

## How Kao Corp. Entranced Asian Market after World War II

Tung, Ching-Ying  
Faculty of Economics, Kyushu University

<https://doi.org/10.15017/18737>

---

出版情報：経済論究. 138, pp.59-76, 2010-11. 九州大学大学院経済学会  
バージョン：  
権利関係：

# How Kao Corp. Entranced Asian Market after World War II

Ching-Ying Tung<sup>†</sup>

## Index:

- 1 . Introduction
- 2 . The Composition of Kao's Global Market
- 3 . Brief History of Kao's Asian Business before and after World War II
- 4 . Case Study-1: Thailand Kao- the matured market
- 5 . Case Study-2: Taiwan Kao- The protected market
- 6 . Characteristics of Kao's Entrance into Asian Market

## 1 . Introduction

This paper is based on the research of Tung's master (MBA project) thesis (2008) that singles out Kao Corp. (Kao) to be a representative case to uncover the nature and the problems of overseas business of traditional Japanese industrial companies. The purpose of Tung's thesis is to analyze the overseas business of Kao, and to propound a kind of Japanese style management by analyzing Kao both on the practical layer and the theoretical layer. On the practical layer, the history, present status, strategy, and structure of Kao are re-examined under a comparison framework to help understand the nature of Kao correctly and provide a suitable solution for its overseas business; and on the theoretical layer, the case of Kao is used to examine the research of Bartlett & Ghoshal (1989) toward Kao and Japanese global or international organizations.

As for this paper, it focuses on how Kao entranced Thailand and Taiwan market after World War II to provide an overview for why Kao had to set up Asian branch<sup>1)</sup> through constructing partnership network in Asia and how this network be effective.

## 2 . The Composition of Kao's Global Market

Kao officially established its overseas branch in Thailand and Taiwan in 1964; both branches were funded with local trading related companies that started selling Kao materials and products

---

<sup>†</sup> Ph. D. Program 3<sup>rd</sup> Year, Graduate School of Economics, Kyushu University,  
E-mail: tung1228@hotmail.com

1) Because before late 1980s all of the Kao's overseas companies were affiliated companies or joint venture companies, so here, instead of "subsidiary", the term "branch" is used.

in host countries during 1950s. During 1960s, Kao's Asian branch and business extended to Singapore, Hong Kong, Malaysia, Philippines, and Indonesia. The layout of branch in Southeast Asian (including Taiwan and Hong Kong) was completed by 1980. (Table 1)

And the first branch in America and Europe are Quimi Kao and Kao Corporation GmbH. Quimi Kao was set up in 1975 in Mexico as a cosmetic manufacturing and sales company; and Kao Corporation GmbH was set up to support joint research and trial sales of Kao products in Europe. Kao Corporation GmbH then set up a joint venture called Guhl Ikebana GmbH in the same year to promote high-end hair care and body care products in Europe.

Table 1<sup>2)</sup>: The Establishing Time of the First Branch in Major Asian Countries

Time	Nation	Function
Sep 1964	Thailand	Manufacture, trading and sales
Dec 1964	Taiwan	Manufacture, trading and sales
Jul 1965	Singapore	Trading and sales
Mar 1970	Hong Kong	Trading and sales
Mar 1973	Malaysia	Manufacture, trading and sales
Jan 1977	Philippines	Chemical and cosmetic manufacture and sales
Nov 1977	Indonesia	Chemical and cosmetic manufacture and sales

Since late 1980, under the direction of Yoshio Maruda, the ex- CEO and President of the company, Kao started constructing its global overseas business through M&A in western countries. During this period, Kao merged with American chemical High Point Chemical Corporation in 1987, and cosmetics and personal chemical products company The Andrew Jergen's in 1988. In 1989, Kao acquired shares of Goldwel AG (West Germany), the professional hair salon brand, and started professional hair salon business in western countries. Therefore, Kao's global layout was built in late 1980s, so it adopted a region segmented management system in 1988 by the set up of three regional headquarters in Singapore (shifted to Thailand in 2000), New York, and Düsseldorf. (Kao, 1993 (a)) (Photos 1-3)

2 ) Kao1993(b): p257.

Photo 1<sup>3)</sup>: Facial Cleaning Product of Kao, the circled products are developed in Taiwan KaoPhoto 2<sup>4)</sup>: Products of Jergens, Biore, Curél in western marketsPhoto 3<sup>5)</sup>: Products of Goldwell and KMS brands in western markets

With the benefit from M&A, at present, Kao owns over one hundred overseas branch in the world, however the overseas sales ratio does not have dramatic growth. (Figure 1<sup>6)</sup>) To know the reason, the growth of numbers and sales of overseas branch are checked. According to Figure 3, since 1991 the number of Kao's overseas businesses increased sharply, but among these new branches only Shanghai Kao, set up in 1993, is a new subsidiary located in Asia, so the growth of sales should be mainly from the contribution of western ones.

Besides, according to the volume of overseas sales, the total sales has increased generally

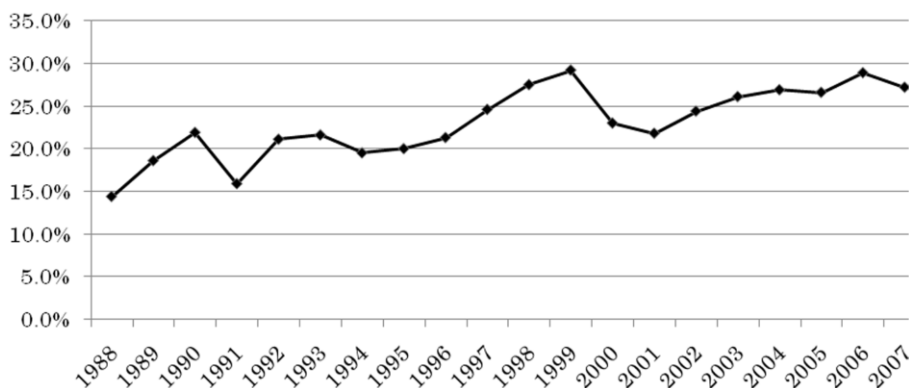
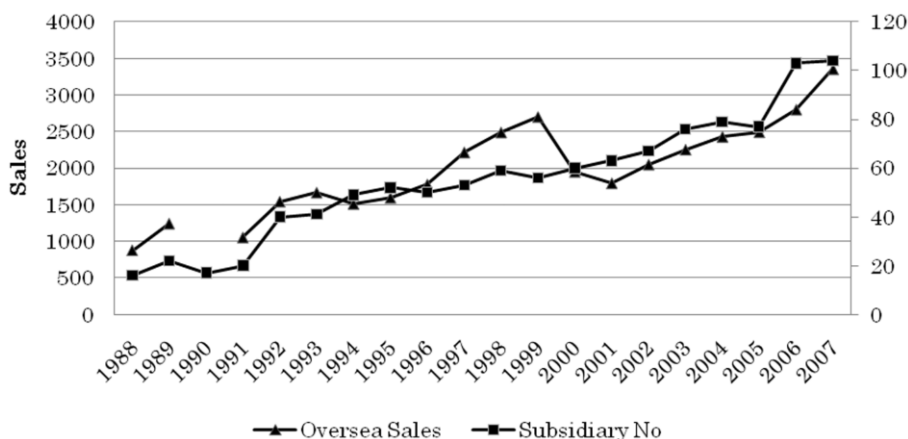
3) Source: Kao Japan website, 2008 Jan.

4) Source: Kao Japan website, 2008 Jan.

5) Source: Kao Japan website, 2008 Jan.

6) In Figure 3, 4, and 5, the Asian market includes Australia and New Zealand.

increased gradually since 1991, but dipped sharply in 2000. Based on Kao's annual report (Kao, 2000:12), this is because the drops of sales of the Biore strip in the three regions. Kao launched Biore strip with patent in 1996 in Japan and promoted the product throughout Asia and the western markets two years later in 1998. According to a Taiwanese advertiser, Kao didn't know the Biore strip could be successful so quickly, so consumers had to wait for supplemented products. About two years later, Unilever's Pond developed similar products with promoted functions and lower price (Kaku & Lee, 2000). The Pond's strip robbed Kao of its market in 2000. The case of Biore strip describes the most serious problem of Kao's overseas business: lack of ability to gather precise market information and to respond to the intense competition. Missing market chance is a common happening in the history of Kao's Asian market, other cases in Thailand and Taiwan will be offered later.

Figure 1<sup>7)</sup>: Change of Ratio of Overseas Sales from 1988-2007Figure 2<sup>8)</sup>: The Number and Sales of Overseas Branch of Kao from 1988-2007

7) Kao (1988-2007).

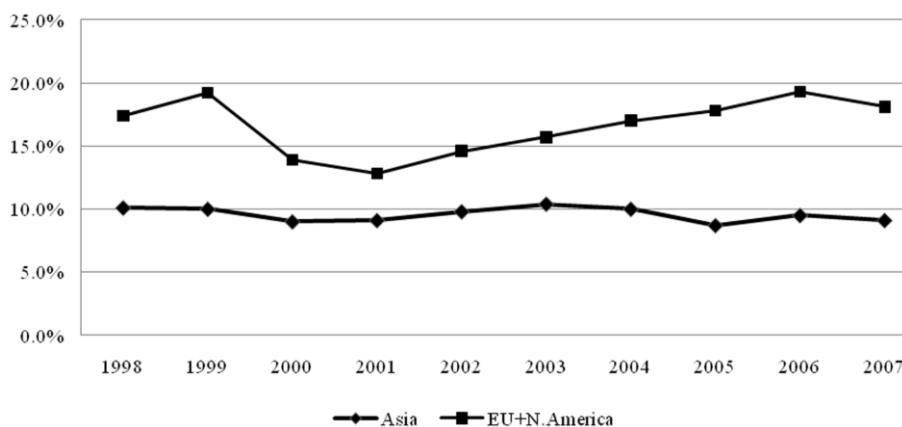
8) Kao 1993 (a); Kao (1992-2007).

By taking an overlook on Kao's brief history of overseas business and the sales ratios in geographic segmentations, it is clear to know that although Kao started its overseas market in Asia firstly, and at least 10 years earlier than Europe and America; however the performance in the western markets is much better than in Asia.

In sales volume, basically, the growing tendency of sales volume in western markets is obvious, but the range of growth in the Asian market is slight and implies un-stability. In the ratio of overseas sales, the situation is similar: the total ratio of overseas sales is consistently under 30% and also dropped in 2000. In the geographic segment, the ratio of Asian sales is around 10% with no obvious growing tendency; on the other hand, the ratio of western markets increases and becomes stronger after 2002. (Figure 3)

There is no exact explanation toward this phenomenon, but the role of overseas partners in different area is thought to be one of the key reasons in my research. That is because most western branch of Kao are partners that have their original technologies and brands, thus they have ability to adapt to the market's change for they have long experience in managing the local channel. However, the better sales also brought out the result that the portfolio products in the west are different from those in Asia and only a few of Kao's original brands are sold in western countries.

Figure 3<sup>9)</sup>: Sales Ratio in Geographic Segment from 1998-2007



On the other hand, because of the lack of self-technologies in the Asian branch, they sell Kao's products and brands with little adjustment of constituents and the marketing methods responds

9) Kao Annual Report 1996-2007.

to different market demands and geographical situations. Thus, Asian branch can be viewed as the derived part of Kao, and the performance of Asian branch is important to help understand the real capability of the overseas business of Kao.

In 2008, Kao had planned to grow and compete with rivals by raising sales volume in Asian markets because Japan has become a matured market after long-term competition, and there is no more space to increase. According to Ozaki, the CEO of Kao, Kao's total market share in Japan is about 25%, and it is a very hard thing to rise up the share above this. Therefore, Kao anticipates the development of its Asian market. However, when Ozaki was asked whether Kao could become number one in Asia, Ozaki answered, "*Honestly speaking, it is really difficult to be Asian number one. At present, the market allocation is that over half Asian market share is held by Unilever, and P&G is the challenger to attack Unilever's market.*"<sup>10)</sup>

Under this kind of intense situation, all Kao can do is to maintain its position and to win the number three position in Asia. It sounds very negative, but practical. In the following section, the brief explosion history of Kao's Asian business, and the case studies of Thailand and Taiwan business are introduced to provide a idea that the cooperation with local partners during the initial entrancing stages helped Kao set up its brand values in Asia before late 1980s, so the proper organization design for the whole group might be the real solution.

### 3 . Brief History of Kao's Asian Business before and after World War II

#### Before End of World War II

In official records, Kao set up its first overseas subsidiary in Thailand in 1964, but actually, Kao started overseas business in the 1930s. Initially, Kao set up Shuchosho (business office) directly or with assistance from Mitsubishi Shoji in colonies of Japan. The first business office was set up in Joseon (朝鮮 ex-Korea) in 1932, and then in Manchukuo (滿州國 Japanese colony in Northeast China) in 1934, and in Taiwan in 1938. The number of Shuchosho increased when Japan extended its territory to east and Southeast Asia and Kao became one of the suppliers for the Japanese Army. (Table 2) Kao started to build overseas factories in Shanghai in 1939, and then factories in Manchukuo, Taiwan, and Beijing. (Table 3)

---

10) Nikkei Business, 2007/1/8, p72

Table 2<sup>11)</sup>: Main Overseas Shuchoshos of Kao in 1930s and 1940s (1993 (a):156-157)

Time	Region	Place
1932 Nov.	Joseon	Gyeongseong (京城)
1934 Oct.	Manchu	Changchun (新京)
1938 Jun.	Taiwan	Taipei
1938 Aug.	Manchu	Dalian (大連): combined with Kyosei and Shinkyo-Hoten (奉天) offices
1939 Mar.	Shanghai	Shanghai
1940 May	North China	Tianjin (天津)
1941 Aug.		Qingdao (青島)

Table 3: Main Overseas Factories of Kao in 1930s and 1940s (1993 (a):156-157)

Time	Region	Place
1939 Dec.	Shanghai	Shanghai Kao Soap
1940 May	Manchu	Manchu Kao Soap
1941 May	Taiwan	Taiwan Kao
1941 Dec	North China	Beijing Kao Chemical
1942 June	Southeast Asia	Kota Makassar Factory
1943 May	Taiwan	Taiwan Organic
1943 Oct.	Southeast Asia	Celebes Factory
1944	Southeast Asia	Celebes Factories

Before 1942, most overseas business and factories were set up to manufacture consumer goods, such as soap, shampoo or toothpaste, and the market range was included in the territory of the Japanese Empire. From 1942 to 1945, Kao was ordered to build factories in Java and Celebes to provide consumer goods and material oils. Therefore, basically, Kao conducted “overseas business” inside the territory of the great Japanese Empire during the 1930s and 1940s.

Kao lost these overseas facilities and businesses when Japan was defeated in World War II. In any case, the factories in Japan were damaged under air attacks during the war. After the war, Kao spent time re-establishing its Japanese factories under the monitor of the GHQ of the United States army. So, it did not re-establish its overseas business for over 10 years, until late 1950s when Kao finally decided to launch Kao Feather shampoo powder in Asia through agencies.

### After World War II

Kao re-started its exporting business officially in 1957 through overseas agencies. The first three main agencies which helped Kao promote their shampoo powder in Asian countries are Taishin<sup>12)</sup> (大新洋行) in Thailand, Yu-Shin-Siang company (裕信祥公司) in Hong Kong, and Bealth

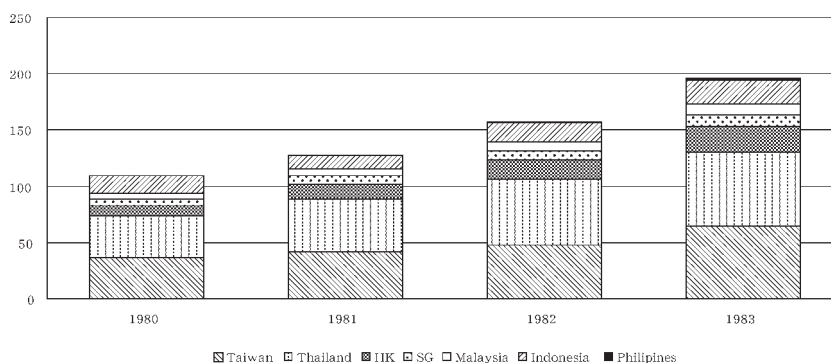
11) The place names are spelled in Japanese pronunciation.



(ベルス) company in Singapore. In addition, in Taipei, Kao also gained a chemical agency, Taipei Pharmacy (台北西藥房), selling surfactant and chemicals in Taiwan because of the Taiwanese government adopted protection policy. This policy was to nurture local chemical industry and forbid chemical products being imported to and sold in Taiwan. However, Kao's first Taiwan subsidiary was a joint venture of Taipei Pharmacy and Taipei Trading company (台北貿易).

All of these Asian companies later joined venture with Kao to set up overseas branch of Kao from 1964 to 1970. Among these agencies, Taishin in Thailand and Taipei Pharmacy in Taiwan offered good performance, thus Kao constructed its first two afflicted companies in Thailand and Taiwan in 1964. These two afflicted companies owned the best capability for manufacturing and sales, and held over 60% ratio of sales facilities among Asian branch. Because of stable growth, they become total branch of Kao officially during the years of late 1980s.

Figure 4<sup>13)</sup>: Sales Performance (mln Yen) of Kao's Asian Branch in Early 1980s



Among Asian branch, Taiwan and Thailand Kao played the roles of elder brothers, and helped Kao supply materials and products for other Asian branch and markets. (Figure 4) For example, Taiwan supplied products and chemicals to Hong Kong and Singapore; Thailand Kao helped Kao and Singapore Kao nurture the business and subsidiary in Indonesia; and Singapore assisted the factories and business in Malaysia and Indonesia in their initial stages. (Kao, 1930(a))

Therefore in the following section, the developments of Thailand and Taiwan Kao will be

12) Suvit named his company “Taishin” for the pronunciation of Chinese characters are the same in Hokkien dialect (spoken by most Taiwanese), Chiuchou dialect (spoken by most of Thailand’s Chinese population), and Japanese (the ex- official language of Taiwan).

13) Kao 1993(a)

explored more thoroughly as its experience reflects some of the weaknesses and difficulties of Kao's overseas business, and provides more detailed information about the formation of the relationship between parent company and overseas branch.

#### 4 . Case Study-1: Thailand Kao- the matured market

##### “Taishin” Period

Kao's business in Thailand started in 1957, when Suvit Praisankul got the importing permission from Kao. Suvit Paisankul was born in Taiwan, and named Lin Bing-Huang (林柄煌) before. He was selected as one of students of Thailand business study trip in 1943, and sent to Thailand by Japanese colony government in Taiwan. When war ended, he was sent to camp and asylum for the identity of Japan, and then released in 1946. After then, he came back to Taiwan married his wife and went back Thailand to work for Mitsubishi Shoji Thailand for 2 and half years. The trading training helped him established Taishin Trading company (大新洋行) in 1951 and start his own trading business with Kao and Tancho (丹頂). (Thailand Kao, 1986)

Suvit and his wife chose Kao to be their important supplier for the name “Kao Soap” linked to their childhood memory in Taiwan. Since departure from Taiwan and became immigrants in Thailand, they thought it will be good to see what they had experienced in Taiwan by selling Kao products in Thailand, so they decided to introduce the brand they like into Thailand, and visit Kao several time to get the export permission and negotiate price. (Thailand Kao, 1986)

The first product that Suvit imported to Thailand was Feather Shampoo powder for his wife tried the sample and believed the quality would be accepted by Thailand people. In the beginning, their biggest problem was that they had no cost to compete with Lever Brothers Thailand and Colgate- Palmolive Thailand, both entranced Thailand market in 1930s with huge capitals and various product portfolio. Therefore, Suvit decided to start sales in country side, avoiding competed with these two rivals. He didn't have advertising budgets, so he visited local shops frequently, and held some outdoor movie events to promote shampoo. (Thailand Kao, 1986)

His promotion and sales management worked, and sales rose high, however, at this time, Suvit faced three problems: one is Kao's production could not catch up his demands: the other was that the import tax of Thailand was raised up to CIF's 50%, and Lion also started to export shampoo powder to Thailand. Suvit didn't want to miss business chance and lose the market he built so hard, so he visited Kao to ask for raw materials importing and packaging in Thailand.

In the end, Taishin prepared factory building, Kao rent Taishin one packaging machine, and then Taishin Trading company became Taishin Industry company and started to package and sell Feather shampoo in Thailand. (Thailand Kao, 1986)

The promotion of Feather shampoo was so successful, so the name “Feather” is recognized equal to “Shampoo” in Thailand. Thus, although Kao launched new shampoos with new brand names in Japan and other Asian countries, but in Thailand shampoo’s brand name evolves from “Feather”, to “New Feather” in 1990s, and to “Feather Nature Plus” in 2000. The word “Feather” always exists.

#### Thailand Kao’s Period

In early 1960s, although the Japanese market inclined to liquid type shampoo, but the powder type shampoo kept growing up further in Thailand, Taishin and Kao found that the production could not feed the demand again. This time, Kao decided to establish joint venture affiliated company in Thailand, and Suvit also considered that only with Kao’s support Feather can grow bigger and better. Under this common thinking, Thailand Kao was set up in joint venture in 1964 Sept.

When Thailand Kao set up, Kao planned to manufacture raw materials in Thailand, too. However, Thailand government didn’t permit manufacture of some chemical materials in 5 years to help nurture Unilever and Colgate companies. Thus, in initial period, Thailand Kao only operated packaging works. Besides, Thailand Kao also faced some localization problems like difference of personnel system and channel network. In personnel, Kao finally adjusted the system from Thailand’s labor law orientation one to overseas Chinese custom orientation one. In channel, Kao had tried to lead Japanese direct sales systems into Thailand since 1960s to 1990s for they faces some problems, such as the gap of the telecommunication system between city and country side was large, the different concept about storage management, and countryside human resource recruitment and education, etc. (Hirai, 2005)

In marketing, Colgate wins the top position in toothpaste; Unilever holds the largest market share in soap category. In detergent category, the battle became very cut-throat, so P&G had even withdraw Thailand market in 1960s. Thailand Kao also had to deal with pricing war then, but the brand of Feather had been established successful, so without lowering down price much, Feather still won the top market share for Kao. Since 1970s, new products had been introduced into Thailand continuously, like Essential, Merit, Biore, Attack, Laurier, and so on. Now, Thailand Kao also launches national products: Feather Nature Plus and Biore Body Cream.

(Photo 4 and 5)

Photo 4<sup>14)</sup>: The advertising of Feather Nature Plus Shampoo in Thailand



Photo 5<sup>15)</sup>: The advertising of Biore Body Cream in Thailand



The most important experience of Thailand Kao is how Taishin and Thailand Kao constructed shampoo market under the pressure from two western huge groups, Unilever and Colgate. In the process, they also had to save fake goods and un-moral behavior of salesmen, but they still succeed. After narrate the experience of Taiwan Kao, this paper will discuss how these experience could apply to Chinese market latter.

## 5 . Case Study-2: Taiwan Kao- The protected market

Taiwan Kao was set up by all Taiwanese partners for the Taiwanese government in order to forbid foreign companies (except P&G) from selling products of the consumer goods industry in Taiwan. Thus, the rivals of Taiwan Kao were local companies that knew the demands and behaviors of Taiwanese customers well. This section will introduce the composition of Taiwan Kao, its difficulties in competing with local rivals, and how it was able to construct a large market share in detergent.

### The Composition of Taiwan Kao in 1960s: The Influence of local entrepreneurs

#### a . Taiwan Kao

In the 1960s, there are three branch of Kao in Taiwan: (1) Taiwan Kao, set up in 1964; (2) Moon

14) Source: Thailand Kao website, 2008 Jan.

15) Source: Thailand Kao website, 2008 Jan.

Star Chemical Industry, set up in 1966; and (3) Shin-Dian Chemical, purchased from P&G in 1969. These three branches combined in 1971 as the new Taiwan Kao.

The formation of Taiwan Kao was due to the effort of Lin Shi-rei (林錫瑞), later to become CEO of Taiwan Kao, by his organization of the three initiator Taiwanese groups, the Taipei Trading company, Taipei Pharmacy, and Chen He Fa Group (陳合發集團). Among the Taiwanese initiators, Chen He Fa Group, the wholesaler of consumer goods, later decided to cooperate with Lion group, so only members of Taipei Trading and Taipei Pharmacy had joint shares in 1964. Taipei Pharmacy invested in Taiwan Kao when they started importing Kao's Emal 10, a chemical product used in shampoo. They imported to provide shampoo materials for local companies, like Top Company and Nice Group in the 1950s, so they also were anticipating the manufacture and sale of chemical materials in Taiwan through Taiwan Kao. Furthermore Taipei Trading was a partner of Mitsubishi Shoji with whom they mainly traded iron materials. Lin of Taipei Trading did not have experience and knowledge about chemicals, but as with the case of Suvit in Thailand, he liked Kao brand, and hoped to assist in re-promoting Kao in Taiwan after World War II. Thus, Lin played the most important role among the shareholders, and Kao provided facilities and initial technology support in the beginning.

Basing on the composition of ownership, it is clear that in initial period Taiwan Kao did not own marketing and technology instruction for there were no direct support from Kao (technology) and Chen He Fa Group (distribution). For this reason, these owners went to Tokyo to ask Kao to open another joint venture of the chemical company in Taiwan, thus the Moon Star Chemical Industry was born.

#### b . Moon Star Chemical Industry

Moon Star Chemical Industry (月星化工) was 30% funded by Taiwanese capital and 70% Japanese capital in 1966, so that Taiwan can receive technology support from Kao, and Kao can expand its chemical business in Taiwan. Before Moon Star was formed, Taiwan Kao imported materials (Emal and CMC) from Japan, and adjusted the mixture, packaged it and launched the first product, Feather Shampoo, in Taiwan in 1966. To rout the Taiwanese memory toward Kao, Taiwan Kao used the name "Kao Shampoo Powder" instead of "Feather Shampoo" to stress that it is a product of Kao. And, because in Taiwan a packaging design similar to that of feather shampoo already existed, they changed their own packaging design. In marketing, because of their limited budget, they promoted products in local teams consisting of ladies who washed the hair of customers for free. (Taiwan Kao, 1986)

As Moon Star finished construction in 1967, Haiter (新奇) textile washing products started to

sell in Taiwan. Their sales were excellent because they had an advertising budget and held large scale flag promotion and campaign events around the island. Before the launch of products, researchers of Japan Kao came to Taiwan to investigate consumer behavior and water composition. They found two different ingredients of Haiter in Taiwan: one was the soft water of northern Taiwan, and the other was hard water of southern Taiwan.

### c . Shin-dian Factory

Shin-dian factory, the third company, was purchased from P&G as P&G decided to withdraw from the Taiwanese textile washing market in the late 1960s. In 1963, P&G bought the factory from Taiwanese chemical factory, Li-Tai Chemicals (利台化工). Li-Tai sold non-Soap detergent in the early 1960s, so P&G bought the factory to sell non- soap detergent in its own brand, Tide. (Taiwan Kao 1986; Fan 2005) Although P&G was the only foreign company receiving permission to sell consumer goods in Taiwan, it still failed and decided to withdraw from the Taiwanese market a few years later. It was then that they asked Kao to purchase the factory. Taiwan Kao objected to Japan Kao's purchase at first as the factory was very old and small, but Japan Kao explained that they hope to get the permission to sell consumer goods through this factory and also P&G's detergent technology, so the deal was closed. Thus, Kao had been taking over the sale of Tide in Taiwan for years.

### The Challenges in Taiwanese Detergent Market: Adjustment of price, product, and packaging

Taiwan Kao received the product sales permission at end of 1969 and the new Taiwan Kao was established officially in 1970 by combining three factories. Although Kao had built a good name for itself in Taiwan during the 1930s to 1940s, when they started to sell products in 1960s, the Taiwanese market was totally controlled by local companies. The first product of Kao sold in Taiwan was Kao Shampoo Powder (Feather Shampoo), its biggest rivals were Top5 of Top Company and 566 of Nice Group, both of which were purchasing Emall10 materials from Kao. Thus, Kao faced a risk competing with local oligarchies and its chemical customers. Fortunately, with economic development, the market kept growing, so Kao still had benefits from the shampoo business.

The first product with new materials and technology was Haiter for it is not soap but a kind of the synthetic detergent that was rare in the world at the time. Haiter was publicized widely through various media including TV commercials. With successful promotion, Haiter detergent grew quickly, but the mass production could not catch up with the market demand immediately, thus other Taiwanese chemical companies started to sack Kao's market share and hold most of the market shares. The local companies' success can be attribute to three reasons: (1) they had

knowledge about market size and Taiwanese consumers, so they can predict and respond to the market quickly; (2) they had the ability to provide similar products to Haiter by purchasing materials from western companies; and (3) they started the intense pricing war to snatch market shares. For example, Taiwanese brands, such as Bailan (白蘭), Cuepao (雪泡), Taili (台麗), (see Photo 6) entered the synthetic detergent market at half the price of Haiter and Tide, by packaging their product in plastic instead of paper.

Taiwan Kao had reported to Japan that plastic packaged products were more popular than the paper packaging, but Japan Kao judged promotion adjustment in global market data, and determined that paper package is the better packaging style for the Taiwanese market. However, because of the failure in 1970, Taiwan Kao decided to launch the plastic packaged product Shi-Ba (世霸) in 1971, and the sales of Shiba were much more successful than the paper packaged products. (Table 4) Following this, most of the Taiwanese detergent brands withdrew from the market with huge losses from the over-heated pricing war. (Taiwan Kao, 1986)

Photo 6<sup>16)</sup>: Main Detergent Products in 1960s' Taiwan (Old- Taiwan- Store website)



16) This photo is used with permission from the writer of Old- Taiwan- Store website.



Table 4: Sales of Textile Washing Detergent

Year	Brand Name	Sales (Box)
Dec1968 + Jan 1969	Tide	14,000
	Non-Soap	17,000
Aug1971	Shi Ba	20,000
Jun 1972	Shi Ba	37,000

At present, Bailan is the only local brand remaining and it is still a tough rival of Kao's Hatier and Attack. According to ACNielsen, the market shares of Attack and Bailan in the extract detergent sub-category were calculated as 53~62% and 23~39% from 2002 Jan to 2004 May. The market size of the sub-category is about 30% of the detergent category (Chang, 2004). Although the intensive competition troubled Taiwan Kao for a few years, the experience has helped Kao construct very strong brand power in the detergent category. In contrast to Thailand, where the shampoo brand is strongly fixed, in Taiwan, the brands of detergent category are stronger than that of the shampoo.

By considering Taiwan Kao, we can see with the intermediary assistance from local entrepreneurs, Kao overcame two challenges in Taiwan market: (1) to compete with protected and matured local companies; (2) to create a new market when entering a market late. Kao provides new products and technology support to Taiwan Kao, and Taiwan Kao offers market information for R&D department to adjust or re-design the products. This kind of relationship is different from the concept of Bartlett & Ghoshal for the leader of Taiwan Kao is committed and trusted by leader of parent company. (Lin is now still the president of Taiwan Kao)

## 6 . Characteristics of Kao's Entrance into Asian Market

According to experience of Thailand Kao and Taiwan Kao, Kao showed different strength and weakness in different cases, nations, and times. Thus, here this paper concludes characteristics of Kao's Asian business in general.

### \*Leadership

- 1 . The first reason for Kao's success in Thailand and Taiwan attributes to those leaders who not only have respectable personality and entrepreneurship, but also the sincere loyalty to Kao brand. For their insistence for introducing Kao to people, so that Kao can build a reputation in Asian, even their price always a little higher than others.
- 2 . However, these kinds of leaders are seldom found in these days for entrepreneurship and management skills are easily to nurture, but the sincere love and loyalty toward Kao might not exist commonly for rather than Kao, the product brands are stronger, and in the period,



the life time of product is quite short, it is hard for Kao to nurture the loyalty of Asian employees and customers towards Kao. One story is narrated by Hiroo Inoue, ex- CEO of Malaysia subsidiary, when he asked employee to be loyalty, the employee answered why they have to be loyalty to Japanese. Thus, he gave up to ask loyalty from employees in subsidiary for avoid this kind of misunderstanding. (Nichigaikyo Monthly, 1999 Feb:9)

#### \*Autonomous Overseas Branch

- 3 . The Asian branch were trading agencies without technologies before, so they also depended on Kao's technology, facility and financial support strongly. Even Taiwan Kao and Thailand Kao added research department after 1989, and launch their own products, like Biore body cream in Thailand and Biore skin care series in Taiwan, but basically they depends on Kao's support. On contrast, Kao notes that they set up branch to help them develop independence and be self- sufficient Kao in real practice and in official paper<sup>17)</sup>. (Kao, 1993(a))
- 4 . The relationship among Kao and its Asian branch is similar to the relationship in Asian united family. Parents have responsibility to assist children, but the elder also have responsibilities to help parents manage the whole family. Thailand Kao and Taiwan Kao are like elder brothers, they have their own assets close to parents, and parents divide more assets for them to help them take care of other yang and small brothers, such as Hong Kong, Indonesia, and Singapore.
- 5 . Thus, the relationship among Kao and its Asian branch is not like what Bartlett & Ghoshal argued. So far, Kao is obviously not a *global company* as Bartlett & Ghoshal classify for (1): The configuration of Kao's assets and capabilities is not centralized and globally scaled; and (2): The role of overseas operation of Kao is not to implement parent company strategies. Kao did concern about the difference between markets, and the differentiated contributions by national branch, but Kao has problems to (a) integrate global branch as a strategic alliances; and also (b) to responds to overseas market demands rapidly.

#### \*The Diffusion of Market Information

- 6 . Basing on the case of Biore strip, Feather shampoo and Haiter, Kao does have problems in development and diffusion of knowledge. But unlike the thinking of Bartlett & Ghoshal that Kao developed and retained knowledge at the center; oppositely, this paper shows that the problems of Kao's worldwide knowledge diffusion are (1) Kao arranges supporting teams from parent company to assist overseas branch, and holds annual regional strategy

---

17) See Kao (1993, p867-868)

meetings to share national market information with Asian branch; however, Kao doesn't have a core strategic team to gather information and respond to the change of market rapidly. (2) besides, the knowledge and information of Kao's branch lack multiple and opened paths to enter parent company. Thus, the parent company is not the pool gathering information and knowledge of markets. Kao noticed this problem, too. So, in Asian, this problem will be solved through a cross-nation information system. But the whole system has not constructed completely yet.

The knowledge problem might cause the failure of Kao in China for Kao didn't apply the marketing experience and know-how of Thailand and Taiwan to Chinese market; if Kao combined and applied the knowledge and brands of Asian and western branch, they might find it becomes more easily to compete local and global rivals in China.

#### \*The Partnership with Retailers

7. The other structure problem about gathering information from overseas market is the partnership with retailers. As chapter 3 mentioned, Unilever built strong partnership with its four major worldwide retailers; and in P&G's operation unite, we also can find that they have a Wal-Mart unit to deal with world-wide demand of Wal-Mart. According to Chien (2006), who compared the partnership between P&G and Wal-Mart versus Kao and Jusco, the penetration of P&G and Wal-Mart's partnership is deeper and matured than Kao and Jusco's. One of the reason is P&G not only constructed sales and logistic information exchange partnership with Wal-Mart, but design its classification of product categories basing on the outlay of Wal-Mart. (2006) And this is same as Unilever (Unilever, 2007). Therefore, compare with P&G and Unilever, Kao (1) doesn't have partnership with a worldwide retailer; and (2) their product categories are formed by its internal research categories, and its depth of partnership with retailers is not as deep as western alliances.

#### Reference

- Chang Ching- Ching (2004) '*The influence of price Promotion Upon the Market Share- Take Detergent Market as an Example*' Master Thesis, Department of International Business Management, Dayeh university
- Chien Shu-Yuan (2006) 'The Research of Japanese Manufacturer- retailer Alliance' (『日本製販提携の研究— 垂直的協働関係の視点から』), Master Thesis, 台湾淡江大学日本研究専攻
- Christopher A. Bartlett & Sumantra Ghoshal (1989, 1991) *Managing Across Borders: The Transnational Solution*, Harvard Business School Press
- Fan Bi-Chen (2005) 'The Entrepreneur of Bai-lan Brand (白蘭創始人洪老典 台灣消費王國的艾科卡)' *Break Through* Vol. 234
- Jamie Kaku and SeoHo Lee (2000) 'Case 5 Kao Corporation: Direction for the 21 Century' in Michael. K. Czinkota, Masaaki Kotabe (eds.) *Marketing and Management*, New York Blackwell Pub
- Kao Annual Report 1993-2005 (Japanese) and 2006 & 2007 (Japanese and English version)

- Nichigaikyo Monthly (1999) 'Seminar: the Japanese Management in the Opinions of Ex- CEO of ASEAN Subsidiaries (元現法社長が語るASEANにおける日本的経営諸相)', *Nichigaikyo Monthly* Feb. 1999
- Taiwan Kao (1986) 20 Years History of Taiwan Kao (『台湾花王20年史』) Taiwan: Taiwan Kao
- Tung, Ching-ying (2008) 'The Analysis of Kao and Its Asian Business', master Thesis, Business School, Kyushu University
- Thailand Kao (1986) 20Years History of Thai Kao: In Japanese (『タイ花王実業20年史』) Thailand: Thai Kao
- 日経ビジネス編集長 (2007a) 「インタビュー：尾崎元規氏—ブランドにもっと個性を」『日経ビジネス』2007年1月8日号
- 日経ビジネス編集長 (2007b) 「花王：消費者目線で「常識」返上」『日経ビジネス』2007年1月8日号
- 花王株式会社社史編集 (1993a) 『花王史100年 (1890年-1990年)』花王
- 花王株式会社社史編集 (1993b) 『花王史 (1890年-1990年) 年表』花王
- 平井宏 (2005) 「花王：タイにおける販売革新」吉原英樹, 板垣博, 諸上茂登編『ケースブック国際経営』