Resilience Amid Disruption: How Some Asia-Pacific Incumbents Are Outmaneuvering Insurgents

Analysis of 23 consumer product goods categories across 11 Asia-Pacific markets reveals a nuanced reality.

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At a Glance

- Our analysis of 23 consumer product goods categories in 11 Asia-Pacific markets from 2018 to 2022 shows that while insurgents have made significant inroads, many incumbents have maintained or even increased their market share.
- No single category or market factor explains the success or failure of incumbent brands. Channel dynamics seem to be more influential than category characteristics. But what matters most is how incumbents manage their categories and brands.
- Successful incumbents blend their inherent strengths with insurgent strategies, leveraging scale while embracing agility and innovation.

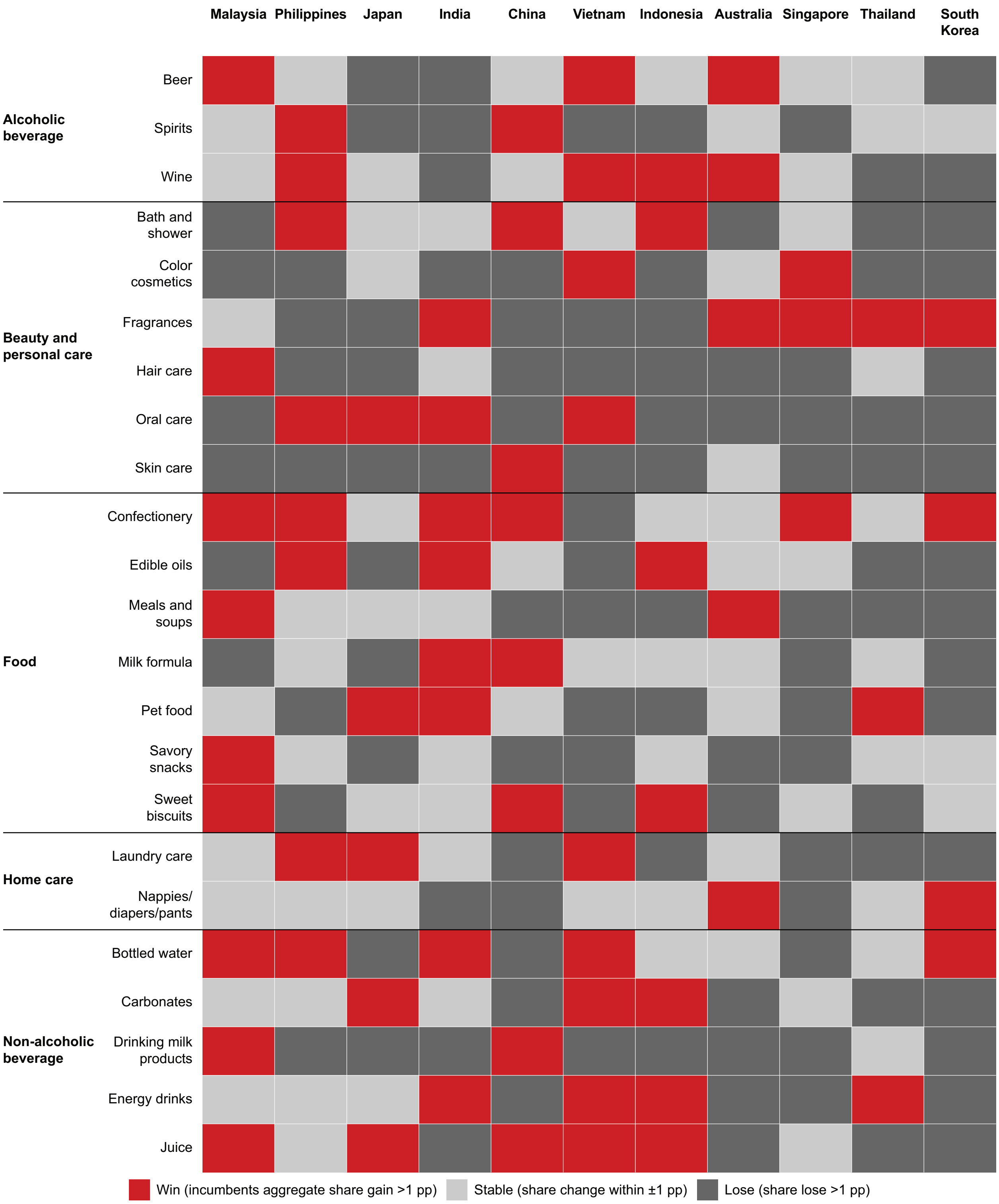
The rise and reinvention of established Asia-Pacific CPG brands amid insurgent threats

We have all heard the narrative—insurgent brands are on the rise while large incumbent brands face an increasingly gloomy future due to falling barriers to entry and thriving innovation. However, Bain data analysis across 23 consumer product goods (CPG) categories in 11 Asia-Pacific markets from 2018 to 2022 reveals a more nuanced reality.

While insurgent brands have made inroads in capturing market share from established brands, this trend is not all-encompassing. Despite the genuine threat posed by these emerging brands, many established brands continue to achieve success. With strategies specifically tailored to their strengths and market dynamics, incumbents can thrive even amid the growing presence of insurgents.

We studied 253 category and market combinations in Asia-Pacific over five years. We found that while large incumbent brands lost in 112 cases (defined as losing more than 1 percentage point of market share in aggregate), incumbents held steady in 72 cases and won (gained more than 1 percentage point of market share in aggregate) in 69 cases. There was no single category where incumbents lost share across every Asia-Pacific market, nor a single market where they lost share across all categories (*see Figure 1*). So, while insurgents have gained ground in more situations than incumbents have gained, the results show significant variation depending on the specific market and category.

Figure 1: It's true that insurgents are succeeding—but there are many exceptions, and incumbent winners abound



Notes: pp = percentage points; Incumbent brands are defined as top 10 brands in terms of 2018 market share in every category x country, excluding brands that no longer exist in 2022; Market share in terms of total value RSP for alcoholic beverages and retail/off-trade RSP for other categories
Sources: Euromonitor; Bain analysis

Channel dynamics seem to be more influential than category characteristics

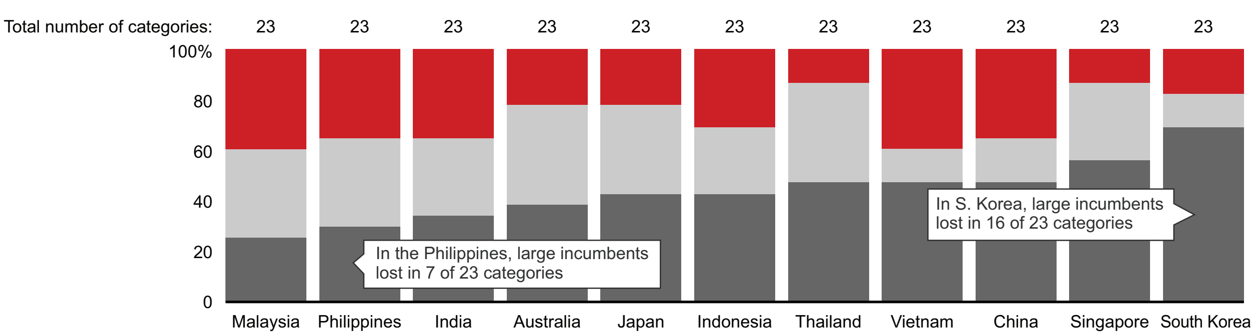
Our analysis of 11 Asia-Pacific markets shows a varied competition pattern between incumbents and insurgents (see *Figure 2*). Notably, South Korea, Singapore, and China emerge as the most favorable environments for new entrants. This trend could be linked to their thriving e-commerce sector and well-established networks of third-party suppliers, making these regions particularly conducive for insurgent growth.

South Korea, for example, stands out as one of the leaders in the Asia-Pacific region for e-commerce development. The country witnessed an impressive e-commerce sales penetration of approximately 34% in 2022. This market is also distinguished by its robust infrastructure of third-party suppliers, to which small brands can outsource elements of their value chain. Such an ecosystem significantly reduces the barriers to entry for new businesses, intensifying the competitive pressure on established companies. This heightened competition is reflected in large incumbents losing ground in 16 of the 23 monitored categories.

In contrast, Malaysia, the Philippines, and India are the most favorable markets for incumbents. This trend can be attributed to the dominance of traditional trade, especially in the Philippines and India, and the relatively low penetration of e-commerce. The complex channel dynamics in these markets create a challenging environment for new entrants.

Figure 2: South Korea, Singapore, and China were the most insurgent-friendly markets; Malaysia, the Philippines, and India were the most incumbent-friendly

Incumbent brands' performance in 23 tracked categories, by country (2018–22)



	Malaysia	Philippines	India	Australia	Japan	Indonesia	Thailand	Vietnam	China	Singapore	South Korea
2022 retail e-commerce sales penetration[1]	5%	2%	7%	9%	9%	26%	5%	3%	27%	13%	34%
Weighted average traditional trade percentage of 23 categories[2]	30%	53%	78%	2%	2%	46%	18%	60%	22%	7%	11%

Win (incumbents aggregate share gain >1 pp) Stable (share change within ±1 pp) Lose (share lose >1 pp)

Countries with leading e-commerce/traditional trade penetration

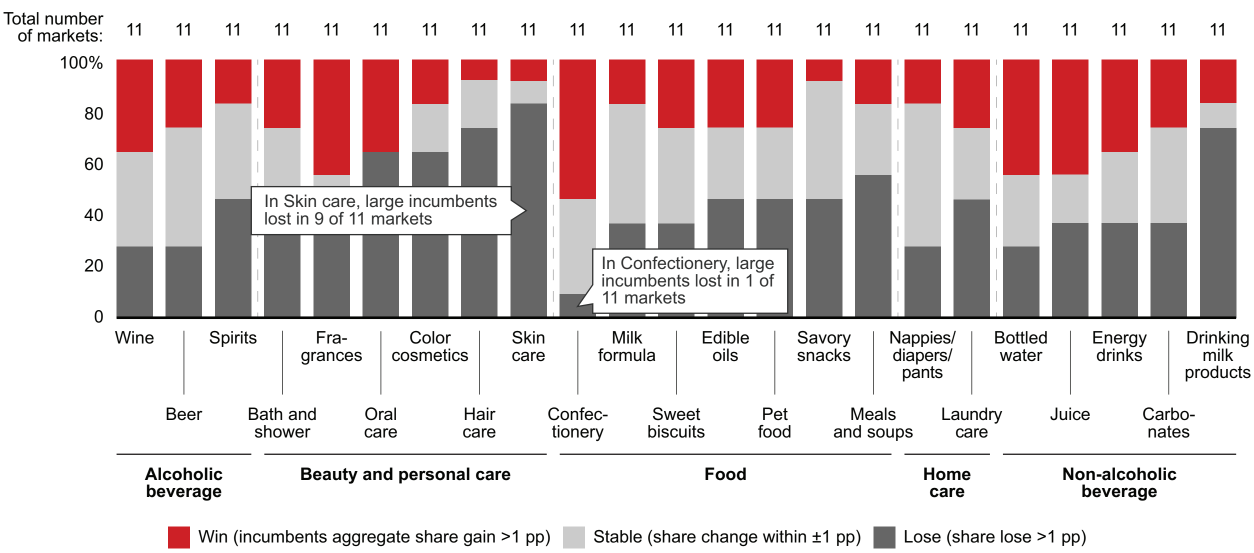
Notes: 1) E-commerce penetration for China is published by the National Bureau of Statistics and includes the online retail sales of goods, but does not include the online retail sales of non-physical goods (i.e., services). 2) Weighted average traditional trade penetration of 23 categories based on Euromonitor data, excluding categories x country combinations with no available data for traditional trade penetration
Sources: National Bureau of Statistics of China; Korean Statistical Information Service; Japan Ministry of Economy, Trade, and Industry; eMarketer; Euromonitor; Bain analysis

For instance, traditional trade accounts for approximately 53% of the retail value across the 23 categories analyzed in the Philippines. This significant share underscores the importance of robust route-to-market (RTM) capability for brands aiming to succeed in the market. Such a landscape presents a formidable barrier to entry for new competitors. This is reflected in the fact that large, established incumbents only lost in 7 of the 23 categories, indicating their continued dominance in a market where traditional channels still play a pivotal role.

Category-by-category, our analysis revealed a spectrum of outcomes. Overall, the beauty and personal care sector emerged as the most receptive to insurgent brands, in stark contrast to other sectors, including alcoholic and non-alcoholic beverages, food, and home care. Within the beauty and personal care category, hair care and skin care were particularly insurgent-friendly, with established brands losing their market share in 8 and 9 of the 11 markets, respectively. On the opposite end, the confectionery category proved to be the stronghold for incumbent brands, as incumbents only lost in 1 of the 11 markets within this category (*see Figure 3*).

Figure 3: Hair care and skin care were the most insurgent-friendly categories; confectionery was the most incumbent-friendly

Incumbent brands' performance in 11 tracked countries, by category (2018–22)



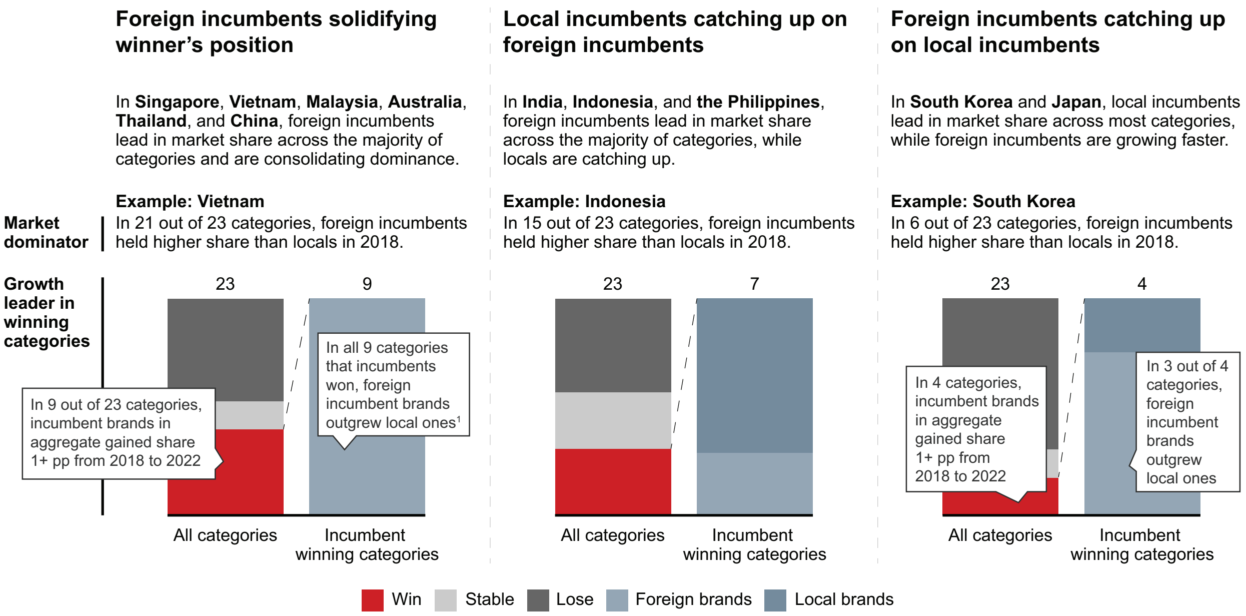
Sources: Euromonitor; Bain analysis

Delving into the performance of large incumbents based on their origins, three distinct patterns emerge (*see Figure 4*). In most Asia-Pacific countries, such as Australia, Singapore, and Vietnam, foreign incumbent brands (i.e., incumbent brands owned by overseas-headquartered companies) continue to lead in market share across the majority of the 23 tracked categories and demonstrate greater resilience by outgrowing their local peers in most winning categories.

However, in India, the Philippines, and Indonesia, while foreign incumbents also lead in market share across most categories, it is the local incumbents that exhibit a stronger ability to gain share in the winning categories. For instance, foreign brands in Indonesia led 15 out of the 23 tracked categories in 2022. Nonetheless, local incumbents have shown higher growth in five of the seven incumbent-winning categories, including wine, juice, and sweet biscuits, from 2018 to 2022. The success of these local brands can be attributed to their extensive distribution networks in rural areas and lower-tier cities, where they effectively leverage traditional trade channels.

In South Korea and Japan, local brands have traditionally dominated the market. However, foreign brands have recently begun to lead growth in some incumbent-winning categories, such as carbonates in Japan and fragrance and diapers in South Korea.

Figure 4: Local incumbent brands showed stronger growing momentum in India, the Philippines, and Indonesia; foreign brands still lead most of the tracked categories



Note: 1) The aggregate share gain for foreign incumbent brands was higher than that for local incumbent brands; Local brands are defined as brands owned by the companies in the local market; foreign brands are classified as brands owned by companies headquartered outside of the local country, including other Asia-Pacific countries and other regions
Sources: Euromonitor; Lit. search; Bain analysis

Covid-19 experience was also nuanced

Another common narrative is that the Covid-19 pandemic enabled incumbent brands to regain traction as consumers sought out well-known brands during times of uncertainty. At the same time, larger manufacturers were better equipped to navigate supply chain disruptions. Again, our study showed a mixed impact among the Asia-Pacific countries. During the year of peak Covid-19 restrictions, incumbent brands experienced increased success in 7 of the 11 countries we analyzed. India and China saw the most substantial gains, where incumbents gained in eight and five additional categories, respectively, compared to the previous year. On the other hand, in countries like Malaysia, Singapore, Vietnam, and Australia, there were either no significant changes or incumbents lost in more categories during the peak periods of Covid-19 restrictions. In summary, incumbents gained traction during Covid-19 in some markets, but not in others.

Insurgents have momentum in many situations, but our data show resilient incumbent brands can hold steady or gain share across a wide range of markets and categories in Asia-Pacific. While market, category characteristics, and macro situations do contribute to incumbents' success to some extent, what matters most is how they manage their categories and brands.

What we learned from large incumbent winners

In today's era of swift disruption, established players can find it challenging to match the agility of emerging competitors. Our research reveals that successful incumbent companies are adept at incorporating the most effective strategies from insurgent competitors while leveraging their inherent strengths. They have harnessed their scale to their advantage. They have skillfully navigated typical pitfalls, such as complexity and inertia, which often beset large organizations. Additionally, they have shown a capacity for innovation, investment, and execution that would make even the most ambitious insurgents proud. The success of Asia-Pacific incumbent brands can be expressed in a four-part framework (*see Figure 5*):

Figure 5: Incumbent winners adapt the best of the insurgent playbook while maximizing their incumbent advantages

	Learn from insurgent playbook		Maximize incumbent advantages	
1 Where to play Consumer insights Portfolio strategy	Consumer needs first; no opportunity too small	Respond to unmet consumer needs or emerging trends, even if the initial incremental value of opportunity appears modest or potentially dilutive	Accumulated in-depth consumer and market knowledge	Extensive consumer and market insights enabled by systematic studies, tracking, and monitoring
2 How to win Memorability Proposition Availability	Agility in innovations	Rapid innovation cycle, enabled by operational improvements and ecosystem partnerships	Established know-how in innovations	Rich know-how and assets, including patents, talents, processes
	Long-term top-line growth focused	Focus on building market position with flexibility to take multi-year path to profitability	Fast scaling through omnichannel reach	Leverage established omnichannel footprints and rich know-how in RTM as the moat, enabling rapid scale and achieving cost-effectiveness
	Hero SKU first	Establish distinctive hero SKU(s) first before building a brand	Global reach	Replicate repeatable models from/to global markets
	Evolving marketing models	Adopt innovative marketing models, embracing evolving digital trends, e.g., content marketing, social commerce, etc.	M&A powerhouse	Ability to strategically leverage merger and acquisitions as a means to accelerate revenue or profitability growth
3 Operating model	Founder's mentality	Foster a culture characterized by an extraordinary sense of insurgency, a frontline obsession, and an owner mindset	Stable returns	Diversified portfolios and risk management stabilize returns and increase "staying power"; ability to free up resources to invest in high-priority projects (brands, innovations, businesses, etc.)
	Integrated, cross-functional	Limited siloes, allowing for fast communication and decisions	Talent attractiveness	Ability to attract top talents enabled by strong reputation and mature talent development system
4 Localization (For foreign brands)	Design	Decide	Deliver	Digitalize

1. **Where to play:** These incumbents establish an in-depth understanding of local consumers to identify growing demand and drive portfolio growth within and beyond the current market.

2. **How to win:** They foster a repeatable growth model by building strong brand memorability, establishing a best-served brand proposition, and optimizing availability.

3. **How to operate:** Successful incumbents develop differentiated capabilities that create sustainable competitive advantages.

4. **How to localize (for foreign brands):** Successful foreign incumbents proactively localize core capabilities, enabling them to compete like local players.

Where to play

Successful incumbents capitalize on the extensive consumer and market insights gained from years of operation to identify emerging market opportunities. They are attuned to the market, searching for unmet consumer needs, and are often willing to innovate based on emerging trends, even when these new prospects initially seem minor compared to their existing business. Other successful incumbents adopt solutions that insurgents are trying to scale—solutions that resonate with consumers—and use their scale advantage to build distribution and brand awareness and achieve cost-effectiveness quickly.

By-health, a leading Chinese vitamin and dietary supplement (VDS) brand, exemplifies this strategy. In recent years, By-health has been proactive in identifying and responding to emerging consumer trends. It has strategically entered burgeoning niche sub-segments, such as eye health, liver protection, and beauty and weight management, positioning itself as one of the early movers in these areas.

The brand has forged partnerships with prestigious institutions for advanced research and development, leveraging its stature as a major player to build a competitive edge through accumulated expertise. By-health has also dramatically accelerated its innovation process, achieving a pace on par with insurgent brands. This agile approach has been instrumental in By-health's ascent to the top position in China's VDS market, supplanting the previous market leader. As a result of these strategies, By-health has achieved a CAGR of 15%–20% from 2018 to 2022.

Similar examples can be observed among successful incumbents in the region. Baixiang, a leading noodle brand in China, has transformed its approach to innovation by becoming consumer-centric. Embracing a "test and learn" philosophy, the brand has adapted to emerging consumer trends and scaled by leveraging its established channels, leading to the successful launch of several health-focused premium products. Meanwhile, Great Northern, the leading Australian beer brand owned by Carlton & United Breweries, can attribute its success to its deliberate positioning, which targeted its competitor's stronghold in terms of occasions (outdoor lifestyle), taste (light profile), and geography (Queensland). Likewise, a leading food brand in India, Tata Sampann, has achieved an approximately 20% CAGR in the past five years by addressing consumer needs for high-quality, healthy, and nutritious staple foods. It was one of the first movers into the branded pulses market in India, gradually expanding into categories such as spices, poha, and dry fruits.

By leveraging their unparalleled consumer insights to expand methodically into high-potential niches, some incumbent winners have fueled tremendous growth. Their strategic playbook could provide a model for other incumbents looking to play to their strengths.

How to win

Winning incumbent brands in the Asia-Pacific markets have crafted a repeatable growth model by building strong brand memorability, establishing a well-defined brand proposition, and optimizing availability across their markets.

Our research reveals that incumbent winners adopted strategies inspired by their insurgent competitors. These strategies include focusing on long-term top-line growth, prioritizing a "hero" SKU approach, and employing a marketing strategy that follows the evolving market landscape. Simultaneously, these incumbents leverage their strengths, including fast-scaling capabilities and an established omnichannel presence. They effectively combine insurgent brands' learnings with their established market advantages, such as global reach and M&A capabilities.

Pucuk Harum, Indonesia's top ready-to-drink (RTD) tea brand, exemplifies this. It leverages the distribution network of its parent company, Mayora, to achieve the highest numerical distribution in the RTD tea market. The brand consistently invested above the average in advertising for years, focusing on its hero product—the regular 350 ml Pucuk Harum Jasmine. This strategic focus has helped it capture an approximately 30% share of the RTD tea category with this single SKU.

In expansion, certain incumbent victors enhance their global presence by adopting global best practices for international markets. For instance, Samyang Foods achieved a 20% CAGR in overseas revenue over the past five years. This success stems from replicating a global expansion model initially developed and proven effective in China and then applied to other international markets. Additionally, the brand has leveraged social media as the primary touchpoint to sustain a "viral" effect and maintain active engagement with consumers.

Finally, the resources and capabilities of incumbents to engage in M&A provide them with a growth advantage. For example, Amore Pacific recently acquired COSRX, an insurgent cosmetic brand. This acquisition contributes significant operating profit to Amore Pacific's bottom line. For more M&A studies, please read "Overseas Ambition: Asia-Pacific Consumer Products Companies Use M&A to Accelerate Growth."

How to operate

Insurgents are characterized by their agility, integrated organization, and creative house culture. Our analysis suggests that successful incumbent companies and brands increasingly embrace this founder's mentality, which can be defined by three distinct traits: an extraordinary sense of insurgency, a frontline obsession, and an owner's mindset. Meanwhile, many incumbent winners transformed their organizations into more integrated and cross-functional entities that reduce complexity and act decisively to overcome and dismantle bureaucracy, thereby allowing them to compete more effectively in a dynamic market.

Meanwhile, incumbent winners leverage their diversified portfolios and robust risk management capabilities to maintain financial resilience amid market fluctuations. They actively manage their cost structure, redirecting financial resources when necessary to revitalize growth. For example, South Korean food and beverage company Nongshim conducted a scaled cost transformation program in recent years, nearly doubling its EBIT. This strategy provided the necessary resources to invest in high-priority projects. Moreover, the established stability, reputable standing, and well-developed talent systems of incumbent winners make them appealing to professionals. Prospective employees see large incumbents as able to provide secure and progressive career paths. This gives them an edge in the fierce competition for talent.

How to localize for foreign brands

Our research highlights that localization plays a crucial role in the success of foreign companies in the Asia-Pacific region. A prime example of this can be seen in China. Successful foreign incumbents in this intense market gain a competitive edge by employing a "4D approach":

- ***Design for China*** by rigorously tailoring products for Chinese consumers and having local R&D.
- ***Decide in China*** by adapting the operating model for more local decision authority.
- ***Deliver at China*** speed using the ecosystem and micro-battles for rapid pace, trial and error, and fast learning.
- ***Digitize China*** operations with data-driven and algorithmic approaches, including closed-loop consumer engagement.

In China, a few foreign brands (including L'Oreal Paris, Huggies, and Budweiser) have excelled in competitive Chinese local markets with this 4D approach. Read more: "How to Behave Like a Chinese Brand"; "Consumer Products: Now's the Time to Double Down on China."

Conclusion

Our 2018 to 2022 analysis in the Asia-Pacific region challenges the notion that insurgent brands universally disrupt incumbents. Many incumbents have successfully maintained or grown their market share amid tight competition. Despite insurgent challenges, these incumbents thrived by blending their incumbent strengths with insurgent tactics, which allows them to counter threats and strengthen their market position effectively.

Methodology

Our study focused on the major consumer product brands in the Asia-Pacific region over the last five years. We analyzed data from 23 key consumer product categories, including beverages, food items, beauty and personal care products, and home care goods, across 11 significant Asia-Pacific markets from 2018 to 2022.

Utilizing the comprehensive database of Euromonitor, we tracked the performance of what we categorized as "large incumbent brands"—the top 10 brands by market share in each category and country as of 2018. Our analysis continued through 2022, excluding any brands that ceased to exist by that year. We measured the relative success of these large incumbent brands in each category and country by assessing whether their aggregate market share changed by more than 1 percentage point from 2018 to 2022. A change greater than this threshold indicated a win or loss, while a smaller change suggested stability within that specific category and market.

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