

MKT 568: Nivea Audio Transcript

[Rushing water]

Trish McShane: Water surrounds the beautiful European city of Hamburg, Germany. It also was the key ingredient in a ground breaking discovery here that evolved into the world famous brand, Nivea. The year was 1911. A man name Oscar Troplowitz purchased the Beiersdorf Company and created the world's first long lasting skin Creme with the revolutionary new emulsifier called eucerit.

Norbert Krapp, Corp. VP, Veiersdorf AG: This Creme was so brilliant because it combined water and oil for the first time stable to the emulsifier eucerit. So this was, actually, the birthday of Nivea Creme in 1911, and ever since going strong.

Trish McShane: Troplowitz named his discovery Nivea, from that Latin word niveaus, meaning snow white. Reflecting the era, art nouveau was used for the products packaging.

Norbert Krapp: So the marketing I think was really only starting in the mid-twenties when they changed the logo of yellow and green of the Nivea Creme into blue and white when they started to sell this product around the world.

Trish McShane: In Nivea's early years, it established Nivea Creme brand identity of a pure and gently product, on which families could rely. Advertising portrayed a fresh and natural Nivea woman. Then, in 1924, Nivea broke from tradition and launched the Nivea boys, three happy loveable lads that won the hearts of the public. The ad conveyed the message that Nivea Creme was the right choice for the entire family. That brand image has transcended through the decades. Nivea retrains its strong association with shared family experiences of mother and child relationships and family vacations.

Inken Hollmann-Peters, Corp. VP International Brand Mgmt, Veiersdorf AG: We are still showing real people in the real world so, somehow aspirational but still with the potential to identify with and...so it could be a girl next door (a little bit prettier probably), so that's the model. Then of course we also try to show people in a kind of social interaction; we quite seldom show people on their own.

Trish McShane: Yet, Krapp says the mother cream of all 13 brands is Nivea Creme; it's the core of the brand.

Norbert Krapp: Whenever you wake some somebody at night, 2:00 in the morning, and you ask him, 'What's Nivea?' he or she will come up wake up and say, "Well, its blue and its white, it's round..." and they will describe (even if you've asked only Nivea) they will describe the brand Nivea Creme.

Trish McShane: Nivea held over 35% of the multi-purpose cream market in Germany by 1970. But, for the first time, it faced its first competition in 60 years when the Henkle Company launched its cream 21. Nivea developed a two pronged strategy to combat this competition. First, to defend itself, it launched its Creme de la Creme advertising campaign. The campaign ran for 16 years and kept the cream young. Then, Nivea deployed part two of its strategy. It introduced new products to keep the brand alive and attract new customers.

Norbert Krapp: Sun care came up in the 70s, bath care came up; but if you ask the consumer at that point in time, 'Do you think would fit anywhere?' he would say, "No." And this is why we waited for some time to start with this deodorant protect, and only in the late 90s we finally introduced the deodorant. So the buildup was very slow on one side, but very consistent on the other side all around the cream and the question, 'Does it belong to the heart, to the core, of the brand? Is it believable?'

Trish McShane: In the 80s Beiersdorf extended its Nivea brand into new markets with new products including skincare, bath products, sun protection, baby care, facial care, haircare, and care for men. Each sub-brand established individual images consistent with, but also distinct from, the Nivea Creme brand image. Sales from the brand groups exploded.

Inken Hollmann-Peters: The key success factor of introducing new lines was always the fact that we transferred one main core value of Nivea, of the Nivea brand, to our sub brands.

Franziska Schmiedebach, Marketing Director, Nivea Visage: Nivea is the best school for branding. We have a very broad portfolio. We're in 12 different segments of the market from baby care to deodorants to color cosmetics, and the danger is that you lose your brand identity if you're being active in so many different markets which have some different requirements that you're not diluting your brand identity.

Trish McShane: This illustrates the importance of the Nivea Creme brand.

Norbert Krapp: Without the cream, it would be a swing...or we would have a swing in the brand image into modernity, into modern products, innovative products, and you always have to have a balance. A very nice balance of the values, the family values on one side and the modernity on the other side. If you don't have that, the brand is losing traditional values and traditional values are a part of the brand. So this is why we need to keep Nivea Creme alive.

Commercial woman 1: Wrinkles?

Commercial woman 2: Forget about wrinkles!

Commercial woman voiceover: I don't wanna hear about it...

Trish McShane: In 1982, Nivea launched one of its most sophisticated brands, Nivea Visage, to satisfy consumers looking for proven effectiveness in a product. Visage ads stressed the mildness of the face care product, returning to Nivea's core image. Within one year, Visage became the leading face cleanser in Europe.

[Music]

Trish McShane: Between 1990 and 2000, Nivea's net sales grew from \$475 million to \$1.8 billion. A number of new product launches triggered this explosive growth. Here in this lab, Nivea created a major scientific breakthrough, anti-aging Q10, which is now the number one anti-wrinkle cream in the world. The reason for its success? Women can easily understand how the product can make them look younger.

Franziska Schmiedebach: We have Q10 in our bodies, in every human cell you have Q10, and that you lose it while you age. So we introduced the skin zone Q10 in the cream, and the cream gives back the Q10 to you and we found out that it actually reduces wrinkles. That's the biggest success. I think consumers accepted it so well because all the other ingredients before that were very unknown, were very scientific, they didn't know where they came from, alpha hydroxy acid sounds very aggressive, liposome sounds technological, so Q10 being a skin zone ingredient sounded like something being very effective but also very natural.

Thanks to the innovative product Q10, sales jumped by more than 40%, garnering a 13% global market share in 2000. Schmiedebach calls it the biggest success story in the last 20 years.

[Commercial voice over in German]

Trish McShane: The launch of Nivea Beaute, the company's color cosmetics line, brought more challenges for Nivea.

Franziska Schmiedebach: Our competitors reacted. As you know L'Oreal is our main competitor in this category. In Europe, they have about 40% of the market with Maybelline and L'Oreal Paris, and of course they reacted with new product innovations, new colors, they increased their advertising spending, so it made life difficult for us; but we manage. We're number three in Europe now, so I think that's a great success after 5 years.

Trish McShane: Today, Nivea sits in an enviable position – the number one skin care and cosmetics company in the world with over \$2.7 billion in revenues. But even at this high point for the company, it still faces challenges marketing in the United States.

Inken Hollmann-Peters: I think the whole market is a little bit, faster. Let's put it this way, it's more innovative. You need to launch products even more frequently than in Europe and of course you need a lot of money to cover the whole market. I think another problem is that the Nivea heritage is, of course, much stronger in Europe or even East Europe or even South America than in the U.S. And that's the task for the future, really to build up this Nivea image and heritage in the U.S.

Trish McShane: For Hollmann-Peters, as manager of the personal care line, she faces the biggest competition from the Unilever Company, makers of Dove products.

Inken Hollmann-Peters: They are close to us in terms of image, in terms of color-coding of course, in the whole profile is very close to our Nivea image. The huge difference is that we are definitely a brand for the whole family, so called "we" brand and Dove is definitely only targeting only women so far, so it's a "me" brand. Well I think the only way to react against the competition is really to launch new products, products which are really relevant for the consumer.

Franziska Schmiedebach: One of our key competitors is...started an umbrella brand strategy three years ago; and because they are seeing the benefits of an umbrella brand strategy, and focusing your resources on one or two or three brands, or ten brands, rather than 200 brands, is just the more efficient way. The umbrella brand strategy is one of Nivea's biggest key success factors, so on this umbrella brand strategy we're being attacked.

Trish McShane: In retaliation, Nivea leaders are brainstorming on how to evolve the brand in the next 10 to 20 years, and make the umbrella brand stronger within all the sub-brands.

Franziska Schmiedebach: We just need more consistency in what we're doing. More consistency in our advertising, I think, is one of the things we have to come back to and a stronger branding of Nivea in all pieces of advertising.

Trish McShane: As a global brand, Nivea must balance consistency and adaptation in its advertising.

Franziska Schmiedebach: The way you approach the consumer in advertising, I think, is very different from region to region. How you perceive beauty and what you might think is a beautiful woman that you would like to be like, or a beauty you aspire to be, might be very different to an African woman or an Asian woman. So, and aligning this, I think, is one of the key challenges.

Norbert Krapp: For a relatively small European company it's a real challenge. The competitors are huge, the budgets are huge, their sales forces are huge, and we are small. So we have to better. We have to have better products. We have to be faster. We have to have better advertising. We have to have all these goodies, which you need to convince a person that you're having a good product.

Trish McShane: But after more than three decades with Nivea, Krapp still enjoys his daily challenges working with a cosmetics giant.

Norbert Krapp: I'm 32 years now with the company and I think I'll like to come to the company every morning. I think this the best I can say because it is a real challenge to go for so many years with Nivea around the world and introduce Nivea in so many countries as we did.

Inken Hollmann-Peters: I feel very close with the brand. You can identify with this brand and the values of the brand; and another fact is to working with the people worldwide. I think it's quite unique that Nivea all by itself is such a good community of people or colleagues, which are all quite open minded and respectful.

Franziska Schmiedebach: How do we do the next generation? How are we gonna evolve the brand in the next 10 to 20 years? You always have to have a next step ahead.

With its products being sold in more than 150 countries, Nivea enters the new millennium with a successful beauty marketing strategy that is clearly more than skin deep. For the Pearson Video Library, I'm Trish McShane, Business Now.