

Analysis of the Reasons for the Success of Kao (Thailand) During COVID-19

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Abstract: This case study analyzes the reasons for the success of Kao (Thailand) Company during the COVID-19. This study examines how Kao (Thailand) Company effectively responded to the challenges caused by the epidemic and implemented effective measures, enabling the company not only to survive in the Thai market, but also to achieve certain development. By taking proactive and effective measures to adapt to the new market environment, Kao (Thailand) Company has been able to maintain operations, maintain customer trust, and achieve significant business results in this unprecedented crisis. The case study analyzes the specific actions taken by Kao (Thailand) Company, such as supply chain management, digital transformation, product diversification, and customer engagement strategies. Analyzed the impact of these measures on the company's financial performance, market position, and customer loyalty. In addition, this study revealed the key lessons and practices of Kao (Thailand) Company in successfully responding to the epidemic, providing valuable experience for other enterprises facing similar challenges. The purpose of this case study is to analyze the strategy and methods of a company not only to survive but also to thrive during times of crisis, contributing to the knowledge system of restoring enterprise capabilities and ensuring business continuity in adversity.

Keywords: Kao(Thailand), Marketing Strategy, ESG Strategy, E-commerce.

1. Introduction

KAO is a Japanese company founded in 1887. In 1964, KAO was officially established as a manufacturer in Thailand and has been with the Thai people for 59 years.

Since the outbreak of COVID-19 in 2020, many companies in the Thai market have faced losses, but KAO(Thailand) has maintained profits and sales during the epidemic. What has KAO (Thailand) adapted to and chosen to operate in response to market challenges and changes.

When COVID-19 hit Thailand, the number of people infected with COVID-19 began to increase. In order to reduce and control the spread of the virus, many shopping malls were forced to close, so people must stay at home to ensure safety. During this period, the needs and preferences of consumers have changed.

This case study analyzed how Kao(Thailand) changed its market strategy according to the changes in the market environment before and after COVID-19 and turned crisis

into business opportunities. In the future, if similar events occur again, other enterprises and companies can also face challenges and seek new development opportunities

2. SWOT Analysis of KAO's in Japan and Thai Markets

As a leader in the personal care and cosmetics industry in Japan, KAO has achieved success in the Japanese market through its unique market strategy. There is evidence that market centered learning and research abilities have a promoting effect on the sustainable development of enterprises in innovative market strategies[1].At the same time, the level of R&D marketing integration should depend on the Product development strategy, which enables cross functional teams to promote marketing in a unified way[2].This chapter will use SWOT analysis to analyze the strengths, weaknesses, opportunities, and threats faced by KAO in the Japanese and Thai markets.

Table 1. SWOT Analysis of KAO's Japanese Market

	Helpful	Harmful
Internal Origin	<p>Strengths:</p> <ol style="list-style-type: none"> 1.Widespread brand recognition and a strong reputation in the Japanese market 2.Product quality and innovation 3.Retailer and distributor relationships 	<p>Weaknesses:</p> <ol style="list-style-type: none"> 1.High costs 2.Market competition
External Origin	<p>Opportunities:</p> <ol style="list-style-type: none"> 1.Growth potential in the high-end and innovative product segments. 2.Market segmentation 	<p>Threats:</p> <ol style="list-style-type: none"> 1.Emerging competitors 2.Economic fluctuations

Table 2. SWOT Analysis of KAO's Thai Market

	Helpful	Harmful
Internal Origin	Strengths: 1. Brand recognition as an international brand globally 2. Product quality and innovation	Weaknesses: 1. Cultural differences 2. Market competition
External Origin	Opportunities: 1. Growth potential in the high-end and innovative product segments. 2. Market expansion with local retailers and distributors.	Threats: 1. Local competitors 2. Economic fluctuations influence purchasing power and decisions.

In summary, KAO faces some common and specific challenges and opportunities in both the Japanese and Thai markets. In order to maintain competitiveness and achieve growth, KAO needs to continuously improve product quality and innovation capabilities, adapt to local market demands, establish close partnerships with retailers and distributors, and closely monitor changes in market competition and economic fluctuations.

3. Marketing Strategy That Contribute to Kao's Success before Covid-19

Before Covid-19, from Table3 we can analyze the sales of Kao Group increased 6.3% compared with FY2018 to 1545.6 billion yen. The main strategy for the success of KAO Group are as follows:

1. Building an advanced supply chain

Kao has built a supply chain that is based on an integrated framework incorporating every stage from procurement through to production and sales, with close collaboration between related divisions and centralized management of information, so that demand can be forecast at the level of individual products.

2. Creating strong and distinctive brands

Specifically, Kao has defined 11 global strategic brands 'G11', which include a new brand scheduled for launch in 2020, and 8 regional strategic brands 'R8'.

3. Reorganization of counseling and self-selection brands

Kao reorganizes its existing brands into counseling brands, which are sold via beauty consultants who have received specialized education, and self-selection brands, and revise how the brands are designed and sold.

Table 3. Summary of Segment Information of KAO Group

Fiscal year ended december 31	Net sales			Operating income			Operation margin (Billion of yen)		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Cosmetics business	301.5	279.6	586	41.4	27.7	57.6	13.70%	9.90%	9.80%
Skin care and hair care business	340.8	341.4		49.5	48.8		14.50%	14.30%	
Human health care business	255.2	267.7	294.3	17.2	27.9	38.7	6.70%	10.40%	13.10%
Fabric and home care business	359.5	344.1	335.7	71.8	71.2	76.1	20%	20.70%	22.70%
Chemical business	385.9	312.8	310.3	30.8	30.6	30.3	10.80%	9.80%	9.80%
Total	1642.9	1545.6	1526.3	210.7	206.2	202.7	13.6%	13.5%	13.3%

Source: KAO Integrated Report 2017,2018,2019

In the Cosmetics Business, the new strategy KAO undertook in 2018 generated strong performance, and achieved the K20 plan of net sales of 301.5 billion yen and an operating margin of 13.7% one year ahead of the plan. In the

Thailand market, the revenue from Sales & Services in 2020 was 13.18 billion Baht(53.31billion yen) compared with FY2017 to 9.87 billion Baht (39.93 billion yen) and with an increase of 33.5%.

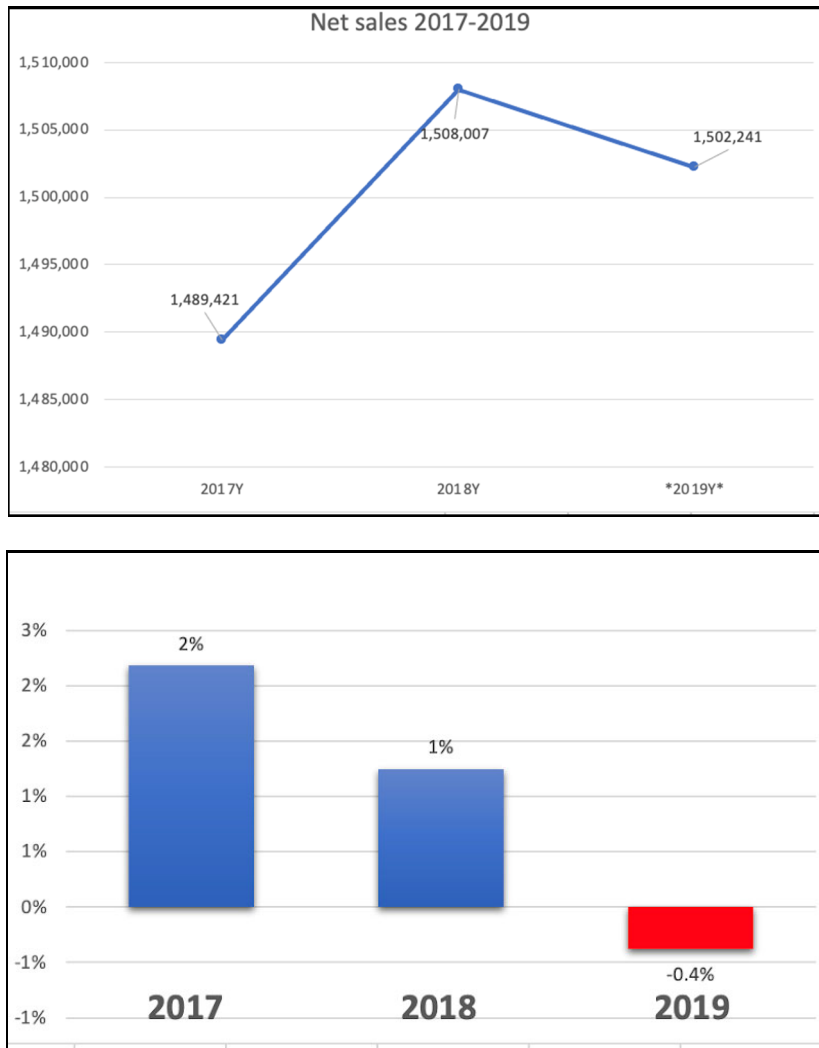


Figure 1. Net sales and percent growth of Kao 2017-2019
Source: Kao financial report 2017-2019

4. How FMCG Market in Asia and Kao Situation During Covid-19

The COVID-19 pandemic had a significant impact on the fast-moving consumer goods (FMCG) market in Asia. Here are the main points that occurred in the FMCG market.

Shift in Consumer Behavior, The pandemic brought about a change in consumer behavior as people focused more on essential items and hygiene products. There was a surge in demand for products such as hand sanitizers, disinfectants, personal protective equipment (PPE), and packaged foods.

Focus on Hygiene and Safety, The importance of hygiene and safety became paramount during the pandemic. Consumers sought products that were perceived as safe and effective in preventing the spread of the virus. This led to increased demand for products like hand sanitizers, soaps, surface disinfectants, and cleaning supplies.

FMCG in Asia maintains positive growth of 3.1% in 2020. This is a slight slowdown from the same period in 2019 (4.8%). The slowdown is more apparent in North and Southeast Asia.

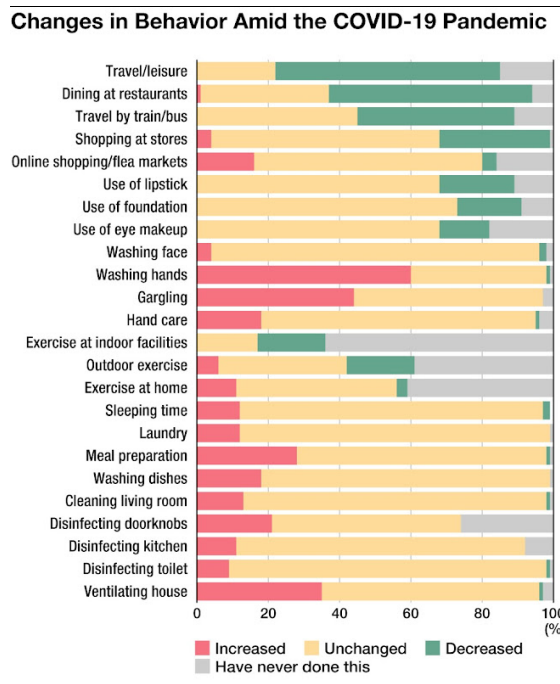
Online shopping for FMCG products is thriving everywhere. E Commerce is the fastest growing channel and

gaining more of the total retail landscape across markets from North to Southeast Asia.

Across the region, each market displays a different growth rate both for FMCG as a whole and across sectors. This is in line with the impact COVID-19 has had on movement, market trade structures (for example ecommerce) and the purchasing power of consumers in respective markets

In Thailand, convenience stores have grown in the in-home FMCG market, due to their proximity, promotions, and convenient shopping experience. Conversely, local channels – which benefited from government subsidies during COVID – lost some share to hypermarkets.

In 2020, Kao announced that it will increase production of alcohol disinfectants, which were in short supply due to demand to prevent infection with the coronavirus. The company says it will be able to produce more than 20 times more than in 2019. Kao also surveyed women about how their daily lives have changed amid the COVID-19 crisis. The results showed that while they are purchasing more items for cleaning and disinfecting, they are buying fewer cosmetics. With more people working from home and the customary use of masks when running errands, there is a trend toward doing without makeup as the following result.



[3]

After Covid 19 the strategy that KAO came up with would be focused on online shopping by investing on e-commerce platforms and digital marketing strategy. This helps KAO reach customers who are spending more time online shopping. The company can adapt to changing consumer behaviors after

Covid-19. After Covid-19 the preferences of consumer behavior have changed, KAO can adapt and meet the demand of customers. For example after Covid-19 the demand for products for hygiene and living care business increased as shown in 2020 and decreased in 2021 caused by competition.

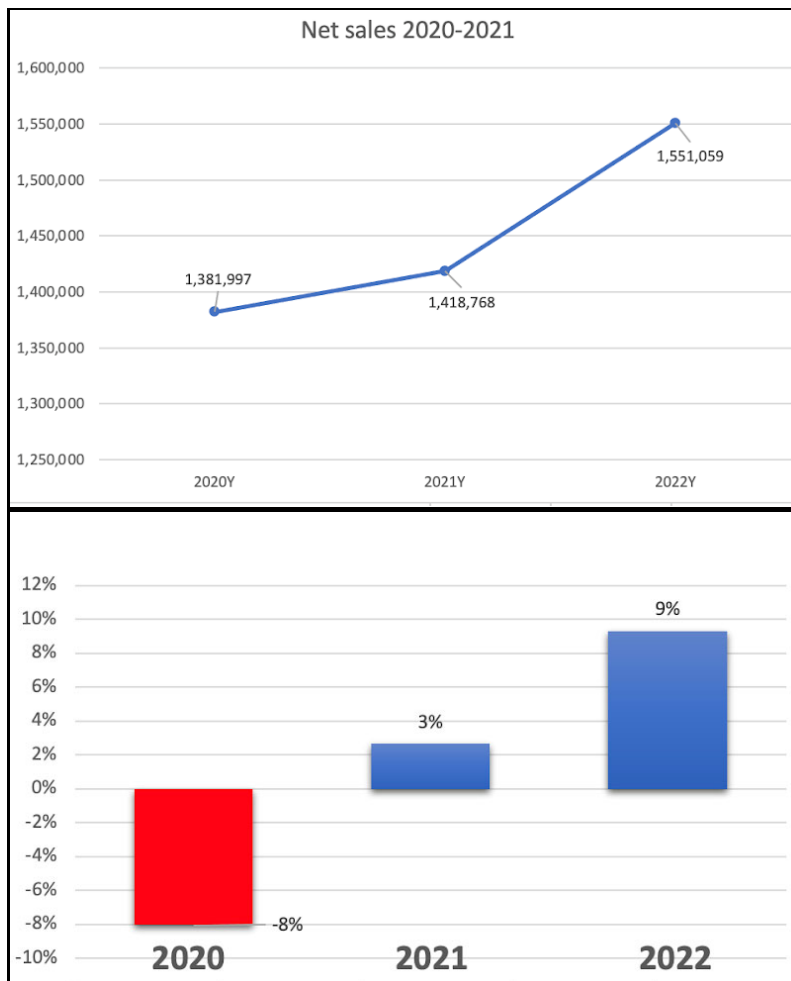


Figure 2. Net sales and percent growth of Kao 2020-2022
Source: Financial report 2020-2021

Figure 2 depicts a growth in overall Kao net sales from fiscal year 2020 to 2022, with the majority of the increase coming from fabric and homecare business sales, which increased by 4.1% and are predicted to grow further in the future.

Three years have passed since the COVID-19 pandemic began. The price of raw materials has begun to fall, but with no vigor expected in consumption as energy costs rise and global inflation rises, the business environment is expected to remain tough and the prognosis uncertain. Under these conditions, the Kao Group will pursue a plan based on three policies: transition to a robust company structure independent of market conditions; strengthen and expand strategic businesses globally; and produce profits from quickly growing businesses by anticipating change. Forecasts a 1.9% increase in net sales, a 9.0% increase in operating income, a 7.6% increase in operating margin, a 4.4% increase in income before income taxes, a 2.3% increase in net income, and a 3.3% increase in basic earnings per share to 189.

The Hygiene and Living Care Business offers fabric care, home care, and sanitary products to aid people's daily lives and society by making lifestyles more pleasant. As a result of the aforementioned efforts, the Kao Group anticipates that like-for-like sales in this business will climb 1.8% year-on-year.

5. Other Factors That Contribute to Kao's Success During Covid-19

Kao Corporation has a complex and extensive supply chain that involves sourcing raw materials, manufacturing products, and distributing them to various markets and here are the factors that lead to Kao's success.[4]

Raw Material Sourcing, Kao sources raw materials from suppliers globally. These materials include chemicals, natural ingredients, packaging materials, and other components required for their product manufacturing processes. Kao places emphasis on responsible sourcing, ensuring the quality, safety, and sustainability of the materials.

Supply Chain Management: Kao Corporation places great importance on effective supply chain management to optimize efficiency, minimize costs, and enhance customer satisfaction. The company utilizes advanced technologies and software systems for demand forecasting, inventory management, order processing, and tracking shipments. This enables Kao to streamline operations and respond quickly to market demands.

ESG Strategies that Focus on Sustainability, Kao's ESG strategies are designed to serve people's needs, behaviors and desires to live greener lifestyles that contribute to a sustainable world. We call this the Kirei Lifestyle, whereby Kao strives to create positive long-lasting impacts on society through the Kirei Lifestyle Plan. We put our innovation and imagination to the task of enriching lives by finding ways for people the world over, and especially in Thailand, to live the Kirei lifestyle.

6. How Should Kao Maintain Success in Terms of Market Share

In today's fiercely competitive business environment, organizations like Kao (Thailand) must constantly explore opportunities to maintain and increase their market share. Kao should focus on several important technologies to achieve

long-term success.

Investing in extensive market research and consumer insights can help organizations understand constantly changing customer needs and preferences. Then, this intelligence can be utilized to create personalized products and improve marketing strategies to effectively target certain segmented markets. In order to maintain market share, innovation and differentiation are also needed. Kao (Thailand) should invest funds in research and development to launch high-quality products with environmental protection functions.

Being at the forefront of technological progress enables Kao to stand out in competition and attract customers who care about the environment. Unfortunately, in Thailand, KAO's competitors have launched some new pet product lines, which is also an opportunity for KAO to expand its product line or attract new target customer groups. Tracking competitors and industry development is crucial. Kao [5] can detect market gaps and respond to new opportunities by being updated about rivals' strategy, product developments, and marketing activity. However, if the company is concerned about the cost to invest to create new products, advertising, etc. The company can also do strategic partnerships and collaboration to seek opportunities for growth. Kao may extend its reach and attract new consumers by participating in collaborative marketing initiatives, co-branded goods, and cross-promotional activities with similar brands or organizations.

Another important task is to expand distribution channels. Kao (Thailand) may increase product awareness by collaborating with online retailers, supermarkets, and beauty stores. Huawang's customer base can be expanded by evaluating overseas expansion plans and investigating export markets. In addition, in the digital age, customer engagement and personalization are crucial. For example, by establishing a solid online image and utilizing digital marketing channels, Kao (Thailand) will be able to interact with customers through personalized experiences such as product recommendations. Kao (Thailand) can obtain useful information by implementing customer relationship management methods to improve marketing strategies and strengthen customer relationships.

Finally, Kao (Thailand) can respond to market changes by putting these suggestions into practice and maintaining flexibility, thereby maintaining its success and expanding its market share in the personal care and beauty industry.

7. Conclusion

Huawang benefits from global brand awareness and product quality in the Thai market, but cultural differences and market competitiveness pose challenges. There are similar development prospects in the field of high-end and innovative products, as well as expanding the market through local retailers and distributors. Local competition and economic fluctuations that affect purchasing power are examples of threats. High success is attributed to many technologies before the COVID-19. Establishing an advanced supply chain, creating a strong and unique brand, and rearranging consulting and self selecting brands are among them. These technologies helped Kao (Thailand) increase sales, achieve goals ahead of schedule, and adapt to market expectations.

During the COVID-19 pandemic, the FMCG market in

Asia experienced a major change in consumer behavior, focusing on necessities and hygiene products. Kao (Thailand) 's response is to strengthen the production of alcohol disinfectants and make adjustments based on changes in consumer expectations. In order to reach more customers who spend more time online, the company has invested in e-commerce platforms and digital marketing. Despite obstacles such as declining demand for cosmetics, Kao (Thailand) 's fabric and home care company's sales have improved, while the chemical business has benefited from the recovery of the customer industry.

Responsible raw material procurement, excellent supply chain management, and ESG initiatives focused on sustainable development have all contributed to the success of Kao (Thailand) during this period. Kao (Thailand) 's emphasis on quality, efficiency, and customer happiness, as well as his dedication to Kirei Lifestyle, helped the company overcome adversity and maintain a competitive advantage.

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