We are promoting a strategic digital transformation to realize business transformation and enhanced operational efficiency through effective use of cutting-edge digital technology.

Kao's creating value to address social issues

Social issues we are aware of

Changes in society over the past decade have occurred on a scale never seen before, and even now continue at a fast pace.

One factor that has heavily influenced social change is the presence of digital technology. Digital technology, where at anytime, anywhere, anyone can communicate beyond the constraint of time and space, bringing disruptive innovation, yet whether it can be harnessed as a weapon to enhance corporate value determines a company's survival. This wave of digital innovation is described as "digital transformation (DX)." Companies are seeking the creation of new value through DX.

Kao's creating value

Furthering DX not only enhances productivity and operational efficiency, but is something we believe leads to higher satisfaction among current customers as well as the opportunity to gain new ones.

Contributions to the SDGs

Policies

We are promoting strategic DX to realize business transformation and enhanced operational efficiency through effective use of cutting-edge technology, and by utilizing IT tools and big data learning from Kao's artificial intelligence (AI), we can discontinuously improve company productivity (= added value/cost).

Education and promotion

While quickly introducing solutions that allow employees to realize the benefits of DX, we encourage all of our employees to make their own DX by making content widely available to them.

Collaboration and engagement with stakeholders

We regard our suppliers as important stakeholders and not merely as customer-vendor relationships, and aim to create social value together through DX.

We promote open innovation with business partners, research institutions and other organizations.

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Framework

The Strategic Innovative Technology Team (SIT), supervised by the Senior Managing Executive Officer, promotes advanced digital technology strategy planning and execution. Under direct supervision, the strategic planning group acts as a coordinating system for the activities of the following four business groups.

Efficiency Utilization Group

Leveraging digital technologies, this group plans and implements strategy and tactics to fundamentally improve efficiency in work processes. Existing data is integrated after formatting to improve its usability, and is converted into high-value-added information using advanced technology.

Information Strategy Group

This group proposes strategy and tactics from a comprehensive approach including real-world experiences in addition to using digital technologies to innovate communications with stakeholders (employees, customers, shareholders, society) inside and outside the group. It is forging relationships with and creating a network of outside content partners to develop information content aligned with the strategy and tactics.
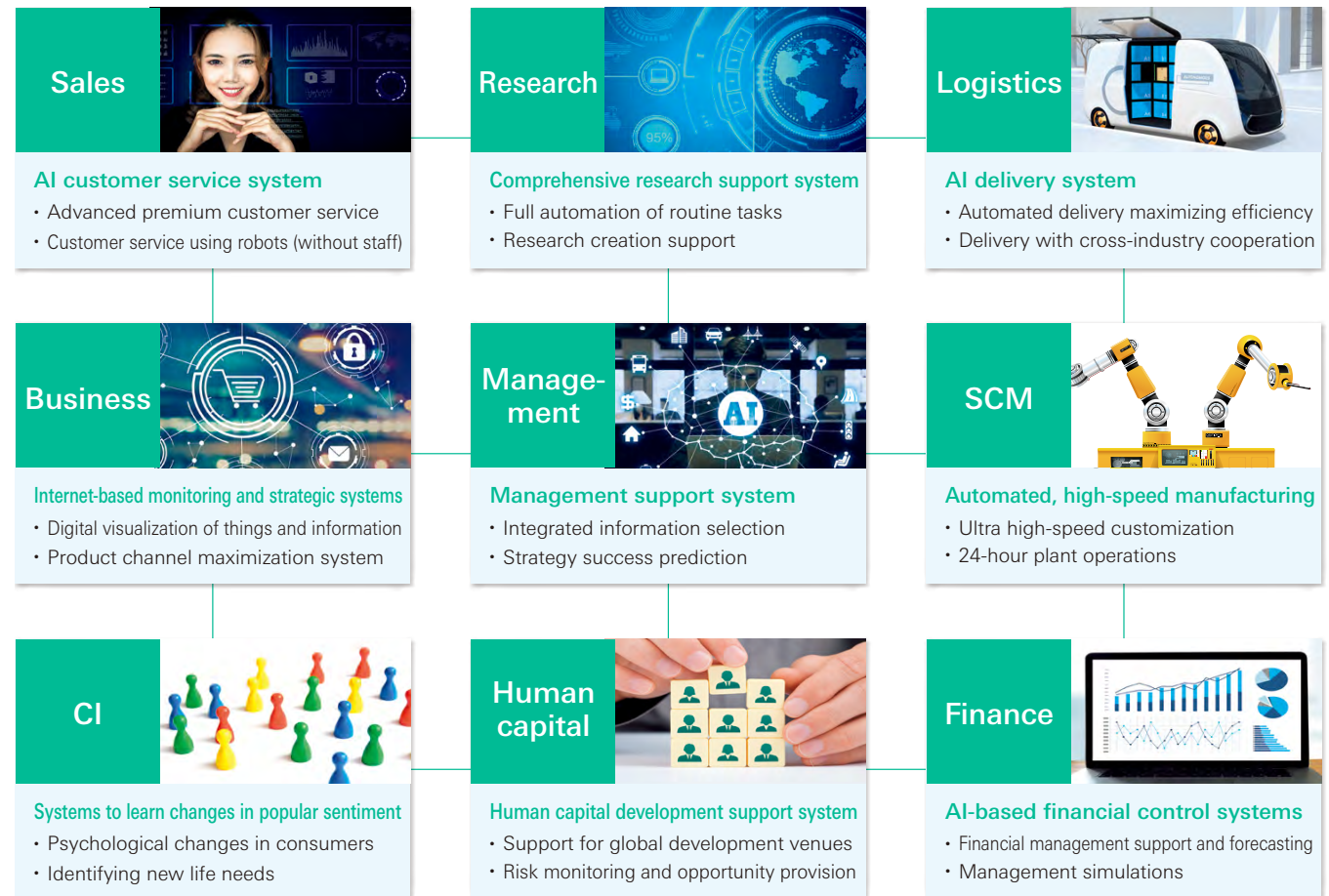
Business and Sales Group

This group uses digital technologies to propose new businesses and new business models, and establishes faster product development processes suited to the business model.

IT Design Management Group

This group is rebuilding our information system platform and introducing and implementing advanced information technology for DX. This will support the activities of the other three teams.

The main meeting body is composed of supervisors and the Strategic Innovative Technology Team, with all parties in present for a monthly meeting, and group meetings (anywhere from once a week to once a month) hosted by directors who serve as the leaders of each group.

Digital transformation target fields

Sales
AI customer service system
- Advanced premium customer service
- Customer service using robots (without staff)

Research
Comprehensive research support system
- Full automation of routine tasks
- Research creation support

Logistics
AI delivery system
- Automated delivery maximizing efficiency
- Delivery with cross-industry cooperation

Business
Internet-based monitoring and strategic systems
- Digital visualization of things and information
- Product channel maximization system

Management
Management support system
- Integrated information selection
- Strategy success prediction

SCM
Automated, high-speed manufacturing
- Ultra high-speed customization
- 24-hour plant operations

CI
Systems to learn changes in popular sentiment
- Psychological changes in consumers
- Identifying new life needs

Human capital
Human capital development support system
- Support for global development venues
- Risk monitoring and opportunity provision

Finance
AI-based financial control systems
- Financial management support and forecasting
- Management simulations

Advanced Digital Technology Strategy 103-2

Mid- to long-term targets and performance

2020 mid-term targets

Advanced digital technology is an indispensable weapon for increasing corporate value, and by making use of it, Kao will become an AI-ready company.

Anticipated benefits from achieving mid- to long-term targets

Business impacts

Time creation and money effectiveness, combined with fixed cost control effectiveness to produce a result of over 2.5 billion yen.

Social impacts

We provide attractive customer experiences to stakeholders.

Performance in 2019

Performance

Utilizing advanced digital technology to streamline various different operations, during the 2019 fiscal year we achieved an approximate 1.5 billion yen cost reduction. Although this cannot be expressed as a direct impact on profit and loss because of it is an inhibitory effect, the time creation effect was equivalent to more than 200,000 hours, making it possible to devote more time to creative endeavors.

One of our main achievements in 2019 was the construction of an integrated search system aimed at researchers. When conducting product development in the past, it took time to collect data from multiple systems, but with this system information can be searched across systems, significantly reducing the time required to collect information. We hope more time for creative research will lead to more competitive research and development.

Integrated search system imagery
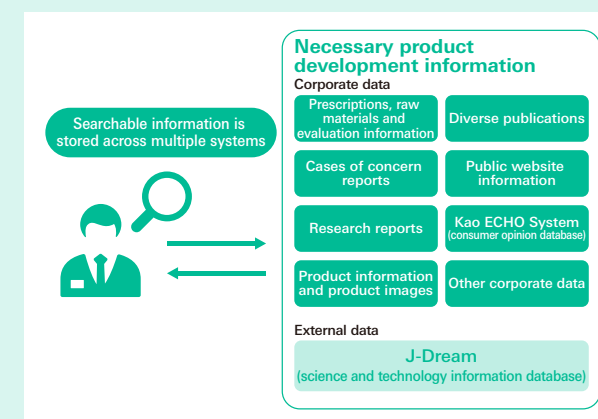
On one hand, we began a collaborative project with Preferred Networks (Ltd.) aiming to realize practical application of our sebum RNA monitoring technology specializing in machine and deep learning.

Reviews of performance

Two years have passed since the launch of our Strategic Innovative Technology Team, and while working to achieve concrete results, we have had a number of successes. In 2020, as more employees will be able to use digital technology themselves, it is necessary to strengthen the link between fostering corporate culture and enhancing corporate value.

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Our initiatives

Efficiency Utilization Fields

In the research field, at the beginning of 2019 we began operation of an integrated search system that uses AI to conduct searches more efficiently. This system captures not only reports, patents, formulations, and trial results but also unstructured data, namely product information including pharmaceutical affairs and information related to consumer consultations, to retrieve comprehensive information needed for development at one time. This has greatly reduced the time taken by routine tasks and dramatically increased the speed of development.

In human capital, we are building a system that can provide proactive care, detecting employees who are at a high risk of taking leave in advance through AI-learned time management data.

Information utilization field

Because the way information has been communicated in the past has been independently managed by business divisions through an app provision, cooperation and cross-use by other divisions have at times been lacking in certain areas. In the future we would like to consolidate CRM (customer, relationship, management) systems implemented on an individual basis, tailoring information delivery and reception for each stakeholder to deliver only the information that is necessary.

Business and sales fields

Using AI, we will redesign how we conduct market research, product development and sales leveraging online sales and social networks. We will also strengthen our digital advertising not only to communicate product information but also to precisely provide information on research leading up to product launch and details of technical development to the parties that need it. We are developing new virtual communication methods as tools to efficiently communicate product information and offer completely new and appealing product value experiences.

Development of a beauty counseling service using AI technology

Kao Corporation began a collaborative Kao x PFN Sebum RNA Project with Preferred Networks, Ltd. aimed at realizing the practical use of sebum RNA (ribonucleic acid) monitoring technology[*].

As a first step, we developed advanced prediction algorithms from data obtained from sebum RNA through machine and deep learning. This allows us to know more about skin condition, which could not be grasped by pre-existing skin measurement and analysis technology, and to make future skin damage risk assessments. Furthermore, we provide beauty advice and skin care based on genetic information, preventing skin damage and improving skin condition.

The promotion of these projects is connected to the realization of early diagnosis technology for diseases that are difficult to cure, such as Parkinson's disease.

* Sebum RNA (ribonucleic acid) monitoring technology
  The technology developed by Kao to analyze RNA isolated from sebum, reflecting fluctuating daily body conditions. By collecting sebum with oil blotting film through a non-invasive (lower physical burden on the body) trial, we are able to obtain 13,000 RNA expression levels.

For DX Promotion

SIT communication is posted regularly (almost every other month) on our intranet. Additionally, executive officers at the executive board meeting introduce activities to directors that are the head of each department while pushing for DX integration. Moreover, at the Enterprise Information Solutions Division's annual business report meeting, annual activity results from our Strategic Innovative Technology Team are announced. Many members of the Strategic Innovative Technology Team also work in other departments, strengthening the bridges between each division.

IT Vendor Cooperation

Concerning planning and implementing DX solutions, we work with external IT vendors from the initial planning stage. In particular, employees of comprehensive IT vendors abundant in IT technology skills are placed into our Strategic Innovative Technology Team, where we take on professional advice.