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Marketing in Southeast Asia:

How Kao Corporation found new needs

and survived in competitive market

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Marketing in Southeast Asia: How Kao Corporation found new needs and survived in competitive market from 1950s until now

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Summary

The aim of this paper is to reconsider the Japanese marketing system in historical perspective by analyzing the case of Kao Corporation and its history of overseas business, especially in Southeast Asia. Below, we introduce the development of Kao by focusing on its strength in the domestic market. Then, we look at its international expansion by examining representative overseas subsidiaries in Thailand, Taiwan and other regions. The target term is from 1957, when Kao started exporting to Southeast Asia after World War II, until the mid-2000s. As will be seen in this paper, Kao did not reproduce overseas the sales subsidiary system built in Japan without modifications. The construction of Kao's distribution channels in Southeast Asia began from a dependence on joint venture partners, or selection of agencies, after which they soon began selling directly to retail stores after setting up their own branches. Although the sales skills required for direct sales were similar to those of the sales company system, there were differences in respect to organization. This paper shows the process of the international transfer of the marketing system and considers the reasons why the system abroad differed from its Japanese model, mainly from the viewpoint of the local subsidiaries.

Introduction

The aim of this paper is to reconsider the Japanese marketing system in historical perspective by analyzing the case of Kao Corporation and its history of overseas business, especially in Southeast Asia.

Kao is well-known as the largest manufacturer in the Japanese toiletry industry and it also became the country's second largest cosmetics manufacturer after acquiring Kanebo Cosmetics Inc., a major Japanese cosmetics company, in 2006. Kao's excellent operational performance can largely be attributed to its synthetic organizational capability as manufacturer from R&D, manufacturing, finance to marketing. In particular, its marketing system is highly effective and sophisticated. On the other hand, although Kao has more than 50 years experience in overseas markets even when only the postwar period is considered, it has not been able to reach a position comparable to such global competitors as Unilever, Proctor and Gamble, Colgate-Palmolive and Henkel. Why didn't Kao's competitive advantage, which is so strong in Japan, apply in overseas markets? What hidden problems remain concerning the peculiarity of Japanese marketing practices in the global market? Through examining the long struggle of Kao in overseas markets, we want to reconsider these points.

The reason we took up the case of Kao is that it is representative of the manufacturer-oriented vertical marketing system (Ryutsu Keiretsu[1]) in Japan. More specifically, Kao's strong manufacturer's sales company system (so-called Hansha) has some characteristics typical of the vertical marketing system at the wholesale stage, which is an important topic to grasp concerning the Japanese distribution system[2]. This analysis was established in the mid-1980s when the expansion of domestic demand in the Japanese economy became a political objective after serious trade problems between Japan and the U.S. In recent years, such conditions have been undergoing drastic change due to the growth of large-scale retailers in Japan. However, the progress of the globalization of distribution in both domestic and foreign markets has distracted attention from the fact that the Japanese distribution is still "peculiar" in comparison with other countries and regions[3].

A perspective based-on internationalization or international comparison is needed to reconsider the Japanese marketing and distribution system, because the arguments remain domestic compared with the arguments concerning Japanese production systems. To add depth to arguments about the Japanese marketing system, we look at cases of their international transfer and try to arrive at a universal explanation. For instance, the term "Ryutsu Keiretsu" concerning distribution channels might have been an obstacle to understanding from a universal perspective. If we try to grasp it as a kind of manufacturer-oriented vertical marketing system, it is helpful to distinguish the aspects that are universal, and those that are particular to the Japanese distribution system.

In the following sections, we consider these problems concerning the marketing methods of Japanese manufacturers and their international transferability, through a case study of Kao in Southeast Asia. First, we introduce the development of Kao by focusing on its strength in the domestic market. Then, we look at its international expansion through representative overseas subsidiaries in Thailand, Taiwan and other regions. The target term is from 1957, when Kao started exporting to Southeast Asia in mass volume for the first time after World War II, until the mid-2000s. We do not consider the recent movements called "integrated governance in Asia (Azia Ittai Unei)" and common brand policy in Asia after the mid-2000s, because it seems too early to be able to make an accurate historical and objective evaluation.

Historical Background of Kao in Japan

The origin of Kao Corporation[4] is Nagase Store, which was established in 1887 by Tomiro Nagase as a wholesaler of imported soaps, cosmetics and other daily use products. In 1890, Nagase began to manufacture and sell the first own brand called 'Kao Sekken (Kao Soap)' and it became the first representative brand of Kao corporation. In the interwar period, Kao introduced a mass production system and modernized advertising methods suitable for mass production. There were other powerful soap manufacturers such as Mitsuwa Sekken, Miyoshi Sekken, and Gyunyu Sekken during the period, and Kao was not prominent as a soap manufacturer. However, after World War II, synthetic detergent replaced soap as the mainstream of the toiletry industry, and the two companies that were able to react to this change quickly gained leading shares in the market. These two were Kao and Lion.

There are reasons why Kao led in the era of synthetic detergent. First, Kao aggressively introduced American management systems[5], looking especially to Proctor and Gamble as a teacher and sometimes imitating its systems in the 1950-60s. Moreover, Yoshiro Maruta, who was the president of Kao from 1971 to 1990, raised the position of Kao dramatically through a series of management reforms. Maruta's reforms consisted of a corporate strategy of "vertical integration" and "diversification," and setting up the organization to facilitate information sharing among employees. Kao's diversification ranges from household products, consisting of soaps, detergents and cooking oils; cosmetics which has been given high priority in recent years; to other industrial goods such as surfactants and toners. Vertical integration was instituted to both the upstream function of sourcing raw materials, and the downstream sales function—the most prominent being the latter. The downstream integration of the sales function was accomplished through the foundation of sales companies, which is an appropriate example of the vertical marketing system as we describe latter, and various product lines resulting from diversification supported Kao's sales company system.

The basis of competitive advantage in Japan

Although the cosmetics, toiletries, and home electrical appliance industries are often mentioned as typical examples of Japanese manufacturing enterprises which tend to establish sales companies, the practice actually exists in many industries. The sales company, generally speaking, is an independent wholesale firm established so that a manufacturer might sell an in-house product directly to retailers. As far as an academic definition of a sales company, strictly speaking sales subsidiary, it is "a trading company which is established and financed by a manufacturer as a conduit to sell in-house products in the domestic market"[6]. This definition is based on Hiroaki Seto, one of the few people who have collected extensive data and conducted statistical analysis on Japanese manufacturing enterprises with sales companies. However, as Seto himself has pointed out, this definition does not fully describe the originality of the organization known as a sales company. The sales company has the characteristic of independence as an organization, even while being under the strong influence of a specific manufacturer. Although the ownership ratio of sales companies varies, and may be 100% or near it, unlike a branch under the direct control of a manufacturer, the sales company has a certain amount of independence as a corporation. It can be said that the sales company is a type of organization which enjoys the advantage of semi-vertical integration (A form of organization similar to that of a business group which does not carry out perfect capital integration), performing substantial vertical integration. Such a form of organization is adjusted not only with capital integration but also by administrative means. For the purposes of this paper, we call this a combination of administrative and capital integration of "vertical marketing system" [7] to distinguish it from pure capital integration.

Why then does a sales company take an independent form, even while substantial vertical integration exists? To understand this point, one needs to consider that the advantages of a sales company pertain not only to the marketing side but also the financial side. Citing Seto again[8], there are generally three marketing advantages to having a sales company: reduction of the distributer's margins, the taking on of the responsibility of marketing by the sales company, and effectiveness of brand policy. Moreover, there are the advantages for finance of accelerating the tempo of capital recovery for the parent company, and promoting the investment of resources in research and development and production. In other words, by making the independent dealer buy goods, the manufacturer can use that capital for investment in R&D and production. In order to raise a manufacturer's capital efficiency while maintaining the marketing advantage of a sales company, the sales company takes an independent form.

Now, although Seto's definition is useful to understand the Japanese sales company in general, the originality of Kao's sales company has a somewhat different point. In order to deepen understanding of this point, it is instructive to examine the history of Kao's distribution channels.

Kao depended on the distribution channels of the major wholesale stores in Osaka and Tokyo at the beginning of the sales of Kao soap in prewar days. However, since the existing distribution channels did not keep up with the expansion of mass production organization, it was gradually afflicted with the problem of dumping. In order to streamline the complicated transaction procedures that required the wholesale store to cover many steps, and to simplify the distribution channel as much as possible during the interwar period, Kao undertook a large reorganization of the existing wholesale network, the so-called "one store for one account system (ich-ten ich choai)" [9]. This measure advanced the simplification of distribution channels and paved the way for the establishment of sales companies in the postwar period.

After World War II, the above-mentioned Maruta took charge of the establishment of the sales companies. Dumping had again become a serious problem in the first half of 1950s. Maruta's thinking on the question of distribution was strongly influenced by America's Proctor and Gamble. Their philosophy was sales at the proper price. The cash transaction system which Kao spread to wholesalers in advance of the establishment of sales companies originated from a suggestion by Proctor & Gamble's "10 days 2%," which Maruta knew from his inspection tour in America soon after World War II. Maruta replaced the conventional sale on credit system with a cash transaction system which was introduced for products in part in 1960 and extensively in 1961 and later[10]. The aim of introducing the cash transaction system was to raise operating efficiency compared with conventional bill clearing, by sharply shortening the transaction time, increasing efficiency of the rotation of capital, and appropriating the resulting surplus capital for plant-and-equipment investment and research and development.

Another result of the establishment of sales companies was the enactment of the resale price maintenance law[11]. In 1953, the Antimonopoly Law was circumvented by revising the statute, thereby providing a legal basis for retail price maintenance by manufacturers of nine specified products, such as soap and detergent, toothpaste, cosmetics, medical supplies, and others. Kao and its competitors endeavored to establish resale price maintenance contracts, and when sales companies were established, they would play the role of maintaining retail prices.

Kao had set up 100 or more sales companies across the country by 1968, starting with the Fukuoka Kao Trading Company in 1964, and Takiya Kao (Tokyo) and Matsuhana Trading Company (Kobe) in 1966. Sales companies became the main distribution channel, replacing the conventional agency system by the time of the oil crisis. It must be noted that the number of sales companies and their capital formation has changed over time. The early sales companies were established through joint investment between wholesalers or between Kao and wholesalers, not by perfect capital integration. In July of 1998, Kao had eight sales companies in the whole of Japan, and the average ownership rate of capital of Kao's sales companies was only 28.7%[12]. Then Kao's sales companies were unified as one company (Kao sales company Co., Ltd.). From that time, the ownership ratio of Kao gradually increased and reahed 100% in 2004. The Kao sales company merged with the old Kao cosmetics sales, and became "Kao Customer Marketing Co., Ltd." in 2007.

In the meantime, the sales company became a source of strength for their marketing, far beyond merely being a means of restructuring traditional wholesalers. The salesmen of Kao sales company frequently went to the shop front of retail stores, and performed "retail support" which proposes the making of a counter called "Tanawari." After the "five year plan of logistics rationalization" started in 1971, Kao carried out the construction of delivery centers, palettization (standardization of freight palettes), rationalization of their transportation and information systems, realized centralization of the retail stores' data and the exact feedback system to production of market forecasts in the middle of the 70s. The participation of Kao in the sales company became stronger still when Kao bought the inventory of the sales companies so that it became the self-property of Kao. The sales companies lost their inventory functions from 1976.

Based on the aforementioned, the originality of Kao's sales company compared to the common sales company which Seto examined is summarized in the following points. First, the sales company form which Seto used as a comparison is a form of organization which enjoys the advantage of semi-vertical integration (similar to the organization of business groups which is not necessarily according to perfect capital integration) while performing substantial vertical integration. However, in the case of Kao's sales company, it has changed from time to time, to almost perfect vertical integration, from the semi-vertical integration of the 60s, to the reforms of the mid 70s, and complete capital integration by Kao in 2004. Due to the transfer of the inventory function to Kao performed especially in the mid 70s, the financial functions of the sales company were greatly reduced. Second, the sales company became an organization that Kao could trust to collect and hold information on consumers through retailers, which provided the greatest advantage to Kao's own marketing.

Kao's overseas business

Kao began to develop its business beyond Japan in the early 1930s, but this prewar development was limited to the East and Southeast Asian regions. Kao's export activities were resumed after World War II with exports to Okinawa and the United States in 1949, and successive shipments of the powdered product Feather Shampoo to Thailand, Singapore and Hong Kong in April of 1957. With little in-house experience in exports at the time, Kao developed export markets for its Feather Shampoo through agents associated with its chemical and sales departments, and trading companies associated with the purchasing department. For example, Hiruko Trading helped to expand Kao's overseas sales network by introducing the company to Taishin Industrial in Thailand and Bells Trading in Malaysia (now Singapore); Ohara & Co. did the same with Yu Xin Xiang (裕信祥) in Hong Kong.

This export activity developed into direct investment at an early stage. In 1964, Kao established its first affiliated companies overseas to undertake the manufacture and sale of shampoo in Thailand and Taiwan. Most other overseas affiliated companies established by Kao up to 1980 were in Southeast Asia, with the exception of Bibby Chemicals Ltd., launched in the United Kingdom in 1968 for the purpose of introducing new urethane manufacturing techniques. Using its network of collaborators up to the early 1970s, including the abovementioned Hiruko Trading, joint venture partners funded with overseas Chinese capital, and European trading firms, Kao developed bases for the production and sale of household goods in Singapore (1965), Hong Kong (1970), Malaysia (1973), the Philippines (1979) and Indonesia (1986). To complement Kao's traditional strengths in Southeast Asia, an affiliated company was established in Shanghai, China in 1994. This company undertook the manufacture and sale of soap, detergent, skincare products and napkins, as well as shampoo. Particularly notable was Kao's success with the laundry detergent concentrate Attack, which was released in Japan in April of 1987 and become a best-seller. Launched in countries including Singapore, Hong Kong, Taiwan, Thailand and Malaysia in 1988, Attack was destined to become one of Kao's staple products throughout Asia.

In addition to these moves to procure markets for its end products, Kao also expanded into areas where raw materials were produced. Joint-venture companies were established in the Philippines in 1977 (Pilipinas Kao, Inc.) and Malaysia in 1988 (Fatty Chemical Malaysia, Sdn. Bhd.). The large quantities of fatty alcohol produced from coconuts and palm in these two nations are used to supply Kao manufacturing centers throughout the world, including in Japan.

From the latter half of the 1980s Kao expanded its activities in Europe and North America. The company decided, however, that rather than using the Kao brand in these regions, the best strategy in terms of investment efficiency would be to buy up large local firms and use their brands and distribution networks for Kao products. This strategy paid off when the soaring value of the Japanese yen in the wake of the Plaza Accord facilitated major corporate acquisitions in both Europe and North America. Kao's two highest-value transactions in this period were the purchase of the Andrew Jergens Company (Present Kao Brands Company) in the U.S. in May 1988 (at a total cost of 300 million US dollars), and the May 1989 acquisition of a 75% stake in Goldwell (Present KPSS: Kao Professional Salon Services GmbH), the West German manufacturer of salon hair care products (total cost 267 million marks).

Kao's approach to business in Europe and North America is in direct contrast to its approach in Asia. A common theme in Kao's European and North American business operations is the use of acquisitions as a starting point: its own manufacturing technology is applied, but branding and distribution relies on local partners. Most operations in Asia began as joint ventures, but Kao tends to mobilize its own brands, technology and marketing techniques and take a hands-on approach to both manufacturing and marketing. Despite the fact that Europe and North America account for a greater share of Kao's overall sales, this paper focuses on business in Asia. This is because, for the reasons outlined above, Kao's Asian experiences furnish the most suitable subject matter for an investigation of the transferability of Japanese-style distribution systems. The reason that this paper examines several cases from Southeast Asian nations at the expense of China, the largest market in Asia, reflects the historical span of Kao's operations in these countries, and their relative share in the firm's overall sales[13].

As of 1988 Kao had a network of 21 affiliated companies across 12 nations and employed around 2,800 people in total outside Japan, but total foreign sales still stood at just 40 billion yen (see table). The 1990s, however, brought ongoing growth in Kao's overseas sales volumes, and by the 2007 fiscal year, overseas turnover accounted for a total of almost 30% of the firm's consolidated sales. Up to the 1995 fiscal year, profits from overseas business contributed virtually nothing to, or even exerted a negative effect on, Kao's consolidated revenue, but it began to grow steadily thereafter, up to a 15% share of consolidated operating revenue in the 2007 fiscal year.

Nevertheless, in comparison with well-established multinational corporations such as Unilever, P&G, Colgate Palmolive and Henkel, which achieved both strong sales and high profitability in regions beyond those in which they were established, Kao's overseas business is still in the developmental stage[14]. Many scholars both in and outside of Japan have noted the striking contrast between Kao's overwhelming competitiveness in the Japanese domestic market and its weakness in markets outside Japan[15].

Table 1　Kao's Overseas Sales and Operational Profit

Sales (Billion Yen), Operational Profit (Million Yen)

	Sales					Consolidated Operational Profit			
Business Year	Total	Overseas Sales			Ration of Overseas (%)	Total	Overseas		
			Asia	Europe and North America				Asia	Europe and North America
1987	4,640	400			8.6				
1988	5,144	400	300*		7.8				
1989	5,722	800	320*		14.0				
1990	6,202	854			13.8				
1991	6,625	1,053			15.9				
1992	7,299	1,542	630*		21.1				
1993	7,713	1,668			21.6				
1994	7,739	1,512			19.5				
1995	7,967	1,595	600*		20.0	55,462	-611		
1996	8,356	1,777	640*		21.3	59,960	3,620		
1997	9,014	2,218			24.6	64,904	2,886		
1998	9,072	2,491	915	1,576	27.5	72,857	1,219	7,481	-6,262
1999	9,246	2,702	926	1,775	29.2	91,664	10,751	5,364	5,387
2000	8,469	1,950	769	1,181	23.0	99,181	7,372	3,910	3,462
2001	8,216	1,894	841	1,053	23.1	107,098	12,714	6,804	5,910
2002	8,390	2,164	935	1,229	25.8	111,426	16,229	8,362	7,867
2003	8,652	1,916	1,016	900	22.1	114,914	16,411	5,380	11,031
2004	9,026	2,480	1,015	1,466	27.5	119,705	14,887	5,362	9,525
2005	9,712	2,802	927	1,875	28.9	120,134	20,144	5,844	14,300
2006	12,318	3,355	1,123	2,232	27.2	120,858	19,008	2,567	16,441
2007	13,185	3,807	1,350	2,457	28.9	116,252	17,892	1,079	16,813
2008	12,763	3,523	1,296	2,227	27.6	96,800	12,296	2,747	9,549

1) About foreign sales, in order to compute the overseas ratio of sales, the exports to the Japanese head office from overseas subsidiaries are not included. About operating profit, contributions by exports to overseas subsidiaries' Japanese head office are included based on consolidated statements.
2) Rapid increase of the whole company sales and reduction of the overseas ratio in 2006 were influenced by the purchase of Kanebo cosmetics business where the overseas ratio had little itself.
Source) Financial Report (each year version), however the sales in Asia before 1996 (*) are the estimation by "Chemical Daily (Kagaku Kogyo Nippo)".

Table 2 Grouping of Southeast Asian market by Kao

	Region One			Region Two		Region Three	
Nation or regions	Taiwan	Hong Kong	Singapore	Malaysia	Thailand	Indonesia	Philippines
Rate of washing machine ownership	96%	88%	80%	33%	12%	3%	9%
The form of detergent used (%)							
Powder detergent (Ordinary)	92	29	90	75	99	57	25
Powder detergent (Concentrated)	4	61	9	23	0.3		
Liquid detergent	15		23	4	2		
Solid detergent (Detergent Bar)		1		50		6	98
Paste Detergent						8	
Soap	57						6

1) The sum total of "the form of detergent used" may exceed 100% for the numerical value of a multiple-answers questionnaire.
Source) *Hiroba (Square)* [Kao public relations magazine], No. 131, January 1991, p. 23.

Kao in Southeast Asia

The following paragraphs examine Kao affiliated companies in Thailand and Taiwan in detail among those in Southeast Asia. One feature of the Southeast Asian market is its diversity. As shown in Table 2, Kao classified the Southeast Asian market into three general categories in the 1990s. The first group (Taiwan, Hong Kong, Singapore) includes the areas which were highly industrialized and their lifestyles and value systems tend to be receptive to Japanese goods. The second group (Thailand, Malaysia) includes the areas which are middle-developed countries in the way of industrialization, have lifestyles and value systems which differ from those of Japan, and where ownership of washing machines is not widespread. The third group (Indonesia and the Philippines) is the area where industrialization is delayed, the diffusion rate of washing machines is also low, and the lifestyles and value systems differ greatly from those of Japan. Although Kao has basically standardized policy of the brand, advertising, and distribution channels throughout Asia, it also makes exceptions for each group, depending on the situation. Taiwan and Thailand, which are examined in this paper, are representative examples of the first and second group respectively. Furthermore, although not enough data is available at present, reference will be made for comparison to Hong Kong—where Kao deliberately transferred its experience of the Japanese style sales company—and the Philippines, which belongs to the third group.

(1) Kao in Thailand

Thailand is the oldest and also one of the most important markets for Kao. In Thailand, besides Kao, Unilever Thai Holdings Ltd. (Lever Brothers (Thailand) before 1997), Colgate Palmolive (Thailand) and Lion (Thailand) are leading companies in the soap and detergent industry. Lever Brothers (Thailand), established in 1932, has the oldest history, and is also the largest in terms of scale. Lion (Thailand) is a joint venture between Lion Corporation, which is a traditional Japanese toothbrush manufacturer, and the Saha group which is the major business group of Thailand. As for the others, although Proctor & Gamble has also entered the Thai market, its presence is not strong (See Table 3).

Kao began full-scale export to Thailand with its powder type Feather Shampoo in April of 1957. Taisin Industrial Co. Ltd., which was dealing in import sales of miscellaneous goods in those days, became an export agent. Taishin was established in March of 1951 by Suvit Praisankul, a Taiwanese entrepreneur born in 1921.[16] In September 1964, Kao established the joint venture Kao Industrial (Thailand) Co., Ltd.: referred to as Kao Thailand below) with Taishin[17]. Feather Shampoo, used as the reason for Kao's entry into Thailand, became a typical brand of Thailand Kao about 50 years later.

Kao Thailand continued to struggle in the synthetic detergent business, which should leading category among toiletry products. While Colgate's Fab occupied a 25% market share, and Breeze of Lever Brothers had 30%, Top of Lion Thailand and Asachan of Kao Thailand together had less than 4% of the Thai detergent market around 1973 [18]. The reason for this was not the quality of the product itself. In 1968, Kao had an advertising agency do a comparative quality test of Asachan, Breeze and Fab. Unexpectedly, the evaluation of Asachan and Breeze was mostly equal in respect of “smell,” “resulting whiteness,” “premium goods,” and “hand roughness,” but only Breeze was evaluated highly in terms of “foaming.” “Foaming” was important because most Thai customers washed their clothes by hand, soaking them in water for about one hour without using a washing machine. This result gave Kao the opportunity to become aware what “quality” suitable for the consumers in a foreign market is.

From the 70s to the 80s, Kao Thailand did not carry out a full-scale reinforcement of the laundry detergent business which plant and equipment investment costs require, but instead followed a policy of diversification of product lines, such as sanitary goods, bleach, liquid detergent for tableware, and mosquito coils. Among these products, sanitary goods succeeded first since the younger age groups were increasing in number in Thailand, and white bleach also succeeded since wearing white is popular in Thailand; they both contributed to diversification of the product line.

Feather Shampoo gradually lost out to competitors over the years, and its market share had fallen to 3% by the end of the 80s. In 1993, "New Feather Shampoo" was put on the market. It was a hit due to the product application in the newly founded research institute[19]. The first head of the institute, who had extensive product development experience in Japan, carried out a large number of experiments using both market research and water. He changed the composition of the ingredients so that cold water would be sufficient and it would foam immediately, and he used scents that had a powerful lingering fragrance, suitable for Thai people who did not shampoo their hair daily. Moreover, according to market research analysis of price consciousness, special discount prices turned out to have the opposite of the intended effect on the Thais' purchase volition, so the price was set at a conventional 10 baht, and the quantity was doubled from the conventional 50cc to 100cc. Television advertisements emphasized familiarity by having Thai children say the brand name and its price repeatedly. This series of reforms took effect, and Feather Shampoo's market share which had temporarily fallen to the level of 3% recovered to a level of 8% by sales amount.

Kao Thailand had to wait for the reinforcement of the detergent business until the launch of Attack. Attack is a product representing Japanese concentrated (high-density type) detergent, and is known in Japan as an epoch-making hit product after it went on the market in 1987. Kao Thailand focused its efforts on concentrated detergent for retrieval of the detergent market in Thailand, and started production and sales of Attack in January of 1990. The advertising budget of Attack reached 55.8 million baht, which had not been seen in conventional Kao Thailand, and it approached the advertising budget (70 million baht) of Breeze Excel of Lever Brothers. Attack showed good sales, and it pushed up the market share of Kao to about 20% in the field of concentrated detergent.

But there were disadvantageous circumstances for the sale of concentrated laundry detergent in Thailand. Firstly, the diffusion rate of electric washing machines was just over 8% in Thailand at the end of the 80s, albeit rising quickly, and their use was slow to spread in rural areas. Concentrated detergent was made with the assumption of its being used in electric washing machines, so concentrated detergent for hand washing did not exist. Secondly, conventional detergent was deep-rooted in the whole of Thailand, as can be seen from the fact that 65% of the detergent sold in Thailand was conventional, while 35% was concentrate[20]. Moreover, while the market for concentrated detergent only saw growth of 105% in the annual average in the ten years since its appearance, the market for conventional detergent accomplished growth of 107% of the annual average, by the recession after the Asian currency crisis. Although Kao Thailand had dealt only in concentrated detergent since the launch of Attack, recognizing the conditions described above, they released Big, a conventional detergent, around 1997. Although they had not invested in promoting Big on a grand scale as had been the case with Attack, the conventional detergent accounted for 40% of Kao Thailand's detergent sales, in terms of quantity, at one point in 2001[21].

Kao Thailand's original distribution channels consisted of two courses. The first was seven agencies which Taishin used successfully before the establishment of the joint venture, and the second was direct sales to retail stores. Kao Thailand's original direct sales system, which was called the "cash sales van system," differed from Kao's sales system in Japan. Kao Thailand's salespeople went round their territory in vans loaded with goods and sold them to retail stores for cash on the spot. This system had the advantages of eliminating the need for payment collection, and also serving as a means of advertisement. However, an exact list of retail stores could not be created under this system, and transaction prices varied by area[22].

With the growth of Kao Thailand, the direct sales channel was extended, and the channel of the seven agencies of Taishin was abolished. The seven agencies which Taishin selected had weak distribution channels to rural areas, and also included agencies of Lever Brothers and Colgate, and wholesalers which specialized in imported products. Although Kao Thailand depended on Taishin's cash sales van for sales in rural areas, a difference in the quality of the sales force in contrast with the other outstanding competitors was evident. For example, Taishin had only three salespeople for wholesalers of shampoo, while there were 60 salespeople for Lever Brothers Omo.

Kao Thailand judged that the sales force for Kao products of the seven agencies and Taishin was inferior, discontinued dealings with the agencies, and required Taishin to cut the number of wholesalers with which it was doing business from about 2000 shops to 344, while the others were made into the direct trade of Kao. However, direct sales to retail stores still accounted for about 15% of Kao Thailand's sales in 1975.

From the middle of the 1980s to the beginning of the 1990s, Kao Thailand strengthened its means of sales management and diversification of goods, and began to fix the organization of the direct sales to retail stores. Although skills which Kao cultivated through the sales company in Japan were introduced into sales management, the situation differed from that of the early Japanese Kao in that Kao Thailand's sales companies did not become independent and capital from wholesale stores was not available. Kao Thailand established offices which dealt exclusively with Kao products in 18 locations in Thailand in 1991. Kao Thailand changed to a system in which salespeople frequently travel to retail stores, place orders for out-of-stock goods on a credit system, and deliver goods separately. As a result, the management of stock and the condition of the shop front of retail stores by salespeople was strengthened. Furthermore, by having a fixed list of retail stores, it became possible to move from cash transactions to a system of credit with a two week period before settlement of payment. The goods produced at the factory were delivered directly via three warehouses near Bangkok to branches all over the country, and then from each branches to retail stores in the area, and in some remote regions, to wholesale stores.

In parallel to the rationalization of Kao Thailand's direct sales organization, a big change had also taken place in the overall distribution structure of Thailand[23]. Until the mid-1980s, the Thai distribution system was very limited. The only large-sized retailers were department stores, while retailers in general were small and very few. Because of the small size of the domestic retailers and the lack of highly developed wholesalers, the building of wholesale channels was led by domestic business groups or foreign manufacturers, that is to say, manufacturer-oriented marketing channels [24]. Consumer-goods manufactures, represented by Saha group, were regarded as the leaders in the historical distribution system of Thailand. The distribution channels of synthetic detergent manufacturers like Kao Thailand, Lever Brothers, and Saha group (including Lion) were built on the traditional distribution structure of Thailand, which was insufficient for the mass sale of industrial commodities. Not only Thailand Kao but Lever Brothers and Saha group have built distribution channels led by the manufacturer, or distribution channels within the group.

The Thai retail industry has developed rapidly since the economic boom of the mid 1980s. Through the modernization and internationalization of Thailand's distribution system which gained pace after the 1980s, major Thai-capital distributors (the CP group which entered into the distribution industry from agribusiness, and some department store groups), and foreign-capital distributors (Especially Western hypermarkets and Hong Kong capital variety stores) gained power. Most of Kao Thailand's direct sales channels are such large-scale chain distributors, and they accounted for around 40% of Kao Thailand's sales by 2000. Since the distributors themselves were developing efficient logistic systems including wholesale functions such as delivery centers, it became unnecessary for Kao Thailand to build a distribution system by itself.

Table 3　Large enterprises in Soap and Detergent Industry in Thailand

	Lever Brothers (Thailand)		Colgate-Palmolive (Thailand)		Lion Corporation (Thailand)		Kao Industrial (Thailand)		Proctor & Gamble Manufacturing (Thailand)	
Year	Sales	Net Profit	Sales	Net Profit	Sales	Net Profit	Sales	Net Profit	Sales	Net Profit
1976	735	79	508	85			68			
1977	832	61	553	58			90			
1978	905	39	580	49			144			
1979	1,301	78	716	40			185			
1980	1,614	78	1,012	46	573	2	226			
1981	1,933	134	1,144	75	739	4	366			
1982	2,076	109	1,249	18	734	8	451			
1983	2,367	212	1,320	67	721	11	484	53		
1984	2,667	294	1,552	27	805	23	501	51		
1985	2,412	311	1,444	-33	923	9	540	24		
1986	2,369	174	1,156	-26	888	10		0		
1987	2,672	281	1,465	62	1,189	34	655	10		
1988	2,813	205	1,806	-1	1,506	26	750	1	200	
1989	3,183	67	2,108	42	1,715	26	927	11		
1990	3,441	144	2,323	23	1,443	69	1,792	99		
1991	3,871	172	2,436	-10	1,732	33	1,628	30	2,000	

1992	5,033	307	4,448	271	1,845	81	2,118	181		
1993	9,400	360	4,879	399	1,812	60	2,284	251		345
1994	10,908	487	5,208	183	1,809	57	2,391	33	3,805	250
1995	11,767	486	5,662	68	2,353	42	2,976	11		
1996	13,546	705	5,526	65	2,581	39	3,123	80	5,017	235
2000	19,662	2,360			4,328	67	3,424	211		
2001	21,604	2,940	7,903	377	4,333	70	3,672	250		
2002	18,266	2,729	8,627	586	4,387	102	4,473	421	1,950	363
2005	12,799	373	9,902	363	6,016	218	5,168	-51	2,081	280
2006	14,880	1,275	9,426	487	6,917	324	5,553	-477	2,639	321

1) In 2000 and afterwards, the achievements of Unilever Thai Holdings were referred, with the company name changed to Unilever Thailand from Lever Brothers (Thailand).

2) There is a separate company named Kao Commercial (Thailand) as a sales division of Kao Thailand. This table doesn't include the achievement of Kao Commercial (Thailand).

Source)

1976-1991 : International Business Research,Million Baht Business Information Thailand (Each Year)
1991-1993,1996, 2000-2001 : Advanced Research Grop Co.Ltd,Thailand Company Information (Each Year)
1994-1995: Business Research & Data Center Co., Ltd., Business Profile Thailand 1996-1997
Others: The annual report of each company

(2) Kao in Taiwan

The impetus for Kao's first entry into Taiwan was provided, as in the case of Thailand, by the export of Feather Shampoo in the 1950s. On December 2, 1964, "Taiwan Kao," the precursor of today's Kao (Taiwan) Corporation, was established through a joint venture between Kao, Taiwan Trade and two other local firms. The company was headed by Lin Xirui (林錫瑞) of Taiwan Trade.

Through to the 1970s, Kao Taiwan's greatest rivals were locally-based firms with strong price appeal. Namchow Chemical Industry, a company established in 1952 by over 20 ethnic Chinese residing outside Taiwan, experienced rapid growth thanks to its appointment as universal agent for P&G in Taiwan in 1966[25]. In 1984, Unilever launched a fifty-fifty joint venture with Taiwanese partners. This company, Maribel (now Unilever Taiwan), became the leading manufacturer in Taiwan. In February 1989, Colgate established its own Taiwanese arm independently. Meanwhile, P&G had pulled out of Taiwan in the 1960s, and their Taiwan affiliate had been purchased by Kao. In March of 1984 P&G made its return, investing 50-50 with Namchow Chemical Industrial in a new local company. The Japanese firm Lion also launched a joint venture in 1969 with a Taiwanese conglomerate, but did not develop a strong presence in Taiwan. As shown in Table4, Kao has secured the status of No. 2 after P&G in Taiwan.

Table 4 Large enterprises in Soap and Detergent Industry in Taiwan (1991－2005)

Million Yuan (Sales), Thousand Yuan (Net Profit)

	Proctor & Gamble		Kao (Taiwan)		Unilever		Shiseido (Taiwan)		Nice Corporation (耐斯企業)		Lion (Taiwan)		Namchow Chemical	
	Sales	Net	Sales	Net	Sales	Net	Sales	Net	Sales	Net	Sales	Net	Sales	Net

Year		Profit		Profit		Profit		Profit		Profit		Profit		Profit
1991	5,000	n.a.	3,879	264	4,006	100	1,761	351	603	125	582	2	335	n.a.
1992	4,900	n.a.	4,180	175	4,437	n.a.	1,970	355	702	130	642	2	356	n.a.
1993	6,000	n.a.	4,545	11			2,119	352	783	148	720	13	319	n.a.
1994	6,700	n.a.	5,240	115	n.a.	110	2,482	374	930	126	750	10	301	n.a.
1995	6,800	n.a.	6,317	140			2,634	366	1,138	126	748	5		
1996	7,000	n.a.	6,455	189	5,296	251	2,938	506	1,254	143	721	6		
1997	8,000	n.a.	6,976	305	5,421	234	3,279	467	1,290	136				
1998	9,500	n.a.	7,368	277	4,497	48	3,269	422	1,302	190	771	17		
1999	9,610	n.a.	7,595	309	4,167	377	3,352	384	1,318	63	732	17		
2000	n.a.	n.a.	6,538	n.a.	4,950	n.a.	2,921	348	1,291	25	637	8		
2001	9,500	n.a.	7,208	n.a.	4,500	n.a.	3,318	396	1,276	-85	712	14		
2002	10,097	n.a.	5,515	n.a.	6,220	683	3,171	476	1,511	82			188	n.a.
2003	10,200	n.a.	5,763	n.a.			2,980	441	1,387	112			216	n.a.
2004	9,900	n.a.	5,591	n.a.	5,185	n.a.	3,460	593	1,645	96	700	n.a.	207	n.a.
2005	9,600	n.a.	5,072	n.a.	5,439	n.a.	3,613	707	1,747	89	748	n.a.	203	n.a.

Source) *Ranking of Large Enterprises in the Republic of China*,1992, *Ranking of Large Enterprises in Taiwan*, 1993～2006.

From the latter half of the 1970s, Kao (Taiwan) worked to counter the price cutting campaigns of local firms by strengthening its shampoo and conditioner business. The approach it adopted was to appeal to consumers through product quality standards that clearly differentiated it from its competitors. In the 1970s Kao had already begun to focus on the development of hair care products within Japan, and had discovered that hair strands tended to have a scaly surface that made them prone to damage when rubbed together, and that this friction could be reduced if shampoo foam could be made fine enough to slip between the strands and act as a cushion. On the basis of these discoveries, Kao had worked to develop new shampoo formulas and hair conditioners. Its successes in Japan were transferred to Taiwan with the release in 1976 of a product called Kao Cream Rinse. In a year, it became the leading brand in Taiwan[26]. Kao enjoyed further success in the Taiwanese market with the Essential Shampoo range, launched in 1984, which made use of amino-acid surfactants to diminish hair friction. The local advertising campaign for this shampoo appealed strongly to consumers through its direct message regarding the need to protect one's hair, not simply cleanse it in the manner of existing shampoo products. 1978 saw the launch of Merit Shampoo with an anti-dandruff agent, and Kao Taiwan experienced ongoing growth to the point where it had around a 20% share of the shampoo and conditioner market in Taiwan.

The Taiwanese market for laundry detergents is characterized by the difference in water quality between the northern and southern regions of the island, and by other factors including the relatively high income levels, the high penetration rate of electric washing machines, and the preference for clothing in primary colors. Modifications were made to Kao's laundry detergent products in order to match these characteristics. It is notable that this modification process began at such an early stage. The company grew considerably on the back of Super, a laundry detergent sold in 500-gram polyethylene bags for a retail price of 8 Taiwan dollars (around 58.5 yen) in the 1970s. This product was well attuned to local market conditions and gained a good reputation thanks to a clever advertising campaign that appealed to consumers' price preferences.

Kao launched Attack in Taiwan in March of 1988, and began to manufacture it locally in July of 1989. Product design was revised at this stage to suit local climatic conditions: innovations included humidity-resistant packaging and altered product constituents to reduce moisture absorption. In addition to regular Attack, a new Taiwan-specific product called "Color Attack" was launched, with an ingredient that rectified the dulling of colors in clothing. This product addressed the preference for colored clothing among Taiwanese consumers.

Around 1990, the Taiwanese market for laundry detergents amounted to between 80,000 and 100,000 tons in annual production and generated 12 to 14 billion yen. This was around one sixth of the Japanese market in terms of volume, and one twelfth in terms of value. At the time, the local company Guolian Industries, operating under the Unilever umbrella, held a 50% share of the market, while Kao Taiwan and Taiwan Lion had around 17% each. In little over a year after the launch of Attack, however, Kao Taiwan's share had grown to over 20%. As of 1998, this had risen further to around 30%, separating Kao by just a small margin from the market leader Guolian[27]. The high diffusion rate of concentrated detergent – around 50% of the overall market for laundry detergents – aided this growth in market share for Kao, which was promoting the Attack brand exclusively in Taiwan.

In its early years, Kao Taiwan took a dual approach to distribution, using agents and direct sales channels in parallel. The process of selecting agents began in 1966, and eventually two kinds of agents were contracted with in each of Taiwan's major cities: one to handle products in the clothing field (soaps, towels, garments, shampoos, conditioners, toothpaste, etc.) and the other dealing with foods (mainly foodstuffs, and laundry detergents). Taiwan's progression into a high-growth period from the 1960s, however, brought changes such as a diversification of consumer needs and the emergence of supermarkets. Wholesalers began to handle a much wider range of products than before, but eventually began to concentrate their efforts on a smaller number of good-selling product lines. Superior quality and strong promotion by the manufacturer did not necessarily guarantee that a product would be welcomed by wholesalers.

It was at this point that Kao Taiwan began to develop direct sales routes. It opened its first branch office in the city of Taichung in January 1969, followed by branches in Kaohsiung and Tainan. Several other branches were opened in the period between 1975 and 1980, providing full coverage across the entire island. Kao Taiwan operated a total of 15 branches at one stage, but by 1998 these had been consolidated into six main branches in Taipei, Hsinchu, Taichung, Tainan, Kaohsiung and Eastern Taiwan. Commercial distribution and logistics functions are separated, with four logistics hubs operating independently from the six branches[28]. In terms of personnel numbers, the Taipei branch is markedly larger than the others, reflecting the concentration of population in that city – a characteristic of Taiwan's urban demography. Some disparity in sales patterns can be observed between the different branches. In Taipei and other parts of Northern Taiwan, for example, there are many modern supermarkets among Kao's clients, and newer products such as concentrated detergents sell well. Taiwan's south, on the other hand, is home to many traditional small-scale retailers, and good sales are achieved in older lines such as conventional detergents.

Kao Taiwan's branches adopted the cash sales van method. Each branch had one or two sales vans and 10 or so sales personnel, each of whom would make periodical direct visits to the 400-odd retailers in their territory, restocking any sold-out lines as they went. 1979 brought the introduction of the call-book method, whereby each member of the sales staff was equipped with a manual listing sales volumes, prices, dates and other particulars for each product type. In the same year, Kao Taiwan's cash discount system, previously offered only to wholesalers at a discount rate of 5%, was extended so that both wholesalers and retailers were entitled to a cash payment discount of 3%.

Thus the direct sales system was well established by the 1980s, when it became Kao Taiwan's major distribution channel. By around 1981, the firm had dealings with around 28,000 retailers and some 800 wholesalers. The percentage breakdown of sales by store type in 1984 was as follows: department stores and supermarkets 27.6%; cosmetics wholesalers 5.1%; general merchandise wholesalers 6.9%; ordinary retailers 22.4%; pharmaceutical and hardware stores 6.3%; agricultural associations 6.3%; military, state and educational workers' cooperatives 30.3%[29].

Taiwan's retail industry made advancements in terms of technology and scale in the 1980s, resulting in an expansion of business categories such as high-volume retailers (hypermarkets and cash-and-carry stores, supermarkets), convenience stores and variety stores. Kao Taiwan's direct sales system works toward this trend: sales channels run essentially from the head office through branches, while logistics lines run from Kao's manufacturing plant in Hsinchu, through distribution centers to retailers. Convenience stores, Japanese-owned supermarkets and other burgeoning retail outlets tend to operate their own distribution centers, which Kao supplies directly from its Hsinchu plant. There are also some cases in Southern Taiwan where Taiwanese wholesalers act as "agents" for Kao's branches in distributing products to retailers. A certain percentage of goods handled by each branch also go to outlets of the military, state and educational workers' cooperatives, a major presence throughout Taiwan. Prices at these outlets are significantly lower than those at regular retailers – around 40 to 50%. In the past there were some instances of goods being passed on from such outlets to regular retailers, but Kao's petitioning of the Taiwanese government has since led to a resolution of this problem.

In this way, Kao Taiwan has built its distribution channels basically around a direct-sales system, but also makes use of other routes in line with specific conditions in Taiwan, such as the rapid development of the logistics industry in recent years and the differences between the southern and northern regions of the island.

(3) Kao in other regions

Kao (Hong Kong) Ltd., founded in 1970, is often noted for the fact that it was first among Kao's Southeast Asian operations to adopt a direct sales approach, well before either Taiwan or Thailand. Initially, Kao Hong Hong's sales operations made parallel use of four agents, but from around 1971-2, conflicts over territory and weakening business positions among these agents became more noticeable. The head of Kao Hong Kong's management at the time had previously worked for a Kao sales company in Ishikawa prefecture, and sought to make use of this Japanese sales experience in Hong Kong. The plan he formulated was to establish a sales company with investments from Kao and the four agents. Three of the agents, however, declined to participate, so in 1979, the Kao (Hong Kong) Sales company was established with joint capital from Kao and the remaining agent (Wang Xing Xiang Xing[萬興祥行]). Kao's reason for seeking to involve the agents in this new venture was to maintain relationships already built by the agents with local retailers. The agents that declined to participate, however, also refused to provide any data on their clients. So Kao sales representatives began to do the rounds of all sales areas in Hong Kong, encouraging clients to deal directly with the Kao Hong Kong Sales company. In 1983 Kao Hong Kong took full ownership of this company. Thanks to sales experience imported from Japan and the retention of high-performing local sales representatives in both Kao Hong Kong and its sales company, Kao's core cosmetics line "Sofina" sold well in Hong Kong, in contrast to Kao's other local operations in Asia, which had discontinued the line.

Instances of Kao pulling out of the household goods business in Southeast Asia are few and far between, but the Philippines is one country where the firm's experience did end with a substantive withdrawal. Kao entered the Philippines household goods market in December of 1979, when the 2.7 million peso company Kao Philippines was launched with 70% of the capital provided by Kao and the other 30% by Aboitiz & Co. In October of 1994, however, Kao dismantled Kao Philippines and withdrew from the Filipino toiletries market. This decision was prompted by poor sales performance. The company had 120 employees at the time of the withdrawal, and had recorded sales of 500 million yen in the previous year. In comparison with Kao's operations in markets such as Taiwan and Thailand, where some 20 to 30 different products were manufactured, manufacturing in the Philippines was limited to just six products including shampoo, facial cleanser and body shampoo. The primary reason for the withdrawal of Kao Philippines lay in a failure to adequately comprehend the needs of Filipinos. Consumer behavior in the Philippines is said to be markedly different from that of other Southeast Asian nations, attributable to characteristics such as the influence of colonization by the United States, low income levels, and the multi-cultural population. In Kao's conception of Asian markets, Taiwan, Hong Kong and Singapore are considered virtually identical, while minor differences exist in Malaysia, Indonesia and Thailand. The Philippines is considered radically different. A second reason was the difficulty in building effective channels for distribution, stemming from the fact that Kao Philippines was not established as a joint venture with local distribution partners as had been the case in Thailand and Taiwan. Thirdly, Kao's advertising budget in the Philippines was extremely small. In contrast, P&G had a major presence in the Philippines, and its advertising division became closely involved with the development of the local advertising industry itself.

Concluding Remark

This paper showed the process of the international transfer of Japan's marketing system and considered the reasons that the systems abroad differed from their Japanese model, mainly from the perspective of local subsidiaries. As seen in this paper, Kao did not reproduce overseas the sales company system built in Japan without modification. Construction of Kao's distribution channels in Southeast Asia began from a dependence on joint venture partners, or selection of agencies, and they soon began selling directly to retail stores through the installation of branches and warehouses. Although the sales skills required for direct sales were similar to those of the sales company system, it differed in respect to the organization. In addition, although the distribution channels of Kao Hong Kong grew to be similar to those of Thailand and Taiwan in the end, it is an interesting example in that a person with experience in a Kao sales company took direct charge of setting up the organization, and it had capital participation by two or more wholesalers. Since public presentation of the data did not meet the deadline at the time of writing of this paper, I would like to discuss it in detail later.

In various affiliated companies of Southeast Asia, Kao strengthened the injection of high performance products in parallel to the strengthening of the direct-sales channel. Although this method of operation led to a temporary expansion of sales, its spread in Asian markets was limited. Around 1990, Kao firmly established the direct-sales system in Thailand and Taiwan with the injection of Attack, (which was a hot-selling product in Japan) with the aim of expanding sales. The success of this product had the effect of increasing Kao's market share to a level equal with its competitors. Especially in Taiwan, where the degree of economic development was similar to Japan's, and the population of the urban areas was large, this policy was comparatively effective. In Thailand however, there remained a point at which it was difficult to meet local consumers' needs. Moreover, in order to establish the infrastructure for efficiently integrated distribution of its products, the direct sales method was employed for various product lines, meaning that the cost burden in the field, such as office installation and staff employment, was onerous.

Notes

[1] About the idea of distribution "keiretsu", see Usui, *The Histrical Contexts Producing Keiretsu Retailing: The Four Major Industries in Japan 1910s-1930s*.

[2] The Japanese distribution system has been characterized as smallness of scale, combined with a large-number of retailers, the existence of multi-step wholesalers and manufacture-oriented distribution channels (Tamura, *Nihon Gata Ryutsu Sistemu* is a representative argument in the 1980s).

[3] Ishii, *Kindai Nihon Ryutsu Shi* and Yahagi, *Nihon no Ryutsu 100 Nen* are resent representative works in historical fields.

[4] Kao Corporation has been renamed in its history as Nagase Store (1887-1940), Nihon Yuki (1940-1949), Kao Soap Company (1949-1986) and Kao Corporation (1986-present).

[5] Kudo, Akira and Motoi Ihara, "Emerging Postwar-type Managers and Their Learning of American Technology and Management: The Consumer Chemicals Industry and the Case of Kao " in *German and Japanese Business in the Boom Years*.

[6] Seto, *Hanbai Gaisha Ryutsu no Kiso*, p. １.

[7] About the idea of vertical marketing system and its application to historical analysis, see Tedlow, *New and Improved: the Story of Mass Marketing in America* and Stern, El-Ansary and Coughlan, *Marketing Channels*.

[8] Ibid, p. 346.

[9] Sasaki, *Nihonteki Ryutsu no Keieishi*.

[10] Kao Corporation, *Kao Shi 100 Nen*, pp. 296-298.

[11] Ibid., pp. 365-372, Son Inson, "Kodo Seicho Ki Ni Okeru Ryutsu Sistemu No Henka: Sekken Senzai Gyokai Wo Chushin Ni".

[12] Kao Corporation, Department of Household Products, *Zenkoku Katehin Hansha no Gaikyo (General Condition of Household Sales companies in the whole country)*, 1998, p.1.

[13] Even if it will result as of 2009, the sales in Kao China are less than Thailand, Taiwan, and Indonesia. However, neither the sales of each affiliated company of Kao nor the value of profits is releasable.

[14] Jones, *Renewing Unilever* and Dyer, Dalzell and Olegario, *Rising Tide*.

[15] Bartlett and Ghoshal, *Managing Across Borders*.

[16] Kao Corporation, *Tai Kao 20 Nen shi*, 1986, p. 6.

[17] In addition, Kao Commercial (Thailand) Co., Ltd., which separated sale ands sales section from the Kao Thailand was established in June, 1975. The reason manufacture and sales function specialized was because foreign capitals which were not local majority owned land or running wholesale business was forbidden by Alien Business Law which was enacted in 1972.

[18] Kao Corporation, *Tai Kao 20 Nen shi,* 1986, p. 67.

[19] *Nikkei Business*, Jan 2 1995, pp. 34-37.

[20] Bangkok Japanese chamber of commerce chemical industry section (ed.), *Tai no Kagaku sangyo no gaiyo*, p. 128.

[21] Based on the interview survey on December 16 2002 in Thailand. 2006, Although "Big" was stopped afterthat, "Attack Easy" which was exclusive use for hand wash was began to supply in Thailand and Indonesia in 2006.

[22] The product price differed in the cash sales van system greatly by the area by negotiation between Thai salespersons and retail stores. This situation continued until the mid of 1980s when the negotiating method for retail stores was manualized as "call book." (Kao, *Tai Kao*, p. 83).

[23] See Endo, "The Reorganization of the Retail Industry and Changing Distribution System in Thailand after the Economic Crisis in the Late 1990s", Endo, "Provincial Wholesalers as Nodes of Distribution Networks in Thailand".

[24] Ihara, *Tai no Gosei Senzai Kogyo ni okeru maketingu.*

[25] China credit information service,, Research of business group in Taiwan, p. 375.

[26] Kao Corporation, *Taiwan Kao 20 Nen shi*, pp. 65-67.

[27] Interview at kao Taiwan on 10 November 1998.

[28] Interview at kao Taiwan on 10 November 1998.

[29] *Taiwan Kao 20 Nen Shi*, p.76. Military, state and educational workers' cooperative is a cooperative organization for the military persons, government officials, and teachers who occupy big specific gravity in distribution of Taiwan, and was established in 1964 (See Kouryu Kyokai, *Taiwan no Ryutsu Syohi Zizyo).*

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