

# [Beiersdorf has affiliate branches management essay](https://assignbuster.com/beiersdorf-has-affiliate-branches-management-essay/)

Within these product lines it produces the following brands: Nivea, 8×4, Atrix, Eucerin, Labello, La Prairie, Juvena, Futuro, Florena, and Hansaplast.

According to chief executive, the customer division alone represents over 80 percent of the company’s total value sales (www. beiersdorf. com).

Beiersdorf is known for its commitment to product innovation and any extension of its product line will be marketed through the customer base because of the brand awareness and loyalty it enjoys with customers.

Beiersdorf seeks to produce skin and care products for babies, young people, and the senior citizens. The population of Western Europe is ageing as such more emphasis should be put on developing products for the old.

Also Beiersdorf is seen as no gender bias company as it produces products for both genders as against some of its rivals who position themselves for one gender, for example Avon claims to be a company for women.

### 2. 1. 2 Geography

The company has a global presence due to its brands that are globally successful. However Beiersdorf focuses on markets with above average growth potential like those of Western Europe, China, Russia, Brazil, and India.

### 2. 2 Macro environment analysis

### 2. 2. 1 Political

Nivea is a global company carrying out business in many countries. While the markets of Western Europe and the United States of America are liberalised and politically stable, a political instability in the other regions will seriously affect their corporate and financial strategies.

Also regime change in these other countries could result in the new regimes nationalising Beiersdorf affiliates in those countries.

Governments of some foreign countries could impose taxes that will have an adverse effect on the returns on investment of Beiersdorf.

### 2. 2. 2 Legal

The current legislation allows Beiersdorf to compete with rivals in the market. A change in the existing laws could require a review of cooperate strategy to fulfil the legal requirements of the laws of the land. For example, in advertising products men and women are shown half naked. While this is perfectly acceptable in western cultures in some cultures this will be unacceptable and could result in fines, penalties or outright ban of Beiersdorf’s products.

### 2. 2. 3 Socio cultural

Being a global company means that the company has to design products to meet social needs of diverse cultures of the countries in which it operates.

### 2. 2. 4 Economic

The economic downturn of the late 2008 to 2009 has affected the economic development of Beiersdorf and its returns, particularly in Western Europe where sales dropped by 4. 5 percent.

However in Eastern Europe, Latin America, and Asia (excluding Japan), there was growth although it was slower than previous years, but it was not negative.

With the recovery of the economy, sales are expected to regain momentum in all regions.

Despite the economic downturn, in the year 2009, Nivea Deodorant and Nivea shower recorded increased sales in Western Europe (www. beiersdorf. com).

### 2. 2. 5 Employees

Beiersdorf cannot accomplish its objectives without people. The company thus takes people management seriously. According to the CEO, the achieving, committed and hard working employees are the driving force of Beiersdorf development and they help to shape the company’s unique corporate culture.

Beiersdorf employees about 20, 635 people spread worldwide.

### 2. 1. 6 Technology.

We live in the digital world and as Porter predicted almost everything can be bought online.

Beiersdorf carries out sales on its website. Their website is also designed such that it could direct a customer to the nearest store where he could buy his product. The internet is also exploited for advertisement.

Being an innovative company means that Beiersdorf uses technology for its research and product development.

### 2. 2 Microenvironment

The micro environment of Beiesrdorf is the industry in which it operates and the stakeholders.

### 2. 2. 1 Customers

Beiersdorf seeks to be as close to the customer as possible. They have set for themselves the objective of always anticipating customer demands, listening to them and being ahead of the market.

Nivea Deodex is an innovative product to meet the underarm beauty needs of women of age 15 and above.

### 2. 2. 2 Competitors

The main competitors are: Procter and Gamble, L’Oreal, Unilever and Avon.

Beiersdorf’s strategy seeks to identify gaps in the market were competitors are not present.

### Bargaining power of suppliers – low

Beiersdorf has done a backward vertical integration being its own supplier of inputs through the development of an integrated manufacturing and extraction capabilities to produce most of the required input materials.

### Bargaining power of buyers – high

The presence of competitors means that consumers have many alternative products to buy. However Nivea produces to meet consumer needs after carrying out research to identify their needs.

### Threat of substitute- medium

Nivea’s competitors propose substitute products to consumers. However Nivea has strongly branded its products and is selling them at lower costs than competitors.

### Threat of new entrants- high

The entry barriers are low making it easier for many companies to enter the business. The new entrants come with momentum resources aimed at gaining market share. Also the deregulation of business in many countries makes it easy for many new entrants to enter the business.

### Competitive rivalry- high

Being in the beauty sector, the competition is very high with the increasing demand for products that meet the ever changing beauty demands of the consumers.

### 2. 2. 3 Other stakeholders

Beiersdorf has to date always complied with corporate governance requirements and has not contravened any government laws. Should they fail to meet stakeholders’ needs could have serious repercussions on their marketing strategy.

The most powerful stakeholders are the shareholders. The company has through the years increased shareholder value. In 2009, the income attributable to shareholders was €386 million down from €561 million in 2008. The decrease is due to the general economic crunch that hit the developed economies.(www. beiersdorf. com/annualreport 2009)

### 2. 3 Internal environment analysis

According to Tom Peters and Robert Waterman (working for the Mckinsey Consulting firm in 1980), there are 7S that contribute to organisation success. The seven ‘ S’ are: Strategy, Structure, Systems, Style, Skills, Staff, and Shared values. They believe that Strategy, Structure and Systems are the ‘ hardware’ of success while Style, Skills, Staff, and Shared values are the ‘ software’ of success (Kotler & Keller, 2010).

### At Beiersdorf:

* The strategy is customer focused. The company prides itself as being close to the customer regardless of where they live. (www. nivea. co. uk).
* The structure is very flexible. They belief in a lean management structure with less hierarchy. Decisions are thus taken rapidly without much bureaucracy. For example in each country were they operate there is a regional director for the affiliate company taking decisions at the local level. Only strategic matters are referred to Hamburg for action.
* Systems. Beiersdorf operate systems that are flawless. The systems are designed to adequately respond to the needs of the customers.
* The style (way of thinking and behaving) is conditioned towards innovation and customer satisfaction. The style of management gives credence to innovation and consumer satisfaction. The thinking is to be as close to the customer as possible and to able to anticipate their needs.
* Employees are constantly trained to have the necessary skills to carry out the strategy. Nothing can be achieved without a motivated work force. In this regard Nivea regularly trains its staff to make them acquire more skills
* Competent Staff are constantly hired, trained and assigned to the right jobs.
* The employees share the same guiding values of meeting the customer needs and being ahead of the competition.

According to Tom & Waterman (1980), when these elements are present companies are more successful at strategy implementation. This explains why Beiersdorf is successful at its strategy implementation given all these 7 Ss are present.

### 2. 4 SWOT Analysis

### 2. 4. 1 Strengths

Long experience in the industry (over 128 years) producing both skin and beauty products. They thus have a mastery of the market and the operations.

Wide appealing brands with different price ranges, from premium (La Prairie) to mass (Nivea). These brands are well marketed and benefited from the Beiersdorf’s brand image as a trustworthy company. According to a Reader’s Digest features in Western Europe’s “ most trusted brands”.

Beiersdorf has a fundamental risk management policy. This means that it only accepts risks that can be managed by the methods and means within the organisation. The risk management is further decentralised with responsibility ultimately resting in each operating company within the group.

The company has much needed financial stability since 2003 when the coffee producing Tchibo became the major stakeholder in Biersdorf. (www. beiersdorf. com)

Beiersdorf’s new growth strategy focuses on emergent markets rather mature markets. The company wishes to focus on the fast growing regions such as Latin America, Asia Pacific and Eastern Europe. These areas are believed to grow market share than the saturated markets.

### 2. 4. 2 Weaknesses

Beiersdorf has only a marginal presence in the North American market which happens to be one of the largest regions for sales in the world after Western Europe and Asia Pacific. This denies the company a potential for regular, significant income.

Over reliance on the mature market of Western Europe. Given the maturity of this market, it offers few prospects for growth.

Over reliance on its flagship brand – Nivea. Beiersdorf is vulnerable to any loss of consumer confidence in Nivea, which forms the bulk of its sales. This puts Beiersdorf at a disadvantage with companies offering a larger range of brands.

### 2. 4. 3 Opportunities

Growing presence in the emerging markets of Eastern Europe, Africa and the Middle East, Asia, and Latin America. The growth in these markets in cosmetics and toiletries sales is generally expected to outstrip that of global sales. Beiersdorf has placed itself in a stronger position to achieve this by expanding its retail presence through brands including La Prairie, Eucerin, and Nivea in China, Romania and Bulgaria (Euromonitor International, 2007).

Strong position in the anti-ageing market. The Nivea Visage, Nivea Vital, Juvena and La Prairie brand are well placed to serve the demand of the ageing population of Western Europe. This age group has as increase spending power on skin care and beauty products. Through the introduction of Nivea Visage DNAge cell Renewal (an anti-ageing cream), in 2006, Beiersdorf is already positioning itself as a company for the people of the third age group. (www. nivea. co. uk)

### 2. 4. 4 Threats

Competitors L’Oreal and Procter & Gamble are entering Beiersdorf’s traditional core areas of body care, Sun care, lip care and men grooming products.

The population growth in Western Europe is minimal, which means that there is little opportunity for expansion of consumer base in Beiersdorf’s major sales region.

Unfortunately currency rate fluctuations especially with regards to the strength of the euro could negatively impact the company’s sales (Euromonitor International, 2007).

### 3. 0 Market Strategy

The market strategy recommended for the introduction of the Nivea Deodorant product line extension globally is to use the already recognised Nivea brand. Introducing this product under the Nivea name will help in the global competitive market.

Introducing the Nivea Deodorant EX (NIVEA DEODEX) under the Nivea brand name will help the product achieve shelf space relatively easier.

This strategy takes into consideration that women generally (not just young women) want a product to cater for the underarms and not stain their clothes.

### Ansoff’s Matrix

In the more mature markets of Western Europe and USA, Beiersdorf’s market position is that of market penetration. The tendency is now on product development for the emergent markets. This is achieved by offering innovative products, through the use of continuous research.

### 3. 1 Mission

Beiersdorf has as mission to understand the consumer and delight the consumer with innovative products for their skin and beauty care needs.

### 3. 2 Competitive Strategy

The competitive strategy of Beiersdorf is to be proactive and anticipate the needs of the consumer while the competitive strategy of rivals tends to be problem focused and offer medicated solutions. The company hopes this would allow it to be ahead of the competition in this highly competitive and rapidly changing skin and beauty market.

### 3. 3 Growth Strategy

Beiersdorf has a global presence with more than 150 affiliated companies worldwide. With the Nivea brand, Beiersdorf has captured over one hundred and thirty market leader positions in different categories in various countries.

According to the Chairman of the Board of Directors, Beiersdorf’s aim is to increase their world market share in the area of skin and beauty care to 5. 5 percent by December 2010 (www. beiersdorf. com). This shows that the company has a clear and well targeted growth strategy.

### 3. 4 Brand Strategy

Beiersdorf has as brand strategy to offer consumers tailored high quality superior brands. This explains why the company works continuously on innovation to be technologically at the cutting edge and stand out in an ever challenging and competitive market.

The brand strategy involves excellent point of sales displays, advertising, and the efficient use of their marketing and sales expenditure to strengthen their brand and clearly distinguish them from competitors’ brands.

### 3. 5Geographical strategy

Beiersdorf ensures that they stay close to their markets worldwide. In addition to Western Europe, the company’s activities focus on regions with high growth rates potentials like Asia, Eastern Europe, Latin America, and especially the emergent Brazil, Russia, India and China.

### 3. 6 Consumer strategy

The focus is on the consumer and their individual skin and beauty care needs. Beiersdorf combines quality, consumer orientation, and brand personality to appeal to their brands. It hopes that in so doing the brands would occupy a firm place in their consumers’ everyday lives.

### 3. 7 Positioning

Nivea DEODEX will be positioned in the market as a mass product along with other Nivea products. This strategy has so far proved successful for Nivea. Nivea deodex will thus be affordable to all women.

Beiersdorf also hopes to discover gaps in the market by being close to the consumer and listening to them in order to meet their needs. In the emergent markets the strategy is that of market development to establish a global presence worldwide. Beiersdorf hopes to position itself as a market leader worldwide.

### 3. 8 Financial Objectives

Beiersdorf has as financial objective to:

* Increase the profit by 0. 5 percent per quarter through efficient management.
* Maintain and efficiently implement the research and development budget to increase changes of product innovation.
* Achieve a double digit growth rate by 2012

### 3. 9 MarketResearch and innovation

Market research has revealed the following:

* There is a steady growth in female shavings. They want to look after their beauty and underarms throughout the seasons.
* Women care increasingly about the condition of their underarms
* Women desire attractive, neat underarms
* The deodorant segment remained focused on the functional rather than the beautifying products
* Complains that current deodorants stain their dresses

### 4. 0 Tactics

### Product

Nivea Deodex is produced for women of all ages to meet the beauty needs of their underarms. The product will be packaged with the Nivea logo and marketed along with other Nivea products. More natural products are added in the recipe to reflect Nivea’s commitment to environmental protection.

### Price

Nivea Deodex will be priced very low despite its high quality. This will ensure that Nivea keeps to its products being sold as mass products through drugstore and other outlets.

### Place

Nivea Deodex will be distributed through mass retailers, drugstores, super markets as well as the high street markets along with other Nivea products to ensure easy brand recognition.

### Advert (see appendix)

### 6. 0Financial

The launch of Nivea Deodex for women would require a budget of £2million. The money would be raised internally from the company’s reserve.

The budget allocation is as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Activity  | Period  | Officer Responsible  | Amount allocated  |
| Market plan prep.  | February 2010  | Gabriel  | £ 0  |
| Market Research  | January-February2010  | Gabriel  | £ 180 000  |
| Pre-launch  | March 2010  | Gabriel  | £ 100 000  |
| Selection of advert agency  | April 2010  | Peter  | £50 000  |
| Creation of database  | April 2010  | Gabriel  | £100 000  |
| Direct Mail  | March-September 2010  | Gabriel  | £ 5 000  |
| TV Advertising  | April-December 2010  | Gabriel  | £ 900 000  |
| Bill boards  | May 2010  | Gabriel  | £ 200 000  |
| Magazine inserts  | April-December 2010  | Gabriel  | £ 100 000  |
| Public Relations  | April-december 2010  | Gabriel  | £300 000  |
| Web design  | March 2010  | Outsourced firm  | £20 000  |
| Flyers, t-shirts  | April 2010  | Outsource firm  | £4 500  |
| Total  |  |  | £ 2 000 000  |

### Projected profit and loss account

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Year  | Sales of DEODEX  | Cost of sales  | Profit/(loss)  | Return (profit/loss) Cumulative  |
| 2010  | £ 800 000  | £ 1 600 000  | £(900 000)  | £(900 000)  |
| 2011  | £ 1000 000  | £ 100 000  | £900 000  | £ 0  |
| 2012  | £ 1 500 000  | £ 200 000  | £ 1 300 000  | £ 1 300 000  |
|  |  |  |  |  |

### Breakeven analysis

With the introduction of Nivea DEODEX, Beiersdorf is expected to break even during 2011 and begin making profits by 2012(See table above).

The profit by December 2012 is expected to be £1. 3millions.

### 7. 0Controls

This marketing plan is a guide for the launch of NIVEA DEODORANT PRODUCT LINE extension by Beiersdorf. The extended product will be called NIVEA DEODEX.

The following areas will be monitored monthly:

* Expenses per activity A comparison of the actual expenses will be made to the budgeted expenses to establish variances if any for corrective action to be taken if necessary.
* Revenue Actual revenue will be compared to forecast revenue to establish and investigations made where necessary for noted variations.
* Complains by customers. This product is introduced to meet the consumer request for a beauty deodorant that does not stain dresses. Complains will be monitored to see if the product is not satisfying the consumers.
* Loyalty card users. The number of loyalty cards issued and demanded will be monitored to assess consumers’ loyalty and confidence in Nivea DEODEX. Gift of small 2ml Nivea DEODEX will be given for each ten points earned.

### Kaplan and Norton’s Balance scorecard

|  |  |  |
| --- | --- | --- |
| Indicators  | Target  | Realisation  |
| Market share  | Western Europe 1%, Asia-Pacific and Eastern Europe 4%  |  |
| Profitability  | 1 – 2 %  | It is expected that the company will achieve a profit of £1. 3 million in 2012  |
| Customers  | To be close to the customer wherever they are  | Can be achieved with: – Committed & friendly staff – Efficient staff and management – Collaboration.  |
| Staff (employees)  | Hire the best talents and train & develop them  | -increase staff commitment -Less staff turnover – staff satisfaction  |
| Community  | Respect the environment and the laws of the land  | – Seen as an environmentally responsible company – Attraction of more consumers – Admiration by government and community  |

### Source: personal research & initiative

### 8. 0. Implementation

Gabriel E will be responsible for the marketing activities of the proposed product line extension. It is important to accomplish item on the budget according to the specified dates and on budget. The implementation started in January 2010.

### 9. 0 Conclusions

Beiersdorf has a reputation for high quality and innovative products. The company’s constant quest to be a head of the market and anticipate consumers’ needs makes it very competitive.

With the introduction and launch of Nivea DEODEX (Nivea Deodorant extension), Beiersdorf hopes to satisfy its customers, acquire more customers, retain them and increase customer loyalty as it is believed Nivea DEODEX takes it to consideration their requests and desires.

I strongly recommend Beiersdorf to continue its strategy of being innovative and anticipating consumer demand. In so doing it will always be ahead of its competitors while meeting customer demands.