

In our Consumer Products Business, Chemical Business and Professional Service Business, Kao engages in in-depth communication with corporate customers; this communication helps Kao to improve existing products, develop new products, and enhance service quality.

## Kao's approach

Kao Group Customer Marketing Co., Ltd. (KCMK) functions as the sales company for the Kao Group, and in tandem with retailers, delivers consumers Kao products and the value we provide. We possess expert knowledge of consumers and retailers which are our customers, and we strive to earn the trust and support of both consumers and retailers by aiming "the No. 1 company in customer satisfaction."

## Kao's creating value to address social issues

KCMK views such social changes, to be responded promptly, as the emergence and spread of new retailing models such as e-commerce, the diversification of consumer lifestyles and shopping options, the rise in environmental awareness and health-consciousness, and the aging of the population.

We aim to not only respond to these changes, but also to predict future changes and respond to them in advance.

## Policies

Kao implements measures aimed at stimulating the emergence of new market segments and revitalizing existing markets. Besides the implementation of various types of surveys and research to develop a clear picture of consumers' purchasing attitudes and purchasing behavior, and the adoption of a consumer-focused perspective in the development of sales floor and planning activities. We also make proactive efforts to learn about retailers' strategies and problems to be solved so as to build stronger relationships of trust with them, and submit customized, integrated proposals that incorporate measures to improve the efficiency of the supply chain.

## Contributions to the SDGs

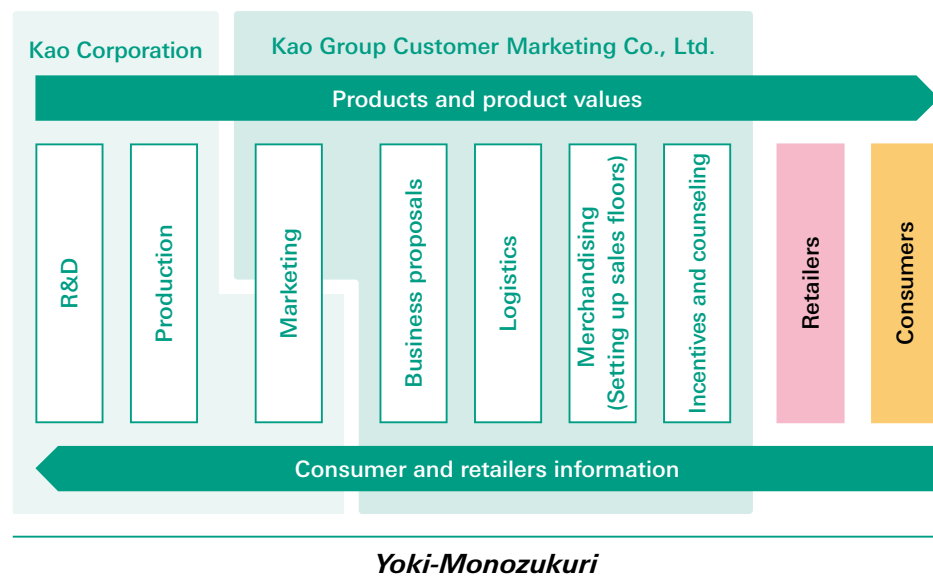


## Framework

By making the entire process, from R&D through to the delivery of finished products into the consumer's hands, one that is seamless and integrated, we have been able to perfect a system in which the information available to us is unmatched, in terms of quality, quantity or relay response, by competitors.

Our *Yoki-Monozukuri* is not considered complete until the product has been delivered to the consumer, and until the consumer has used the product and been satisfied with it. To help ensure that at sales floors, linking Kao products with consumers, the value Kao products is effectively communicated to consumers, KCMK provide, KCMK provides retailers with suggestions, tailored to the characteristics and needs of each retailer, regarding displays, in-store demonstrations, promotional methods, incentives/counseling methods, etc., and promotes implementation of these suggestions through collaboration with retailers.

Consumer Products Business— communication framework



## Education and promotion

### Sales floor proposals education and promotion based on a customer-focused perspective

KCMK has a dedicated division focused on research into consumer-focused sales floor configurations and the development of a scientific approach to promotional methods, together with the establishment of related know-how. Moreover, this established know-how has been developed into standardized materials and IT tools, which are proactively utilized when offering proposals to retailers.

### Fostering the creation of shopper-friendly in-store displays

Kao Field Marketing Co., Ltd. (KFM) was established in 2001 for the purpose of providing retailers follow-up and sales promotion services for daily necessities and cosmetics. KFM employs a large number of personnel in the implementation of these activities. Besides the rapid and precise implementation of in-store displays that enable shoppers to “easily find what they are looking for, easily pick it up and conveniently purchase it,” KFM staff also aims to communicate the special features and appeal of Kao products to consumers who are unsure of which product to choose.

To facilitate these efforts, KFM carries out detailed trainings to help personnel learn how to arrange Kao products and design in-store displays to suit today's constantly changing consumer needs, and in order to achieve continued skill-enhancement, tests (including both written and practical tests) are held twice a year.

### Education to maximize customer satisfaction with our cosmetics

Beauty advisors who come into direct contact with consumers in retail stores undergo regular training on counseling skills and product knowledge, enabling them to maximize customer satisfaction through providing counseling from a consumer-focused perspective.

Furthermore, to further highlight the vision of each brand, *Kanebo Cosmetics* and *Sofina*, and more clearly communicate their own uniqueness and value, Kanebo Beauty Counseling Co., Ltd. (KBC) and Sofina Beauty Counseling Co., Ltd. (SBC) were established in January 2018.

## Mid- to long-term targets and performance

Looking ahead to 2020, we aim to be “the No.1 company in customer satisfaction” by enhancing the overall level of the proposals we provide to retailers, through integrating the sales functions of Kao and Kanebo Cosmetics, implementing sales floor proposals and communication from a consumer-focused perspective, and sharing and disseminating sales floor arrangement know-how in perspective of consumer in Asia.

### Performance in 2017

#### 1. Enhancement of proposals for retailers through integration of Kao and Kanebo Cosmetics sales functions

In order to enhance the overall level of proposals for retailers, starting from 2016, we further integrated the sales functions of Kao and Kanebo Cosmetics into KCMK. In 2017, we integrated eight branch offices of Kao and Kanebo Cosmetics sales functions nationwide, preparing for the integration of all branches in 2018.

#### 2. Sales floor proposals and communication from a consumer-focused perspective

Focusing on consumer consumption behavior shifting from the consumption of goods to experience-based intangible consumption, in addition to offering traditional lifestyle sales floor proposals, we made proposals for a Trial & Travel Counter centered on consumer experiences and seasonal events and developed a product display that appeals to customers' five senses. By exchanging views with retailers, the sales floors are evolving for the better.

#### 3. Expanding retail support activity in Asia

- When it comes to cross-border e-commerce, we are promoting strategic initiatives, such as active proposal-making for major retailers in each country's marketplace, strengthening retail systems, and more.
- Focusing on global retailers trend, viewing such changing needs including differentiating products with the sale of limited items, and omni-channelization as opportunities, and working closely between retail organizations in each country and the Japanese head office, we are conducting global proposal activities.
- We have begun building a global retail personnel training program system. From January 2018, we began implementing an exchange program\* in each country.

\*A human resource development program that provides employees with the opportunity to learn about differences in sales activity in each region by switching work places for a certain period of time.

## Collaboration with stakeholders

### Manufacturing, Distribution and Retail Joint Forum

The Manufacturing, Distribution and Retail Joint Forum is established with the aim of realizing improvements in supply chain management, enhancing industrial competitiveness, and contributing to the enrichment of citizen's lifestyles, by fostering closer integration between firms in the consumer goods manufacturing, distribution and wholesaling, and retailing sectors. (Sponsors: The Distribution Systems Research Institute (DSRI) and the Distribution Economics Institute of Japan). As the Kao Group, we have been participating in the forum since its establishment in 2011, proactively offering our views.

In 2017, we served as chairman of the “Multilingual Product Information Feasibility Study Project,” considering multilingual product information displays for non-Japanese visitors and residents. For this project, we began developing a data pool of product information to develop an application to display product information in multiple languages, by scanning the product's barcode at shop fronts using a smart phone. Additionally, Chinese customers visiting Japan used this application in actual stores, followed by answering a questionnaire that we reported the results of at the general meeting held in July.



→ Manufacturing, Distribution and Retail Joint Forum  
[http://www.dsri.jp/forum/index.html\(Japanese\)](http://www.dsri.jp/forum/index.html(Japanese))

## Our initiatives

### Biannual spring and fall Collaboration Fair

KCMK holds the Collaboration Fair, where we invite domestic and overseas retailers to experience and get a feel for our products, most new, and gain a greater understanding of their value. Until now, it had only been held in Tokyo during spring, but in 2017 we also held it in the fall, setting up a venue in Osaka.

Approximately 2,000 customers visited both the Collaboration Fair held during spring in May, and during fall in November. Following trial usage of our products that incorporate Kao's highly effective and original technologies, at the Fair, we received many understandings and empathetic responses toward our group's unified proposal power.



Attack Neo Antibacterial EX series demonstration



Collaboration Fair 2017