

Successful Marketing Strategies in Emerging Markets: Focusing on the Southeast Asian Market

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The global market is facing numerous changes nowadays, and also is the Southeast Asian market. Among those of some other regions, the Southeast Asian market is especially important to Korea for many reasons since it is one of the rapidly emerging markets, is geographically close to Korea, and has fair conditions for investigation. And in order to succeed in Southeast Asian markets, thorough examination about the countries is in need. This article catches a glimpse of the global market, the current status and changes of Southeast Asian markets, and Korean firms now doing business in these markets. Also, the article suggests some tips for successful marketing strategies.

Key words: emerging markets, Southeast Asia, Korean firms, marketing strategies

I. Current Status of the Global Market in 2013

According to the report by SERI (Samsung Economic Research Institute), the global market is experiencing continuous slow growth amid of fiscal austerity by developed countries. In the middle of such harsh economic conditions, conflicts among countries are getting more intense for their own benefits. Global ex-

change rate conflict, spread of regulation on multinational corporations, and competition between US and China to dominate Asian markets are all examples of such conflicts that are going on right now. Also, the new renewable energy industry, once known as a golden goose continues to struggle while struggle for leadership in newly emerging mobile industry is getting fierce. Efforts to attract manufacturing industry are raging. In the political and social side, diplomatic conflicts are getting intense in

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Northeast Asia region such as territorial dispute between China and Japan, and also political anxiety is expanding in Middle East. In short, conflicts are getting deeper globally due to pain-sharing in the middle of low growth era. Such contents are summarized in Figure 1.

amount of international division of labor has been accomplished. However, experts from Mirae Asset Financial Group say that in 2013, divestment is being made in China due to sluggish Chinese economy caused by the debt problem of local governments, credit crunch and reduction in facility investment. This phenomenon can be confirmed in Figure 2 below.

II. Current Status of the Emerging Markets

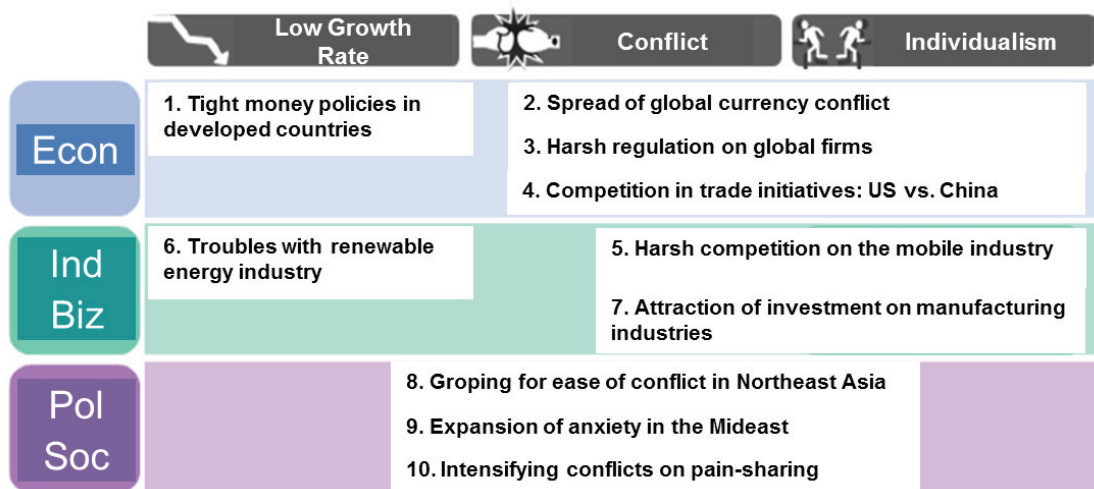
2.1 China

Since 2004, China has been the biggest counterpart in trade as Korea is experiencing continuous trade surplus against China. According to the announcement by the Ministry of Foreign Affairs and Trade, products that are being exported and imported are mainly intermediary goods and raw materials. Also, a considerable

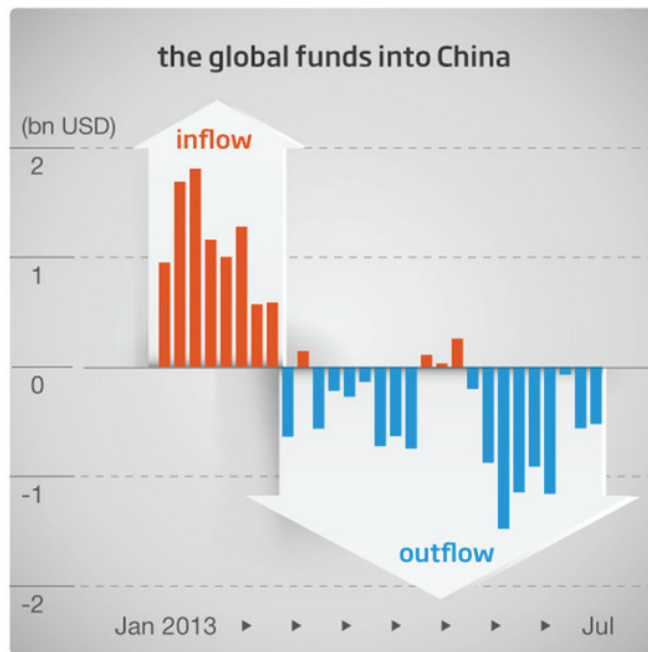
2.2 Latin America

The economy of Latin America has progressed rapidly for last couple of years - its economic proportion has increased to 8.2% of the world by 2011. In 2013, Latin America's market size is up to 5,499 billion dollars. Also, Latin America is one of Korea's major trading partners, taking up to 7.2% of total export amount and known as trade surplus region. Considering the geographical condition and the

<Figure 1> Global Market in 2013



<Figure 2> Global Funds into China



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fact that most of countries in Latin America regions are developing countries, offshore plant, infrastructure of transportation, industry regarding security equipment are seen as businesses with good prospects. However, Latin America's main countries which were enjoying continuous growth, are experiencing financial turmoil along with plunge in export, growth rate, stock market, and increase in exchange rate (see Figure 3). The main reason for such financial turmoil is that while countries in Latin America have high dependency with Europe in their export, Europe is going through recession after the break out of financial crisis. They also have high trading dependency with China,

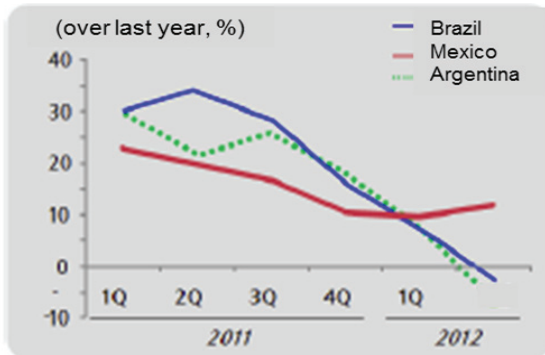
which is also experiencing low economic growth due to sluggish investment. Furthermore, SERI analyzed that deteriorated investment environment caused by corruption, bureaucracy, unstable labor relations is also making market condition in Latin America more hostile.

2.3 Africa

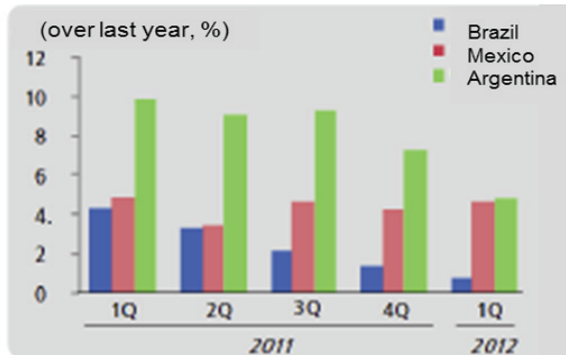
Africa is the only continent with growing population, and all of the areas are going through the economic growth evenly. Consequently, service industry is increasing fast along with such growth. From 2001 to 2012, Africa has recorded 5~7% economic growth annually,

<Figure 3> Economic Conditions in the Mideast

Rate of export increase in the Mideast



Economic growth rate in the Mideast



thanks to increased price of raw material, in-flow of foreign direct investment, and political stabilization. Nevertheless, old and inadequate infrastructures from each country still stand as the main obstacle for continuous growth. Today, even though numbers of Korean firms are actively entering into African market with North Africa as the center, especially in the construction industry, still Europe and China is dominating the market (MTN). Therefore, institutions such as KOTRA (Korea Trade-Investment Promotion Agency) are promoting the entrance into African market, with the three following key words: electric power, technology transfer, and public aid.

2.4 Middle East

According to the report by PROLEADS, the construction industry has entered in to Middle East the most among others, and most of construction projects reside in Saudi Arabia and

UAE. However, officials from KOTRA said that main region for export is moving to Levant region such as Jordan, Syria, and Iraq, as Levant region is recently recording high economic growth rate at around 5% even though its population and per capita income remains at 60million and 2,500 dollars respectively. In addition, integrated communication service has recently emerged centering from UAE, due to its geographical advantage as Middle East is located in the mid-spot of Asia, Africa, and Europe. Exports of electronic products from Samsung and LG, automobile parts, and used cars are also very active.

Korea's history of trade with Middle East is relatively shorter when compared with other regions, and level of awareness is also low. Even so, Middle East ranks 2nd in trading amount among continents as it contains large amount of crude oil and gas, making it very attractable market. Nevertheless, myriads of political and diplomatic issues remain in this

region - constant efforts must be made to increase economic cooperation with Middle East.

III. Current Status of Southeast Asia

3.1 Overview

The four main countries in Southeast Asia are Indonesia, Thailand, Vietnam, and Malaysia (see Figure 4). Among these, the country with the biggest economic market size is Indonesia, followed by Thailand, Malaysia, and Vietnam. The average asset of one adult from these four countries of Southeast Asia has doubled in the recent five years, showing rapid growth. Especially, Malaysia is showing the fastest growing rate in

the past 10 years, according to KITA (Korea International Trade Association). Malaysia is also on top with total market value of 390.2 billion dollars, which is significantly higher than Indonesia, Thailand, and Vietnam. And also, the financial asset per person in Malaysia is also relatively higher. Nonetheless, countries such as Indonesia, Philippines, and Thailand also have large scale of economic potential with the large population.

3.2 Current Status of Each Country

Malaysia, country that is showing the fastest growing rate among four main countries in Southeast Asia, has population of 28,274,729 and \$13,800 GDP per person. Similar to Korea, Malaysia's economy is mainly based on export. Electronic products are taking up 40% of the

<Figure 4> Countries in Southeast Asia



entire export amount. In addition, export of rubber gloves, palm oil, and crude gas is on world top ranking. Economic trade between Korea and Malaysia is very important for each country's economy. To Korea, Malaysia is 7th largest trading partner in export, and 6th in import.

Up to this date, Vietnam has focused on investing labor-intensive industry, but with growing interest in expansion of manufacturing facilities which produce prestige brand products, and investment in components and parts industry, is leading to change of paradigm in foreign trade.

Thailand's 2012 inflation rate is 3% and its GDP has increased to \$365billion, 6.4% higher than the previous year. Likewise, its import and export growth rate, private consumption and investment are all rising. Manufacturing industry is the major industry of the Thailand, taking up to 43.5% of the GDP. There are currently 42 industrial complexes and additional 12 complexes are planned to be constructed. Also with fairly strong infrastructure, various investment policies are being supported for development of automobile manufacturing hub, in compliance with the establishment of ASEAN in 2015.

Indonesia is the biggest country among the Alliance of Small Island State. It has population of 230 million, fourth largest in the world. Indonesia is enjoying 6.5% growth of GDP in 2012, based on strong domestic demand coming

from its large population. Inflation rate of Indonesia is fairly stable as well. However, recent slow-down of international economy, inflation, and relatively weak industrial infrastructure, high dependency on foreign investment (70%) are indicated as threatening factors. For Indonesia to prosper continuously, it is important to manage policy efficiently, in accordance with fiscal/monetary policy and economic indicator.

3.3 Future Prospects

Even though global economy is going through turbulence since the global financial crisis, major countries of Southeast Asia are showing generally strong economic growth. Accordingly, entrance of Korean firms into Southeast Asia is rising. Korean firms are entering or investing into Southeast Asia in order to secure domestic market and enlarge manufacturing network.

However, low cost of labor in Southeast Asia, which had been considered as the main advantage of entering Southeast Asia market, is increasing due to political motive, demand of wage increase from the labor union, inflation, creating potential management aggravation. Therefore, it is given task for Korean firms to cope with such potential threats and utilize them for advantage.

IV. Korean firms in Southeast Asian Markets

Numerous Korean firms have already entered Southeast Asia market. For example, SK Encar, which operates the direct transaction of used vehicles, entered the Thailand market in 2006, and in Philippines, LS Industrial System entered in 2013. Among CJ's total global sales from four main businesses (food, bio, distribution, and entertainment), percentage in Southeast Asia market, including Vietnam, takes up about 44%. CJ planned to target the emerging Southeast Asian market with Vietnam as its foothold location (see Figure 5), and has successfully settled into Southeast Asian market by completing the entrance into 3 main cities in Southeast Asia by April, 2013.

NHN (now changed to NAVER) is planning to enter into Indonesia and Malaysia, following its entrance into Vietnam with its SNS service "LINE". Korea Mineral Bio has also entered Vietnamese market in 2008. In Malaysia, Dongbu-Daewoo electronics built manufacturing facilities and producing 20 thousands laundry machines per year to satisfy the rising demand from Southeast Asia. Dongbu-Daewoo electronics have had success in the global market before, as it had success in home appliance market in US and China, one of the biggest markets and have high regards in Korean products. In emerging markets such as Latin America and Asia, its strategy is to localize its products for attraction. POSCO is expanding its steel industry in the emerging markets, with high profit region such as Indonesia, China, and Mexico as center. Also, it is regrouping its ex-

〈Figure 5〉 Tous les Jours in Vietnam



porting goods to high-value added products such as energy steel, eco-friendly car steel plate. An integrated still mill is planned to be completed in Indonesia by end of this year, in a way to respond against global market.

V. Changes of the Southeast Asian Market

5.1 Arousal of the New Middle Class, 'Generation A'

The new middle class, also known as 'Generation A', emerging with rapid economic growth of Southeast Asia, is dominating the current consumer market of Southeast Asia. Following are key words which represent the new middle classes of the 4 major countries of Southeast Asia.

- Vietnam (Entertaining): Invest in 'fun' and end to show off sense of modernity through western brands
- Philippines (Luxury): Tend to show off wealth through well-known prestige western brands
- Thailand (Convenience): Pursue convenience and prefer brand names in English
- Indonesia (Safety): Put emphasis on safety and quality and think Western brands guarantee the safety and quality

In order to target Southeast Asia with above mentioned backgrounds, it is important to appeal western and modern image to lure consumers by naming products with refined English brand names and not to reveal manufacturing country and nationality.

5.2 The Korean Wave in Business

Currently, the image of Korea is very positive within the Southeast region, and this positive image mainly comes from pop culture such as Korean movie, drama and music (Cho, 2008). This positive image of Korea has not only direct effect on the increased sales of IT related products like video, records, cell phone and MP3 players but also plays important role of entering into middle east region, since Malaysia is Islamic country. So it is particularly important for Korea to utilize cultural Korean Wave in Malaysia, since Malaysia can be the gateway to Middle East region. According to the report by KOTRA in 2011, on the strength of Korean Wave, Korean brands and business models are becoming very popular in Southeast Asia. The result of study analyzing 5 countries (Vietnam, Singapore, Indonesia, Thailand, Philippine) shows that Korean businesses are showing strong performance particularly in distribution, food & beverage, beauty & cosmetic industry. In this way, when Korean products with excellent quality, reasonable price and improved design meet with Cultural Korean

wave, it can create synergy effect of “Business Korean Wave” that can pioneer the market.

5.3 Active Expansion by SMEs

In the past, only conglomerates like Samsung, LG, Hyundai and POSCO with electronic, auto, construction industry have entered into Southeast Asian market. But nowadays, SMEs that are specialized in industries such as biotechnology, IT, medical device, pharmaceutical, and cosmetic are beginning to enter the Southeast Asian market actively. Medical device and IT technology of Korea is receiving favorable comments from Indonesia and Thailand, emerging markets of U-Health industry in Southeast Asia. In fact, exclusive contracts in oxygen generator, radio net quality measuring instrument, electric wheelchair, and obesity treatment device are also being promoted.

VI. Suggestions for Korean Firms

6.1 Strategies to Strengthen Brand Power

Korean firms can't expect continuous success in the rapidly growing Southeast Asian market with only existing good quality and low price strategy. They must deploy new marketing strategies based on thorough analysis of con-

sumer behaviors from each country. Based on analyses, it is important to improve the product quality and technology to discover new customer value and target with premium products. For industries that are currently competitive such as the IT industry, technological development must continuously be made. Furthermore, competence in customer service will also become a more important factor as service industry will continue to develop. Mostly, institutional supports and policies by organizations such as KIEP (Korea Institute for International Economic Policy) are essential. A recent article regarding successful market invasion in Southeast Asian market says:

Indonesians tend to decide the goods to buy after watching TV commercial, whereas Thai decide the products by actually looking at sight. Nomura Research Institute guides the way for firms to promote their marketing strategy by conducting survey on consumers in five countries of Southeast Asia. For instance, Indonesians are largely affected by TV commercials and in Thailand, outdoor and road advertisements have relatively higher effect in deciding shopping pattern than other countries. Indonesians are sensitive to price, whereas Myanmar were not. Indonesia and Malaysia have picked Japan for country that has most effect on products and services, Thailand picked Korea. Nomura advises for firms to be successful in Southeast Asia, they must conduct marketing strategy based on different consumption patterns from each country. This survey was conducted from August to December of 2012 on 4,154 adults, who are within

the age of 17-59 from five countries of Southeast Asia and top 50% of income. <How to conduct business successfully in Southeast Asia? (2013. 5. 15, Asian Economy)>

6.2 Efforts to Persist the Korean Wave

It is not only important to keep up the Korean wave that is happening presently, but also important to consistently manage the strategies of government and firms on Korean wave in order to not just end up as a fad. In order to do so, it is important for organizations such as KIEP, KOTRA, KITA, and firms to transfer the 'Korean cultural wave' into a so called 'Korean business wave'. For instance, step forwarding from the existing distribution/food/beauty industry to restaurant and franchise/

cosmetics/fashion industry by using business models specialized in Korea and applying on volatile Southeast Asian market will be essential for success in the Southeast Asian markets.

Also, plastic surgery, Korean language, tourism, publication have recently emerged as new prominent business sectors. Emergence of plastic surgery and cosmetic industry started from fever of cultural 'Korean Dream' caused by popular Korean drama/movie/music. Publication and Korean education industry started to expand after Korean educational cartoon for kids have entered in to local market and succeeded in countries like Taiwan, Thailand, and Malaysia, where such contents were rare (see Figure 6). Additionally, GS E&C is recognized for achieving 'Korean Wave of Engineering and Constructing' with their construction work us-

<Figure 6> Figures on Korean Publication Copyrights



ing Korean construction model.

6.3 Systematic Policies to Help SMEs to Enter Southeast Asia Markets

It is necessary to put systematic efforts in order to develop markets, secure distribution channels, and do successful global marketing by executing various export promoting policy. Also, government and related institutions and firms all need to work together to organize such promoting policies that can support small and medium sized export enterprises to enter into Southeast Asia market smoothly. Followings are more elaborated explanations:

- Transfer the know-how skills to SMEs from related institutions such as the Federation of Korean Industries and KOTRA
- Develop an Integrated Management System to set up export infrastructure
- Support the production of foreign language version of press packet to strengthen the foreign trading capability of exporting companies
- Host educational program to cultivate manpower for local SMEs and business-savvy
- Support entrance of global markets by local SMEs on a local government scale

6.4 New Market Data and Strategies

Previously, macro environmental elements such as economic, social, political, and cultural factors took up the most in analyzing entrance of

foreign markets. But nowadays, gaining and analyzing more specific and detailed data on markets and customers are becoming more important. This is because specific market data are important in facing and coping with.

- 1) Reinforcement of practical study
 - Develop long term strategies for Korean firms to enter emerging market and discover research demands
- 2) Proposing a differentiated Korean-styled model to aim new markets
 - Korea is considered to be more familiar and friendly than developed countries in emerging markets, since the experiences of industrialization and democratization are more recent and culturally closer
 - Combine such distinctive advantages with Korean Wave, recipient based cooperation development, social contribution in local community to pursue differentiated model
- 3) Diversify the research method and method of approach to improve quality in researches on emerging market
 - Vitalize comparative research regarding law and institution, investment environment, resource of emerging market
 - Advanced from analyzing the macroeconomic environment, it is necessary to secure specific data from various segmented market, to respond promptly against volatile market

With the suggestions above, Korea has a higher chance compared to other countries in gaining competitive superiority in the Southeast Asian markets

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