

Distributor Of Proctor And Gamble ----- Shun Sang (Hk) Co. Ltd.

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The case focused on the competitive problems encountered by the distributor of Proctor and Gamble in Hong Kong, Shun Sang Co. Ltd. In Hong Kong Proctor and Gamble deployed its own sales team to serve its first-tier outlets comprising the two major chain supermarkets and two chain pharmacy outlets known as the "modern trade". Shun Sang and another company distributed Proctor and Gamble products to small independent pharmacy and drug stores known as the "open trade". As customers could buy Proctor and Gamble products from both the modern trade and the open trade, Proctor and Gamble was directly competing against its two designated distributors. Major weaknesses of the Open Trade were exposed by a marketing research commissioned by Shun Sang. Shun Sang was aware of this competitive threat and knew that it must demonstrate exemplary performance to thrive in its own open trade domain. How Shun Sang would be able to address the weaknesses was examined

Field of Research: Management

1.Introduction

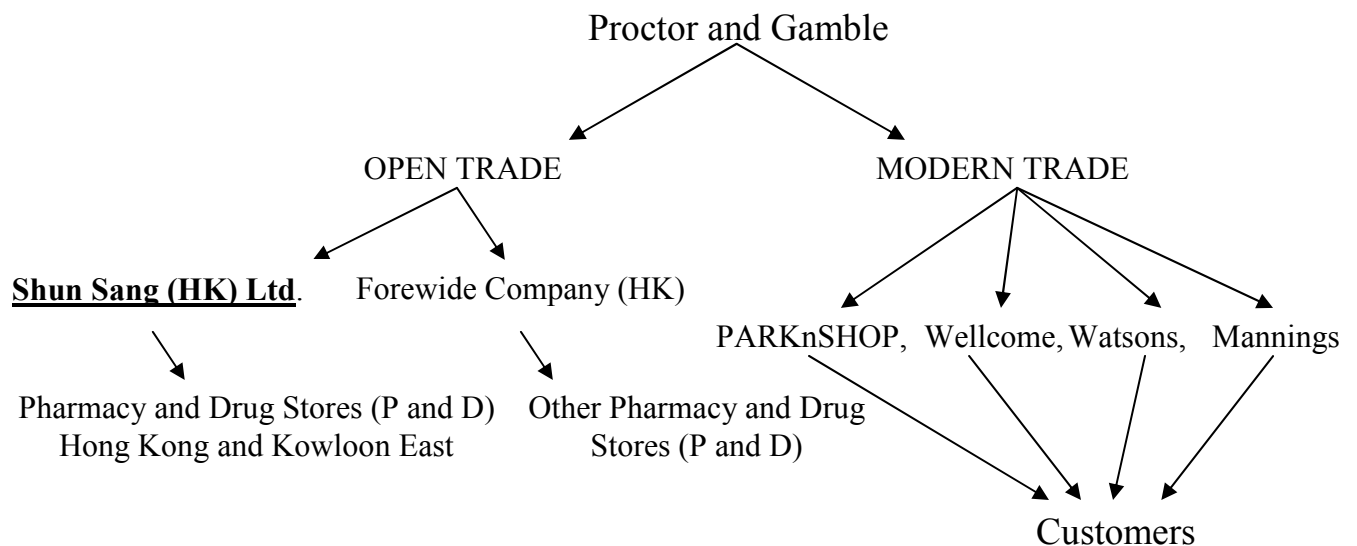
Shun Sang (HK) Ltd. was appointed by Proctor and Gamble as the sole direct distributor in Hong Kong in 1989. When Proctor and Gamble first established its presence in the mid seventies by keeping a small representative office, it encountered management and control problems in efficiently and effectively managing the numerous wholesalers it commissioned. Therefore, it consolidated the distribution system through horizontal integration and Shun Sang was successful in pitching for the single distributorship at that time. As Proctor and Gamble's grew through brand acquisitions in the following years, a second distributor, Forewide Company (HK), was appointed in 1994 as co-

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distributor to Shun Sang. The era of dual distribution by Proctor and Gamble began. Whereas Proctor and Gamble oversaw its first-tier key outlets containing principally of the two major chain supermarkets and two chain drug stores (known in trade terms as the Modern Trade) directly in sales and distribution with no channel members operating in between, the two direct distributors Shun Sang and Forewide took over the sales and distribution roles to Proctor and Gamble's second-tier outlets known as the Open Trade. This comprised of all the small individual pharmacy and drug (P and D) stores. Shun Sang was apportioned the sales territories of Hong Kong island and East Kowloon and Forewide the rest of Kowloon, the New Territories and the outlying islands. Diagram 1 illustrates the channel management system of Proctor and Gamble in the latter part of 2008 when this case was being written.



As over 60% of Proctor and Gamble's revenue was derived from the Modern Trade key outlets, it was prudent for the company to deploy its own sales team in overseeing their sales and distribution. In other words, less than 40% of sales that came from P and D stores were handled by Shun Sang and Forewide. Both distributed the full product mix of Proctor and Gamble that comprised of Pampers, Whisper, Crest, Pantene, Olay, Tempo, Head and Shoulders, Vidal Sassoon, SK11, Max Factor amongst other brands. Shun Sang also was the distributor of two Japanese milk formulae to the Open Trade. Forewide also distributed products of Colgate-Palmolive, Johnson and Johnson, Kimberly-Clark, Mead Johnson, 3M and Menghni milk brands.