionally placed a lower priority on safety.

Impact
Linfox’s Asian business is profitable and growing at twice the rate of its non-resource Australian business. Many of its Asian business innovations are applicable in the mature Australian and New Zealand markets. Linfox’s Asian business also contributes to scale economies—for example, in fleet purchases.

Linfox’s success in Asia benefits Australia more broadly as the costs of trade between Australia and Asia reduce as regional supply chains improve.
Navitas Limited

Profile
Navitas Limited (Navitas) was founded in 1994 as a provider of pathway courses for international students wanting to enter English-speaking universities. The Group has over 83,000 students per year studying in 23 countries.

Navitas’ first students came from Asia, predominantly Hong Kong, Indonesia, Malaysia and Singapore. Since then, Asian students have remained its core customer base, ensuring the region is fundamental to Navitas’ strategy.

Opportunity
Navitas predicts that a rising Asia will drive growing demand for its services.

Customer value proposition
Navitas’ customers are seeking a high quality education experience that will lead to a place in an Australian, American, Canadian or British university. Students appreciate the certainty of knowing they will receive individual, personalised services from well regarded administrative and teaching staff.

Growth model
From beginnings with one university partner, Navitas has grown to include nine UK partners, two in Canada, five in America and 10 across Australia. Navitas’ growth model is built around two principles: partnership and diversification underpinned by strong agent reach and management.

Navitas operates regional offices to assist its colleges in-country and provide on-the-ground support to its recruitment agent network. In Asia, Navitas’ regional office network spans Vietnam, India, China, Japan and Hong Kong. Working in tandem with its regional offices, Navitas has developed strong relationships with local recruitment agencies to attract students to both its in-country and out-of-country campuses.

Navitas has adapted its growth model to new opportunities. Navitas manages Curtin University, a Western Australia-based tertiary institution, campuses in Singapore and Sydney, where it also has a relationship with Melbourne-based La Trobe University. It operates a co-branded college with Edith Cowan University in Sri Lanka. In each case, Navitas has used its reputation as a strong operator and provider of quality education to capture additional growth opportunities.

Navitas needs a critical mass of students at each campus to ensure viability. As it continues to expand it will have to select markets carefully to ensure sustained demand for its product.
Navitas Limited, (continued)

**Operating model**

Navitas’ operating model is to provide high quality education at a diverse range of institutions and locations through the establishment of strong relationships with partner universities.

Navitas provides a high quality education experience. Its on-campus offering, individualised teaching model and long-term commitment to Asia are vital components of its operating model. Unlike many of its peers, Navitas has a pathway program that offers a fully integrated and approved first-year university curriculum. This proposition is attractive to both universities and students as it provides additional certainty that successful students will eventually obtain a university place. It is Navitas’ consistent provision of a high quality product that drives its success in Asia.

Navitas has developed a diversified range of offerings in different education sectors across the world. The reach of its campuses in Australia, UK, Canada, Singapore and America assist it to mitigate changes in exchange rates and the desirability of education destinations. Exchange rate fluctuations and changing regulatory structures create uncertainty in the education market. Navitas has hedged changes to visa schemes, fluctuating exchange rates and requirements for course accreditation by ensuring diversity in its educational offering.

Strong relationships help Navitas offer a competitive product. It works closely with governments to guarantee its courses meet regulatory requirements.

Navitas’ partnerships with universities across the globe give them access to its intellectual property for their students. These close relationships ensure the quality and stability of Navitas’ product.

**Key success factors**

Success at Navitas has been driven by five factors: relentless focus on quality and successful student outcomes; diversification of product; strong relationships; local knowledge; and adaptability to new opportunities.

**Challenges**

Navitas’ challenges are driven by macroeconomic and political uncertainties. Emerging markets remain volatile and Navitas, with its university partners, must carefully select markets and price points to support sustained demand. In addition, changes in exchange rates and government regulations create uncertainty around Navitas’ product offering, so it must hedge its risk across a diverse set of assets to minimise disruption to its business.

**Impact**

Navitas was listed on the Australian stock market in 2004. Revenues in 2011 were A$643m and are anticipated to approach A$1b in the near future. In FY11 the group recorded 20 percent full-year profit growth. Return on capital employed in 2011 was 50 percent.
RMIT University

Profile
RMIT University (RMIT), founded in 1887, is a global university of technology and design. It is Australia’s largest tertiary institution and offers degrees and diplomas in a range of vocational and professional disciplines.

RMIT delivers education to 74,000 students every year, both onshore and overseas. Thirty thousand of these students are international, predominantly Asian. Thirteen thousand international students take classes on-campus in Australia. RMIT first established its offshore program in 1987 through a partnership with Singapore’s Institute of Management. Today, 11,000 RMIT students are enrolled in over 25 award programs across 13 international partners. A further 6,000 students are taught in two RMIT campuses in Vietnam.

Opportunity
As Asia’s middle-class continues to grow, RMIT predicts demand for its education services will also grow.

Customer value proposition
RMIT provides internationally recognised tertiary diplomas and degrees at both onshore and offshore campuses. Offshore students are given a pathway to studying in Australia through completing an RMIT-accredited course.

Growth model
RMIT’s growth model is founded on two principles: relationships and strict protection of intellectual property and expertise.

RMIT has relied on strong relationships to expand its presence in Asia. RMIT teaches 25 award programs through partnerships in China, Hong Kong, Japan, Malaysia, Singapore and Sri Lanka. RMIT offers its expertise and intellectual property to education partners. In return, RMIT receives a proportion of student fees. In addition, RMIT owns and manages two campuses in Vietnam. These are RMIT-branded and provide education to 6,000 students. Both these growth strategies have been aided by RMIT’s focus on building relationships with both government and local educational institutions. These relationships allowed RMIT to become one of the first major international tertiary institutions allowed into Vietnam under a private model. Relationships also provide confidence for RMIT and its stakeholders that partner universities will deliver a quality product.

RMIT is strict about the application and protection of its intellectual property and expertise. The academic standards, staffing, curriculum and coursework of all RMIT’s courses are centralised. RMIT refuses to work with any partner that may compromise its intellectual freedom. RMIT depends on its reputation for high-quality tertiary education, both domestically and overseas, and does everything possible to ensure its intellectual property is protected and its expertise is applied appropriately.
RMIT University, (continued)

Operating model

RMIT’s operating model is to provide personal high-quality education to meet the changing demands of a diversified range of economies.

RMIT has invested in understanding its Asian students. Since receiving its first international students in the 1950s and then starting an offshore program in 1987, RMIT has understood the motivations of its Asian students. Often business-focused, with a clear eye on the professional outcomes of a tertiary degree, RMIT has adjusted its offerings to reflect those students’ demands—for example, the majority of classes offered by RMIT in Asia are business-related. This has also meant an increasing reliance on local staff to both teach students and keep RMIT informed of changing trends in the demographic groups served. Understanding students and local staff has been key to RMIT’s successful operating model.

RMIT has sought to implement an adaptive operating model and systems to meet the diverse opportunities of the region. Academic staff and the international program have been allowed to experiment with different models, partners and structures. Since 1987, setbacks in RMIT’s Asian expansion have including the closing of an off-shore campus in Malaysia in 1997. RMIT has now settled on a clearer strategy for Asian expansion. This, and RMIT’s continued success with other international programs, would not have been possible without a period of experimentation. In addition, RMIT has adaptive systems to handle the changing dynamics of Asia. These include a broad range of partners across many different economies, with options for both onshore and offshore education. Such a system shares the risks of macroeconomic shocks, high exchange rates and regulatory uncertainty across different partners and across different groups in the university. In a constantly changing global environment, RMIT recognises the need to be a global and adaptive player to be competitive.

Key success factors

A strong international reputation, early identification of the Asian opportunity, long-term commitment to the region, an emphasis on relationships, an ability to adapt and a strong understanding of local demands have been key success factors for RMIT.

Challenges

A high exchange rate, protecting its intellectual property and increasing competition from both private institutions and universities in Asia are key challenges for RMIT.

Impact

More than a third of RMIT’s students and over 25 percent of its revenues come from international students. Asian engagement is vital to RMIT’s continued expansion of offerings and geographies. In addition RMIT has increased its understanding of Asian students’ needs and is now more capable of offering them the services they demand.
Sedgman Limited

Profile
Sedgman Limited (Sedgman) designs, builds and operates coal and mineral processing facilities. Established in 1979 and listed on the ASX in 2006, the firm is a global leader in coal processing and sustainable solutions for mineral processing. Sedgman has extensive operations in Australia, Africa, South America and Asia.

Sedgman has provided design work for coal and mineral processing facilities across Asia since the early 1990s, including in Indonesia, China, Myanmar, Cambodia and India. In addition, it has designed, built and now operates the processing facility at the Ukhaa Khudag coking coal mine in Mongolia. Sedgman established its office in Beijing in 2008 to focus on northeast Asian opportunities. It chose Wholly Owned Foreign Entity (WOFE) status in order to signal its long-term commitment to the Chinese market. Recently the firm opened a design hub in Shanghai.

Opportunity
Sedgman believes the global commodity boom will continue to provide rich commercial opportunities for its services across the globe, especially in Asia. It also sees Asia as an important region for the procurement of components and as a base from which to provide engineering services.

Customer value proposition
Sedgman helps its clients maximise their economic return from their coal and mineral assets through high quality, high tech, tested and innovative total processing solutions. Sedgman serves the higher specification, higher margin end of the market. It has been at the forefront of innovations such as a remote control hub located in Brisbane that can monitor and operate Sedgman’s facilities across the globe.

Sedgman customises its product to the individual demands of its clients. For example, it built Mongolia’s first modern coal processing operation, which can operate across extreme weather conditions (including an 80 degree Celsius annual temperature range).

Growth model
Sedgman’s growth model is to prioritise markets, manage risk and develop relationships. Sedgman recognises that it must commit time, effort and money to the region in order to become a trusted operator in Asia. It has prioritised northeast Asia as its growth market in the region. In 2008 Sedgman established an office in Beijing, followed by the opening of a design hub in Shanghai.

Sedgman manages the risk of its Asian projects. In Mongolia, Sedgman initially agreed a contract structure that allocated construction and operational risk to its mining company client. After successfully completing the early phases of the project, Sedgman is considering assuming more construction risk.

Sedgman is sensitive to the relationship dynamics and local business cultures in each of its markets. For example, it recognises that some Chinese business cultures place a higher importance on personal relationships than is common in markets where a commercial contract environment predominates.
Sedgman Limited, (continued)

**Operating model**
Sedgman’s Asian businesses are essential components of its operating model in three areas: commercial; procurement; and engineering. First, Sedgman is in Asia to secure commercial projects designing and operating coal and mineral processing facilities. Second, expanding its procurement operations in Asia gives Sedgman greater scope to bring down purchasing costs and remain competitive. Finally, Sedgman has begun a design hub in Asia to diversify its cost base, create further regional cost advantages and establish itself as a committed brand in the region.

To implement this model Sedgman has developed a localised and adaptable operating model that places clear responsibility for growth with regional executive heads. These are typically expatriates, but Sedgman also hires, trains and mentors local staff. In addition, Sedgman will fly staff to Australia for training and to learn from the broader business. This practice, alongside Sedgman’s efforts to promote cross-cultural understanding inside its business, helps the company localise its services while retaining quality control.

**Challenges**
Shifting exchange rates, volatile commodity prices, talent shortages and the diverse business cultures across Asia remain challenges for Sedgman.

**Impact**
Sedgman’s Asian operations are expected to grow strongly. Through its Chinese design hub and procurement offices, Sedgman is developing a diversified cost base.
SEEK Limited

Profile
SEEK Limited (SEEK) was founded in 1997. It is the world’s largest online job board company in terms of market capitalisation and has exposure to over 2 billion people. It has produced 31 percent revenue growth and 49 percent EBITDA growth year-on-year since 2003. SEEK owns 56 percent of Zhaopin (China), 22 percent of JobStreet and 55.2 percent of JobsDB (both in South East Asia), and has stakes in Brazilian and Mexican companies.

Opportunity
SEEK believes the online recruitment market in Asia will continue to grow strongly. As the Asian white collar job market grows and internet access broadens, job advertising will continue to migrate from print to online channels. SEEK believes it is well positioned to participate in this growth by deploying the capabilities it has developed in the Australian online jobs market.

Customer value proposition
SEEK and its international associates in their respective markets offer jobseekers and advertisers access to a large, high quality pool of potential matches. The development of new products and services that improve job seeker and advertiser experiences is a key focus.

Growth model
SEEK has elected to grow by taking stakes in leading job boards in a range of geographies and providing active strategic and operational support to local management teams. SEEK invests in companies that: have attractive valuations; are market leaders in their local online employment markets; have strong financial and risk management governance frameworks; and operate in large, attractive growth markets. In contrast to some other global online recruitment companies, SEEK does not attempt to replace its acquisitions’ brands with the SEEK consumer brand, as it recognises that to most job seekers and advertisers, the job market is local.

Operating model
Once SEEK has secured an investment, it advises and supports strong local management teams that have a track record of success and retain responsibility for outcomes. SEEK helps its portfolio firms capture the benefits of market and brand leadership by focusing on what it has learnt across markets about the main drivers of success for online job boards. SEEK has a dedicated Australian-based team that supports its international investments. It sends project teams overseas to assist with the planning and execution of specific projects. Transfers between portfolio firms are uncommon, however, due to the specificity of roles in local markets and cultural and language differences.
Key success factors
SEEK’s success in Asia is due to: its early recognition that it could apply what it had learnt in the Australian market in other markets; its adherence to strict investment selection criteria; and the strategic and operational advice it provides to its high calibre local management teams.

Challenges
The dynamic and diverse online environment in Asia presents challenges. Internet penetration, consumer needs and formats vary across the region. SEEK also responds to shifts in online behaviour, such as the migration to social media and the rise of mobile. SEEK has faced regulatory challenges in Asia around foreign direct investment and internet licensing. The diversity of its portfolio of businesses means communication and cultural awareness are critical to ensuring alignment between SEEK and its investment partners.

Impact
SEEK’s Asian business is a valuable and rapidly growing part of the firm. In the 2011 financial year, SEEK’s combined Asian profits were A$12.1m or 12.5 percent of total profits. SEEK repatriates dividends from international investments to Australia, and to date has received A$2.3m in total dividends from JobStreet in South East Asia.
Tangalooma Island Resort

Profile
Tangalooma Island Resort (Tangalooma) is a family-owned, eco-style resort 75 minutes from Brisbane on Moreton Island. In the late 1990s, Tangalooma began making a concerted effort to meet the demands of emerging markets in Asia. Today, Asian visitors make up approximately 50 percent of Tangalooma’s customers. It has three representative offices in Shanghai, India and Thailand, as well as a Tangalooma-managed office in South Korea. In 2010 the resort announced the establishment of a hospitality and language training school for Korean students, housed on the island.

Opportunity and customer value proposition
Tangalooma views the rise of the Asian tourist, and specifically the Chinese tourist, as the biggest factor impacting Australian tourism exports in the next decade. Tangalooma provides nature-based tourism for international and domestic customers looking for a relaxing Australian holiday experience.

Growth model
Three components are key to Tangalooma’s Asian strategy: consistent development of relationships in Asia; professional and targeted marketing campaigns; and a diversified offering.

Since the late 1990s, Tangalooma has invested heavily in links and relationships in the Asian region. The sales and marketing director spends around five months of the year in Asia and has made over 50 trips to China in the last decade. Sales and marketing managers make bi-monthly training and sales trips to the firm’s primary Asian markets. The company has developed a history of enduring and unconditional partnership with Asia, and maintained business-as-usual during events such as the SARS pandemic, terrorism events and the global financial crisis.

The recent closure of some Queensland island resorts indicates that businesses are less likely to withstand market pressures if they remain focused on traditional markets or overlook opportunities to diversify into adjacent opportunities.

Tangalooma has targeted marketing to the growing Asian luxury tourism market. It has developed a range of unconventional marketing approaches, such as co-marketing with large retail chains that tap into its target demographic and socio-economic groups. The company has also grown its social media and online marketing presence with strong links to its key Asian markets. These targeted campaigns have led to tangible increases in Tangalooma’s business by promoting its brand to potential tourists and signalling Tangalooma’s commitment to the Asian market to its sales partners.

Tangalooma has shown a clear ability to diversify its value proposition to the changing demands of Asian markets. In addition to the traditional markets of the UK, Europe and America, Tangalooma’s visitors are from India, China, Korea, South East Asia and many other parts of Asia. This diversity of markets shields Tangalooma from downturns and low season periods, as different parts of the region all have different holiday periods.
Tangalooma has also diversified its offering in response to Asian demand with the opening of its hospitality and English training school. Recognising a gap in the market, the school offers Korean students a unique opportunity to develop hospitality skills in an English-speaking context through an eight-week course followed by two months of guaranteed paid work on the island.

Operating model
Tangalooma’s operating model has focused on understanding the customer, providing a personal experience and responding quickly to changing opportunities.

Understanding the different customer segments of Asia and providing those segments with a personalised experience have been key features of Tangalooma’s success. Its staff members are Asia-literate; speakers of Mandarin, Cantonese, Korean, Japanese and Hindi are available onsite. Brochures, maps and other marketing materials are accessible in a range of Asian languages.

Tangalooma responds quickly to customer views—for example, when many of its Asian customers seemed unexcited by a popular activity for Australian visitors, sand tobogganing, it realised they were looking for something more luxurious that would be difficult to experience in their home countries. The resort’s new offerings of customised helicopter tours, ATV Quad bike tours and parasailing quickly sold out to these customers.

The company prides itself on its ability to be an active player in the tourism market. Initiatives such as the hospitality training school, its early entry into the Chinese tourism market and the establishment of a self-managed office in Korea are examples of Tangalooma’s ability to adjust to emerging trends in a dynamic region. It believes this is a result of the business being family-owned, which gives it a competitive advantage versus publicly-owned competitors as it is able to make senior-level decisions on a daily basis or whenever required.

Key success factors
Tangalooma’s position as a Western tourism destination close to major transport hubs, targeted Asian marketing, provision of a personal holiday experience and adaptability to the market are key drivers of its success.

Challenges
Success has not been without challenges. Tangalooma has had to invest ahead and commit to the Asian relationship for the long term. This involved a substantial initial outlay before the pay-off became clear. Macro risks such as a financial crisis or natural disaster can also disrupt the business in unexpected ways. Maintaining a long-term view and the diversification of revenue streams have helped to mitigate these challenges.

Impact
Tangalooma’s Asian focus has given it access to a substantial, growing market that also smooths the seasonality and volatility of its business. In the late 1990s its customer base was 80 percent domestic and 20 percent international. Today, the split is 50:50. Four years ago, the resort had approximately 5,000 Chinese tourists visiting its resort each year. It has since quadrupled that number.
Imagining Australia in the Asian Century

Profile

**tna** Australia Pty Limited (**tna**) designs and manufactures food processing systems, primarily for snack foods. Founded in 1982, **tna** has installed over 6,000 systems in more than 120 countries. **tna** entered the Asian market in 1996 with sales in the Philippines, then Indonesia, Thailand, Korea and Japan. China has become a key market in the last two years.

Opportunity

**tna** expects Asia to be its major growth market. As packaged food demand grows and labour costs rise in Asia, **tna** is confident that demand for its labour-saving systems will continue to grow.

Customer value proposition

**tna** provides high-quality manufacturing systems or components for food processing companies. With a goal of “sophisticated simplicity”, **tna**’s systems are designed to increase productivity and improve the quality of its customers’ products.

Growth model

**tna** began its international expansion in 1987. Today it is present in 85 percent of the addressable global market for food packaging systems. **tna**’s sales force comprises in-country **tna**-employed representatives who sell to individual countries or regions. **tna**’s initial Asian expansion was managed by a sales force based in Australia, but it recognised the need to develop an Asian-based in-house sales capability to ensure **tna**’s product was presented in a credible, in-depth and clear fashion, while developing relationships and responding to conditions in local markets.

**tna** designs and manufactures its most sophisticated machines in Australia, and opened its own factory in China in 2011. The factory is now focused on simpler subassemblies and is expected to transition to more sophisticated systems. Machines and training teams are then sent from key regions to its clients as needed.

Operating model

**tna**’s operating model is based on world-leading innovative products and product line extensions, and responsiveness to customer needs.

Innovation and product line extension lie at the core of **tna**’s business. Since developing its first product in 1983, a bagging machine, **tna** has developed food processing solutions including seasoning, distribution, weighing and product testing. Its ability to innovate and the strength of its existing products have kept it competitive despite exchange rate challenges.
tna Australia Pty Limited, (continued)

**tna** has adapted to customer demands and the competitive environment in Asia. While **tna’s** customers in Europe and North America typically bought single components that they would integrate into their existing systems, this approach was less attractive to Asian customers, who had more labour-intensive processes and less in-house engineering capability. These manufacturers wanted a “turnkey” integrated system that would transform their production processes. **tna’s** completion and integration of its product line created a viable proposition for the region.

**tna** has positioned itself at the high-performance, higher-price end of the food packaging process machinery market. **tna’s** sales presence in Asia and its factory in China help it to counter its main Asian-based competitor, which has cost advantages in a price-sensitive local market.

**Key success factors**

Innovation, adaptability, a focus on customer needs and steady, centrally led expansion have been central to the success of **tna** in Asia.

**Challenges**

**tna’s** Asian strategy has had to combat challenges including a high exchange rate, the complexity of operating across cultures, competition from within the region and different customer demands.

**Impact**

Asia makes up 10-15 percent of **tna’s** sales. With much of the region still greenfields for its food processing equipment, **tna** expects to expand this to 20 percent by 2015.
1. For this report, Asia includes China (excluding SARs), Hong Kong, India, Indonesia, Japan, Republic of Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, and Vietnam.


3. Data are based on sales and pertain only to public companies. Number of companies in 2020 estimated using two approaches: 1) Using 2005-10 CAGR of current >$50m companies in sales and calculating how many fall in $1b+ category; 2) Growth rate of number of $1b+ companies in 2000-10 used to estimate number of companies in 2020. Source: The Boston Consulting Group, Thomson One Banker.

4. In addition, and not covered in this report, Australian firms and Australia more generally benefit from imports and from incoming FDI and portfolio investment.

5. Note: sector-level trade data omits confidential items that in some cases may be material.


10. Economist Intelligence Unit, Asia Competition Barometer 2012, available online from [http://www.managementthinking.eiu.com/]


20. Economist Intelligence Unit, Asia Competition Barometer 2012, available online from [http://www.managementthinking.eiu.com/]
22. Ibid
24. Homi Kharas, an analyst at the Brookings Institution, defines the middle-class as households spending US$10-100 per person per day in purchasing power parity terms.
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