

Supply Chain Strategies for the Asian Century

MNCs are now looking to Asia's increasing consumer market for market expansion, which could spell supply-chain troubles for the uninformed.

– By Mark Millar

As the traditional strongholds of consumerism – the developed markets in Europe and the United States – suffer from a range of economic woes including low-or-no growth in consumption, multinational corporations (MNCs) remain challenged for revenue and profitability.

As a result, companies are increasingly looking to Asia for market expansion, revenue growth, and increased profits.

Consumer market potential

By 2030 Asia will represent 66% of the global middle-class population, compared to 28% in 2009.

At the same time, urbanisation is accelerating. China is forecast to create more than 200 new cities with a population greater than one million people by 2025. During the next decade, some 500 million households across Asia will have access to electricity for the first time, which will drive massive increases in demand for a whole range of consumer household products. Demand for fast-moving consumer goods (FMCG) is forecast to rise exponentially.

As MNCs rush to capitalise on this enormous consumer market potential, they soon discover that the most attractive opportunities are frequently fraught with complications.

Complexity of Asia

Inevitably, unlocking Asia's opportunity presents its

own challenges – especially when it comes to logistics networks and supply chain ecosystems.

Asia is highly diverse and formidably complex. The region's dynamic economies span the full spectrum of developed, developing and emerging markets – all at different stages of maturity and sophistication. The nuances can be difficult to read and expensive to ignore.

Supply chain strategies for Asia

In addition to the opportunities in mainland China, rapidly expanding consumer markets are being established and opened up around the Asia region, notably in India, Vietnam, and Indonesia.

To serve these markets, companies need to develop strategies for multi-modal distribution into the hinterland regions, typically involving business partners with local market knowledge. Different consumer markets may also necessitate product localisation, adding an extra layer of complexity to supply-chain operations.

The impact of China's economic shifts

The region's largest market, China, is experiencing shifts in its economy. Multi-national companies first came to China to take advantage of abundant supply of low-cost labour and capitalise on incentives to establish operations in Special Economic Zones.

Nowadays they remain in China to sell products to Chinese consumers in the massive domestic market.





purely alternative, low cost manufacturing sources – there are several options to explore within Asia. Companies considering manufacturing in alternative locations should consider the maturity and capability of their chosen market and assess critical supply chain aspects, including three critical dimensions:

1. The Regulatory environment: bureaucracy and administrative overheads, and the implications for doing business;
2. Infrastructure: in many Asian markets the transportation infrastructure is underdeveloped leading to delays, damage, and costly inefficiencies; and
3. Talent shortages: more than 70% of businesses are affected by ongoing skills shortages across supply chain and logistics sectors.

Migrant workers are returning to their provinces, as more work becomes available at home. As they do, the lower cost of living in rural areas results in greater spending power, driving domestic consumption in third, fourth and fifth-tier cities.

From the China supply chain perspective; the emphasis has moved from transporting products from factories to the eastern seaboard ocean ports for export to the west, to distributing goods within and throughout the prosperous consumers in the domestic China market.

Alternative production locations

As businesses pursue their China-plus-one sourcing strategies – usually seeking additional, rather than

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Accessing informed insights that improve understanding of Asia’s intricacies will enable better informed decision making, empowering companies to adopt and deploy supply chain strategies that help capitalise on the vast opportunities Asia presents. **B**

Conclusion

There are huge opportunities in Asia as the middle classes grow, driving increasing demand for consumer products, especially throughout the region’s third and fourth-tier cities.

To address Asia’s geographic, economic, and political complexities, supply chain strategies need to embrace and address the developing regulatory environments, evolving infrastructure networks and up-and-coming talent pool.



Mark Millar provides value for clients with informed and independent perspectives on their supply chain strategies in Asia. Author of *Global Supply Chain Ecosystems*, Mark is a Visiting Lecturer at Hong Kong Polytechnic University. “China Supply Chain Top 20” named him one of “Asia’s Top 50 influencers in Supply Chain and Logistics” and he is noted in the USA 2014 “Top Pros-to-Know in Supply Chain” list. Contact Mark@MarkMillar.com



Mark Millar 马克 – Bio



“One of the Region’s Supply Chain Leaders”

China Supply Chain magazine CHAINA

“One of the most Progressive People in World Logistics”

Global Institute of Logistics

Acknowledged as an engaging and energetic presenter, **Mark Millar** has been engaged by clients as Speaker, Moderator, MC or Conference Chairman at more than 350 corporate events, client functions and industry conferences across 23 countries - he is renowned for delivering an impact that is professional, knowledgeable and memorable.

Author of “[Global Supply Chain Ecosystems](#)” commissioned and published by Kogan Page of London, Mark is a Visiting Lecturer at Hong Kong Polytechnic University and has delivered Guest Lectures at Georgia Tech (Atlanta), RMIT (Ho Chi Minh City) and SP Jain (Singapore & Dubai).

Mark leverages over 30 years global business experience to provide value for clients with informed and independent perspectives on their supply chain strategies.

His ‘Asia Supply Chain Insights’ series of corporate briefings, consultations and seminars deliver practical knowledge and educated insights that help companies navigate the complex landscapes in Asia, develop new business opportunities and make better informed business decisions.

His international track record in the B2B services sector includes 20 years in the Asia Pacific region, where Mark led business development initiatives across ten Asian countries. His distinguished corporate career included executive positions at Thorn EMI, RR Donnelley, ModusLink, Platinum Logistix, Exel Contract Logistics (now DHL) and UPS Supply Chain Solutions - serving many leading companies in the Consumer Retail and High Tech Electronics sectors.

He is a Graduate of the Australian Institute of Company Directors (GAICD), Chartered Fellow of the Chartered Institute of Logistics and Transportation (FCILT), Fellow of the Chartered Institute of Marketing (FCIM) and an APICS SCOR-P certified Supply Chain Professional.

Mark achieved an MBA with Distinction from the University of the West of England, is a Graduate of the Chartered Institute of Marketing and holds a post-graduate Diploma in Management Studies.

He has lived and worked in the UK, the Netherlands, Australia, Singapore, USA, Ireland, mainland China and Hong Kong. Whilst with the Thorn EMI group in the UK, Mark’s international sales leadership earned Thorn Secure Science the “Queen’s Award for Exports”.

Appointments: an active and enthusiastic industry contributor, Mark currently serves as:

- Asia Ambassador, East West Transport Corridor Association, Europe
- Advisory Board Member, Institute for Supply Management, Hong Kong
- Council Member and Chair of Logistics Policy Committee, CILT Hong Kong
- Head of International Relations, Vietnam Supply Chain, Ho Chi Minh City
- Chairman, Logistics Committee, British Chamber of Commerce, Hong Kong
- Chairman, International Relations Committee, Hong Kong Logistics Association
- Advisory Board Member, Logistics & Supply Chain Management Society, Singapore
- International Advisor, Logistics & Supply Chain Management Association, Shenzhen
- APAC Regional Leader and International Advisor, Supply Chain & Logistics Group, Dubai

Accolades: Mark’s commitment and expertise has been recognised with several accolades:

- “Asia’s Top 50 Influencers in Supply Chain and Logistics” 2015
- “Pro’s to Know, Supply Chain Providers” 2014
- “Chartered Fellowship” awarded by Chartered Institute of Logistics & Transport 2010
- “Supply Chain Thought Leader” Pro’s to Know 2009
- “One of the most Progressive People in World Logistics” 2008
- “Supply Chain Veteran” - Who’s Who of Supply Chain in Asia 2008
- “China Supply Chain 20: the Who, What and Why of China Supply Chain” 2007
- “Who’s Who Top 20 Power Players in Supply Chain Management in China” 2006