

RUNNING HEAD: Thailand and Adult Diapers Feasibility Study

THAILAND & ADULT DIAPERS



FEASIBILITY STUDY

By
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Ms. Judy Strauss, Ph.D.
Senior Vice President and Chief Marketing Officer
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Dear Dr. Strauss and Product Development:

RE: Adult Diapers and Incontinence Products Feasibility in Thailand

It is with great pleasure to present the specific feasibility of Kimberly-Clark's adult diaper brand, 'Depends' in the South-Eastern Asian market of Thailand. The feasibility study discovered that the Thai market is ready for Kimberly-Clark's adult diaper brands and other adult incontinence products. The Thai market would yield positive returns immediately with the product being produced within Thailand. Plus, production in Thailand would be a potential manufacturing hub for diaper products for Kimberly-Clark's South-Eastern Asia operations.

Enclosed herein is the fully-detailed study of Thailand, the incontinence market, adult diapers, and the entry of Kimberly-Clark into Thailand with an additional wholly-owned subsidiary or a new division of Kimberly-Clark Thailand Limited. The study is composed of three principal sections: (1) market analysis; (2) feasibility; and, (3) marketing plan. The information provided is designed and meant to ensure the continued success of Kimberly-Clark's global operations. Furthermore, the information provided is framed to provide the greatest value to the shareholders, while ensuring and strengthening the social contracts that Kimberly-Clark has with all of its stakeholders.

It is our recommendation that Kimberly-Clark actively pursue the establishment of operations within Thailand for adult diapers, and to aggressively enter the Thai adult incontinence market. The opportunity for Kimberly-Clark is great where it could add to its bottom line, gain market leader position, and create a distinctive core competency in this region of the world through the synergies between Kimberly-Clark brands within Thailand.

Sincerely,

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Table of Contents

I. Executive Summary.....	1
II. Market Analysis.....	2
General Information	2
Market Analysis	2
Demographics	2
Characteristics	2
Growth Trends.....	3
Adult Diapers in Thailand	3
Competent Marketing Strategy.....	3
Industry and Competition.....	4
Cultural and Social Analysis.....	5
Languages	5
Religion	5
Customs and Traditions	5
Values, Norms, and Attitudes.....	6
Hofstede’s Cultural Dimensions.....	6
Aesthetics.....	7
Social institutions	7
Business Protocols and Etiquette.....	8
Thai Profile.....	8
III. Technical, Financial, and Organizational Analyses	10
Company Summary.....	10
Technical Feasibility	11
Raw Materials.....	11
Manufacturing Capability	11
Transportation Capability	12
Communication Capability.....	12
Kimberly-Clark Manufacturing and Channel Structure in Thailand.....	12
Kimberly-Clark Logistics in Thailand.....	14
Financial Feasibility	15
Country Economic Analysis.....	15
Production, Manufacturing, Logistical, and Other Costs	15

Organizational Feasibility	16
Thai Political & Legal Feasibility Analysis	16
Firm Organization Structure & Analysis.....	18
Thai & Adult Diapers Conclusion.....	18
SWOT Analysis.....	18
Risk Analysis.....	19
Benefits and Gains Analysis.....	19
Marketing Recommendation	20
IV. Marketing Plan	21
Adult Incontinence Thai Market Position Statement	21
Target Market, Objectives and Position Strategy	21
Target Market	21
Objectives	22
Position Strategy.....	22
Marketing Mix.....	22
Product.....	22
Distribution.....	24
Marketing Communication.....	24
Price	25
Forecasts and Financial Performance.....	27
Sales.....	27
Expenses	27
Net Income	28
Marketing Plan Evaluation.....	29
Marketing Goals	29
Sales Goals	29
Overall Performance Goals	29
Conclusion.....	29
References	30
Appendix A.....	i
Appendix B	ii
Appendix C	iv
Appendix D.....	xii
Appendix E.....	xiii

Appendix F..... xiv
Appendix G..... xv
Appendix H..... xvi
Appendix I..... xviii
Appendix J..... xix
Appendix K..... xxiii

I. Executive Summary

This report critically overviews the feasibility of adult diapers in Thailand. The purpose of the information herein is to provide an accurate and current representation of adult diapers, their marketing in Thailand, and Kimberly-Clark's opportunity to fill this gap in the Thai market with their existing product line. Key highlights of this report are divided into three principal sections: (1) Market Analysis; (2) Technical, Financial and Organizational Analyses; and, (3) Marketing Plan.

First, a critical observation of the adult incontinence market in Thailand is that it is expected to grow significantly, as Thailand has a moderate population growth rate, but has a significant aging demographic. Ergo, the users of adult diapers being elderly and persons with medical complications will continue to grow. Plus, the competitors within Thailand are not utilizing entrenchment strategies nor in a strongly defensible market positions. Thus, the market for Kimberly-Clark is sufficient and primed for the introduction of their adult diapers with the full backing of Kimberly-Clark's resources, knowledge, skills and abilities from their global operations.

Second, Kimberly-Clark's existing operations within Thailand are complimentary to the introduction of their adult diaper lines, and would help with ensuring the success of the adult diaper product line(s). A wholly-owned subsidiary operating under Kimberly-Clark Thailand Limited exists presently, and would serve either as the parent of the expanding operations for the adult diapers, or as a vital resource partner for a new wholly-owned subsidiary in Thailand for adult diapers. Much of the raw materials that Kimberly-Clark Thailand Limited currently utilizes are the same for the production of adult diapers, therefore, operations would have the same exposure to commodity price risks. Additionally, many of the distribution channels, transportation channels, and relationships required would be the same as existing ones. Thus, this allows for a smoother and quicker introduction of the adult diaper product.

Lastly, the marketing, financial and operational feasibility of adult diapers was found to be strong, and that within a short amount of time would yield positive returns that would directly add to Kimberly-Clark's bottom line and shareholder value. The market was found to have an initial and continued marketing focus on healthcare providers, because of the Thai consumers' emphasis on relationships, trust, and endorsement from individuals they respect. Although traditional marketing efforts may help increase brand recognition in denser population areas, it is ultimately the endorsement of healthcare providers when providing treatment for incontinence that will have the greatest impact of end consumer usage. Furthermore, startup and continued operations for adult diapers are ideal, because of low facility, utility, and labor costs. The greatest risk to Kimberly-Clark is increased prices in commodities; however, Kimberly-Clark may mitigate this risk through the ability to hedge the raw material costs from its purchasing power for all operations. As such, the benefits and gains from introducing Kimberly-Clark's adult diapers outweigh the risks, and would allow for the capture of large market share of a growing market.

II. Market Analysis

General Information

The Kingdom of Thailand (formerly known as the Kingdom of Siam) is located in Southeast Asia, with Burma, Cambodia, Laos and Malaysia as neighbors. Thailand is the 50th largest country in the world with a total area of approximately 198,115 square miles, which is “slightly larger than Spain” (Travelblog.org, 2011), and has a mostly tropical climate. Thailand’s capital, Bangkok, is the country’s largest city, making it the country’s “political, commercial, industrial and cultural center” (ColourfulThailand.com, 2011).

With a population of nearly 68 million people, Thailand is the 21st most populous country in the world. Thailand’s official language is Thai; moreover according to the CIA - World Factbook, English is the “secondary language of the elite”. The primary religion is Buddhism. Approximately 33% of the Thai population lives in urban areas and the median age is 34 years old.

Thais are very proud of their culture, and of the fact that they were never colonized. They highly respect and honor their king and queen, and are often offended by what some see as the need to develop into a more western ideal. The people of Thailand are very loyal to their family and have great respect for their elders. Western style clothing is commonly worn in the urban areas; however, in the rural areas, traditional clothing, such as a sarong, is still often worn.

Market Analysis

Demographics

Thailand is a relatively large country with 67,764,033 people and a population density of 131.3 people per sq km (Euromonitor International, 2010). According to the WorldBank, the age structure (measured as a percentage of total population) consists of 21% ages 0-14; 70% ages 15-65; and 9% ages 65 and older (Central Intelligence Agency, 2011). The population growth rate in Thailand sat around 0.653% in 2010 but is expected to grow year to year due to higher life expectancy and an increasing margin between the birth and mortality rates (Central Intelligence Agency, 2011).

Characteristics

Thailand has been ranked as one of the best places for foreign companies to start a business. This is attributed to lower than average start-up costs, and relatively short amount of time it takes to begin business operations - usually about 32 days (Euromonitor International, 2010). According to the WorldBank, over the last decade, Thailand has maintained its position within the top 25 easiest places to start a business. In 2009 and 2010, Thailand was ranked 16th and 25th in the world respectively (Central Intelligence Agency, 2011).

The general population in Thailand is becoming less price sensitive as both retail consumption and national income continue to increase (Euromonitor, 2011). Merchandise sales accounted for

Thailand and Adult Diapers Feasibility Study

41.8% of GDP in 2009, and services accounted for 11.2% (U.S. Commercial Service, 2011). These numbers indicate that much of Thailand's economy is based in goods and services, which alludes to high market potential for businesses in these sectors.

According to the consumer trends published in the Euromonitor International Reports, people of Thailand are willing to pay higher prices for a product that offers higher quality and superior service. Furthermore, the general population in Thailand tends to value products that allow them more freedom and convenience in their lives (Euromonitor, 2011).

Growth Trends

Thailand is currently dealing with an aging population trend. This indicates that over time a large portion of its population, which is currently considered middle age, will begin to form an expanding senior segment. The percentage of senior citizens is expected to increase from 10.8% to a significantly higher 14.2% by 2015 (Euromonitor International, 2010). This expanding senior population group will require new markets and new services to meet their demands.

In 2009, the senior population accounted for only 4.1% of gross national income. However, by 2015 seniors are expected to contribute 9.1% of national income (Bureau of Public Affairs, 2011). As Thailand's elder population continues to expand, their impact on national consumption will become more evident.

Adult Diapers in Thailand

Thailand's growing aging population provides a plethora of opportunities for foreign companies to create a niche and tap into its growing market. The production of adult-style diapers in Thailand may be practical in light of the demographic shift towards a more senior population.

As the elder population increases in proportion to Thailand's total population, so will their needs for products such as adult diapers. Moreover, the elder population in Thailand is not the only target group to have potential growth in the health care products sector. The upper-middle aged population is growing close to the same rate as the most senior demographic age bracket; thus, providing two potential markets to penetrate. Therefore, from these population trends, a significant increase in need for adult diapers will take place in Thailand within the next decade.

Demand for adult diapers in Thailand will remain sustainable in the long run, because of its continual population growth, family-orientation, respect of elders, and the aforementioned population trends. The adult diapers niche will also have the advantage of building customer loyalty that will become inter-generational from the aging population.

Competent Marketing Strategy

According to an article published by the U.S. Commercial Service (2011), the preferred method of entering Thailand's markets is through manufacturing and through various distribution channels. Although there is a competitive market for retail sales, distribution and manufacturing yield higher profits in Thailand. In 2009, the markup on price for items being manufactured and distributed in Thailand ranged anywhere from 10-15% (U.S. Commercial Service, 2011). This provides sufficient room to maintain healthy profit margins for the adult diapers niche, while the cost for manufacturing the product will be offset by revenues gained from selling to large distributors. For these reasons, it is recommended to supply adult diapers to the many distributors with a 10-15% markup on cost.

Thailand and Adult Diapers Feasibility Study

Given the population size of Thailand of approximately 68 million, the expanding elder segment, and similar industry penetration rates of about 10% in nearby countries (U.S. Commercial Service, 2009), it is possible that a 15% market penetration rate is attainable. However, due to potential volatility, a conservative benchmark of 10% market penetration by 2015 and optimistic benchmark of 15% are more realistic.

According to the CIA- The World Factbook (2011), if Thailand's growth is consistent with the projected 0.653% until 2015, it is expected that the elder population to account for 10,755,855 people, or 14.1% of the total population. This is a considerable market size, which is expected to continue growing. If the adult diaper industry is able to achieve a 15% market penetration into the elder segment, this will result in an expected 15 million person potential customer base. At a 10-15% markup on cost, and revenues from a potential target market of over 15 million, it is probable for sustainable profits in the adult diaper industry for Thailand.

Industry and Competition

Within the particular industry of hygiene products, Thailand's market is constantly up to date with current products, and has a solid client-base to support such demand. Many of Thailand's hygiene products, which were once considered luxury, are now viewed as necessary in the eyes of consumers. Adult diapers are among the many hygiene products that are found in Thailand today. Few competitors in the adult diaper market niche have penetrated the market; however there are competitors within the more general hygiene industry. One of the largest competing companies in the hygiene industry is actually based in Thailand itself. Within the industry there are many competing companies including P&G and Unicharm who specialize in hygiene products, but are strictly trade based companies. P&G are well known for their high volume rates and overall profitable market. Asian companies such as DSG and Thai Hygiene are already integrated into the Asian culture and market. It can be assumed that these companies have a better perception and understanding of their potential clientele. With this strategic factor, DSG and Thai Hygiene have the potential to become the largest competitor against all other global companies.

Thai Hygiene Products Co. was established in Thailand in 1965. It specializes in many hygiene products, particularly baby diapers and women's hygiene products. This firm is known for its 'thermo-bonded non-woven fabric' which is used in most of its products currently in the market (Thai Hygienic Products Co., Ltd., n.d.). Furthermore, Thai Hygiene's products are available in Thailand as well as in their growing export market which includes China, U.S.A, and New Zealand among others. The revenue from these exports is substantial with sales ranging from \$5 million to \$10 million a year.

Based out of Malaysia, another competitor in this industry is DSG International (Thailand) Plc, who employs over 400 employees (DSG International (Thailand) PLC, 2010). DSG manufactures adult diapers and exports to Thailand as well as Indonesia and Singapore. It has facilities in Bangkok, Malaysia, Singapore, and Indonesia. Additionally, the company owns a main manufacturing warehouse in Thailand as well as in better known export regions. DSG stated that the baby diaper market is its highest performing segment with the company, with approximately 80% of the total sales. However the adult diaper industry is said to "increase

growth momentum in the coming years” (Bangkok Post, 2010). Sales breakdown for their products are 45% for Thailand, 40% for Malaysia, and 15% for Singapore (Bangkok Post, 2010). DSG’s revenue and earnings have grown nearly 50% over the past three years. In 2009, DSG International has had a net income of 322 million (Bangkok Post, 2010).

Fuburg Industrial Co., Ltd. is a company that sells Baby Diapers, Incontinence Pads, Sanitary Napkins, Insert Pads, and Pet sheets. Fuburg’s factory size is 10,000-30,000 square meters with 51-100 employees (Alibaba.com, n.d.). Furthermore, their total annual sales volume is 5,000,000-10,000,000 million USD and they have an export percentage of 21-30% (Alibaba.com, n.d.). While their factory is located in Rayong Province, Thailand, their main customers are in Japan, Taiwan, and India (Alibaba.com, n.d.).

Uni-Charm CO., Ltd. is a company that sells adult incontinence pads, childcare products, and baby diapers among other things. The company has 15,992 million yen in paid-in capital, have 1,243 associates (7,218 on a consolidated basis as of Sep 2010), with 98,114 millions in net sales in the year 2010 within Asia. Furthermore, net sales are 356,825 million in 2010 (Unicharm, n.d.).

Cultural and Social Analysis

Languages

Although there are various “ethnic and regional dialects”, Thai is the most widely spoken and written language in Thailand. There has been much more focus on mandatory language programs implemented in educational institutions. Furthermore, greater emphasis has been placed on the English language, which is considered to be the language of the elite (Central Intelligence Agency, 2011).

Religion

According to the CIA – The World Factbook (2011), Thai is the nationality and the compositions of ethnic groups are the following: Thai makes up 75 percent of the population, Chinese makes up 14 percent, and 11 percent is under the category of “other”. With regard to the composition of religious influence in Thailand, Buddhists make up the majority of the population at 94.6 percent, while Muslims make up the next largest group at 4.6 percent, followed by Christian and “other” at under 1 percent each (Central Intelligence Agency, 2011).

Customs and Traditions

The Thai people are a people proud of their heritage and pay close attention to their ancestral past. The Thai have a multifaceted culture that results in much to celebrate about. These celebrations are influenced by certain Thai cultural aspects including their Buddhist religion, agriculture, cultural traditions, sports, and royalty. The following will focus on the principal festivals that are integral to Thai society.

First, the Thai are predominately Buddhist, and thus, have several festivals that surround their religious beliefs. The Maka Bucha celebrates a Buddhist gathering of 1,250 monks, and is celebrated on the full moon of the third lunar month (Gerson, 1996). The most important Buddhist celebration is the Visaka Bucha which is celebrated on the full moon of the sixth lunar

Thailand and Adult Diapers Feasibility Study

month (Gerson, 1996). This celebration is to honor the birth, enlightenment and the passing into nirvana, and this is a three day holiday for all Thai (Gerson, 1996). The other primary religious celebration is the Aslaha Bucha which commemorates Buddha's first sermon, and is celebrated on the full moon of the eight lunar month (Gerson, 1996).

Next, Thailand has several key cultural festivals that celebrate their heritage and way of life. The primary celebrations are: the Songkran; the Long Ching Cha (the Swing Ceremony); the Cha Hongse (the Swan Swing Ceremony); and the Loy Krathong. The principal holiday and celebration is the Songkran, which is a three day holiday on the dates of April 13th to the 15th (Gerson, 1996). This holiday is celebrated with an annual cleaning of the house to prevent bad luck and the use of firecrackers to ward off bad spirits that may remain from the year prior (Gerson, 1996). The Songkran entails many family and social gatherings which are typically oriented on the Buddhist religion; and incorporates specialized food, such as khao che which are a specialized rice or rice cake depending on region (Gerson, 1996).

In regards to agricultural festivals, it is important to realize that many rural communities are still primarily supported by their agricultural efforts, which is the traditional economic base of Thailand (Gerson, 1996). The festivals to be cognizant of when operating within the rural communities are: the Ploughing Ceremony; the Rocket Festival; and the Ghost Festival (Gerson, 1996).

Finally, in regards to sporting and royal ceremonies the Thai people have long standing traditions. The traditions, festivals, and observances along these lines include the following: boat races; kite flying and fighting; The Elephant Round Up; the Chakri Day; Chulalongkorn Day; the Coronation Day; and the birthdays of the current monarchs, King Bhumibol Adulyadej and Queen Sikrit (Gerson, 1996).

Values, Norms, and Attitudes

The Thai people come from a variety of backgrounds, and exist on the convergence of the East and the West, where the Asian continent touches the Pacific Rim. As such, some scholars have identified that the distinctions within the Thai people have become prevalent, especially between the people of the rural communities and those of the metropolises. The values listed for urban dwellers from Surin Maisrikrod are: "belief in rationality; emphasis on competition; privileging of Westernization; emphasis on formality; materialism; emphasis on face-saving or face-promoting...respect for legitimate discipline; disregard for public property..." (Maisrikron, 1999). On the other hand, rural dwellers are listed to have the values of, "passivity; love for recreation; materialism; respect for people who do good deeds; face-saving; refraining from causing displeasure; submission to the powerful; communitarians; informality; and strong kinship obligations" (Maisrikron, 1999). From these lists of definitions, one may derive from them that the Thai people place great emphasis on their family and the community from their eastern ancestry while being pulled towards more individualism from western influence. Many of the Thai cultural norms and attitudes stem from their values, and thus are important when interacting with a Thai national.

Hofstede's Cultural Dimensions

According to Hofstede, the culture of Thailand is unique and very different from the culture of the United States. Any business professional needs to observe these characteristics and plan accordingly.

Thailand and Adult Diapers Feasibility Study

To begin, Thailand displays higher power distance at 64, compared to the United States for example (Hofstede, 2009). This score is actually lower than the average Asian score of 71 (Hofstede, 2009). This ranking directly relates to the people of Thailand's acceptance of unequal power between followers and leaders in their society. Moreover, at 64, Thailand ranks higher than the average Asian score, at 58, in uncertainty avoidance (Hofstede, 2009). A high score in uncertainty avoidance translates to a culture that is more risk adverse. In other words, the people of Thailand typically do not favor taking risks and do not favor change. In order to avoid the aforementioned, Thailand (like many other risk adverse countries) creates strict rules and regulations to prevent such uncertain environments (Hofstede, 2009).

Additionally, Thailand scores low in individualism at 20, which is fairly similar in many Asian countries (Hofstede, 2009). Scoring low in individualism indicates that Thailand is a very collectivist culture. Collectivist societies tend to favor groups over the individual in most areas of life. Furthermore, these societies tend to emphasize the importance of relationships and family over anything else. Next, Thailand scores 34 in Masculinity, compared to the average Asian score of 53 (Hofstede, 2009). These scores indicate that Thailand is "a society with less assertiveness and competitiveness, as compared to one where these values are considered more important and significant. This situation also reinforces more traditional male and female roles within the population" (Hofstede, 2009).

Lastly, Thailand scores at approximately 52 with regard to long-term orientation. This number is fairly high but is actually lower than the average Asian score of approximately 80 (Hofstede, 2009). Long term orientation signifies that those from Thailand tend to save and persevere (Hofstede, 2009).

It is imperative that an individual doing business in Thailand understands these unique cultural nuances and applies certain tactics that support these characteristics of a high context culture. Incorporating these tactics will ensure a higher probability for success in the country of Thailand.

Aesthetics

Colors have specific meaning in Thai culture. For example, "Gold and yellow are considered royal colours" (Kwintessential.co.uk, n.d.). Furthermore, red is tied to Thai and Chinese heritage. The colors black, blue, and green are associated with death, funerals, and the subsequent mourning period. One must be cognizant in incorporating certain colors into business with the Thai culture.

Social institutions

The educational institutions in Thailand have increasingly received greater attention. According to the U.S. Department of State, "In early 2009, the Abhisit administration put into effect a program to provide 15 years of free education (3 years in preschool and grades 1-12)" (U.S. Department of State, 2011). Moreover, it should be noted that 9 of those years are compulsory. Furthermore, "Education accounts for approximately 18.0% of total government expenditures" (U.S. Department of State, 2011). Although this method seems to be effective, Thailand continues to have lower literacy rates than they would hope; according to the U.S. Department of State (2011), the literacy rate for males is at 94.9% while the rate is at only 90.5% for females in the country.

Business Protocols and Etiquette

As expected from a high context culture, Thais appreciate doing business with those whom they have formed close relationships with and with whom they trust. Individuals should be aware of the numerous business protocols recommended to succeed in doing business in Thailand.

First, it is imperative for an individual doing business in Thailand to respect the nuances unique to the culture beginning with the traditional greeting, called the 'Wai'. This greeting is appreciated by Thais; however, one must be careful because if an individual does it incorrectly, Thais could be offended. The Wai is made by "Raising both hands, palms joined with the fingers pointing upwards as if in prayer, lightly touching the body somewhere between the chest and the forehead" (Kwintessential, n.d.) The placement of your hands and how far down you bow are representative of who an individual is paying the respect to.

Additionally, there are other forms of etiquette one must recognize when doing business in Thailand. According to Kwintessential, some of the most important include:

"Appointments are necessary and should be made one month in advance. It is good idea to send a list of who will be attending the meeting and their credentials so that Thais know the relative status of the people attending the meeting and can plan properly. You should arrive at meetings on time as it signifies respect for the person you are meeting. Although most Thais will try to be on time, punctuality is a personal trait. Always send an agenda and material about your company as well as data to substantiate your position prior to the meeting. Allow sufficient time for the material to be reviewed and digested. Remain standing until told where to sit. The hierarchical culture has strict rules about rank and position in the group. Written material should be available in both English and Thai. You must be patient. Business attire is conservative. Men should wear dark coloured conservative business suits. Women should wear conservative business suits or dresses. Business cards are given out after the initial handshake and greeting. In theory, you should give you card to the most senior person first. It is advisable to have one side of you business card translated into Thai. Using your right hand, deliver your business card so the Thai side faces the recipient. Look at a business card for a few seconds before placing it on the table or in a business card case. As in most Asian countries, it is polite to make some comment about the card, even if it is only to acknowledge the address" (Kwintessential.co.uk, n.d.).

Regarding gift giving, Kwintessential states that giving a gift is not necessary if invited to someone's home; however, it is always appreciated. Furthermore, it is noted that if one gives a gift, appropriate gifts includes "flowers, good quality chocolates, or fruit" (Kwintessential.co.uk, n.d.). Additionally, it is noted that if one offers a gift, it "should be wrapped attractively, since appearance is important to Thais. Bows and ribbons add to the sense of festivity" (Kwintessential.co.uk, n.d.).

Thai Profile

One of the highest virtues in Thai culture is to honor one's parents throughout life. A deeply ingrained ethical law in Thailand is the expectation of adults to care for and support their elderly parents, as they had cared for and supported them. There is an utmost respect for the older population and ancestral generation. The elderly class holds the top position of status in the community aside from monks (being an approximately 95% Buddhist country) (Central

Thailand and Adult Diapers Feasibility Study

Intelligence Agency, 2011). For example, adults are expected to give up their seats on a bus for Buddhist monks and the elderly.

Considering the lifestyle, culture, and importance of family in Thailand, retirement homes are unpopular and uncommon. It would not be considered appropriate deference to put your family members in one. According to the CIA - World Factbook (2011), Thailand is the fourth largest populated country in Southeast Asia, with a fertility rate of 1.65 children born per woman, a low death rate of 6.57 per 1,000 of the population, and a life expectancy of approximately 75. The number of elderly in Thailand is expected to dramatically increase, estimating to 10.78 million by 2020. This will mean that there will be a dramatic increase in the elderly segment of the total population, from approximately 7.36 percent to 15.28 in 11 years (Jitanpunkal & Bunnang, 1999).

As people live longer, they experience more physical difficulties with their bodies. Because of the high respect the community has for the elderly, there is a great concern to keep them happy and their confidence high. The embarrassment of unexpected incontinence could be devastating for an older person of their culture, and this is the reason why the target audience for adult diapers is literally every elderly male and female citizen who no longer has the full ability to rely on their body's functions as before. In both rural and urban areas, especially in more poor provinces, where both parents must work to feed their families, it is convenient for the elderly to use adult diapers. The product, in fact, makes aging a bit easier and is a reliant product to both the elderly and their families. It eases some of the difficulties associated with aging, causes people to feel more at ease with their transitions of life, and extends its helpful tendencies out to client's families who may need an extra hand. To argue this further, 81.1 percent of the elderly live in rural areas where it is very common for both parents to have jobs, especially working long hours in agriculture (Jitanpunkal & Bunnang, 1999). Since 1990, the erosion of the extended family has erupted, as fertility rates decrease, the elderly population is heavily increasing.

Although Thailand is still considered a developing country, it is currently in an epidemiological transition era. The country is trying to bring sickness and disease under control, and better hygiene can improve the health intervention. Adult diapers help with the cleanliness of households and people, keeping personal hygiene at a higher standard than before.

As the elderly population increases and ages longer than before, adult diapers could be seen in a positive light to the adult diaper industry's demographic. The adult diaper's target audience will not have to feel ashamed or embarrassed, but instead be able to keep living their lifestyle and doing what they love without having to worry about leaving their homes or being ashamed of what is simply normal with age. The potential buyers would be not only the elderly population, but also the families who represent the caretakers of such a large group. Adult diapers represent a product that is a necessity of life. There is not a single profile of a person, but rather a class of people who understand that age does not restrict a person from the life they lived before. The consumers of adult diapers are no longer worried about incontinence, but rather how they will enjoy their day, stress and worry free.

III. Technical, Financial, and Organizational Analyses

Company Summary

Since it was founded in 1872, Kimberly-Clark Corporation has become “a major global health and hygiene company” (Aarkstore.com, n.d.). Kimberly-Clark describes its global reach as: “wherever there are people, there is Kimberly-Clark. Our products are sold in more than 150 countries. We maintain administrative, manufacturing facilities, operating and geographic headquarters in 35 countries with our world headquarters being located in Dallas, Texas.” (Kimberly-Clark, Inc., n.d.). Furthermore, according to Investor Relations of Kimberly-Clark (2011), “Kimberly-Clark and its well known global brands are an indispensable part of life for people in more than 150 countries. Every day, 1.3 billion people – nearly a quarter of the world’s population – trust K-C brands and the solutions they provide to enhance their health, hygiene, and well being. With brands such as Kleenex, Scott, Huggies, Pull-ups, Kotex, and Depend, Kimberly-Clark holds No. 1 or No. 2 share positions in more than 80 countries.” This success establishes Kimberly-Clarks competency in the international market.

Kimberly-Clark enjoys a stable financial situation according to the income statements published for the last three years through Yahoo Finance (2011), with positive net income. In its January 25, 2011 press release “Kimberly-Clark Announces Year-End 2010 Results” (Kimberly-Clark, Inc., 2011). Kimberly-Cark indicated a 2% increase in its “Personal Care Segments” for the fourth quarter of 2010, with a 4% increase in Asia.

“Kimberly-Clark is the No. 1 provider of adult incontinence products in North America, with its leading Poise and Depend brands. K-C adult care business has posted five consecutive quarters of double digit volume growth...” (Kimberly-Clark, Inc., 2010). The brand being considered for this study is Depend, with Thailand as the target market.

Some of the strengths of Kimberly-Clark are its reputation, global position, market share, worldwide infrastructure, brand recognition (most of us refer to facial tissues as Kleenex, even though they may be of a different brand/manufacturer), market leader, company size, as well as its financial stability. Some of the weaknesses of Kimberly-Clark can also be some of its strengths, such as company size, ability to react to the market in a timely manner. The strengths of Depend are the health and hygiene benefits it provides to people suffering from incontinence, the ease of use, the wide acceptance in the US market as well as the comfort they can provide to users. On the other hand, cultural issues, the stigma of the adult diapers and acceptance can be seen as weaknesses.

Thai customers are very price conscious, and “less than half of Thai consumers report buying on brand-name recognition and first time buyers often buy on price alone” (U.S. Commercial Service, 2011). Along with other product marketing strategies (such as free gifts with purchase or special sales), the pricing of the product is very important.

As mentioned above, Kimberly-Clark is already present and established in the Thai market through other products, and enjoys a good market position; therefore, the introduction of Depend to the Thai people could be seen as the biggest challenge.

Technical Feasibility

Raw Materials

According to The World Factbook (Central Intelligence Agency, 2011), Thailand has a labor force of 38.7 million, of which 19.7% is in industry, and 37.9% is in services. Thailand ranks 16 out of 230 countries for labor force worldwide. This means, the production-possibility frontier has a high outward shift, allowing for the opportunity to manufacture goods at a consistent rate. As a result, finding workers for the manufacturing of adult diapers will be relatively easy. Furthermore, Thailand produces its own cotton, wool, bamboo, hemp, and polyester which are all used in the manufacturing of diapers (PanPages). However, Thailand has a strong dependency of imported cotton, because of its low domestic production which only fulfills 5% of Thailand's demand (U.S. Commercial Service, 2011). Thailand imports 40% of its cotton from the United States (U.S. Commercial Service, 2011); ergo, Kimberly-Clark may be able to leverage its U.S. purchasing power of cotton for lower rates. In addition, Thailand's electricity consumption is 134.4 billion kWh, ranking 24 in the world (Central Intelligence Agency, 2011), and has adequate electricity to run a business. Thailand's manufacturing of clothing, various chemicals, and with a strong electronics industry, this implies that it would be safe to manufacture goods in Thailand. In regard to facility location, Bangkok is the ideal place to expand business operations, and diversifying into the adult diaper niche. Bangkok is not only the capital and main business center, but it is also the most populated city in Thailand (CityMayors, 2007).

Manufacturing Capability

Bangkok is "the economic center of Thailand" and its most profitable area. According to CityMayors (2007), Bangkok is the 55th richest city in the world by GDP; and, in 2020, it is predicted to be the 46th richest city and urban area in the world. Bangkok "accounts for nearly 75 percent of Thailand of Thailand's service sector which accounts for 45.2 percent of Thailand's 548 billion dollar economy" (Wikipedia, 2011). Bangkok's demographics were reported in with a population of 6.902 million. The majority of Bangkok's ethnicity is Thai, making 75% of the population; with Chinese making 14% of the total population, and 11% of various nationalities comprising the remaining percentage of the total population (Central Intelligence Agency, 2011). Because of the relative amount of Chinese in the Thai workforce, business managers need to be sensitive to the Chinese influence in the workforce. Reviewing the statistics of Bangkok, suggests that this city is the best place to establish a production facility.

Therefore, the Nava Nakorn Industrial Estate (in Bangkok) could be the considered to establish this production facility. This company has been in business since 1971 and has provided "tenants with prime real estate, convenient access to the country's extensive communications network and fully integrated facilities and utilities" and "plays a host to 175 companies in 2004, with over 200 factories, covering an area of some 6,135 rai" (or 9.816 sq.km) (Business-in-Asia, n.d.). Nava Nakorn Industrial Estate is "situated in a strategic location where it is considered to be a gateway to the Northern and the Northeastern region of Thailand; and thus, it is suitable as a logistic hub for the distribution of products" (Business-in-Asia, n.d.). It is also "complete with all necessary

utilities and facilities within the industrial area” (Business-in-Asia, n.d.). Nava Nakorn Industrial Estate is 46 km from Bangkok, 20km from Thai International Airport, 60 km from Suwannaphum Airport, 192 km from Laem Chabang seaport/Map Ta Phut seaport and 60 km from Klongtoey port (Business-in-Asia, n.d.). Lastly, “Nava Nakorn welcomes foreign and domestic investors who are looking to build and to expand the production infrastructure in Nava Nakorn Industrial Zone” (Bangkok Post, n.d.). In conclusion, Nava Nakorn Industrial Estate provides easy access to key areas in Thailand for product distribution as well as all necessary technologies required for industrial production.

Transportation Capability

A variety of shipping means are available in Thailand for cargo. The Thai railway system is 4,071 km long, and 62,401 km of highways (of which only 225 km are unpaved), waterways total 4,000 km, and six main international airports. With Thailand investing about 13.8 billion US dollars into the rail transit system in Bangkok, the efficiency of transportation in Thailand will increase (Mergent, Inc., 2009). In addition to the increased development of Thailand’s transportation infrastructure, Thailand also plans to improve their e-infrastructure. “The implementation of electronic data interchange has enabled the industry to automate a significant percentage of invoices, packing lists, shipping documents, and customs clearance documents and customs declaration forms. The customs Department has also recently adopted a policy to use radio frequency identification technology in a move toward paperless operations in Free Zones.” (Business-in-Asia, n.d.).

Communication Capability

Thailand has a foundational communication structure, and is continuing to develop it further as new technologies become more available to its citizenry. Currently, Thailand has the supportive infrastructure for communication via telephone, radio, television broadcast, the Internet, and print publications (Mergent, Inc., 2009). Thailand has an Internet penetration rate of 20.5% (as of March 2008), 111 television broadcast stations, over 51 million cell phone users, and satellite earth stations (Mergent, Inc., 2009). Lastly, Thailand has four major newspapers which are: Bangkok Post; The Nation; Daily News; and, Thairath (Mergent, Inc., 2009).

Kimberly-Clark Manufacturing and Channel Structure in Thailand

First, it is critical to underscore the importance of how businesses and end consumers in Thailand are highly price sensitive, and thus, their demand for any good is most likely very elastic to changes in price (U.S. Commercial Service, 2011). Therefore, it would be advisable to pursue a best cost strategy in regards to adult diapers in Thailand while maintaining the primary functions of the product. Kimberly-Clark is in the position where it should develop the adult diaper market within Thailand, since the product has already been developed. Plus, an untapped market for adult incontinence products exists in Thailand, and the hygiene and health care consumer products are becoming more global in scope and demand (David, 2007). Furthermore, the demands for adult hygiene products will continue to rise in Thailand, because of the aging demographic. Additionally, substitutes for the adult diaper for urinary incontinence is typically surgery or catheter, and for fecal incontinence are anal plugs for the containment of fecal soilage (Chew, Quah, Lim, Ho, Tang, & Eu, 2008). Since many of the end consumers wish not to utilize or cannot afford or do not have access to these substitutes for adult diapers, it is strongly foreseeable to see a strong demand in Thailand for Kimberly-Clark’s adult diaper line of Depends. This strong anticipated demand should be communicated entirely across the value

Thailand and Adult Diapers Feasibility Study

chain for the adult diaper from the suppliers of raw materials, to manufacturing, to distribution, to sales and marketing, and to customer service.

In regards to channels of distribution and intermediaries, Kimberly-Clark is presented with various options. As aforementioned, Kimberly-Clark already has existing manufacturing within Thailand where it wholly-owns three operating subsidiaries. One of these subsidiaries already produces adult diapers, and the other manufacturing plants produce other hygiene products for various demographics that are sold in Thailand or exported. Kimberly-Clark has the unique situation that it may be best to either add a plant or to retool excess capacity in a plant for the manufacturing of adult diapers. The manufacturing of the product in Thailand reduces the risk of increasing Thai import tariffs, which are currently at 11 % (U.S. Commercial Service, 2011). Additionally, this would allow for Kimberly-Clark to further leverage the existing relationships that are in place in Thailand for the distribution of the product to wholesalers, retailers, and government purchasers. However, until this optimum situation is established Kimberly-Clark may wish to import the adult diaper from other global locations. In this situation, it is advised to utilize a Thai importer who in turn will ensure the product reaches the Thai retailers, and then the end consumer (U.S. Commercial Service, 2011).

Regardless of import or of production of the adult diapers within Thailand, Kimberly-Clark will have to transport and store their goods at a warehouse in Thailand prior to distribution. The U.S. Commercial Service (2011) has identified FedEx and UPS as transportation providers, freight forwarders, and storage service providers within Thailand. Due the global scope of these companies and their solid history as reliable and ethical logistics partners, Kimberly-Clark should be able to integrate either or both of these service providers into their operations in Thailand if they are not already. Additionally, Nittsu Shoji Thailand, a division of Nippon Express, provides professional packaging services for break bulk cargo such as adult diapers if produced in Thailand (Hi-Tech Nittsu (Thailand) Company, Ltd., 2009). Furthermore, for a full supply chain management and integration from manufacturing to packaging to shipping and other services Exel would be a provider of stated services (Exel, 2011).

Thailand contains a network of distributors and wholesalers to retailers for the adult hygiene product industry (Thai Ministry of Commerce, 2011). There are over 21 large distributors in Thailand for nutrition, health care, and hygiene products that reach retailers from Bangkok to small rural communities (ContactBangkok, 2011). Some of the larger distributors are: Sportron International (Thailand) Co., Ltd.; B. Grimm Healthcare Co. Ltd.; Central Health Care Co. Ltd.; and, S.J. Healthware Co., Ltd (ContactBangkok, 2011). Thailand has an extensive network of wholesalers and retailers for adult hygiene products. The count for wholesalers and retailers in health, beauty and fitness exceed 135, and for health care products it well exceeds 545 (ContactBangkok, 2011). Many of these wholesalers and retailers are located within the larger metropolitan cities and communities; however, there are a few chains that deliver consumer goods out to the most rural communities (Thai Ministry of Commerce, 2011). Plus, many retailers are members of the Thai Retailer Association which can be a vital resource for Kimberly-Clark when seeking out supplemental outlets for the adult diaper in more rural locations.

A key and clear channel for adult diapers and other hygiene products Kimberly-Clark produces in Thailand would be the following large retailers that operate in Thailand: Family Mart Co., Ltd.; Big C Supercenter; and Carrefour. Family Mart Company, Ltd. is a company based out of

Japan that operates multiple subsidiaries throughout Southeast Asia, including Thailand (FamilyMart Company, Ltd., 2009). Family Mart has been operating in Thailand since 1993 with over 622 convenience stores throughout Thailand (Ueno, 2009). Big C Supercenter is a 'hypermarket' or 'supermarket' that operates within Thailand with a total of, "72 branches, divided into 27 branches in Bangkok and the vicinity, 45 branches in the provinces" (Big C Supercenter, 2011). Big C Supercenter is a powerhouse in Thailand by providing consumer goods to the Thai population with over 16,000 employees, and takes pride in being a one-stop shop for all their customer needs (Big C Supercenter, 2011). Lastly, Carrefour is a regional and international hypermarket and supermarket retailers based out of France (Carrefour, 2011). Carrefour is the largest retailer in Europe, and the second largest retailer in the world with its four primary store formats of hypermarkets, supermarkets, hard discount stores, and convenience stores (Carrefour, 2011). Carrefour has over 39 hypermarkets in Thailand, and over 339 in Asia (Carrefour, 2009). These large retailers in Thailand would be strategic partners in the distribution of Kimberly-Clarks adult diapers in Thailand and throughout Asia as a whole.

Kimberly-Clark Logistics in Thailand

In regards to the logistical concerns of the transportation of the adult diapers from either import to Thailand or the production within Thailand, Kimberly-Clark has a variety of operations. As aforementioned, Thailand may utilize the transportation methods from rail, to truck, to air, to ocean transport. Adult diapers and other hygiene products of Kimberly-Clark may be considered break-bulk cargo as it can easily use palletization for shipment via ground, air, or sea. A pallet is typically 40 x 48 inches and height is adjusted per the capacity of the container they are a shipped within (Wood, Barone, Murphy, & Wardlow, 2002). Therefore, this allows for some flexibility in the size of packages that Kimberly-Clark can ship; however, it would be vital to be mindful of these dimensions in the design of the packaging and labeling as to provide optimal shipping performance. Additionally, certain packaging concerns are vital to the design of packages prior to transport. Primary concerns are the purchasing behaviors and needs of consumers in metropolitan communities versus rural areas.

Additionally, Thailand has a warm and humid climate that would make outside cardboard packing infeasible. Thus, Kimberly-Clark would have to consider packaging in all plastic options, or light weight metal containers, or a combination thereof. After the product has been packaged and put into pallet units, the adult diapers may be transported via ground, rail, air, or by ocean. If importing the product, it would be the most cost beneficial to transport the goods via ocean; however, this would most likely entail a two to five month lead time (Wood, Barone, Murphy, & Wardlow, 2002). Once the diapers are in Thailand, they may be transported by rail to distribution centers of major cities, so that a hub and spoke distribution operation is utilized. Distributors, wholesalers, and retailers may either pick up the goods at the warehouses, or a third-party delivery service (i.e., UPS) may transport the goods directly to the purchaser for resale. The transportation of the product to each retailer location should be avoided, and the goods should be sent to the client's warehouse. Due to high costs, even though adult diapers are a relative light weight good, air transport should be avoided unless required to avoid shortages or stock-outs. All in all, Thailand has an adequate infrastructure to the meet the transportation needs of Kimberly-Clark for the distribution of adult diapers.

A note of interest, Kimberly-Clark may utilize great quantities of imported raw materials in all of their Thai operations. If Kimberly-Clark desires to transport their own bulk raw materials for

their operations in Thailand, it is recommended that further research is conducted for required commodities and the utilization of a service provider.

Financial Feasibility

Country Economic Analysis

Over the past couple of years, Thailand's economy has grown modestly at about 5.5 % year over year (World Trade Organization, 2007). In 2009 Thailand's GDP was US \$263.77 billion with a negative annual growth rate of around 2.2%. Inflation in Thailand has been low over the past five years with an annual growth of about 3.4%. Notably, in 2009 inflation was only 2% (The World Bank Group, n.d.). Despite an economic crisis that started in the mid 1990's, from a natural disaster, and a lack of governmental stability, Thailand remains a profitable place to start a business (Euromonitor International, 2010).

Gross income per capita has sustained healthy levels over the past decade and in 2007 Euromonitor International recorded disposable income/capita at around Bt 76,477 (USD 2,216). This can be compared to the average growth of disposable income from 2000-2007 of 26.8% which further confirms that Thailand is an emerging economy in the global landscape. Conversely, Thailand's income distribution is highly unequal. The Gini Index, through declining, remains very high compared to other countries in the region. In 2007, Thailand's Gini index was 0.46, higher than 0.36 in Indonesia. A zero Gini index represents perfect income equality and a score of 1 indicates absolute income inequality (Euromonitor International, 2008).

The balance of payments in Thailand has been relatively consistent throughout the first decade of the 21st century with most years ending in a surplus representing an increasing dependency on exports as the driver of the Thai economy. In fact the only year representing a BOP deficit was 2005 resulting from the aftermath of the tsunami that struck Southeast Asia, the Asian mainland, India, and parts of east Africa in late 2004. In lieu of the natural disaster, Thailand's balance of payment has rebounded, and in 2007 they ran a surplus of 7.7 billion US Dollars (The World Bank and the International Finance Corporation, 2011).

In recent years, Thailand's government has made a conservative effort to liberalize trade with other countries. However, the range of products subject to tariffs is anywhere from 0-80%. Overall the trend for the general rate of tariffs is about 0% for production inputs, 1% for raw material, 5% for semi-finished products, and 10% for finished products (The World Bank and the International Finance Corporation, 2011).

Production, Manufacturing, Logistical, and Other Costs

First, tax rates in Thailand vary depending on the type of business venture a corporation pursues. However, the average corporate income tax rate in Thailand is about 30% (The Board of Investment of Thailand, 2010). Moreover, there are many other possible taxes that a multi-national corporation is subject to such as a remittance tax, tax on corporate receipts, and a

Thailand and Adult Diapers Feasibility Study

withholding tax on bank deposits . For a complete breakdown on corporate taxes refer to Appendix B.

The start-up costs associated with producing Kimberly-Clark's adult hygiene products in Thailand are as follows: filing fees, incorporation documentations, insurance, leases, capital investments such as manufacturing equipment and raw materials, hiring and training costs, transportation costs (logistics), inventory and customer relationship management systems, possible ex-patriot managers, interest payments, loan payments, fees, and currency exchange rates. Furthermore, Kimberly-Clark would increase their exposure to currency fluctuations of the Baht. The current exchange rate according to Yahoo Finance (2011) is about ฿ 30.24/\$1.

In light of the vast amount of fees and capital needed to conduct business in Thailand a conservative estimate of \$50 million USD, and a best-case-scenario estimate of \$30 million USD of capital will need to be raised in order to start production. For a detailed list of the costs for production, refer to Appendix C.

It is desired to keep Kimberly-Clark's cash reserves on hand for payments to payroll, overhead, and other general expenses. Thus the difference for additional monies must be raised through bank loans and the purchasing of bonds. Refer to Appendix D for the current LIBOR rate, which will be used as a peg and as close approximation to the cost of borrowing money through Thailand's national banks.

It is recommended to refer Kimberley-Clark's weighted average capital costs for the ideal financial package. It is most likely the package will consist of a mixture of bonds and private debt through bank loans. It would be advisable for Kimberley Clark to finance its capital needs through Thailand's national banks in order to benefit from the low LIBOR rate, and to build further relationships with business community in Thailand.

Organizational Feasibility

Thai Political & Legal Feasibility Analysis

In order to determine if Kimberly-Clark's adult diaper product will be feasible in Thailand, there are several political and legal factors that are necessary to consider. These factors are: the role of politics in Thailand, the political ideology, Thailand's relationship with other countries, and their legislation, regulations, or rules affecting intellectual property and marketing.

To first comprehend how politics will affect an international business, first an international marketer needs to understand the fundamentals of Thailand politics. Thailand's government is a constitutional monarchy. In this framework, the elected Prime Minister is considered the head of the government and an elected hereditary monarch is considered the head of state. Under Thailand's constitutions, the King holds little power, but to their culture the King is a symbol of unity and national identity. According to the U.S. Department of State, the current King, King Bhumibol has ruled since 1946 and has continued to hold enormous admiration from Thailand citizens and has ruled by moral authority. He has used this power on few occasions of resolve political crises. Both traditional principals of Thai laws and Western laws blend together in Thailand's legal system. To read about Thailand's legal system and how their judicial system is run, please see Appendix A (1). Thailand's political system is both open and stable, and overall

Thailand and Adult Diapers Feasibility Study

Kimberly-Clark should not predict that it would be a factor that would impact the product's feasibility.

Another factor that to consider that impacts Kimberly-Clark's product feasibility is Thailand's relationship with other countries. According to Thailand's Board of Investment (2009), "Thailand is an extremely foreigner friendly and welcoming Buddhist country." Although the majority of the population is of Buddhist faith, Thais are known to welcome all religions with open arms, just as their King, a patron of all religions, does. As a founding member of the ASEAN (Association of Southeast Asian Nations) Thailand tends to, "consider themselves as the hub of the organization," (The Board of Investment of Thailand, 2010). This geo-political and economic organization originated with ten countries in Southeast Asia and since then has expanded. The organization's goals are to speed up economic growth, cultural development, and social progress while keeping stability and peace across the region. For more about world organizations and Thailand's international ties across the world, please see Appendix A (2).

The U.S. and Thailand Treaty of Amity and Economic Relation (AER) allow many U.S. businesses to reap the benefits of investments. "The 1996 iteration of the treaty allows U.S. citizens and businesses incorporated in the U.S., or in Thailand that are majority owned by U.S. citizens, to engage in business on the same basis as Thai companies, exempting them from most of the restrictions on foreign investment imposed by the Foreign Business Act," (U.S. Department of State: Bureau of East Asian and Pacific Affairs, 2011). The only restrictions over American investment are "in the fields of communications, transport, fiduciary function, banking involving depository functions, the exploitation of land or natural resources, and domestic trade in agricultural products" (U.S. Department of State: Bureau of East Asian and Pacific Affairs, 2011). Since adult diapers are a hygienic product, Kimberly-Clark would be exempted from practically all regulations. Recently, Thailand's foreign direct investment has become significantly high, and many U.S. companies have experienced successful operations, leading us to believe that U.S. international products are currently very feasible in the Thailand market. For problems non-American international companies face when investing in Thailand, please see Appendix A (3).

In recent decades, Thailand's government has been under heavy pressure from multinational companies owning copy written work, registered trademarks and patents because of the countries rumored relaxed attitude towards protection of Intellectual Property rights. Although adult diapers have no history of problems with intellectual property rights, please see Appendix A (4) for current information about IPR problems in Thailand.

According to the Asian Market Research News (2004), "Thai advertising has always been one of the more vibrant and creative in South East Asia and perhaps even Asia as a whole, freed from the strict regulations that apply in Singapore and Malaysia." This is beneficial to the feasibility of adult diapers since there is no ban on advertising this product. Marketing and advertising would not be a hurdle for Kimberly-Clark to jump over. Taking in the massive foreign investment in the past few decades along with the culturally tolerant nature of the Thai society, adult diapers could penetrate the market and advertising section with ease.

Looking at all of these factors: the political system; Thailand's relationship with other countries; the legislation system; and, marketing regulations, Kimberly-Clark's adult diaper product appears very feasible in the Thai market.

Firm Organization Structure & Analysis

Since Kimberly-Clark already has existing operations within Thailand, it is recommended that the adult hygiene business units, specifically adult diaper product lines, are entered into the market through a wholly-owned subsidiary. This subsidiary would have the responsibility of manufacturing, distributing, and developing adult hygiene products of Kimberly-Clark's product lines in Thailand and throughout Asia. A fully owned subsidiary allows for total control of the operations related to adult diapers within Thailand; however, this greatest level of control and possible benefits exposes Kimberly-Clark to the greatest possible risk in terms of the amount of investment put into Thailand (Deresky, 2011).

Due to the size of Kimberly-Clark, this global company has regional and multi-local strategies. This regionalization of Kimberly-Clark allows for product lines to be offered globally while permitting for greater local responsiveness and specialization (Deresky, 2011). As such, the organizational structure recommended for the Thai operation is a matrix structure. The matrix structure allows for the vertical and horizontal control and flow of communication and authority (David, 2007). Furthermore, the matrix structure allows for organizational support of geographic operations, global integration, and local responsiveness (Deresky, 2011). Additionally, because Thai has a high context culture, this would allow for a greater flow of communication regardless of status or employee level, which would help operations run more efficiently. Furthermore, the matrix structure allows for the operations to be integrated into the global operations of Kimberly-Clark as a whole.

Thai & Adult Diapers Conclusion

SWOT Analysis

Strengths

- Lower to about average costs in start-up and up-and-coming businesses in Thailand
- Infrastructure is improving
- Outstanding company brand name / reputation
- Good geographical location for logistics (Gulf of Thailand / Andaman Sea)
- Well-established marketing channels
- Global market share
- Market Leader
- Company Size
- Continued financial stability

Weaknesses

- Corruption and widespread piracy are major concerns for U.S. companies in regards to logistics
- Poor distribution channels
- Ranks 80th in gross national income per capita, at \$1,838.41 per person (NationMaster, n.d.)
- Stigma of adult diapers

Opportunities

- Life expectancy is increasing (Daruang, 2008; Central Intelligence Agency, 2011)
- The people of Thailand are price-conscious (they will pay extra for better value)
- Infrastructure is improving
- Pride with elders (diaper helps keep integrity among the elders)

Threats

- Civil Unrest (United Front for Democracy Against Dictatorship) which began in 2006
- Natural Disasters (tsunami, earthquakes, and monsoons)
- Ranks 80th in gross national income per capita, at \$1,838.41 per person (NationMaster, n.d.)
- Competition (others products and substitutes)
- Medical breakthroughs
- Pride with elders (too embarrassing to wear diapers)

Risk Analysis

It is recommended that Depend diapers be marketed in Thailand. There are several risks that Kimberly-Clark should be aware of and then to proceed with caution. There has been civil unrest, especially within the United Front for Democracy Against Dictatorship, also known as the “red shirts” in Thailand. This could present a stressful environment in which to do business. Moreover, Thailand is located in an area that tends to see more natural disasters, including tsunamis, earthquakes, and monsoons. Such natural disasters might make it difficult to properly distribute the product to various vendors. On average, the people of Thailand are considered to be lower-middle class (NationMaster, n.d.). This could present problems in gaining enough of the target market to buy the product Kimberly-Clark should also be aware of the numerous competitors in the diaper industry and in substitute industries (such as DSG International Thailand). Furthermore, especially in the past ten years, there have been major improvements and breakthroughs in the medical field. Certain medical breakthroughs could hinder the sales of Depends, especially in the long run. Finally, Depend diapers will have to be carefully marketed in the country of Thailand because of certain cultural nuances specific to Thailand. Thai’s are culturally sensitive to making sure the elders age with grace, dignity, and integrity. Depend diapers will be seen as insensitive to this unique cultural aspect unless strategically marketed.

Benefits and Gains Analysis

With risks however, come strengths and opportunities. Though Kimberly-Clark may be at risk geographically and culturally, Depends also has many strengths that can work through those risks. There are low start up costs to start a business in Thailand, which provides an opportunity to invest further in the betterment of the brand. Infrastructure is improving which helps in many ways with marketing and getting the product to the consumers. This also ties in with a good geographical region to export to and great marketing channels. A great opportunity for Depends is the fact that Thai people are very price-conscious. Meaning they want value and are willing to pay for that quality. This purchasing behavior helps market penetration, because Kimberly-

Thailand and Adult Diapers Feasibility Study

Clark's adult diapers are higher quality items that are not expensive, and still provide the people the luxury they desire. Lastly, Depends is strictly a one product focus in which all of the efforts and markets for the new subsidiary are dedicated to one product that being adult diapers. While other competitors focus throughout the hygiene industry lines, the one product market focus will give the opportunity to gain a brand name and reputation within Thailand.

Marketing Recommendation

It is recommended, however, that Depend diapers be introduced in Thailand because life expectancy in the country is increasing and as people are aging, they need a product that will help them with things they can no longer control. If the aging of elders is gracefully emphasized through marketing channels, Depends will succeed in Thailand because respecting the elders is truly important to the Thai. Furthermore, with infrastructure improving, the distribution of Depend diapers will become more efficient in terms of product volume and total cost.

IV. Marketing Plan

Adult Incontinence Thai Market Position Statement

For the elderly parents who wish to remain confident in public and in their daily lives, Depends is an adult undergarment that provides peace of mind when incontinence worries aging parents. Unlike DSG International, Depends is a stylish, well-made, durable, and secure adult diaper.

Target Market, Objectives and Position Strategy

Target Market

The principal objective is to increase brand recognition throughout all of Thailand's people by 2015. This over-arching objective helps assist in the identification and definition of the target market for Kimberly-Clark's adult diaper. As such, two distinctive markets for adult diapers exist in Thailand - the consumers themselves, and health care providers.

First, Thailand with a year over year average population growth rate of about 0.63% is expected to have a total population to be around 92,842,597 by 2015. It is anticipated Thailand's elder population will be a key target for adult diapers. The elder population acts as a guiding benchmark for marketing efforts in Thailand, because they will compose the majority of end users of the product. If growth trends continue the elder population will be 13,636,260 in year 2015.

Furthermore, as stated earlier, a conservative market penetration rate of 10% and a best-case-scenario penetration rate of 15% have been established. Both penetration rates are comparable to similar rates in Thailand's cosmetic and health related industries. Given the total elder population and market penetration rates of 10%-15%, it is expected to have anywhere from 1,865,439.89 customers at a 10% penetration rate to 1,963,620 customers at a 15% penetration rate by year 2015.

The second market is health care providers, which is a substantial market and most likely would be the largest market due to its treatment of incontinence. The World Health Organization's (2007) most recent data for Thailand provides that over 121,374 health practitioners practice in Thailand. Additionally, the WHO Regional Office for South-East Asia (2007) identifies over 977 government hospitals and 319 private clinics with comparable facilities. This large health care network and national health care system (World Health Organization, 2007) makes this market ideal for the marketing of adult diapers.

Objectives

Kimberly-Clark has set three attainable objectives for Depends diapers in the Thai market:

1. The first goal is upholding a gross margin percentage at 40% through the first year of business. This will be accomplished by controlling cost of goods sold to 60% or lower.
2. Increase the product awareness among the target audience by 30% in one year, along with the aspiration of maintaining 13% of first time users to immediate a loyalty to the company over other brands. With a population of 67, 089, 500 (Central Intelligence Agency, 2011) Kimberly-Clark projects to achieve a brand awareness rate of 60% by 2015; meaning that this percentage of consumers will recognize and be familiar with the Kimberly-Clark brand. The company will strive to be at or above 40% market share of the adult diaper niche.
3. The final objective is to retain a conservative market penetration rate between 10-15% in the first year. Both penetration rates are comparable to Kimberly-Clark's largest competitors in the health and hygiene industry. Given this rate and the total elder population in Thailand, Kimberly-Clark can expect to have between approximately 1.8 and 1.9 million customers by 2015.

Position Strategy

Kimberly-Clark's adult incontinence products should enter the Thai market as high quality, reliable and competitive price product. Furthermore, it will strive to be the product of choice used and endorsed by the medical community. Kimberly-Clark's adult diapers will allow people to handle the issues that come with incontinence, with dignity and comfort, whether they live in the rural or metropolitan areas.

Marketing Mix

Product

Kimberly-Clark's product is expected to adapt to the Thai market and expand its growth over time. Kimberly-Clark is confident in penetrating the Thai market, because the elderly population in Thailand is very concerned about the quality of their hygienic products. Kimberly-Clark not only provides customers a high-quality product, but also the ability to confidently maintain their day-to-day lifestyle which meets the needs and wants of the consumer. Those who suffer from incontinence will have trust in Kimberly-Clark's brand of undergarments, because they will be provided the help they need to manage their difficulties with dignity. Since the Thai population, as a whole, has a large concern in purchasing high quality products, Kimberly-Clark will maintain a competitive advantage through customer retention and brand recognition. Due to the fact that Kimberly-Clark is a new company in this country, these are their largest goals. Kimberly-Clark's superior and dependable product is expected to excel in Thailand through time, especially since their top competitor worldwide, Johnson & Johnson, is no longer a substantial presence in Thailand. Repeat customer volume is an area where the company expects to make high profit through brand recognition and loyalty. Not only in Thailand, but also worldwide, Kimberly-Clark maintains an excellent reputation and consumer confidence through product reliability. The company has at its fingertips an untapped rural market and a relatively inelastic consumer.

Thailand and Adult Diapers Feasibility Study

Kimberly-Clark's adult diaper products protect and fit better than other brands. Consumers will recognize and feel the difference between their adult diaper products and other companies'. Kimberly-Clark offers style and protection in one to a community of people who hold high regards for themselves and wish to maintain their pride. These adult diapers fit everybody and lifestyle, and are famously known for "looking and fitting like underwear, protecting like nothing else," (HealthTech Marketing Group, 2011). The company will manufacture and distribute "light" liners that consumers can use in regular underwear, "heavy" protective undergarments that are super-absorbent, and "extra-heavy" diapers that can be trusted to last through the night. Having this variety gives the target market choice and Kimberly-Clark treats each customer's individual needs. For initial introduction, light and heavy protective undergarments will be used as brand awareness increases, extra-heavy will be introduced.

Kimberly-Clark's modern designs of adult diapers come with modern packaging. "Some packaging is labeled 'underwear' and disguised to look like packs of cloth underwear, including transparent windows that show Kimberly-Clark undergarments folded just like regular briefs. The smaller packs hang on hooks instead of stacked on shelves like diapers," (HealthTech Marketing Group, 2011). Due to the discreet and stylish nature of the packaging, Kimberly Clark determined it would be beneficial to keep the packaging similar to the U.S. with the major change being the language from English to Thai. In order to package as convenient for the customer as possible, for the target consumers in rural areas, the diapers will come in smaller three-packs. In metropolitan areas the product will be packaged in packs of fifteen and thirty, all divisible by three. This way, it is convenient to have smaller packs that are ready to "grab and go." In rural areas, three-packs are less expensive and are thought to appeal to consumers who have a tighter budget.

Kimberly-Clark expects consumers to recognize their labeling by their familiar brand and family of brands that are already prevalent in Thailand (such as Kleenex). The selected market directly serves key customers, which in turn Kimberly-Clark anticipates consumers will have a fast reaction time in favoring their brand. As discussed below in the Marketing Communication Section, hospitals using Kimberly-Clark's adult diaper products, as well as doctors and health care workers recommending this product, provide the target audience an immediate relationship with the brand and company. By hospitals delivering Kimberly-Clark's quality product to patients, an immediate relationship built on trust is established with the customer/patient. The Depends brand will be a patient's solution to a socially debilitating health problem. Reaching out to a class that holds the top position of status in the community aside from monks (Central Intelligence Agency, 2011) adult diaper consumers will not have to feel ashamed or embarrassed. Rather, these respected members of society will be able to keep living their lifestyle and do what they love without having to be self-conscious or ashamed of something that is simply normal with age. Kimberly-Clark's product provides assurance of a worry-free lifestyle. Finally, being committed to keeping customers satisfied, the company offers Thailand their local support services. Consumers will have the option to contact Kimberly-Clark with questions and/or concerns at anytime through the following contact points:

Phone: (66) 2230-3000

Fax: (66) 2230-3039

Website: http://www.th.kimberly_clark.com

Distribution

It has been identified that Thailand has a strong, good transportation network that is fully integrated in the global shipping and logistics network (Thailand.com, n.d.). The primary modes of transportation for shipping in Thailand are by sea or by air, however, some regions have the capability to ship overland (Thailand.com, n.d.). Since Kimberly-Clark has existing operations within Thailand the logistics of the adult diaper production and sales within Thailand would fall into the existing framework used for Thailand. Furthermore, Kimberly-Clark may wish to use full logistics solution providers, such as Exel, for their storage and transportation needs. Kimberly-Clark would use Thai cabotaged ocean transports for bulk shipment of adult diapers to regional metropolitan centers; rail for further distribution to suburbs and rural areas; and, ground transport to distributors if not possible to reach distribution warehouses at ports or rail yards.

Next, distribution partners are key in Thailand, and intermediaries are essential to lubricate the process of getting a product from manufacturer to end consumers (WikiAnswers, n.d.). Since Kimberly-Clark has existing successful operations within Thailand it is not viewed essential to establish joint-venture, but rather to continue with another wholly-owned subsidiary. Additionally, the distribution of adult diapers is rather transitive with those of baby diapers, as children diapers may be used as an analogue for adult diapers, because of their relative similarity. The new adult diapers should be added to the product lines that Kimberly-Clark has already established with their distributor and retailer networks. However, particular emphasis should be focused on establishing strong relationships with Big C Supercenters, Carrefour, and Family Mart. Big C Supercenter and Carrefour would be the ideal distributor and retail chains to market to many metropolitan consumers, while Family Mart provides access to more urban and rural areas. Additionally, pharmacies, drugstores, and health care boutiques should be targeted to tap the rural, selective customers, or affluent Thai consumers.

Lastly, in regards to shipping, because of the heavy usage of ocean transportation Seaborne Logistics has been identified as a main carrier. Seaborne Logistics & Services Co., Ltd., is a carrier that distributes goods from port-to-port, door-to-door, port-to-door, and port-to-door worldwide including North America and Thailand (Seaborne Logistics & Services Company, Limited, n.d.). However, again Kimberly-Clark existing logistics network may be leveraged, and a mixture of providers may be required in Thailand. This results in possible transport with an ocean carrier, rail carrier, air carrier, and ground carrier who are familiar with Thai transportation methods in metropolitan, urban and rural communities. The utilization of the existing network would allow for the smoothest introduction of product to distributors and retailers, and further strengthen logistics as a core competency of Kimberly-Clark.

Marketing Communication

As Thailand and the incontinence market continue to grow, a competent marketing mix becomes increasing important in order to capture and maintain market share in Thailand. Therefore, as Kimberly-Clark goes forward, the two main objectives for marketing communications in Thailand are to gain customer loyalty and increase brand recognition.

Two of the most effective channels for advertising in Thailand are through trade and dealer promotions, as well as consumer promotions. Often time's, dealer and trade promotions come in the form of discounts to retailers or other channels of distribution. Consumer promotions are generally discounts passed on to the retail customers in the form of gift premiums, discount coupons, or drawings (U.S. Commercial Service, 2011).

Thailand and Adult Diapers Feasibility Study

Dealer promotion will play a big role in increasing customer loyalty and brand recognition. Hospitals will comprise the majority of Kimberly-Clark's dealer promotions, as the price discounts mentioned earlier will give a solid foundation to develop brand recognition and customer loyalty. It is expected that the exposure hospitals and healthcare providers can provide for Kimberly-Clark's product will encourage sales, and provide a strong communication between the product and its customers.

Thailand traditionally places value on products that they feel make life more enjoyable and are willing to pay higher prices for a benefit that adds value to their lives. The Thailand consumer also correlates price to value. In other words, if a consumer in Thailand feels as though they are purchasing a quality product at a lower than average price, they will associate added value to that product (Euromonitor International, 2010).

For these reasons, it is obvious why dealer and consumer promotions are an effective communication tools in Thailand. Specifically in regards to consumer promotions, price discounts passed along to the consumer will aid adding value to associated products, and more importantly improve customer loyalty and brand recognition.

Although media communications are somewhat effective in all markets, Thailand has been know to be less sensitive to media advertising through various channels as TV, radio, print, and internet compared to other nations. However, out of the main media outlets, TV still occupies the biggest portion of expenditures for companies in Thailand. According to the an industrial report completed by the US Commercial Services (2011), in 2010, advertising on television accounted for 60% of total advertising budgets, newspapers 14%, radio 7%, cinema 6%, magazines 5%, billboards 4%, and in store and transit 3%.

Given all available outlets to promote Kimberly-Clark's product, the majority of marketing efforts will go towards dealer and consumer promotions, while the rest of the budget will be allocated towards media communications.

It is expected that the initial costs of penetrating these channels of communications will be slightly more than the estimated 27.1 million BHT to maintain these channels for 2012. Therefore, the budgeted cost of initial penetration will be about 40-50 million BHT in 2011. With 33% of the total marketing efforts being allocated to dealer promotions, 33% being allocated to consumer promotions, 18% being allocated to TV exposure, 10% being allocated towards internet promotions, and 5% allocated towards print and add promotions.

Price

Thai customers are price conscious, and “less than half to Thai consumers report buying on brand-name recognition and first time buyers often buy on price alone” (U.S. Commercial Service, 2011). Thus the pricing of adult diapers and their position relative to other market substitutes are important. The US Commercial Guide publishes a pricing “margin structure” for doing business in Thailand which is utilized in the pricing structure for this study; please see Appendix E for the outlined structure. Therefore, product marketing strategies will help address the price conscious consumer, while more affluent Thai consumers are readily willing to pay for the higher quality.

Thailand and Adult Diapers Feasibility Study

The mark up suggested in the US Commercial Guide provides sufficient room to maintain healthy profit margins for the adult diaper niche, while the cost for manufacturing the product will be offset by revenues gained from selling to large distributors. With this markup on cost and revenues from the target markets, it is probable for sustainable profits in the adult diaper industry for Thailand.

A research study publicized by the Euromonitor (2011) of the market sizes and the “Retail value RSP – BHT per unit” for incontinence products in Thailand, illustrates a moderate increase trend in unit price of diapers from 2005 to 2010; see Appendix F for illustration. In 2010, according to Euromonitor (2011), the average retail unit price value of incontinence diapers is approximately 17 BHT per unit (\$0.56 USD), which illustrates the pricing of the competitors in the Thai market. Following this research indication, it is recommended that K-C introduce their product (Depend) to the Thai market with the price of 17 BHT per unit (\$0.56 USD). This would allow for a superior quality product at a very competitive price.

It is proposed that K-C introduce the Adult Diaper - Depends to Thailand with two different sales price structure: one for retail sales and one for Health Care providers (higher volume). The average retail sales price for heavy diapers would be 17 BHT per unit (\$0.56 USD), and 15 BHT per unit (\$0.50 USD) for the light version. The average price per adult diaper to health care providers for purchases under 1,000 units varies between 16.50 BHT per unit (\$0.54 USD) for the Heavy Diapers to 14.50 BHT per unit (\$0.48 USD) for the light version. For purchases over 1,000 units, a volume discount is given with a price of 15.30 BHT per unit (\$0.51 USD) for the heavy version, and 13.50 BHT (\$0.45 USD) for the Light Diaper. Strong efforts should be made establish K-C incontinence product the preferred by most Thai hospitals, with a volume price discount of 10% for purchases of 1000 units or higher, in addition to a promotional complimentary offer of 3 units packages to be distributed to patients at time of discharge. This complementary offer to hospitals could bring their total product discount to about 20%.

For distribution to the rural markets, the best approach should be to distribute the product in packages of 3 units at 17 BHT per unit. This would allow for the lower economic stratus of the population to afford the product. For the urban centers, it is proposed that the product be distributed in packages of 30 and 15 units initially at a price of 17 BHT per unit. After the initial introduction to the market, different size packages can be considered depending on future customer demand of the product.

In comparison, DSG International brands Certainty and Dispo 123 can be found with a wholesale price between 13 to 15 BHT per unit (Diaper Planet, 2010). DSG International holds the highest market share in Incontinence products in Thailand in 2009 (Euromonitor International, 2010). Specific price information for the brands produced by Fu Burg Industrial were not available.

As noted in a SEC Annual Report for Kimberly-Clark (Kimberly-Clark, 1997) “although the Corporation uses instruments to hedge its foreign currency risks (through forward contracts, currency swaps and, to a lesser extent, option contracts), these instruments are used selectively to manage risk and there can be no assurance that the Corporation will be fully protected against substantial foreign currency fluctuations”, and this can be expected still today. In addition, and as noted in the “*Nappies/diapers/pants – Thailand*”, by Euromonitor (2010), explaining the slight increase in the unit price of “nappies/diapers/pants”, “the cost of production was a key factor

driving the rise in unit prices. As the cost of production increased, manufacturers therefore tended to pass on this increase to consumers”.

Forecasts and Financial Performance

Sales

Initial and future sales of Kimberly-Clark’s adult diapers in Thailand have been evaluated with a high likelihood of strong sales numbers for the next five years. As aforementioned, Thailand’s population is aging at an increasing rate of total population. However, for conservative projections a 9.2% of the current population was identified as potential consumers with an annual growth rate of 1.5% from Thailand’s aging population. For 2011, a consumer market size of approximately 6.138 million individuals was established, for 2012, 6.23 million individuals. It is anticipated that Kimberly-Clark will be able to achieve a 12.5% market share for consumers in initial entry, and 14.5% the year after.

Additionally, for sales of adult diapers to health care providers, as the lion’s share of the business to business adult incontinence market in Thailand, it is anticipated that Kimberly-Clark will achieve 10.5% market share the first year, and 14.5% market share the next. Unit sales to health care providers may increase significantly more from projections, because of the price structure for large orders and accompanying promotional diapers for patients.

Total unit sales for 2011 are projected at 8.6 millions diapers with 1.2 million being sold directly to consumers, 6.8 million to health care providers, and approximately 600,000 as promotional. As a result from these projections and proposed pricing structure gross sales would be approximately \$119 million BHT (\$3.9 million USD).

Total unit sales for 2012 are projected at 13.6 million diapers. 1.7 million diapers will be sold directly to consumers, 10.8 million to health care providers, and approximately 1 million as continued promotional items. This would result in gross sales of approximately \$194 million BHT (\$6.4 million USD).

These projected sales take into account for varying purchasing behaviors of consumers in regards value for price (i.e., heavy diapers versus light diapers), and different access levels from metropolitan cities to rural villages. A detailed projection of adult diaper sales with projections for consumers, health care providers, different types of diapers, and by community location may be found in Appendix H. A worthy note is that the rural sales were very conservatively calculated to account for distribution challenges. However, unintentional product migration, and increased access may result in a significant increase in rural sales. As such, packaging of product and marketing strategies are tailored to this possible growth, and Kimberly-Clark should establish a strong market share of this growing segment.

Expenses

Total cost of production was divided into two principal categories. The first is the initial investment of establishing a facility within Thailand, which would be an expansion of existing Kimberly-Clark’s existing facilities. This number may be found as a non-recurring expense on the Pro-Forma Income Statement in Appendix J. The total cost for expansion of facilities would

Thailand and Adult Diapers Feasibility Study

be \$15,307,206 BHT (\$505, 522 USD), which includes the following: two new automated diaper production lines and installation, production facility construction, additional office space construction, high-voltage wiring, air conditioning, and permits.

The second cost category is the recurring costs associated with diaper production, and may be found on the COGS Projections in Appendix I, and on the Pro-Forma Income Statement in Appendix J on the following lines: Cost of Revenue (COGS); Research and Development; Selling, General and Administrative; Marketing; and Others.

Cost of Goods Sold (COGS) is of particular importance, because of price competitiveness nature of the diaper market. Raw Materials, supplies and parts was calculated at 5 BHT per diaper for 2011, but were increased to 5.5 BHT for 2012. This increase is the calculated risk from the potential increases in the price of cotton and crude oil. In the past year, the price of cotton has increased more than 100% and the price of crude oil has increased by 38% (IndexMundi, 2011). Cotton is a principal component of the adult diaper absorbent material, and oil directly impacts the price of fuel; therefore, the increase of these two commodities have a negative impact on net revenue. However, these impacts are mitigated by the low labor and utility costs of production in Thailand. Furthermore, resources have been allocated for research and development to find alternatives to cotton, such as bamboo. Kimberly-Clark due to its size and purchasing power will be able to hedge their raw materials, and may gain further savings in raw materials by reverse logistics improvements.

For detailed analysis of all expense areas for operations please reference the COGS Projections in Appendix I; the Pro-Forma Income Statement in Appendix J; and, commodity price trends in Appendix K.

Net Income

The net income of establishing adult diaper production within Thailand and selling the product within Thailand would possibly have moderate yield within the first year of \$4,872,731 BHT (\$160,922 USD), and a strong yields in the second year of \$33,197,027 BHT (\$1,096,335 USD).

The return-on-investment (ROI) accounting for the net profits of the first and second years with the total investment for the facilities results in a ROI of 444%. A \$10 million USD loan at 4.64% rate (LIBOR) will be taken out to cover initial start-up costs, cash-flow needs, and marketing campaigns that are beyond the established continual marketing efforts. If Kimberly-Clark chooses to utilize 50 million BHT for market introduction, this would result in a loss for the introduction; however, large gains are then expected that are significantly beyond the projections and would result in higher capacity usage of equipment.

These net income projections are very advantageous for Kimberly-Clark, and when considering the conservative nature of calculation illustrate the lucrative opportunity of adult diapers within Thailand. Operations within Thailand would positively contribute the shareholder's equity beyond existing products.

Marketing Plan Evaluation

Marketing Goals

As far as marketing channels are concerned, Kimberly-Clark will be monitoring the number per clicks on the company's website. Also, to measure the Kimberly-Clark brand recognition among the Thai, there will be multiple Kimberly-Clark representatives who will walk around numerous locations in both rural and urban areas of Thailand to ask a random sample of people if they recognize the Kimberly-Clark brand and whether they prefer using Kimberly-Clark or other competitor brands. If we cannot acquire appropriate data from the aforementioned methods, Kimberly-Clark will be utilizing surveys. The reason surveys will be used as the Company's "Plan B" data gathering option is because surveys, in this case, will be the most expensive option to monitor the marketing channel effectiveness. Kimberly-Clark will be distributing a limited amount of coupons that can be used to purchase Kimberly-Clark diapers at a discount rate. To measure this marketing channel effectiveness, the company will determine the coupon utilization rates by coding the coupons before distribution. Because the coupons will be coded, Kimberly-Clark will be able to gain information regarding where the coupons are most effective.

Sales Goals

Kimberly-Clark will monitor the percent market share as compared to its competitors on a semi-annual basis. Kimberly-Clark will strive to be at or above 40 percent market share in the adult diaper niche. Kimberly-Clark will also monitor its revenue versus its competitors. Furthermore, Kimberly-Clark will take note of inventory turnover in terms of observing how much of the company's products will be taken from inventory.

Overall Performance Goals

Overall company performance will be measured through the hospital utilization of the company's product. This will be measured by the number of products being transported to the hospital and the number of products being given to patients in the hospital. To more accurately measure overall company performance, Kimberly-Clark has developed a pre-market penetration and post-market penetration strategy map that compares price per unit and overall marketing budget.

Conclusion

The research team behind this feasibility report of adult diapers in Thailand has found this match as a viable possibility. Furthermore, in detailed exploration of Kimberly-Clark's adult diaper brand, Depends, the research team found Thailand to be a lucrative and untapped market for Kimberly-Clark. It is recommended that Kimberly-Clark enter the adult diaper and incontinence market in Thailand, and that its exposure to risk is outweighed by the returns and benefits of the Depends brand in Thailand.

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Appendix A

- (1) Thailand's constitution names the Constitutional Court the highest court of appeals. Its jurisdiction is restricted to constitutional issues. The rest of the judicial branch is divided into two sections, one which has jurisdiction over both civil law and criminal law, and the other, administrative courts, which are responsible for suits between private parties, as well as cases in which one government entity is in a law suit with another. The Courts of Justice are responsible for criminal law and civil cases and contains three tiers: the Court of Appeals, the Courts of First instance, and the Supreme Court of Justice.
- (2) Through the ASEAN Thailand has played a crucial part in the development of the ASEAN Free Trade Area (AFTA). AFTA was entered into agreement January 1, 2010 (Thailand's Board of Investment, 2009) and includes all of the original ASEAN members. Thailand maintains a good relationship with the U.S., emphasizing a longstanding secure stability, and the Royal Thai Government encourages foreign investment. Thailand's Prime Minister Abhisit has promised the expansion of investment opportunities, in particular more green technology and manufactures. According to the U.S. Department of State, in 2010, "...the United States was Thailand's third-largest single-country export market after china and Japan, and the third largest supplier after Japan and China," (2011). Thailand's major markets include: ASEAN countries, the U.S., Europe, and Japan. Thailand remains an active member in the world community, and in addition to being a member of AFTA, Thailand also belongs to the World Trade Organization (WTO). Thailand also participates in international and regional organizations to increase international ties such as the Organization of American States (OAS) and the Organization for Security and Cooperation in Europe (OSCE). "Thailand also contributed troops and UN force commanders to the international peacekeeping effort in East Timor; in late 2010," (U.S. Department of State, 2011).
- (3) One problem international companies face with the feasibility into Thailand is the country's slow movement toward tariff reduction. It remains a major market access impediment. According to the 2010 Thailand Country Commercial Guide, "...tariff rates will decline by 33 to 50 percent under the WTO, however most items remained in the 30 to 40 percent range in 2005—high compared with other Southeastern countries," (2010). Although it seems that Thailand would not have a problem with Kimberly-Clark exporting their product there, other companies still may find it difficult to penetrate markets due to the high tariff rates.
- (4) While the trade of pirated or counterfeited goods is not limited just in Thailand, it is baffling that despite aggressive legislation against the abuse of IPR's, there are still many well-organized illegal organizations trading in pirated and counterfeited goods. The Thai Department of intellectual Property has tried to crack down over recent years, but it seems that their attempts to rid the country of counterfeit and pirated items have failed. Demand from tourists and vacationers to buy high quality imitations are high. In the case of our company, however, it is highly unlikely that anyone would like to counterfeit adult diapers.

Appendix B

Adapted from: Thailand Board of Investment

(http://www.boi.go.th/english/how/tax_rates_and_double_taxation_agreements.asp)

Tax Rates and Double Taxation Agreements

Corporate Income Tax	Rate
A. Tax on net corporate profits	
(1) Ordinary company	30%
(2) Small company (paid up capital <5m baht)	
- Net profit over 1 baht but not > 150,000 baht	Exempt
- Net profit over 150,001 baht but not > 1 million baht	15%
- Net profit over 1 million baht but not > 3 million baht	25%
- Net profit exceeding 3 million baht	30%
(3) Company listed in Stock Exchange of Thailand (SET)	
- Net profit for first 300 million baht	25%
- Net profit for the amount exceeding 300 million baht	30%
(4)1 Company listed in Market for Alternative Investment (MAI)	
- Net profit for first 20 million baht	20%
- Net profit for the amount exceeding 20 million baht	30%
(5)2 Company newly listed in Stock Exchange of Thailand (SET)	
- Net profit for first 3 accounting periods	25%
- Net profit after first 3 accounting periods	30%
(6)2 Company newly listed in Market for Alternative Investment (MAI)	
- Net profit for first 3 accounting periods	20%
- Net profit after first 3 accounting periods	30%
(7) Regional Operating Headquarters (ROH)	10%
(8) Bank deriving profits from International Banking Facilities (IBF)	10%
B. Tax on gross receipts	
(1) Association and foundation	
- For income under Section 40 (8)	2%
- Otherwise	10%
(2) Foreign company engaging in international transportation	3%
C. Remittance tax	
Foreign company disposing profits out of Thailand	10%
D. Foreign company not carrying on business in Thailand but receiving income from Thailand	
(1) Dividends	10%
(2) Interests	15%
(3) Professional fees	15%
(4) Rents from hiring property	15%

Thailand and Adult Diapers Feasibility Study

(5) Royalties from goodwill, copyright and other rights	15%
(6) Service fees	15%

Notes: 1 Tax rate for companies in (4) to apply for qualifying income

2 Net profits for 3 consecutive accounting periods, tax rates are applied to Royal Decree issued under the Revenue Code No.475

Personal Income Tax	Marginal Tax Rate
Level of taxable income (baht)	
1- 150,000	0%
150,001 - 500,000	10%
500,001 - 1,000,000	20%
1,000,001 - 4,000,000	30%
Over 4,000,000	37%

Notes:

- *Expatriates working for ROH can elect to be taxed at the rate of 15% for 4 years instead of normal progressive tax rates*

Withholding Tax from Bank Deposits	Rate
A. For individuals	15%
B. For companies	1%
C. For foundations	10%
Value Added Tax	Rate
Level of taxable income (baht)	
Annual turnover in excess of 1,800,000 baht	7%
Double Taxation Agreements Exist With the Following Countries:	
Armenia, Australia, Austria, Bahrain, Bangladesh, Belgium, Bulgaria, Canada, China, Cyprus, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Indonesia, Israel, Italy, Japan, Korea, Kuwait, Laos, Luxembourg, Malaysia, Mauritius, Nepal, the Netherlands, New Zealand, Norway, Oman, Pakistan, the Philippines, Poland, Romania, Seychelles, Singapore, Slovenia, South Africa, Spain, Sri Lanka, Sweden, Switzerland, Turkey, Ukraine, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United States, Uzbekistan, and Vietnam	

Source: Revenue Department, as of June 10, 2010

Appendix C

Adapted from: Thailand Board of Investment

(http://www.boi.go.th/english/how/utility_costs.asp)

TRANSPORTATION COSTS INCLUDING FUEL COSTS AND FREIGHT RATES

Retail Oil Prices (as of August 19, 2010)

Retail Prices in Bangkok & Vicinities (Baht/ Liter)	PTT	BCP	Shell	Esso	Caltex Chevron	PT	Susco	Pure	Petronas	US\$
Gasohol 95-E10	31.84	31.84	31.84	31.84	31.84	31.84	31.84	31.84	31.84	0.98
Gasohol 95-E20	29.54	29.54	-	-	-	-	-	-	-	0.91
Gasohol 95-E85	18.82	18.82	-	-	-	-	-	-	-	0.58
Gasohol 91-E10	30.34	30.34	30.34	30.34	30.34	-	30.34	-	30.34	0.93
ULG 95 RON	-	-	-	-	40.64♣	41.84	41.44	-	41.34	1.25-1.27
URG 91 RON	35.64	35.64	-	35.64	35.64	35.64	35.64	35.64	35.64	1.09
Diesel (0.035% Sulfur)	28.59	28.59	-	28.59	28.59	28.59	28.59	28.59	28.59	0.88
Biodiesel-B5	27.39	27.39	27.39	27.39	27.39	27.39	27.39	27.39	27.39	0.84
NGV	8.50	-	-	-	-	-	-	-	-	0.26

COSTS OF STARTING AND OPERATING A BUSINESS

	Baht	US\$
1. Visas (government fee) (1)		
<i>Work permit</i> (process time 1-10 days)		
3 months	750	22.98
6 months	1,500	45.96
1 year	3,000	91.93
2 years	6,000	183.85
<i>One-year visa</i> (1-30 days)	1,900	58.22
<i>Re-entry visa</i> (process time 1-2 days)		
Single entry	1,000	30.64
Multiple entry	3,800	116.44
1 a. Visas (typical fee charged by a law firm to process) (1)		
Work permit (new) (1-14 days)	38,000	1,164.39
Visa extension (1-30 days)	28,000	857.97

Thailand and Adult Diapers Feasibility Study

Re-entry visa (2 days)	2,500	76.60
2. Registration (government fee) (1)		
Company registration (21 days)	5,500 per 1 million	168.53 per 30,641.95
	<i>(275,000 maximum)</i>	<i>(8,426.54 maximum)</i>
List 2 Alien business license (60 days)	40,000-500,000	1,225.68- 15,320.97
List 3 Alien business license (60 days)	20,000-250,000	612.84- 7,660.49
Factory license (30-45 days)	500-60,000	15.32- 1,838.52
3. Accounting (1)		
Tax returns and VAT	20,000 yearly	612.84 yearly
Legal translation, per page	1,400	42.90
Review/draft contracts, agreements	40,000 up	1,225.68 up
4. Office achieved rents (2)		
	Per square meter per month	
	<i>CBD/Non-CBD</i>	<i>CBD/Non-CBD</i>
Grade A	683/558	20.93/17.10
Grade B	492/426	15.08/13.05
5. Construction Cost (3)		
	Per square meter	
<i>Industrial Building</i>		
Factory construction*	11,150	341.66
Electrical fit-up**	4,600	140.95
Air-conditioning***	3,100	94.99
<i>Office Building</i>		
General office construction****	27,300	836.53

UTILITY COSTS

Water Rates for Regional Areas

Water Rates by User Types

Type 1 Residence			Type 2 Commerce, government agency, state enterprise, industry and others			
Water Volume Used	Water rate (per cubic meter)		Water Volume Used	Water rate (per cubic meter)		
(cubic meters)	(minimum 45 baht/ 1.38US\$)		(cubic meters)	(minimum 90 baht/ 2.76US\$)		
	Baht	US\$		Baht	US\$	
0-30	8.50	0.26	0-10	9.50	0.29	
31-40	10.03	0.31	11-20	10.70	0.33	
41-50	10.35	0.32	21-30	10.95	0.34	
51-60	10.68	0.33	31-40	13.21	0.40	
61-70	11.00	0.34	41-50	13.54	0.41	
71-80	11.33	0.35	51-60	13.86	0.42	
81-90	12.50	0.38	61-80	14.19	0.43	
91-100	12.82	0.39	81-100	14.51	0.44	
101-120	13.15	0.40	101-120	14.84	0.45	
121-160	13.47	0.41	121-160	15.16	0.46	
161-200	13.80	0.42	161-200	15.49	0.47	
201 up	14.45	0.44	201 up	15.81	0.48	

Note:

1. Value Added Tax is not included.
2. Bulk sale:

Type 1 = 10.50 baht/cubic meter;

Type 2 = 13.00 baht/cubic meter

Source: The Metropolitan Waterworks Authority

Website: www.mwa.co.th, as of May 26, 2010

In case of low-income residence (more than 30 houses) that use less than 30 cubic meters per house they have a rate of 8.5 baht per cubic meter.

** According to the government stimulus economic measures, free use of tap water by households using less than 50 cubic meters per month until December 31, 2009.

Electricity Rates**Schedule 1: Residential**

(Applicable to dwellings, monasteries, churches of any religion, including its compound through a single Watt-hour meter)

<i>1.1 Normal Rate</i>	<i>Energy Charge (per kWh)</i>				<i>Service Charge</i>	
	<i>Baht</i>		<i>US\$</i>		<i>Baht/month</i>	<i>US\$/month</i>
<i>1.1.1 Consumption not exceeding 150 kWh per month</i>					8.19	0.25
First 5 kWh (0 – 5th)	0		0			
Next 10 kWh (6th – 15th)	1.3576		0.04			
Next 10 kWh (16th – 25th)	1.5445		0.05			
Next 10 kWh (26th – 35th)	1.7968		0.06			
Next 65 kWh (36th – 100th)	2.1800		0.07			
Next 50 kWh (101st – 150th)	2.2734		0.07			
Next 250 kWh (151st – 400th)	2.7781		0.09			
Over 400 kWh (401st – up)	2.9780		0.09			
<i>1.1.2 Consumption exceeding 150 kWh per month</i>					40.90	1.25
First 150 kWh. (0 – 150th)	1.8047		0.06			
Next 250 kWh (151st – 400th)	2.7781		0.09			
Over 400 kWh. (401st – up)	2.9780		0.09			
<i>1.2 Time of Use Rate (TOU)*</i>	<i>Peak (per kWh)</i>		<i>Off Peak (per kWh)</i>		<i>Service Charge</i>	
	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>	<i>Baht/month</i>	<i>US\$/month</i>
At voltage 22-33 kV	3.6246	0.11	1.1914	0.04	228.17	6.99
At voltage less than 22 kV	4.3093	0.13	1.2246	0.04	57.95	1.78

Note:

1. Customer with installed meter less than 5 Amp. 200 V. 1 phase 2 Wires is classified under 1.1.1. If monthly consumption is more than 150 kWh for 3 consecutive months, the customer will be reclassified under 1.1.2 in the next month; and if monthly consumption is not more than 150 kWh for 3 consecutive months, the customer will be reclassified under 1.1.1 in the next month.
2. Customer with installed meter over 5 Amp. 220 V. 1 Phase 2 Wires is classified under 1.1.2.
3. Schedule 1.2, if meter is installed on the low voltage side of customer's transformer, another 2% must be added to energy consumption in order to compensate for transformer losses.

Thailand and Adult Diapers Feasibility Study

4. *Schedule 1.2 is an optional rate and shall not be able to switch back to schedule 1.1 following the use of 12 months. The customer will be responsible for any additional cost of installing and removing any equipment required to meter or deliver this service.*

Schedule 2: Small General Service

(Applicable to business, business cum residential, industrial, government industrial institutions, state enterprises or others, including its compound with a maximum 15-minute integrated demand of less than 30 kW through a single Watt-hour meter)

2.1 Normal Rate	Energy Charge (per kWh)		Service Charge			
	<i>Baht</i>	<i>US\$</i>	<i>Baht/month</i>	<i>US\$/month</i>		
At voltage 22-33 kV	2.4649	0.08	228.17	6.99		
At voltage of less than 22 kV			40.90	1.25		
First 150 kWh. (0 – 150th)	1.8047	0.06				
Next 250 kWh. (151st – 400th)	2.7781	0.09				
Over 400 kWh. (401st – up)	2.9780	0.09				
2.2 Time of Use Rate (TOU)*	Peak (per kWh)		Off Peak (per kWh)		Service Charge	
	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>	<i>Baht/month</i>	<i>US\$/month</i>
At voltage 22-33 kV	3.6246	0.11	1.1914	0.04	228.17	6.99
At voltage less than 22 kV	4.3093	0.13	1.2246	0.04	57.95	1.78

Note:

1. *Schedule 2.2, if meter is installed on the low voltage side of customer's transformer, another 2% must be added to energy consumption in order to compensate for transformer losses.*
2. *Schedule 2.2 is an optional rate and shall not be able to switch back to Schedule 2.1 following the use of 12 months. The customer will be responsible for any additional cost of installing and removing any equipment required to meter or deliver this service.*
3. *In any month a maximum 15-minute integrated demand is equal to or more than 30 kW, the customer will be classified under Schedule 3-5 depending on the case.*

Schedule 3: Medium General Service

(Applicable to business, industrial, government industrial institutions and state enterprises, including its compound with a maximum 15-minute integrated demand of at least 30 kW but less than 1,000 kW, and average energy consumption in the last 3 consecutive months not exceeding 250,000 kWh per month through a single demand meter)

3.1 Normal Rate	Demand Charge (per kW)		Energy Charge (per kWh)					
	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>				
At voltage of 69 kV and above	175.70	5.38	1.6660		0.05			
At voltage of 22 – 33 kV	196.26	6.01	1.7034		0.05			
At voltage of less than 22 kV	221.50	6.79	1.7314		0.05			
3.2 Time of Use Rate (TOU)*	Peak (per kW)		Peak (per kWh)		Off Peak (per kWh)		Service Charge (per month)	
	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>
At voltage of 69 kV and above	74.14	2.27	2.6136	0.08	1.1726	0.04	228.17	6.99
At voltage of 22 – 33 kV	132.93	4.07	2.6950	0.08	1.1914	0.04	228.17	6.99
At voltage of less than 22 kV	210.00	6.43	2.8408	0.09	1.2246	0.04	228.17	6.99

Minimum Charge: 70% of the maximum demand charge during the last 12 month period ending with the current month.

Note:

1. *If meter is installed on the low voltage side of customer’s transformer, another 2% must be added to both total demand and energy consumption in order to compensate for transformer losses.*
2. *Schedule 3.2 must be applied for any customer who first qualifies under schedule 3 from October 2000.*
3. *Schedule 3.2 is an optional rate and shall not be able to switch back to schedule 3.1. The customer will be responsible for any additional cost of installing and removing any equipment required to meter or deliver this service.*
4. *In any month maximum demand is less than 30 kW, this rate will apply. If such demand has dropped below 30 kW for 12 consecutive months and the next month’s demand is still below 30 kW, the rate will automatically change to Schedule 2.1.*

Schedule 4: Large General Service

(Applicable to business, industrial, government institutions, and state enterprise, including its compound with a maximum 15-minute integrated demand of 1,000 kW and over or average energy consumption in the last 3 consecutive months exceeding 250,000 kWh per month through a single demand meter)

4.1 Time of Day Rate (TOD)	Demand Charge (per kW)						Energy Charge	
	<i>Peak</i>		<i>Partial</i>		<i>Off Peak</i>			
	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>	<i>Baht</i>	<i>US\$</i>	<i>Baht/kWh</i>	<i>US\$/kWh</i>
At voltage of 69 kV and above	224.30	6.87	29.91	0.92	0	0	1.6660	0.05
At voltage of 22-33 kV	285.05	8.73	58.88	1.80	0	0	1.7034	0.05
At voltage of less than 22 kV	332.71	10.19	68.22	2.09	0	0	1.7314	0.05

(1) Tilleke & Gibbins International Limited (July 2010) Website: www.tillekeandgibbins.com

(2) CBRE Research, Q1, 2010 Website: www.cbre.co.th

(3) Source Thai Co., Ltd., as of May 2010

Translation Costs

	An A4 page of non-technical text typewritten in Times New Roman size 12 or Cordia New size 14 as applicable		An A4 page of technical text typewritten in Times New Roman size 12 or Cordia New size 14 as applicable		An official form, e.g. an identification card, a driving license, etc.	
	Baht	US\$	Baht	US\$	Baht	US\$
English-Thai	500-1,250	15.32-38.30	800-1,500	24.51-45.96	650-1,250	19.92-38.30
Thai-English	500-1,250	15.32-38.30	800-1,500	24.51-45.96	650-1,250	19.92-38.30
Other foreign languages-Thai	800-1,200	24.51-36.77	800-1,500	24.51-45.96	800-1,250	19.92-38.30
Thai-other foreign languages	800-1,500	24.51-45.96	800-1,500	24.51-45.96	800-1,500	24.51-45.96
English-other foreign languages	800-1,500	24.51-45.96	1,000-2,000	30.64-61.28	800-1,500	24.51-45.96
Other foreign languages-English	800-1,500	24.51-45.96	1,000-2,000	30.64-61.28	800-1,500	24.51-45.96

Note:

1. Professional translation services are provided from and into Thai, English, Mandarin, Japanese, Korean, Arabic, Khmer, Laotian, French, German, Spanish, Italian, Portuguese, and Latin.
2. The amount indicates a maximum quote in Thai Baht.
3. Open: Monday-Friday Time: 8.00 a.m. – 4.00 p.m.

Appendix D

Adapted from: Bank rate

(<http://www.bankrate.com/rates/interest-rates/libor.aspx>)

LIBOR, other interest rate indexes

	This week	Month ago	Year ago
<u>Bond Buyer's 20 bond index</u>	4.91	4.95	4.44
<u>FNMA 30 yr Mtg Com del 60 days</u>	4.64	4.67	4.87
<u>1 Month LIBOR Rate</u>	0.25	0.26	0.25
<u>3 Month LIBOR Rate</u>	0.31	0.31	0.29
<u>6 Month LIBOR Rate</u>	0.46	0.46	0.44
<u>Call Money</u>	2.00	2.00	2.00
<u>1 Year LIBOR Rate</u>	0.78	0.79	0.91

Appendix E

The US Commercial Guide (2011) pricing “margin structure” for doing business in Thailand:

“Convenience Stores	18-20%
Discount Stores	8-10%
Department Stores	40%
Manufacturers or wholesalers	5-10%
Distributors of local products	10-15%
Direct sale of specialty products	60-80%
Direct sale of general products	40% max”.

Appendix F

Appendix G

Sales Price Structure

Kimberly-Clark Thailand Limited

Adult Diapers Division

* Currency conversion rate from May 5, 2011 of 30.28 THB to 1 USD

THB USD

Retail Price

Average Price per adult diaper				
Package of 30 Heavy Diapers	\$	17.00	\$	0.56
Package of 15 Heavy Diapers	\$	17.00	\$	0.56
Package of 3 Heavy Diapers	\$	17.00	\$	0.56
Package of 30 Light Diapers	\$	15.00	\$	0.50
Package of 15 Light Diapers	\$	15.00	\$	0.50
Package of 3 Light Diapers	\$	15.00	\$	0.50

Health Care Providers

Average Price per adult diaper with purchase under 1,000 units

Package of 30 Heavy Diapers	\$	16.50	\$	0.54
Package of 15 Heavy Diapers	\$	16.50	\$	0.54
Package of 3 Heavy Diapers	\$	16.50	\$	0.54
Package of 30 Light Diapers	\$	14.50	\$	0.48
Package of 15 Light Diapers	\$	14.50	\$	0.48
Package of 3 Light Diapers	\$	14.50	\$	0.48

*Promotion 3 Pair Packaged
Diapers per 1,000*

Average Price per adult diaper with purchase over 1,000 units

Package of 30 Heavy Diapers	\$	15.30	\$	0.51	35 units or 105 diapers
Package of 15 Heavy Diapers	\$	15.30	\$	0.51	35 units or 105 diapers
Package of 3 Heavy Diapers	\$	15.30	\$	0.51	35 units or 105 diapers
Package of 30 Light Diapers	\$	13.50	\$	0.45	35 units or 105 diapers
Package of 15 Light Diapers	\$	13.50	\$	0.45	35 units or 105 diapers
Package of 3 Light Diapers	\$	13.50	\$	0.45	35 units or 105 diapers

Appendix H

Sales Projections

Kimberly-Clark Thailand Limited

Adult Diapers Division

For 2011 through 2012

* Currency conversion rate from May 5, 2011 of 30.28 THB to 1 USD

Period	2012 (THB)	2012 (USD)	2011 (THB)	2011 (USD)
Consumer Market Size	6,230,328	6,230,328	6,138,254	6,138,254
Consumer Market Penetration Rate	14.50%	14.50%	12.50%	12.50%
Market Users of Kimberly-Clark	903,398	903,398	767,282	767,282
Average Number of Diaper Use per Year	1.9	1.9	1.6	1.6
Total Units	1,716,455	1,716,455	1,227,651	1,227,651
Average Price of Unit	\$ 15.71	\$ 0.52	\$ 15.30	\$ 0.51
Average Consumer Projected Sales	\$ 26,965,513	\$ 890,539	\$ 18,783,057	\$ 620,312

Sales Projections per Sector

Health Care Providers (Heavy Diapers Only)

Total Units	10,832,353	10,832,353	6,769,923	6,769,923
Total Bulk Orders Under 1,000	1,083,235	1,083,235	676,992	676,992
Price per Unit - Orders under 1,000	\$ 17.00	\$ 0.56	\$ 16.50	\$ 0.54
Sales for Bulk Orders Under 1,000	\$ 18,415,000.10	\$ 608,157.20	\$ 11,170,372.95	\$ 368,902.67
Total Bulk Orders Over 1,000	9,749,118	9,749,118	6,092,931	6,092,931
Price per Unit - Orders over 1,000	\$ 15.00	\$ 0.50	\$ 14.50	\$ 0.48
Sales for Bulk Orders Over 1,000	\$ 146,236,765.50	\$ 4,829,483.67	\$ 88,347,495.15	\$ 2,917,684.78
Total Sales for Sector	\$ 164,651,765.60	\$ 5,437,640.87	\$ 99,517,868.10	\$ 3,286,587.45

Metropolitan Retail Sales for Heavy Diapers

Total Units	1,125,995	1,125,995	805,339	805,339
Price per Unit	\$ 17.50	\$ 0.58	\$ 17.00	\$ 0.56
Total Sales for Sector	\$ 19,704,907	\$ 650,757	\$ 13,690,762	\$ 452,139

Metropolitan Retail Sales for Light Diapers

Total Units	247,170	247,170	176,782	176,782
Price per Unit	\$ 15.50	\$ 0.51	\$ 15.00	\$ 0.50
Total Sales for Sector	\$ 3,831,128	\$ 126,523	\$ 2,651,726	\$ 87,574

Rural Retail Sales for Heavy Diapers

Total Units	281,499	281,499	201,335	201,335
Price per Unit	\$ 17.50	\$ 0.58	\$ 17.00	\$ 0.56
Total Sales for Sector	\$ 4,926,227	\$ 162,689	\$ 3,422,690	\$ 113,035

Thailand and Adult Diapers Feasibility Study

Rural Retail Sales for Light Diapers

Total Units		61,792		61,792		44,195		44,195
Price per Unit	\$	15.50	\$	0.51	\$	15.00	\$	0.50
Total Sales for Sector	\$	957,782	\$	31,631	\$	662,931	\$	21,893

Promotional Diaper Units

Total Units Required		1,023,657		1,023,657		639,758		639,758
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Total Projected Units		13,572,466		13,572,466		8,637,332		8,637,332
Total Projected Sales for All Sectors	\$	194,071,810	\$	6,409,241	\$	119,945,978	\$	3,961,228

Appendix I

COGS Projections

Kimberly-Clark Thailand Limited

Adult Diapers Division

For 2011 through 2012

* Currency conversion rate from May 5, 2011 of 30.28 THB to 1 USD

** FIFO Used for Raw Materials and Inventory

Period	2012 (Baht)	2012 (USD)	2011 (Baht)	2011 (USD)
Total Units Required	13,572,466	13,572,466	8,637,332	8,637,332
Average Cost Per Unit	\$ 6.08	\$ 0.20	\$ 5.87	\$ 0.19
Average Total COGS	\$ 82,552,303	\$ 2,726,298	\$ 50,659,812	\$ 1,673,045
Costs of Production				
Parts, Raw Materials and Supplies ¹	\$ 74,648,561	\$ 2,465,276	\$ 43,186,658	\$ 1,426,244
Labor ²	\$ 6,893,668	\$ 227,664	\$ 6,503,460	\$ 214,777
Utilities ³	\$ 536,714	\$ 17,725	\$ 506,334	\$ 16,722
Manufacturing Fixed Overhead	\$ 363,360	\$ 12,000	\$ 363,360	\$ 12,000
Others ⁴	\$ 110,000	\$ 3,633	\$ 100,000	\$ 3,303
Total COGS	\$ 82,552,303.37	\$ 2,726,298.00	\$ 50,659,812.09	\$ 1,673,045.31

¹ Parts, Raw Materials and Supplies have been calculate vis-à-vis with industry averages, and the leveraging position of Kimberly-Clarks existing supply chain within Southeastern Asia and Thailand. An additional 0.50 BHT / 0.0165 USD per unit was calculated for increase in transportation costs due to risk from fuel costs and shortages.

² Labor was calculated for a plant manager, 2 line supervisors, 12 skilled line workers, 1 technician, 5 packaging, warehouse and distribution supervisors, and 40 semi-skilled packaging, warehouse and distribution workers. Administrative labors costs will be consolidated with the existing operations of Kimberly-Clark Thailand Limited.

³ Utilities calculated were calculated for incremental costs, permits, and demand charges. Electricity: 2,080 KWH per year per machine at 2 BHT per KWH with a demand charge of 224 BHT per day at peak demand; air condition and computer equipment KW usage was calculated and added to utilities. Water and Sewer: 101 cubic meters of Water per day at 15 BHT per cubic meter.

⁴ Permits estimated at 100,000 BHT per year with a 10% annual increase for growing operations.

Appendix J

* Without 50 Million Baht Marketing Budget

Pro-Forma Income Statement

Kimberly-Clark Thailand Limited

Adult Diapers Division

For 2011 through 2012

* Currency conversion rate from May 5, 2011 of 30.28 THB to 1 USD

Period	2012 (Baht)	2012 (USD)	2011 (Baht)	2011 (USD)
Total Revenue	\$ 194,071,810	\$ 6,409,241	\$ 119,945,978	\$ 3,961,228
Cost of Revenue (COGS)	\$ 82,552,303	\$ 2,726,298	\$ 50,659,812	\$ 1,673,045
Gross Profit	\$ 111,519,507	\$ 3,682,943	\$ 69,286,166	\$ 2,288,182
Operating Expenses				
Research and Development	\$ 7,570,000	\$ 250,000	\$ 6,056,000	\$ 200,000
Selling General and Administrative	\$ 13,572,466	\$ 448,232	\$ 8,637,332	\$ 285,249
Marketing	\$ 27,144,931	\$ 896,464	\$ 17,274,663	\$ 570,497
Non Recurring ^{1,2}	\$ -	\$ -	\$ 15,307,206	\$ 505,522
Others	\$ 1,000,000	\$ 33,025	\$ 1,000,000	\$ 33,025
Total Operating Expenses	\$ 49,287,397	\$ 1,627,721	\$ 48,275,201	\$ 1,594,293
Operating Income or Loss	\$ 62,232,110	\$ 2,055,222	\$ 21,010,965	\$ 693,889
Income from Continuing Operations				
Total Other Income/Expenses				
Net	\$ -	\$ -	\$ -	\$ -
Earnings Before Interest And Taxes	\$ 62,232,110	\$ 2,055,222	\$ 21,010,965	\$ 693,889
Interest Expense ³	\$ 12,644,928	\$ 417,600	\$ 14,049,920	\$ 464,000
Income Before Tax	\$ 49,587,182	\$ 1,637,622	\$ 6,961,045	\$ 229,889
Income Tax Expense ⁴	\$ 14,876,154	\$ 491,286	\$ 2,088,313	\$ 68,967
Minority Interest	\$ -	\$ -	\$ -	\$ -
Net Income From Continuing Ops	\$ 34,711,027	\$ 1,146,335	\$ 4,872,731	\$ 160,922
Non-recurring Events				
Discontinued Operations		\$ -	\$ -	\$ -
Extraordinary Items		\$ -	\$ -	\$ -
Effect Of Accounting Changes ⁵	\$ (1,514,000)	\$ (50,000)	\$ -	\$ -

Thailand and Adult Diapers Feasibility Study

Other Items	\$	-	\$	-	\$	-		
Net Income	\$	33,197,027	\$	1,096,335	\$	4,872,731	\$	160,922
Preferred Stock And Other Adjustments	\$	-	\$	-	\$	-	\$	-
Net Income Applicable To Common Shares		33,197,027		1,096,335		4,872,731		160,922

¹ In year 2011, purchase of 2 Supply Double Routes Forming Adult Diaper Machine at a cost of \$100,500 USD per machine. Installation of machines estimated at \$25,000 USD per machine. 2 lines were created in order to fill a sudden demand in product, future growth, and possible downtime for one line for maintenance or malfunction(s). Each machine can produce 120 diapers per minute at maximum capacity, resulting in 14,976,000 units per year at maximum capacity, 40 hours per week, 52 weeks per year.

² Production facilities at existing locations will be increased. 544 square meters are required for production, and 30 square meters of office space will be required. Factory construction will cost 6,065,600 BHT for area, 2,502,400 BHT for electric outfitting, 1,686,400 BHT for air-conditioning, and 409,500 for additional office space. Total construction will equal 574 new square meters of facility at a total cost of 10,663,900 BHT or approximately 18,578 BHT per square meter.

³ Interest expense is a result of 10 million USD 10-year term loan for startup of the adult diaper operation in Thailand. Interest rate is calculated at 4.64% by using the LIBOR Rate.

⁴ Calculated tax liability at 30% of net profit. However, actual tax liability could be 25% of net profit should net profit fall under 300 million BHT

⁵ Kimberly-Clark's 2010 10-K filing notes for new accounting standards effective January 1, 2010 issued by FASB for variable interest entity ("VIE") did not have any accounting cost implications. However, it is anticipated that start of 2012, Kimberly-Clark will begin the five year transition period to the new standards issued by FASB for greater accounting consistency with IASB. An estimated \$50,000 USD of billable charges from Deloitte & Touche LLP as the independent registered public accounting firm for Kimberly-Clark are anticipated from 2012 through 2017.

Thailand and Adult Diapers Feasibility Study

* With 50 Million Baht Marketing Budget

Pro-Forma Income Statement

Kimberly-Clark Thailand Limited

Adult Diapers Division

For 2011 through 2012

* Currency conversion rate from May 5, 2011 of 30.28 THB to 1 USD

Period	2012 (Baht)	2012 (USD)	2011 (Baht)	2011 (USD)
Total Revenue	\$ 194,071,810	\$ 6,409,241	\$ 119,945,978	\$ 3,961,228
Cost of Revenue (COGS)	\$ 82,552,303	\$ 2,726,298	\$ 50,659,812	\$ 1,673,045
Gross Profit	\$ 111,519,507	\$ 3,682,943	\$ 69,286,166	\$ 2,288,182
Operating Expenses				
Research and Development	\$ 7,570,000	\$ 250,000	\$ 6,056,000	\$ 200,000
Selling General and Administrative	\$ 13,572,466	\$ 448,232	\$ 8,637,332	\$ 285,249
Marketing	\$ 27,144,931	\$ 896,464	\$ 17,274,663	\$ 570,497
Non Recurring ^{1,2}	\$ -	\$ -	\$ 15,307,206	\$ 505,522
Others	\$ 1,000,000	\$ 33,025	\$ 51,000,000	\$ 1,684,280
Total Operating Expenses	\$ 49,287,397	\$ 1,627,721	\$ 98,275,201	\$ 3,245,548
Operating Income or Loss	\$ 62,232,110	\$ 2,055,222	\$ (28,989,035)	\$ (957,366)
Income from Continuing Operations				
Total Other Income/Expenses Net	\$ -	\$ -	\$ -	\$ -
Earnings Before Interest And Taxes	\$ 62,232,110	\$ 2,055,222	\$ (28,989,035)	\$ (957,366)
Interest Expense ³	\$ 12,644,928	\$ 417,600	\$ 14,049,920	\$ 464,000
Income Before Tax	\$ 49,587,182	\$ 1,637,622	\$ (43,038,955)	\$ (1,421,366)
Income Tax Expense ⁴	\$ 14,876,154	\$ 491,286	\$ (12,911,687)	\$ (426,410)
Minority Interest	\$ -	\$ -	\$ -	\$ -
Net Income From Continuing Ops	\$ 34,711,027	\$ 1,146,335	\$ (30,127,269)	\$ (994,956)
Non-recurring Events				
Discontinued Operations		\$ -	\$ -	\$ -
Extraordinary Items		\$ -	\$ -	\$ -
Effect Of Accounting Changes ⁵	\$ (1,514,000)	\$ (50,000)	\$ -	\$ -
Other Items		\$ -	\$ -	\$ -
Net Income	\$ 33,197,027	\$ 1,096,335	\$ (30,127,269)	\$ (994,956)
Preferred Stock And Other Adjustments	\$ -	\$ -	\$ -	\$ -

Thailand and Adult Diapers Feasibility Study

Net Income Applicable To Common Shares

33,197,027

1,096,335

(30,127,269)

(994,956)

¹ Inclusive of the initial marketing campaign of 50 million Baht. In year 2011, purchase of 2 Supply Double Routes Forming Adult Diaper Machine at a cost of \$100,500 USD per machine. Installation of machines estimated at \$25,000 USD per machine. 2 lines were created in order to fill a sudden demand in product, future growth, and possible downtime for one line for maintenance or malfunction(s). Each machine can produce 120 diapers per minute at maximum capacity, resulting in 14,976,000 units per year at maximum capacity, 40 hours per week, 52 weeks per year.

² Production facilities at existing locations will be increased. 544 square meters are required for production, and 30 square meters of office space will be required. Factory construction will cost 6,065,600 BHT for area, 2,502,400 BHT for electric outfitting, 1,686,400 BHT for air-conditioning, and 409,500 for additional office space. Total construction will equal 574 new square meters of facility at a total cost of 10,663,900 BHT or approximately 18,578 BHT per square meter.

³ Interest expense is a result of 10 million USD 10-year term loan for startup of the adult diaper operation in Thailand. Interest rate is calculated at 4.64% by using the LIBOR Rate.

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⁵ Kimberly-Clark's 2010 10-K filing notes for new accounting standards effective January 1, 2010 issued by FASB for variable interest entity ("VIE") did not have any accounting cost implications. However, it is anticipated that start of 2012, Kimberly-Clark will begin the five year transition period to the new standards issued by FASB for greater accounting consistency with IASB. An estimated \$50,000 USD of billable charges from Deloitte & Touche LLP as the independent registered public accounting firm for Kimberly-Clark are anticipated from 2012 through 2017.

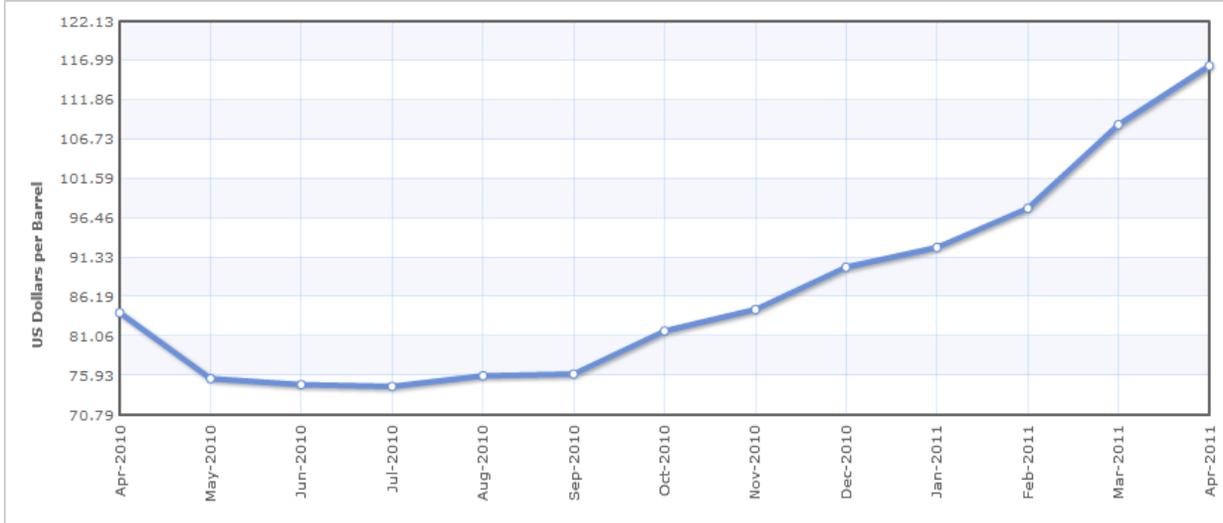
Appendix K

Source: IndexMundi.com

Crude Oil (petroleum) Monthly Price

Range [6m](#) [1y](#) [5y](#) [10y](#) [15y](#) [20y](#) [25y](#) [30y](#)

Apr 2010 - Apr 2011: 32.170 (38.23 %)



Description: Crude Oil (petroleum), simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh, US\$ per barrel

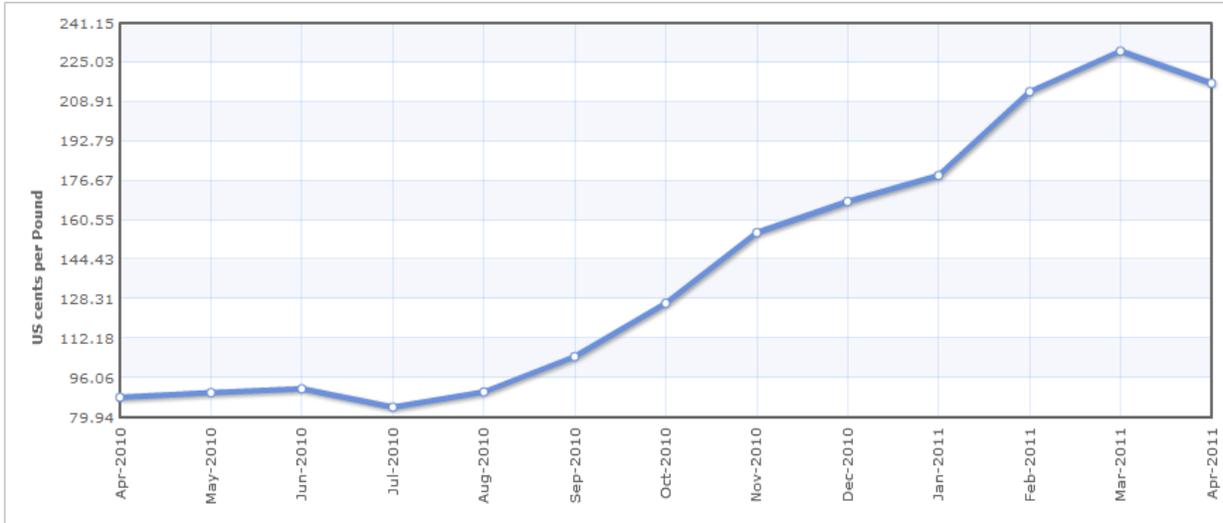
Unit: US Dollars per Barrel

Source: [International Monetary Fund](#)

Cotton Monthly Price

Range [6m](#) [1y](#) [5y](#) [10y](#) [15y](#) [20y](#) [25y](#) [30y](#)

Apr 2010 - Apr 2011: 128.520 (145.90 %)



Description: Cotton, Cotlook 'A Index', Middling 1-3/32 inch staple, CFR Far Eastern ports, US cents per pound

Unit: US cents per Pound

Source: [Cotlook Limited, via the IMF](#)