

BEIERSDORF AG: EXPANDING NIVEA'S GLOBAL REACH¹

Vanessa C. Hasse wrote this case under the supervision of Professor Paul W. Beamish solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On April 26, 2012, Stefan F. Heidenreich walked into the conference center in Hamburg, Germany, for Beiersdorf's annual stockholder meeting. There, he would officially be introduced as the new chief executive of the NIVEA producer and take the reins in a time of transition and complex challenges. His predecessor, Thomas-Bernd Quaas, was to give his farewell speech in front of 800 shareholders. Quaas had been the CEO for the past seven years and had led the company's international expansion. The company's flagship brand, NIVEA, had turned 100 years old last year and consumers around the world were familiar with the cream in the signature blue tin. The expansion was not only geographical but also categorical: a number of innovations had resulted in a broad product range under the NIVEA brand.

However, this expansion was hurting profitability. While competitors like Henkel, Unilever, and Procter & Gamble had recovered from the economic recession and were expanding rapidly, Beiersdorf's revenues were still lagging expectations. As a consequence, the company had announced a major restructuring project costing €270 million in March 2010. Under the slogan "Focus on skin care. Closer to markets," Beiersdorf aimed at reorganizing its consumer division to boost revenues again. The objective was to increase profitability by downsizing structures and streamlining the expansive product range, while remaining responsive to local tastes by granting foreign subsidiaries more responsibility.

As Quaas spoke about the progress of the restructuring project, it became clear that it was far from complete. Although most measures were on target, operating margins were still not satisfactory.¹ Just a few months earlier, Beiersdorf had announced a plan to cut up to 1,000 jobs worldwide. The progress of restructuring had been slower than planned because the challenges had been bigger than expected.² In fact, the last quarter of 2011 had ended with a loss. Thus, an investor at the annual stockholder meeting voiced his opinion: "The management has been asleep for the past few years instead of setting the course for the company's future!"³ This outcry raised numerous questions: Was Beiersdorf's restructuring approach the right way to get back on track? Would the company be able to compete against the big players in the industry again? And was downsizing really the right path to international growth? Heidenreich had certainly taken on a major task.

¹ This case has been written on the basis of published sources only. The interpretation and perspectives presented in this case are not necessarily those of Beiersdorf or any of its employees.

BACKGROUND

In 1882, Paul C. Beiersdorf, owner of a pharmacy in Hamburg, Germany, filed a patent for the manufacturing process of medical sticking plasters, which he had developed in collaboration with leading dermatologists. Through academic publications, the company acquired popularity among doctors and pharmacists, which helped to increase revenues. In 1890, the associated laboratory was sold to the pharmacist Dr. Oscar Troplowitz, who turned the small enterprise into a rapidly growing consumer products manufacturer with a consumer care and a sticking plasters/adhesives division. In accordance with the company's medical and academic background, Dr. Troplowitz continued to focus on a highly scientific research and development process.

Around 1900, a chemist at Beiersdorf discovered the emulsifying agent *Eucerit*, which allowed for a stable combination of oil and water. This discovery laid the foundation for the unique skin moisturizing formula of the NIVEA cream. The first NIVEA cream tin was sold in 1911. It provided good results at low cost and quickly became popular among a broad range of consumers. Beiersdorf was quick to continue to deliver innovations such as Labello, a creamy colorless lipstick, and other care products. The sticking plasters segment grew as well, with innovations such as Hansaplast and Leukoplast.

In 1922, Beiersdorf was turned into a public company. The success of the young company's brands, especially NIVEA, gave it the opportunity to expand internationally. By the beginning of World War II, Beiersdorf had 34 representative offices abroad (in countries including the United States, Mexico, Brazil, and Thailand) and subsidiaries in England and Austria. As a result of the war, the trademark rights for NIVEA in these international locations were confiscated by the respective countries. It took years for Beiersdorf to regain all the rights, a process that ended in 1997 with the repurchase of the rights in Poland.

These setbacks, however, did not stop Beiersdorf from expanding internationally again after the war. By the end of the fiscal year 2011, the company employed 17,666 people, owned more than 150 subsidiaries worldwide, and earned 85 per cent of its total revenues (€4.75 out of €5.6 billion) outside of Germany.

Throughout its 130-year history, Beiersdorf repeatedly emphasized traditional values such as trust, reliability, and quality. This was in accordance with the tradition of the "Hanseatic merchant" — in the old trading town of Hamburg, businessmen took pride in the fact that they concluded reliable contracts with a simple handshake. Thus, the company built on its traditional foundations and continuous innovations to attain its vision: "To become the best skin care company in the world."

Company Structure

Divisions/Regions

Due to its origins, Beiersdorf was divided into two rather unrelated divisions. The main division, *consumer*, generated the lion's share of the company's revenues at 84 per cent, or €4.73 billion, in 2011. In this division, about 13,870 employees worked to serve three segments: the mass market, the dermo-cosmetic segment, which offered medical care products, and the premium segment. Each segment had very successful brands: the leading global brands were NIVEA for the mass market, Eucerin for the dermo-cosmetic segment, and La Prairie for the premium segment.

The other division, *tesa*, was named after its main brand and became a legally independent subsidiary in 2001. About 3,795 employees developed adhesives for industrial and consumer clients. In 2011, the tesa

division contributed 16 per cent of Beiersdorf's total revenue. After major restructuring efforts, which ended in 2010, as well as the recovery of the auto industry, which was one of the main buyers of adhesives, the tesa division outperformed the consumer division in terms of growth rates: while the consumer division grew by 1.1 per cent in 2011, tesa reported growth of 7.9 per cent.

In 2011, the consumer division generated 59 per cent of its revenue in Europe (of which 15 per cent came from Germany), 12 per cent in Latin America, 7 per cent in North America, and 22 per cent in Africa, Asia, and Australia combined. A network of more than 150 subsidiaries ensured that these markets were served reliably (see Exhibit 1). Moreover, Beiersdorf exported to 200 countries, making it a company with a truly global reach.

In an earlier effort to reduce costs and become more profitable, Beiersdorf closed many of its 20 European facilities between 2006 and 2008.⁴ By 2012, Beiersdorf owned 16 production facilities including locations in Germany, Spain, Poland, Argentina, Chile, Brazil, Mexico, Indonesia, India, China, Thailand, and Kenya. Throughout Beiersdorf's current restructuring project, even more production facilities were either closed (e.g. in Germany and the United States) or put up for sale (e.g. in Switzerland).

For years, much of Beiersdorf's internationalization strategy focused on securing profits in mature markets such as Europe. Among these, Germany continued to be one of Beiersdorf's most important. In 2011, sales within the consumer division were €717 million, which accounted for 34 per cent of all sales in the European market. At the same time, Beiersdorf invested in exploring new opportunities for growth in some of the BRIC nations (Brazil, Russia, India, and China). In fact, between 2010 and 2011, consumer sales in Latin America and Eastern Europe (including Russia) grew by 15.2 and 5.2 per cent, respectively — as opposed to a 3.7 per cent decrease in Western European sales (excluding Germany, which decreased by 3.2 per cent).

However, not all of the internationalization strategy worked as smoothly as Beiersdorf had hoped. Despite its long experience with international expansion, Beiersdorf faced difficulties, especially with regards to entering new emerging countries. In 2007, the company acquired 85 per cent of the shares of C-Bons, China's third-largest hair care producer, for €269 million. The objective was to enhance awareness of the NIVEA brand in the Chinese market by benefiting from C-Bons's distribution and sales network. However, the returns on this investment were slow in coming. In 2011, the investment resulted in a €50 million loss because the Chinese brand could not prevail over international competitors who had entered the Chinese market. As a result, unsold products filled C-Bons's warehouses. Moreover, the distribution and sales network turned out to be heavily focused on non-target areas, whereas Beiersdorf's initial intention was to use C-Bons's network to distribute the NIVEA brand throughout the large Chinese market, mostly to metropolises. As a consequence of this unsuccessful acquisition, Beiersdorf had to lay off about 4,000 Chinese workers and report massive write-offs, and the newly appointed executive board member James C. Wei left the company by the end of 2011.⁵

The U.S. market was identified as another area with major potential for growth. Despite intensive marketing efforts, profits remained sluggish⁶ and revenues increased by a meager 2.1 per cent in 2011. After pursuing a strategy of deemphasizing non-focus brands, a process which had started in 2007, Beiersdorf remained present in the U.S. market with its core skin care brands like Eucerin and NIVEA. Since then, Beiersdorf outperformed its closest category competitors in terms of sales growth by at least 5.2 percentage points.⁷ In total, however, the North American market accounted for only 6 per cent (€300 million) of Beiersdorf's total revenues.⁸

Management and Ownership

In accordance with German corporate governance law, the management of Beiersdorf was divided into two distinct committees. While the executive board was in charge of developing a company strategy and putting it into action, the supervisory board's task was to assist the executive board in developing the strategy while taking the interests of various stakeholders (e.g. employees, investors) into consideration.

Until April 26, 2012, the *executive board* (composed of Peter Feld, Ralph Gusko, Dr. Ulrich Schmidt, and Ümit Subaşı) was chaired by the CEO Thomas-Bernd Quaas. Quaas was born in 1952 and entered the company in 1979 as a trainee. He worked his way up through a sales/marketing career until he ascended to the CEO position in 2005. He was described as a manager who was so enthusiastic about Beiersdorf's brands that he preferred them over any other brands, even in his personal life.⁹ When Quaas became the CEO, subordinates and employee representatives described him as "smart and very warm in interaction." "He is a very open, team-minded, communicative person. And he is one of us."¹⁰

Heidenreich's appointment as CEO came as a surprise to shareholders and employees¹¹ and marked a major change from the company's previous tradition of appointing CEOs from within the company. Heidenreich came from the food producer Hero as a replacement for Quaas. There had been an internal heir apparent for the CEO position for years, the former board member Markus Pinger (responsible for brands & supply chain), but he surprisingly announced he would leave the company by June 30, 2011 in the midst of the restructuring process. Pinger knew the company inside out and Quaas had been hopeful that Pinger would put it back on track and lead it to its former success. Pinger's departure thus left Beiersdorf in a state of shock and uncertainty. Rumor had it that disagreements about the strategic direction of the repositioning were the reason for the sudden falling out.¹²

Stefan F. Heidenreich, born in 1962, became a member of the executive board on January 1, 2012, before his official appointment as CEO of Beiersdorf on April 26, 2012. In his previous position at Hero, where he had been the CEO for seven years, Heidenreich convinced many investors of his ability to generate continuous profits and grow share prices. Employees at Beiersdorf, however, were skeptical of the company outsider, especially during a time of economic and cultural turmoil.¹³ Heidenreich had strong supporters though, including the head of the supervisory board, Dr. Reinhard Pöllath, who had met Heidenreich during an investor meeting and who was the driving force behind convincing him to join Beiersdorf.¹⁴ Like Beiersdorf, Heidenreich's former employer Hero had undergone major restructuring efforts and was controlled in part by a major blockholder. Heidenreich had been especially efficient in managing the blockholder's influence and leading Hero to continuous growth and increased share prices.¹⁵

Heidenreich was described as strong-willed and dynamic but also risk-seeking and aggressive.¹⁶ He held the title of Vice European Champion in windsurfing¹⁷ and sometimes participated in races with his cross-country motorcycles.¹⁸ In the company's newsletter to employees, he gave a glimpse of what to expect from him: "I know what I want.... You have to act — not just react."¹⁹

The *supervisory board* of Beiersdorf, on the other hand, was composed of twelve members and chaired by Pöllath. Three of the twelve board members represented Beiersdorf's work council, whereas another three members were associated with the investment firm Maxinvest AG, including Pöllath. Maxinvest AG was owned by the Herz family and owned a total of 50.89 per cent of Beiersdorf's shares. This gave the family, and Michael Herz as the CEO of Maxinvest AG especially, major voting right privileges and influence over the executive board members' decisions.

After Quaas's resignation as a member of the executive board, he would be appointed a new member of the supervisory board. This was an uncommon procedure and some felt that it would have been better corporate governance to allow for the usual two-year cooling-off period. Such a period was usually imposed on CEOs after resignation to make sure that they did not hinder the correction of mistakes they had made during their time as executive board members.²⁰

Apart from the 50.89 per cent held by the Herz family, Beiersdorf itself owned 9.99 per cent of its shares and had 39.12 per cent in free float. It was listed in the Deutscher Aktien Index (DAX), a German stock exchange index of the country's 30 biggest public companies in terms of market capitalization and order volume.

Research and Development (R&D)

Beiersdorf's commitment to rigorous skin research became apparent when it opened its extended Hamburg-based Global Research Center in 2004. In the 16,000-square-meter (172,222 square foot) building complex, researchers from all over the world collaborated with universities and dermatological institutes to not only work on product innovations but also advance basic skin research. The center was considered one of the biggest and most modern skin research facilities in Europe and one of its highlights was the auditorium: a room with the architectonic shape of a cell. Researchers at Beiersdorf called it the "philosopher's stone" because it housed research efforts that aimed at discovering ingredients that had rejuvenating effects on the skin.

Another feature of the center was its capacity to simulate the climatic conditions of other regions such as Asia or Latin America. Thus, the majority of consumer tests were conducted there, with an annual total of about 1,500 tests with 21,000 test persons to ensure that products met quality standards as well as consumer needs. About 1,000 studies were carried out in countries other than Germany to respond to local consumer preferences. For this purpose of local adaptation, Beiersdorf collaborated with approximately 50 institutes from around the world. This was in accordance with an important part of Beiersdorf's innovation philosophy, especially with regards to NIVEA: "to offer the best skin care for every age, skin type, culture, and location."²¹

For example, in 2008 Beiersdorf launched a product called "Whitening Oil Control" — a whitening cream specifically designed for male Indian consumers with oily skin. A similar product line, Nivea Body Natural Tone, was popular in Latin America, where it helped consumers even their skin tone as a response to sun damage. The local adaptation strategy was so pervasive that many of Beiersdorf's international customers considered NIVEA a local brand.

As a result of this heavy emphasis on innovation and local adaptation, the NIVEA brand had proliferated from its humble beginnings to become the largest skin care brand in the world, incorporating more than 500 products and a variety of product lines (see Exhibit 2). This innovation intensity was also reflected in the fact that about 30 per cent of Beiersdorf's revenue was generated with products that were less than five years old.²² In 2011 alone, Beiersdorf filed for 81 new product-related patents. R&D expenses were €163 million in 2011 (as opposed to €152 million in 2010) and 967 employees worldwide worked in this area (out of which 564 were in the consumer division and 403 were in the tesa division).

In 2011, Beiersdorf intensified its innovation efforts by launching a web-based open innovation platform called *Pearlfinder*. It enabled external researchers from all over the world to collaborate with Beiersdorf on

creative ideas and research proposals with regards to products and packaging. The purpose of this platform was to generate innovative concepts early on in the research process.

Despite this vast research effort and emphasis on innovation, there were some trends that Beiersdorf addressed relatively late. For instance, the first product that responded to consumer preferences towards more natural products was introduced in 2011 — many years after competitors had already established themselves in the natural cosmetics realm.²³

Brands

Beiersdorf's portfolio encompassed a total of nine brand families: NIVEA, Eucerin, La Prairie, Labello, Florena, 8&4, Hansaplast, SLEK, and tesa. Of these, the first three were Beiersdorf's global brands.

NIVEA

NIVEA was Beiersdorf's most important brand by revenue and brand awareness. The first NIVEA tin was sold in 1911, which made it almost as time-honored a brand as Campbell Soup or Coca Cola. The brand's name was derived from the Latin word for snow (nix, nivis) because of the cream's pure white color. NIVEA soon became a household brand for many families in booming post-war economies and the ritual of using the cream was passed down from parents to children. Many consumers had childhood memories that involved the NIVEA brand — for instance, when families started to have disposable income again after World War II, they went on vacation and the preferred choice for sunscreen was NIVEA. Beiersdorf fostered the connection between its products and the beach by releasing the now-famous inflatable NIVEA beach ball — a marketing strategy so successful that NIVEA distributed about 20 million of these balls due to popular demand within the past 40 years alone. The profoundness of such a generation-spanning product might be reflected in the fact that consumers associated the brand with core values like trust, honesty, reliability, family, and quality, even in 2011.

Over the decades, a variety of categories evolved under the NIVEA brand umbrella, including products for babies, body hygiene, body care, deodorants, facial care, hair care & styling, care for men, moisturizers (NIVEA soft), sun screen, and make-up. All of these categories again had specific product types subsumed underneath them; for instance, the *deodorants* category was divided into spray, roll-on, diffuser, stick, and cream. However, not only did the products themselves change, but also their design. While the original NIVEA cream was sold in a tin with a simple white and blue design, the new products were now packaged in fashionable designs like curvy bottles with a color palette ranging from white to beige, light blue, dark blue, and purple.

In 2011, the brand celebrated its 100th birthday with a major worldwide marketing campaign “NIVEA — 100 Years Skin Care for Life.” In an effort to bridge the historical origins of the brand with modern consumer tastes, Beiersdorf initiated a massive social network campaign with American singer Rihanna as the voice of the anniversary campaign. By the end of 2011, the brand's Facebook page had 2.7 million fans.

Eucerin

Eucerin was based on the same chemical innovation as NIVEA, the emulsifier *Eucerit*. While NIVEA's main focus was on personal care, the Eucerin product line was intended for medical use. Thus, the first products of the line were soap, cream, and powder for the treatment of wounds, and were often recommended by dermatologists. Beiersdorf's main focus with the Eucerin brand was on providing the basic ingredients for ointments to pharmacies. This changed in 1950, when Beiersdorf launched yet another innovation based on scientific research: the ointment Eucerin-ph5, which protected the natural acid mantle of the skin. This was significant because it marked Beiersdorf's entry into selling ready-made products to consumers through pharmacies as the preferred distribution channel.

During the 1960s, the Eucerin product line evolved from a brand with predominantly medical use to one that could also be applied to more common issues such as rough skin on hands or feet. Like NIVEA, the Eucerin brand incorporated a wide range of innovations, from products for extra dry skin or atopic eczema to sun protection and anti-aging. That it was recommended by dermatologists and sold in pharmacies gave it a considerable amount of credibility.

In 2011, Eucerin celebrated its 111th birthday with a global marketing campaign that aimed at direct interaction with the consumer at the point of sale. By that time, the brand included eight product lines, which covered medically relevant skin issues from head to toe. It was available in 41 countries on four continents and generated 4.8 per cent growth in 2011 compared to the previous year.

La Prairie

In 1991, Beiersdorf acquired the Laboratoires La Prairie, a Swiss research company that had evolved from the renowned Clinique La Prairie in Montreux. Laboratoires La Prairie was focused on developing high-end anti-aging skin care products with ingredients such as caviar and a substance called Exclusive Cellular Complex. Soon after the acquisition, Beiersdorf integrated other high-end brands into the La Prairie group, including Juvena and Marlies Möller beauty hair care. By the end of 2011, the La Prairie brand was available in 17 countries on three continents and reported growth of 3.4 per cent in 2011.

Financial Situation

At the beginning of the global financial crisis in 2008, Beiersdorf reported the best results in its history with €5,971 million in revenues (an 8.4 per cent increase compared to 2007) and earnings before interest and taxes (EBIT) of €797 million (including special items) (see Exhibits 3-4). The consumer division contributed €5,125 million (85.83 per cent) to the company's revenues, while the tesa division reported €846 million (14.17 per cent). This success culminated in Beiersdorf's inclusion in the DAX, Germany's index of the country's top 30 companies in terms of book value and market capitalization, on December 22, 2008.

Just a year later, Quaas started his *Letter to Investors* in the annual report with the statement that "2009 was a difficult year."²⁴ Although revenues were still at a relatively high level at €5,748 million, the company's growth rates had declined to -0.7 per cent.

By 2012, Beiersdorf had still not returned to its previous strength. At the annual stockholder meeting, the company reported €5,633 million in revenues, less than in 2008. Unlike in previous years, the tesa division

was the main driver of growth. Another reason for the delayed recovery was identified in the massive write-downs in the context of the acquisition of C-Bons. These impairment losses accumulated to €213 million between 2010 and 2011. Moreover, the restructuring project not only increased one-time costs by €213 million in 2011 alone, but also led to a decrease in sales in affected countries.

Despite these sobering figures, Beiersdorf was not a poor company by any means. In fact, it enjoyed a comfortable cushion of reserves worth about €2.2 billion.²⁵ The continuous flow of profits from the NIVEA brand kept the company liquid.

Market Environment and Competition

Beiersdorf was operating in an industry with very strong global competitors, the closest of which were Procter & Gamble, Unilever, L’Oreal, Henkel, and Johnson & Johnson (see Exhibits 5 to 7). The effects of such strong competition were especially apparent in the Western European market, where market saturation was high. Here, Beiersdorf competed for limited shelf space in an economic environment of decreasing market size. In many cases, innovations such as stain-free deodorants were merely designed as a substitute for a competitor’s product on the shelves. Thus, Quaas identified “maintaining the current position” as a priority.²⁶

The European Union’s economic downturn, with Greece announcing its bankruptcy and other countries being on the verge of it, did not help matters. The inflation rate in the European Union grew by 2.7 per cent, while consumer spending practically stagnated at 0.5 per cent in 2011. This economic environment was especially distressing because the European market was where Beiersdorf earned most of its profits. Here, Beiersdorf earned 92 per cent of its EBIT, with 59 per cent of its revenue in the consumer division. Thus, any losses in European market share were especially painful.

At the same time, Beiersdorf was still able to defend the NIVEA product family’s position as the biggest skin care brand in the world,²⁷ with 166 category leadership positions worldwide.²⁸ Clearly, the value of the NIVEA brand did not go unnoticed by Beiersdorf’s competitors. Procter & Gamble expressed its continued interest in the company. In 2003, a takeover by the U.S.-based company was prevented with the help of the Herz family and the Hanseatic City of Hamburg. In 2010, Procter & Gamble’s CEO Robert McDonald renewed interest in an acquisition.²⁹

THE RESTRUCTURING PROJECT

The overarching vision for the restructuring process was for Beiersdorf to get closer to becoming the world’s best skin care company. The slogan “Focus on Skin Care. Closer to Markets” was the means through which this vision was to be attained.

Focus on Skin Care

A core element of the restructuring strategy was for Beiersdorf to remember its core competence — excellence in skin and body care — and refocus its resources accordingly. This entailed an emphasis on core products lines. For instance, the NIVEA brand was heavily advertised with a new marketing platform of integrated 360-degree channels (including radio, TV, and cruise ships). Moreover, non-core product lines were deemphasized. In Europe alone, Beiersdorf removed about 1,000 products from shelves (19 per

cent of the European assortment). Beiersdorf not only sold regionally distributed brands like Juvena and Marlies Möeller, but also exited the makeup category.

Closer to Markets

One of the first measures after the restructuring project was announced in 2010 was the rearrangement of responsibilities in the top management team. In 2009, the members of the executive board were associated with corporate functions such as finance, law, logistics, sustainability, communication, and marketing. In March 2010, Beiersdorf announced the introduction of two functional (finance/HR and brands/supply chain) and three regional areas of responsibility (Europe/North America, Asia/Australia, and emerging markets). Each member of the board was responsible for either a function or a region.

Since the beginning of this rearrangement within the top management team in 2010, all of the members of the executive board had left the company. Quaas's resignation marked the departure of the last member who had also been on the board in 2009, before the rearrangement. Thus, in 2012 the functions and regional responsibilities were divided such that Peter Feld was responsible for Europe/North America, Ralph Gusko for brands and supply chain (as a replacement for Markus Pinger), and Dr. Ulrich Schmidt for finance/HR. Ümit Subaşı was appointed a new member of the board in March 2011 and given the responsibility to develop the emerging markets area.

Beiersdorf also realigned its corporate structures in an effort to grant regional subsidiaries more decision-making authority. Only the broad corporate strategy was to be provided by the headquarters. This led to an overall thinning of structures with an accompanying cost savings of an estimated €90 million per year, predicted to be in full effect by 2014. In 2011, Beiersdorf cut about 1,000 jobs in the consumer division worldwide (almost 7 per cent of the division's workforce),³⁰ with most of them at the German headquarters.

CHALLENGES

On April 26, 2012, all of these measures were still very fresh in the minds of many of Beiersdorf's shareholders and employees. Just a year ago, at the 2011 annual shareholder meeting, employees were standing outside of the conference center, protesting against the job cuts.³¹ The company, founded on traditional values like trust and consistency, was deeply shaken to the core of its cultural identity. Within just a few years, Beiersdorf had evolved from a company with stable management and solid profitability to one with high volatility in the top management team and sobering year-end accounts, as well as ever-growing competitors. Employees were confused and anxious; shareholders were starting to become impatient.

Had Beiersdorf taken too big a bite of the world's consumer market? Was Beiersdorf big enough to take on its major competitors? Had it made the right choice of strategy and was it the right timing for its implementation? And how could it balance profitability while maintaining local responsiveness? On April 27, 2012, Heidenreich's first day as new CEO, he would have to be ready to deliver.

Exhibit 1

BEIERSDORF SUBSIDIARIES

Region	Countries with subsidiaries
North America	United States, Canada
South America	Argentina, Bolivia, Brazil, British Virgin Islands, Chile, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Colombia, Mexico, Panama, Paraguay, Peru, Uruguay, Venezuela
Europe	Belgium, Bulgaria, Denmark, Germany, Estonia, Finland, France, Greece, United Kingdom, Ireland, Iceland, Italy, Croatia, Latvia, Lithuania, Macedonia, Netherlands, Norway, Austria, Poland, Portugal, Serbia, Romania, Russia, Sweden, Slovakia, Slovenia, Spain, Czech Republic, Turkey, Ukraine, Hungary
Africa	Ghana, Kenya, Morocco, South Africa
Asia	China, India, Indonesia, Japan, Kazakhstan, South Korea, Malaysia, Singapore, Thailand, United Arab Emirates, Vietnam
Australia	Australia, New Zealand

Source: www.beiersdorf.de.

Exhibit 2

MAJOR INNOVATIONS UNDER THE NIVEA BRAND UMBRELLA

Date of introduction	Product
Dec. 1911	Original NIVEA cream
1919	NIVEA soap
1920	NIVEA hair milk (hair care product line)
1922	NIVEA shaving soap for men
1927	NIVEA bleaching cream
1960	NIVEA baby line
1986	NIVEA for men
1991	NIVEA hair care, NIVEA deodorant
1992	NIVEA body
1993	NIVEA sun, NIVEA visage
1994	NIVEA vital for mature skin
1996	NIVEA bath care
1997	NIVEA beauté
1998	NIVEA visage anti-wrinkle cream Q10, NIVEA hand
...	...
by 2012	More than 500 products in various product lines

Sources:

NIVEA, <http://www.nivea.de/Unser-Unternehmen/beiersdorf/NIVEAHistory#!stories/story02>, accessed September 17, 2012;

Thomas Schönen (Beiersdorf AG), "NIVEA," www.beiersdorf.de/GetFile.aspx?id=3061, accessed October 9, 2012.

Exhibit 3

BEIERSDORF BALANCE SHEET 2008-2011

[in million €]	2008	2009	2010	2011
ASSETS				
Intangible assets	398	382	306	172
Property, plant, and equipment	727	725	716	635
Non-current financial assets/securities	11	10	438	686
Other non-current assets	4	2	2	3
Deferred tax assets	36	58	76	87
Non-current assets	1,176	1,177	1,538	1,583
Inventories	634	561	632	699
Trade receivables	894	906	1,001	1,019
Other current financial assets	128	91	72	113
Income tax receivables	45	41	63	73
Other current assets	81	96	112	115
Securities	897	955	704	712
Cash and cash equivalents	613	767	973	941
Non-current assets and disposal groups held for sale	-	-	-	20
Current assets	3,292	3,417	3,557	3,692
	4,468	4,594	5,095	5,275
LIABILITIES				
Share capital	252	252	252	252
Additional paid-in capital	47	47	47	47
Retained earnings	2,280	2,450	2,609	2,700
Accumulated other consolidated income	-129	-123	-1	3
Equity attributable to equity holders of Beiersdorf AG	2,450	2,626	2,907	3,002
Non-controlling interests	10	10	13	14
Equity	2,460	2,636	2,920	3,016
Provisions for pensions and other post-employment benefits	235	221	209	190
Other non-current provisions	131	138	117	107
Non-current financial liabilities	72	7	8	5
Other non-current liabilities	6	5	5	4
Deferred tax liabilities	164	161	155	148
Non-current liabilities	608	532	494	454
Other current provisions	363	391	486	527
Income tax liabilities	99	107	126	82
Trade payables	690	699	863	946
Other current financial liabilities	174	158	135	172
Other current liabilities	74	71	71	78
Current liabilities	1,400	1,426	1,681	1,805
	4,468	4,594	5,095	5,275

Sources:

"Finanzberichte - Geschäftsberichte - Ausgewählte Kennzahlen 2009," Beiersdorf AG, www.beiersdorf.de/Investoren/Finanzberichte/Gesch%C3%A4ftsberichte.html, accessed October 20, 2012;
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Exhibit 4

BEIERSDORF INCOME STATEMENT AND ADDITIONAL FINANCIALS 2008-2011

[in million €]	2008	2009	2010	2011
INCOME STATEMENT*				
Sales	5,971	5,748	5,571	5,633
Change against prior year (in %)	8.4	-3.7	7.8	1.1
Consumer	5,125	5,011	4,698	4,696
Tesa	846	737	873	937
Europe	4,090	3,767	3,450	3,414
America	832	851	932	993
Africa/Asia/Australia	1,049	1,130	1,189	1,226
Cost of goods sold	-1,979	-1,882	-2,016	-2,077
Gross profit	3,992	3,866	3,555	3,556
Marketing and selling expenses	-2,874	-2,766	-2,336	-2,454
Research and development expenses	-149	-149	-152	-163
General and administrative expenses	-292	-283	-278	-291
Other operating income	108	94	86	158
Other operating expenses	-89	-175	-292	-375
Special factors relating to divestments	96	-	-	-
Special factors relating to the realignment of the consumer supply chain	5	-	-	-
Operating result (EBIT)	797	587	583	431
Interest income	47	21	19	31
Interest expense	-14	-15	-13	-19
Net pension result	8	-2	-6	-2
Other financial result	-16	-8	-30	-1
Financial result	25	-4	-30	9
Profit before tax	822	583	553	440
Taxes on income	-255	-203	-227	-181
Profit after tax	567	380	326	259
Profit attributable to equity holders at Beiersdorf AG	562	374	318	250
Profit attributable to non-controlling interests	5	6	8	9
ADDITIONAL FINANCIALS				
Cost of materials**	1,453	1,199	1,370	1,437
Personnel expenses**	922	947	974	1,000
Basic/diluted earnings per share (in €)	2.48	1.65	1.40	1.10
Dividend per share (in €)	0.90	0.70	0.70	0.70
Beiersdorf's shares — year-end closing price	42.00	45.93	41.53	43.82
Market capitalization as of Dec. 31	10,584	11,574	10,466	11,043
Employees as of Dec. 31	21,766	20,346	19,128	17,666

* The income statement was prepared according to the cost of sales approach.

** The cost of materials and personnel expenses are included but not explicated in the income calculation and are therefore listed here for transparency purposes.

Sources:

"Finanzberichte - Geschäftsberichte - Ausgewählte Kennzahlen 2009," Beiersdorf AG, op. cit.;

"Finanzberichte - Geschäftsberichte - Ausgewählte Kennzahlen 2011," Beiersdorf AG, op. cit.

Exhibit 5

BIGGEST GLOBAL COMPETITORS (OVERVIEW)

	Location of HQ	Employees	Revenue [in million US \$]	Revenue growth to previous year [%]	Net profit [in million US \$]	Most similar product to NIVEA
Beiersdorf	Hamburg, Germany	17,666 (in 2011)	7,843.4 (FY* 2011)	1.1	348.1	-
Unilever	London, U.K.	171,000 (in 2011)	64,700.7 (FY 2011)	5.0	5,920.5	Dove, Vaseline, St. Ives
Procter & Gamble	Cincinnati, U.S.A.	126,000 (in 2012)	83,680 (FY 2012)	3.2	10,756	Olay
Johnson & Johnson	New Brunswick, U.S.A.	117,900 (in 2012)	65,030 (FY 2011)	5.6	9,672	Aveeno, Clean & Clear
L'Oreal S.A.	Clichy, France	68,900 (in 2011)	28,325.7 (FY 2011)	4.3	3,395.2	L'Oreal Paris, Garnier
Henkel AG & Co KGaA	Düsseldorf, Germany	47,265	21,728.4 (FY 2011)	3.4	1,744.7	Aok, Schwarzkopf, Diadermine
Avon Products, Inc.	New York City, U.S.A.	40,600 (in 2011)	11,291.6 (FY 2011)	3.9	513.6	Avon
Estee Lauder Companies	New York City, U.S.A.	32,300 (in 2011)	8,810 (FY 2011)	13.0	700.8	Estee Lauder, Clinique, Aveda
Clarins S.A.	Neuilly-sur-Seine, France	6,100	Not published			Clarins

*FY: Fiscal Year

Note: In order to allow for better comparability, all figures were converted into U.S. dollars.

Source: Marketline Database, Company Reports 2011-2012.

Exhibit 6

GLOBAL MARKET SEGMENTATION

Industry	Global market value [in million \$, 2010]	Regional share [%]			
		Asia-Pacific	Europe	Americas	Middle East & Africa
Global facial care	50,891.9	51.0	30.1	17.1	1.7
Global sun care	7,326.1	29.5	39.8	28.9	1.8
Global hand & body care	18,049.7	41.1	31.2	25.8	1.8
Global hair care	49,515.7	30.8	35.0	30.9	3.3

Source: Marketline Database, Industry Reports 2011.

Exhibit 7

COMPETITORS (OVERVIEW OF SELECTED MARKET SHARES)

	Market value in 2010	Market growth in 2010	1st position		2nd position		3rd position		Rest
	[million US \$]	[%]		[%]		[%]		[%]	[%]
FACIAL CARE INDUSTRY									
Global	50,891.9	4.6	L'Oreal S.A.	13.6	Unilever	7.8	Beiersdorf AG	7.5	71.0
Europe	15,335.3	3.6	L'Oreal S.A.	23.8	Beiersdorf AG	16.3	Estée Lauder	6.1	53.8
Germany	2,229.2	2.1	Beiersdorf AG	22.5	L'Oreal S.A.	20.6	Reckitt Benckiser PLC	8.0	48.9
Asia-Pac.	25,953.1	5.4	Kao Corporation	10.1	Unilever	10.1	Shiseido	9.1	70.7
China	7,703.4	10	L'Oreal S.A.	16.6	Procter & Gamble	12.5	Cheng Ming Ming	12.0	58.9
U.S.	5,012.5	3.3	Procter & Gamble	20.9	Johnson & Johnson	14.2	Unilever	12.4	52.5
Canada	821.5	3.3	Unilever	35.8	Johnson & Johnson	18.2	Beiersdorf AG	11.2	34.8
SUN CARE INDUSTRY									
Global	7,326.1	5.1	L'Oreal S.A.	14.0	Beiersdorf AG	13.5	Johnson & Johnson	9.8	62.7
Europe	2,919.0	3.4	L'Oreal S.A.	26.0	Beiersdorf AG	23.0	Johnson & Johnson	6.3	44.7
Germany	200.6	0.8	Beiersdorf AG	29.8	L'Oreal S.A.	20.0	Coty Inc	12.3	38.0
Asia-Pac.	2,161.2	5.4	Kao Corporation	14.3	Beiersdorf AG	7.9	Shiseido	6.4	71.5
China	762.7	5.8	Kao Corporation	29.9	Procter & Gamble	9.3	Johnson & Johnson	8.3	52.6
U.S.	1,155.6	4.3	Merck & Co., Inc.	23.8	Johnson & Johnson	18.2	Energizer Holdings	18.1	39.9
Canada	172.6	3.6	L'Oreal S.A.	17.5	Schering-Plough	12.2	Johnson & Johnson	9.4	60.8
HAND & BODY CARE INDUSTRY									
Global	18,049.7	3.8	Beiersdorf AG	13.0	Unilever	9.5	L'Oreal S.A.	7.3	70.2
Europe	5,632.3	2.5	Beiersdorf AG	24.0	L'Oreal S.A.	11.8	Unilever	10.6	53.5
Germany	1,216.7	0.7	Beiersdorf AG	39.6	Unilever	12.9	L'Oreal S.A.	6.9	40.6
Asia-Pac.	7,420.1	3.7	Shiseido	16.0	Kao Corporation	10.7	Beiersdorf AG	5.8	67.5
China					no data				
U.S.	2,374.1	3.3	Unilever	13.0	Kao Corporation	11.4	Avon Products	8.7	66.8
Canada					no data				
HAIR CARE INDUSTRY									
Global	49,515.7	3.1	Procter & Gamble	24.1	L'Oreal S.A.	16.7	Unilever	11.7	47.4
Europe	17,326.0	2.0	Procter & Gamble	32.5	Henkel KGaA	17.0	-	-	50.5
Germany	2,473.9	0.3	Henkel KGaA	31.5	L'Oreal S.A.	26.6	P&G	18.7	23.2
Asia-Pac.	15,266.1	4.5	Procter & Gamble	22.0	Unilever	15.2	Kao Corporation	11.4	51.4
China	3,767.1	5.4	Procter & Gamble	39.4	Unilever	14.1	Beiersdorf AG	7.9	38.6
U.S.	7,232.3	-1.6	Procter & Gamble	28.2	L'Oreal S.A.	20.1	Unilever	9.6	42.1
Canada	1,116.0	2.3	Procter & Gamble	30.4	Unilever	15.7	L'Oreal S.A.	13.7	40.2

Source: Marketline Database, Industry Reports 2011.

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