



KATA FOUNDATION

Report on Suitable Markets in Asia

Abstract

This report outlines the process behind the project initiative “Suitable for Markets in Asia”. The purpose of the project is to help Danish companies in overcoming barriers when building and growing their business in one or more of the emerging Asian markets.

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Preface

Based on the findings and experience from the Suitable for Growth project in China, Kata Foundation identified parameters that were also found to be suitable for successful growth and development of companies in the other Asian markets. With this background, together with the Danish Industry Foundation, Kata Foundation designed another project Suitable for Markets in Asia (SfA) to help Danish companies in four Asian markets (India, Indonesia, The Phillipines and Thailand). **The main objective of the project was to create an action-learning environment for the participating companies, where they worked and experimented with their own challenges and needs.**

The Suitable for Markets in Asia project, process was carefully designed with tasks of introspection, external market force identification and customer centricity driven exercise. The opportunity to participate in the project was given to 6-8 companies in each of the above-mentioned markets. The process involved conducting a series of workshops and seminar wherein, the participating companies were introduced to various methods/tools of developing and validating a strategy plan for their growth idea. The seminars were based on the four pillars of customer understanding:

- Value proposition match,
- Business model fit
- Growth plan and
- Strategy

aiming to provide an insight to the Danish companies on how to design a strategy that would enable growth and effective execution of their business models. There were clear milestones and expectations to deliverables connected to each seminar, and each seminar contained the possibility of feedback. The participating companies were asked to prepare themselves and work with their adjusted growth project between each sessions. The final output consisted of an individual growth plan (business model, strategy and business plan) and involved 20-30 potential customer leads per company. This process was then evaluated by all participating stakeholders; Kata Foundation, Danish Industry Foundation, Innovation Centre Denmark and the companies. Based on the viability of the innovation ideas presented during the seminar, the companies were offered an additional opportunity to work with external consultants for a period of 6-9 months to further mature their ideas of business opportunities in respective markets.

This report prepared by Kata Foundation & Innovation Center Denmark, India (ICDK) gives a detail overview of the structure and outcome of the seminars with a thorough description of what the project of Suitable for Markets in Asia (SfA) was able to offer to the participating companies.

Introduction to the project

The project initiative “Suitable for Markets in Asia” was based on the knowledge and insights from a previous research and development project called Suitable for Growth, focusing on how to enter the Chinese mid-market. The purpose of “Suitable for Markets in Asia” was to help Danish companies in overcoming barriers when building and growing their business in one or more of the emerging Asian markets: India, Indonesia, The Philippines and Thailand. The project was running from August 2015 until June 2017. The project was divided into three phases:

1) Create Knowledge:

In this phase companies were invited to local inspiration seminars, where results and material on how to adapt to the Asian markets were shared. Based on this input, companies were invited to share their growth projects and ideas.

2) Prepare Strategy:

Interested companies from the first phase were selected and invited to a series of four 1-day preparation seminars, where they worked closely with local experts in designing their own growth plan and strategy for a specific local market/customer segment. At the end of this phase the potential of each company’s growth project was evaluated and four projects in each market were selected for the next phase.

3) Initiate Action:

The companies with the best growth projects were to be supported by a local consultant during a period of 6-9 months in implementing their growth plan in the market. The ultimate goal was to get market and customer access by establishing a beachhead in a new market/customer segment.

Objectives and Success Criteria

Phase	Objectives	Performance indicator
Create Knowledge	<ul style="list-style-type: none"> • Conduct inspiration seminar • Address questions • Feedback from companies 	<ul style="list-style-type: none"> • Successfully enrolled 6-8 companies for participation in next phase
Prepare Strategy	<ul style="list-style-type: none"> • Developed strategy (growth plan) • Companies wish to implement the growth plan • Participation in seminars has been valuable 	<ul style="list-style-type: none"> • Companies evaluate quality of their strategy to at least 4 on a 5-point scale • At least 3 companies wish to implement their strategy • Questionnaire. Seminar valued above 4 on a 5-point scale
Initiate Action	<ul style="list-style-type: none"> • Beach head – customers, distribution or products • Companies have experienced growth in the market segment (key indicators) • Understands causes to growth 	<ul style="list-style-type: none"> • Companies evaluate the efficiency in the work of establishing a beachhead to at least 4 on a 5-point scale • Revenue, no. of employees, profit, return on investment etc. measured at start and end of the phase • Interview of /questionnaire to companies and consultants

Details of the three phases

Create knowledge

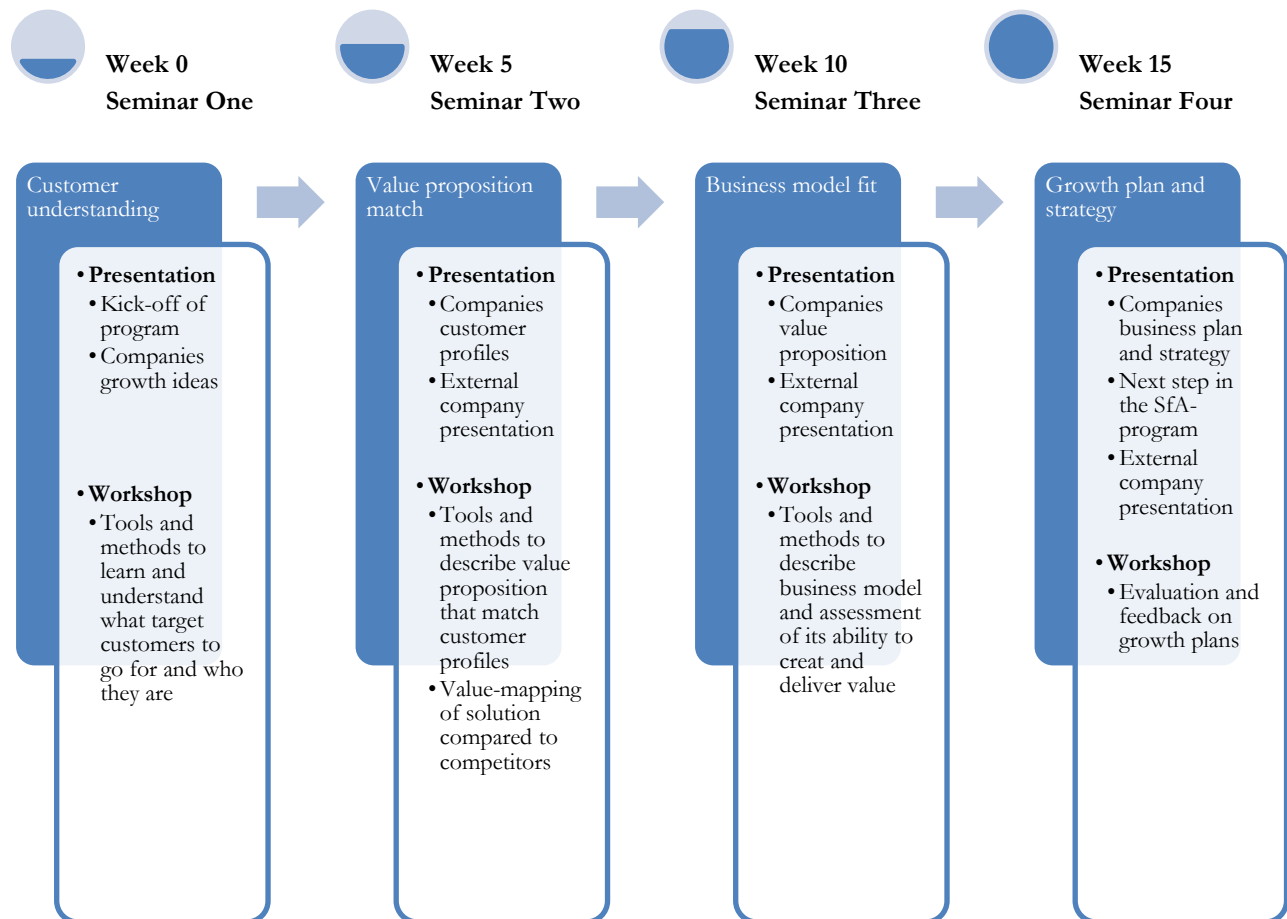
In the initial phase, Danish companies were invited to an inspirational seminar in their local markets, where Kata Foundation presented the Suitable for Markets in Asia project as well as their knowledge on adapting business to growth markets in Asia. The participants were invited to share and discuss their own ideas about how to grow their business in Asia. Companies interested in continuing to the next phase were asked to describe a potential growth project in their local market and submit this to Kata Foundation after the seminar. The best projects were selected by Kata Foundation and continued into the first phase, where the companies were supported in developing a more detailed strategy and plan for growing their business in the chosen market segments.

The participating companies were either established and successful companies with superior offerings on mature Western markets, or they had been selling products to Asian markets for some years, but despite the higher market growth rates in the respective markets, companies were experiencing difficulties to further grow their business. The primary reason for poor growth could be attributed to these markets being radically different from the mature markets where companies had been operating from long.

Prepare strategy

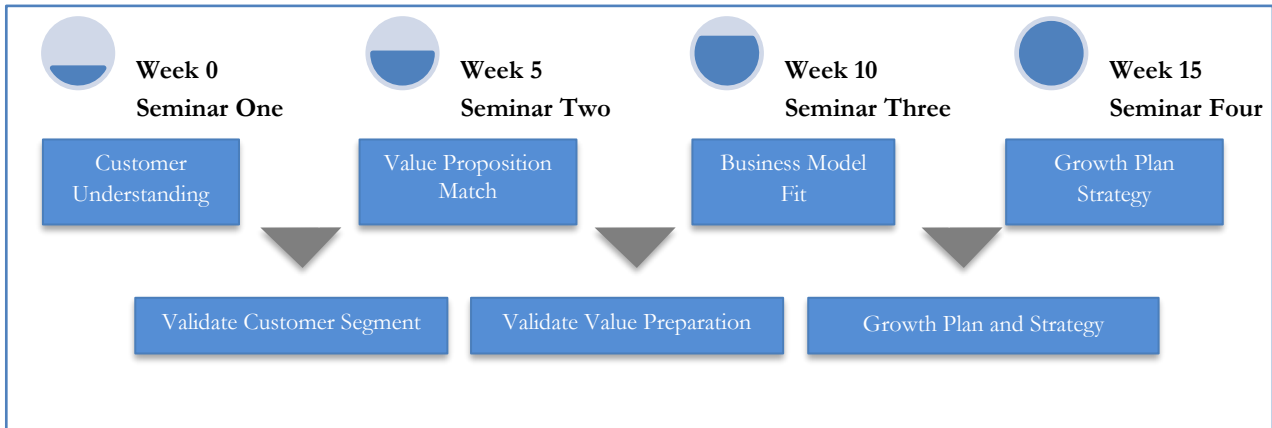
The framework of the second phase was built around four seminars, which were based on four pillars – customer understanding, value proposition match, business model fit and growth plan and strategy. In between each seminar, the companies were asked to process their newly gained knowledge and prepare deliverables in order to participate in the next seminars with company specific presentations.

The period of the seminars span over 15 week with five weeks between each seminar. In the graphics below, you get an overview of the workshops.



The objective of the project was to turn innovative ideas into good business offerings. In order for this objective to be met, the companies were required to work on their growth project between the sessions, which created a flow of learnings to benefit each participating company throughout the process.

This model overview gives an outline of activities that companies were required to perform between the two seminars.



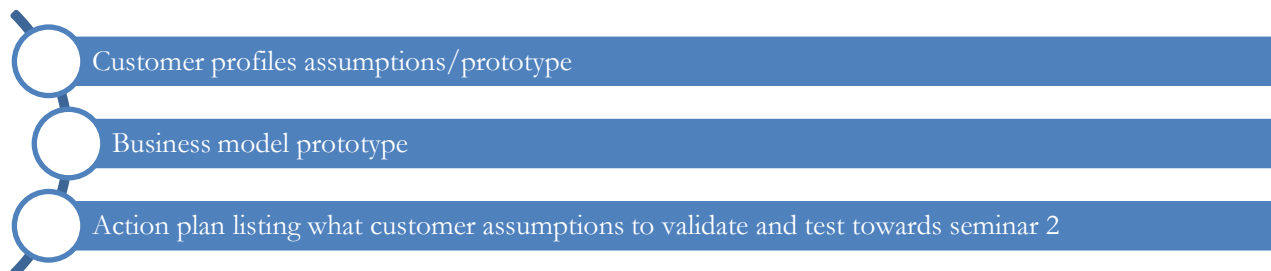
Processes following the seminars	Preparation: Validate customer segment	Preparation: Validate value proposition	Preparation: Validate business model
Activities	Understanding the problem <ul style="list-style-type: none"> • Desk research • Observe and interview costumers • Test own assumptions • Define key customer profiles 	Define the solution <ul style="list-style-type: none"> • Visit customers and users • Value maps & competitors • Test product assumptions and value proposition (interest and preferences) • Validate willingness to pay • Define value propositions 	Define the business model <ul style="list-style-type: none"> • Asses competence & capability • Estimate cost structure and revenue • Prepare Business Model and plan • Define strategy
Deliverables	<ul style="list-style-type: none"> • Updated business model • Customer profile • Validate customer segment • Assumptions tested 	<ul style="list-style-type: none"> • Updated business model • Validate value proposition • Customer leads • Assumptions tested 	<ul style="list-style-type: none"> • Business model • Business plan • Business strategy

Seminar 1 – Customer understanding

The first seminar was a kick-off session where the participating companies shared their growth ideas and were introduced to tools and best practices to define and understand local customers.

Each company was then asked to participate with 2-3 of their team members in order to present the company's growth project ideas. The seminar included an expert facilitated workshop where companies were introduced to tools and methods that could enable them to describe customers jobs, pains and gains. The aim was to define the key customer profiles. The seminar also introduced business model canvas framework and assumption testing ([Appendix B and C](#)).

Output from Seminar 1

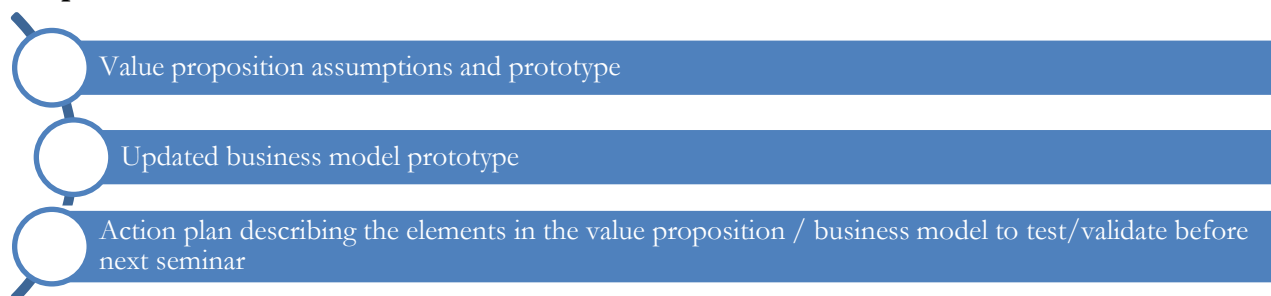


Seminar 2 – Value proposition match

The same expert also facilitated this seminar. They were introduced to tools and methods to describe and match the company value proposition to the customer profiles. The aim was to define and compare value maps of company and local key competitors.

In addition, the companies presented their validated customer profiles.

Output from Seminar 2

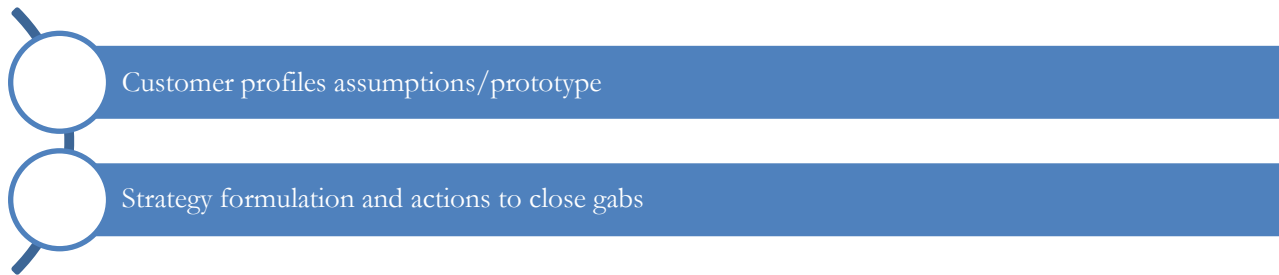


Seminar 3 – Business model fit

This seminar was focused on understanding the business model's cost structure and revenue potential. At the same time, companies got an introduction to concepts of gap analysis by creating value maps of their offerings and that of the local key competitors.

The companies also presented their validated value proposition and business model prototype.

Output from Seminar 3

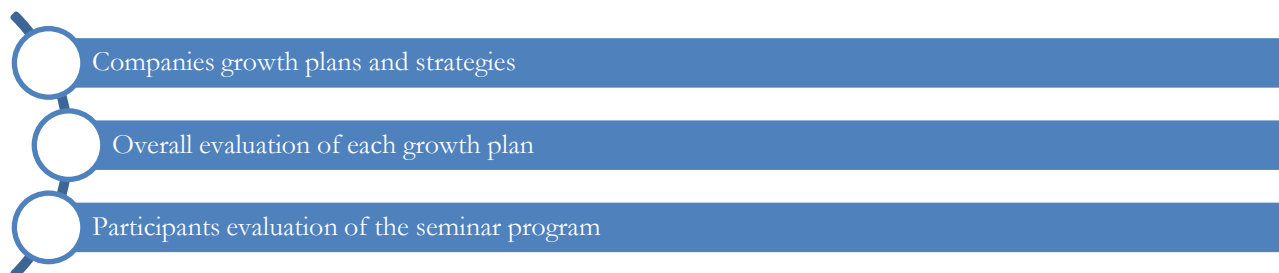


Seminar 4 – Growth plan & strategy

At the fourth and last seminar, the companies presented their final work/ business plan to an expert panel. The panel consisted of industry experts, analysts and strategists. From each of the four markets, 2-3 companies were selected to take their project forward, funding for which was provided by Kata Foundation and Industriens fond. The parameters for selection were (for details refer to [Appendix A](#)):

- The quality of the Business Growth Plan (30%)
- The quality of the presentation including the elevator pitch (20%)
- The handling of the Q&A session (20%)
- The viability of the proposed growth idea (30%)
- Structured approach and plan towards utilization of funds (if made available through Kata Foundation and Industriens Fond) to take the process forward

Output from Seminar 4



Initiate action

The second phase ended with an evaluation and selection of the most promising growth projects that continued to the last phase (up to 4 companies per market). The projects was supported by a local consultant during a period of 6-9 months in implementing their growth plan in the market.

Outcome of the projects

At the successful completion of the 4 seminars in each of the four countries, the next stage was execution of the planned strategies. Each company was required to formulate concrete goals related to revenue, number of customers and product characteristics. All these goals were split to be achieved in three different milestones set at week 7, week 10 and week 31.

All the companies were coached by the facilitators through all the seminars and be equipped with tools and methods to be used in their work in between the seminars. Through this form of an 'experience based accelerator programme' the companies involved in the Suitable for Markets in Asia 2016 project were able to improve their ideas, test out their hypothesis with customers and gain feedback from relevant advisors from their industries. Two-three companies were selected in October 2016 based on their idea pitch and continued to work with two external consultants to refine their business idea.

The companies went through a customer immersion strategy to identify the customer pain points and thereby identify a strategy for increasing their sales within India. Over the course of 6-8 months each of the companies engaged with new customers, ideated on a new product offering more suited to the local SME consumer and identified new partners within the market. One of the companies even engaged with the end customer to co-create a new product solution to circumvent the high costs of an imported product and to increase accessibility to over 100,000 potential new customers.

The companies were also able to see an increased trust building with the clients due to this process of customer centric co-creation that has now led them to get more client requests and new value proposition perspectives. As per some of the companies, this new found trust partnership with the clients has been the real value add and has been the one lesson they would like to disseminate to all Danish companies that engage within complex Asian markets.

All the companies were able to notice a change in their positioning with clients moving from product supplier to solution advisor which has enabled them to gain a stronger foothold within the client ecosystem for future projects as well.

In addition, all the other partners and stakeholders benefited out of the experience of engaging on this project. ICDK in particular as ICDK India got the opportunity to be involved in all the phases of the project. One of the most important KPI of the Innovation Centres is to help Danish companies in their internationalization agenda through the expert knowledge of the local market. This project allowed ICDK to learn ways to achieve this very important agenda. The main learning points for ICDK include:

- How a specific technology or service can be adapted to the specific location and the need to do so.
- How to identify issues within a market and translate the issues into a successful business model.
- Importance of being engaged with a company from start to end of the project idea/ business plan to be able to guide the company in a way that the advice is aligned to the vision of the company.

This learning has been shared by ICDK India with the rest of the ICDK across the six other locations (Sillicon Valley, Shanghai, Seoul, Tel Aviv, Sao Paulo and Munich) at various forums by means of case studies and presentations. The tools shared during the seminars now serve as one of the tools for ICDKs to work with while assisting Danish companies.

Summary of the three phases

	India	Philippines	Indonesia	Thailand
Phase 1: Create Knowledge				
Number of Companies in Inspiration Seminar	28	28	12	13
Phase 2: Prepare Strategy				
Number Growth ideas	15	7	6	5
Final Participants	Rambol Universal Robots Chr. Hansen Skov Haldor Topsoe CT Technologies LM WindPower	CM Food AVK Philippines, Inc. Inorep International, Inc. (Distributor Evita Peroni) Grundfos Pumps (Philippines) Deichmann & Co Ltd. DB Schenker	Scan Global Logistics DESMI Coloplast Grundfos	DHI Coloplast DEM-ESB Kvik SGL
Phase 3: Initiate Action				
Companies Selected	2			
Details				
Universal Robots Skov	Milestone 1: Segment selection and Product concepts for segment Milestone 2: Concept specs finalized, Sales process initiated with 5-10 customers Milestone 3: 1st reference order with product concept Current Status: Successfully identified pilot and now pilot installation is under construction			
Skov Universal Robots	Milestone 1: Collaborative study Milestone 2: 50+ customer list and 10+ distributor list Milestone 3: 2+ Customers 2+ channel partners landed Current Status: Successfully landed 30+ new customers and 2-3 new distributors			

Conclusion

Industriens Fond and Kata Fonden co-created this project with the aim to increase the competitiveness of Danish industry and both foundations strongly believe that a few successful companies can lead the way for many companies following afterwards. The successful execution of project has led to positive experience for all the participants and collaborators including the trade offices, embassies and Innovation Centres from these markets. The participating companies have the tools they could use to further strengthen their businesses in the respective markets and the collaborators have already started using the tools and experience with companies that are seeking assistance in their local markets.

The process that was laid down for this project and the outcomes could be utilized for any company in future with similar intentions. If companies were to run similar activities on their own, a clear recommendation would be to understand the need for external assistance. Some market knowledge might be obvious to an experienced person, while it might not be equally obvious to those who are struggling to gain a foothold in the market. An experienced external partner can act as a catalyst by asking the right questions in order to pin down the market possibilities and challenges.

Another conclusion that can be drawn from this project is that finding a right price point could be extremely important for companies to survive and grow. Most Danish products are priced much higher to other competitors in these markets. However, it could also be because most companies, including Danish, tend to sell *products* rather than selling *solutions* that are tailored to the needs of customers of these markets. A study like this is a testimony to the fact that one does not always have to make changes to their product, but may need to work on the value proposition, positioning or bundling their product with others to provide a complete solution. This could be easily achieved by establishing test installations, pilot plants or conduct a validation study in order to convince your first customer. This helps in identifying the clear success criteria for a potential customer and clear understanding of the need.

Key learnings from this project can be summarised into the following bullet points:

- Engage with clients in the local market, not only to identify their needs but also to explore new solutions based on proprietary knowledge within Danish companies.
- Invest in market and customer centric studies to gather strategic insights into potential entry strategies within local markets.
- Collaborate with external partners to validate some of the hypothesis or build new ones.
- Evaluate the cost vs. scale and clearly workout the process to achieve the economies of scale in Asian market.
- Engage with local presence of Danish support organisations to engage with potential customers as opposed to direct sales strategies.

Appendix

Appendix A. Evaluation criteria

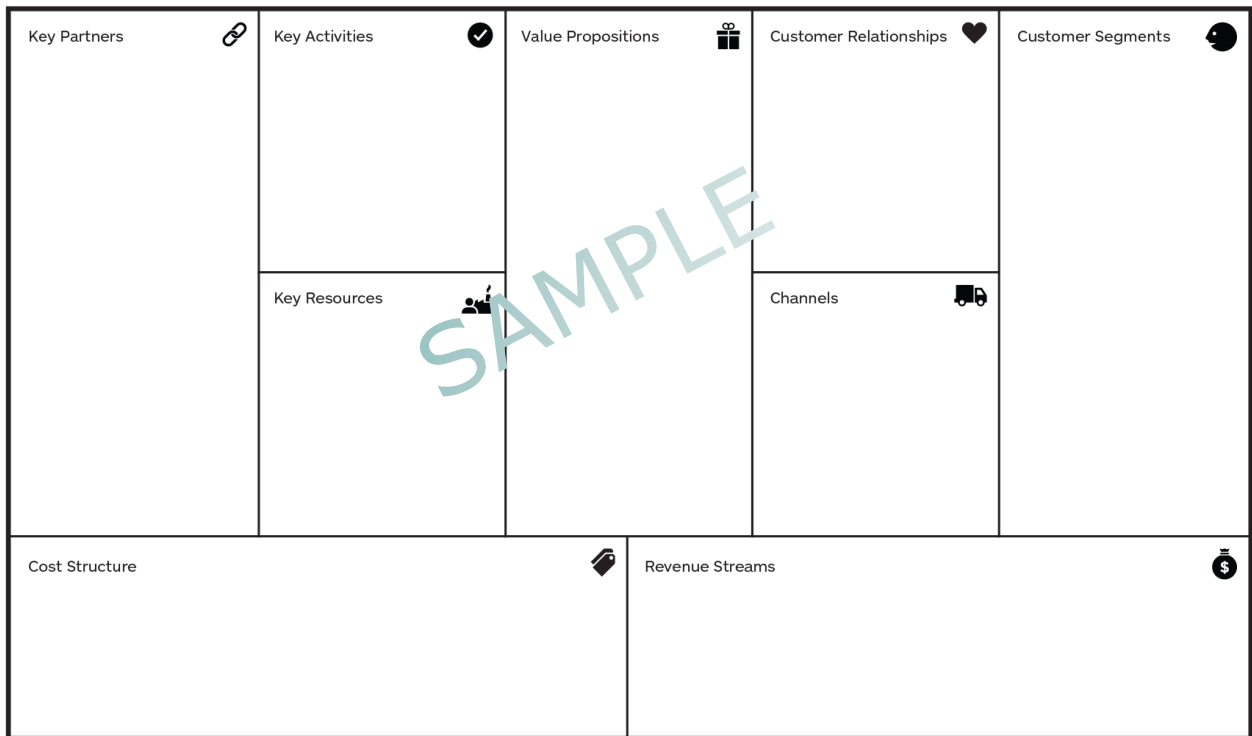
A. WRITTEN GROWTH PLAN (5 – 10 pages)	1	2	3	4	5
1. Effective summary of the plan					
2. Nature and the scope of the opportunity is clearly described					
3. Fit with corporate strategy is explained					
4. Value proposition mapping pain and the gain is evident					
5. Market drivers are clear					
6. Sources of competitive advantages are outlined					
7. Milestones are clear					
8. Risks and how they will be managed					
9. Financial scenario and the key cost and revenue drivers					
10. Coherent and logical plan					
11. Critical assumptions tested					
12. Statements are backed by arguments or data					
13. Clear recommendations					

B. PRESENTATION	1	2	3	4	5
1. The elevator pitch gave a clear sense of the business growth idea					
2. The team presented with a passion for their business					
3. The presentation had a clear logical flow					
4. The team was able to maintain the interest of the evaluation panel					

C. QUESTIONS AND ANSWERS	1	2	3	4	5
1. The team demonstrates confidence					
2. The team demonstrates ability to respond to questions with substantive answers					
3. The team is realistic in its judgements					

D. VIABILITY OF PROPOSED BUSINESS GROWTH IDEA	1	2	3	4	5
1. There is a clear market need					
2. The growth idea presents something unique that will provide a competitive advantage in the market					
3. The growth idea builds on corporate strengths					
4. The team/organization will be able to effectively deliver on the plan					
5. The growth project is financially attractive					
6. As a corporate decision maker I would invest in this growth idea					

Appendix B. Business model canvas



Appendix C. Value proposition canvas

