

## **Case study: NIVEA**

The use of the marketing mix in product launch

### **Introduction**

NIVEA® is an established name in high quality skin and beauty care products. It is part of a range of brands produced and sold by Beiersdorf. Beiersdorf, founded in 1882, has grown to be a global company specialising in skin and beauty care.

In the UK, Beiersdorf's continuing goal is to have its products as close as possible to its consumers, regardless of where they live. Its aims are to understand its consumers in its many different markets and delight them with innovative products for their skin and beauty care needs. This strengthens the trust and appeal of Beiersdorf brands. The business prides itself on being consumer-led and this focus has helped it to grow NIVEA into one of the largest skin care brands in the world.

Beiersdorf's continuing programme of market research showed a gap in the market. This led to the launch of NIVEA VISAGE® Young in 2005 as part of the NIVEA VISAGE range offering a comprehensive selection of products aimed at young women. It carries the strength of the NIVEA brand image to the target market of girls aged 13-19. NIVEA VISAGE Young helps girls to develop a proper skin care routine to help keep their skin looking healthy and beautiful.

The market can be developed by creating a good product/range and introducing it to the market (product-orientated approach) or by finding a gap in the market and developing a product to fill it (market-orientated approach). Having identified a gap in the market, Beiersdorf launched NIVEA VISAGE Young using an effective balance of the right product, price, promotion and place. This is known as the marketing mix or 'four Ps'. It is vital that a company gets the balance of these four elements correct so that a product will achieve its critical success factors. Beiersdorf needed to develop a mix that suited the product and the target market as well as meeting its own business objectives.

The company re-launched the NIVEA VISAGE Young range in June 2007 further optimising its position in the market. Optimised means the product had a new formula, new design, new packaging and a new name. This case study shows how a carefully balanced marketing mix provides the platform for launching and re-launching a brand onto the market.

### **Product**

The first stage in building an effective mix is to understand the market. NIVEA uses market research to target key market segments which identifies groups of people with the same characteristics such as age/gender/attitude/lifestyle. The knowledge and understanding from the research helps in the development of new products. NIVEA carries out its market research with consumers in a number of different ways. These include:

- using focus groups to listen to consumers directly
- gathering data from consumers through a variety of different research techniques
- product testing with consumers in different markets.

Beiersdorf's market research identified that younger consumers wanted more specialised face care aimed at their own age group that offered a 'beautifying' benefit, rather than a solution to skin problems. NIVEA VISAGE Young is a skin care range targeted at girls who do not want medicated products but want a regime for their normal skin.

### **Price**

Lots of factors affect the end price of a product, for example, the costs of production or the business need to maximise profits or sales. A product's price also needs to provide value for money in the market and attract consumers to buy.

There are several pricing strategies that a business can use:

Cost based pricing – this can either simply cover costs or include an element of profit. It focuses on the product and does not take account of consumers.

Penetration price – an initial low price to ensure that there is a high volume of purchases and market share is quickly won. This strategy encourages consumers to develop a habit of buying.

Price skimming – an initial high price for a unique product encouraging those who want to be ‘first to buy’ to pay a premium price. This strategy helps a business to gain maximum revenue before a competitor’s product reaches the market.

On re-launch the price for NIVEA VISAGE Young was slightly higher than previously. This reflected its new formulations, packaging and extended product range. However, the company also had to take into account that the target market was both teenage girls and mums buying the product for their daughters. This meant that the price had to offer value for money or it would be out of reach of its target market.

As NIVEA VISAGE Young is one of the leading skin care ranges meeting the beautifying needs of this market segment, it is effectively the **price leader**. This means that it sets the price level that **competitors** will follow or undercut. NIVEA needs to regularly review prices should a competitor enter the market at the ‘market growth’ point of the **product life cycle** to ensure that its pricing remains competitive.

The pricing strategy for NIVEA is not the same as that of the retailers. It sells products to retailers at one price. However, retailers have the freedom to use other strategies for **sales promotion**. These take account of the competitive nature of the high street. They may use:

loss leader: the retailer sells for less than it cost to attract large volume of sales, for example by supermarkets discounting – alongside other special offers, such as ‘Buy one, get one free’ (BOGOF) or ‘two for one’. NIVEA VISAGE Young’s pricing strategy now generates around 7% of NIVEA VISAGE sales.

## **Place**

Place refers to:

How the product arrives at the point of sale? This means a business must think about what **distribution strategies** it will use.

Where a product is sold. This includes retail outlets like supermarkets or high street shops. It also includes other ways in which businesses make products directly available to their target market, for example, through direct mail or the Internet.

NIVEA VISAGE Young aims to use as many relevant distribution channels as possible to ensure the widest reach of its products to its target market. The main channels for the product are retail outlets where consumers expect to find skin care ranges. Around 65% of NIVEA VISAGE Young sales are through large high street shops such as Boots and Superdrug. Superdrug is particularly important for the ‘young-end’ market. The other 35% of sales mainly comes from large grocery chains that stock beauty products, such as ASDA, Tesco and Sainsbury’s. Market research shows that around 20% of this younger target market buys products for themselves in the high street stores when shopping with friends. Research also shows that the majority of purchasers are actually made by mums, buying for teenagers. Mums are more likely to buy the product from supermarkets whilst doing their grocery shopping.

NIVEA distributes through a range of outlets that are cost effective but that also reach the highest number of consumers. Its distribution strategies also consider the environmental impact of transport. It uses a central distribution point in the UK. Products arrive from European production plants using contract vehicles for efficiency for onward delivery to retail stores. Beiersdorf does not sell direct to smaller retailers as the volume of products sold would not be cost effective to deliver but it uses **wholesalers** for these smaller accounts. It does not sell directly through its website as the costs of producing small orders would be too high. However, the retailers, like Tesco, feature and sell the NIVEA products in their online stores.

### **Promotion**

Promotion is how the business tells customers that products are available and persuades them to buy. Promotion is either **above-the-line** or **below-the-line**. Above-the-line promotion is directly paid for, for example TV or newspaper advertising.

Below-the-line is where the business uses other promotional methods to get the product message across:

Events or trade fairs help to launch a product to a wide audience. Events may be business to consumer (B2C) whereas trade fairs are business to business (B2B).

Direct mail can reach a large number of people but is not easy to target specific consumers cost-effectively.

Public relations (PR) includes the different ways a business can communicate with its **stakeholders**, through, for example, newspaper press releases. Other PR activities include **sponsorship** of high profile events like Formula 1 or the World Cup, as well as donations to or participation in charity events

Branding – a strong and consistent brand identity differentiates the product and helps consumers to understand and trust the product. This aims to keep consumers buying the product long-term.

Sales promotions, for example competitions or sampling, encourage consumers to buy products in the short-term.

NIVEA chooses promotional strategies that reflect the lifestyle of its audience and the range of media available. It realises that a 'one way' message, using TV or the press, is not as effective as talking directly to its target group of consumers. Therefore, NIVEA does not plan to use any above-the-line promotion for NIVEA VISAGE Young.

The promotion of NIVEA VISAGE Young is consumer-led. Using various below-the-line routes, NIVEA identifies ways of talking to teenagers (and their mums) directly.

A key part of the strategy is the use of product **samples**. These allow customers to touch, feel, smell and try the products. Over a million samples of NIVEA VISAGE Young products will be given away during 2008. These samples will be available through the website, samples in stores or in 'goody bags' given out at VISAGE roadshows up and down the country.

NIVEA VISAGE Young launched an interactive online magazine called FYI (*Fun, Young & Independent*) to raise awareness of the brand. The concept behind the magazine is to give teenage girls the confidence to become young women and to enjoy their new-found independence. Communication channels are original and engaging to enable teenagers to identify with NIVEA VISAGE Young. The magazine focuses on 'first time' experiences relating to NIVEA VISAGE Young being their first skincare routine. It is promoted using the Hit40UK chart show and the TMF digital TV channel.

In connection with FYI, NIVEA VISAGE Young has recognised the power of social network sites for this young audience and also has pages on MySpace, Facebook and Bebo. The

company is using the power of **new media** as part of the mix to grow awareness amongst the target audience.

### **Conclusion**

NIVEA VISAGE Young is a skincare range in the UK market designed to enhance the skin and beauty of the teenage consumer rather than being medicated to treat skin problems. As such, it has created a clear position in the market. This shows that NIVEA understands its consumers and has produced this differentiated product range in order to meet their needs. To bring the range to market, the business has put together a marketing mix. This mix balances the four elements of product, price, place and promotion. The mix uses traditional methods of place, such as distribution through the high street, alongside more modern methods of promotion, such as through social networking sites. It makes sure that the message of NIVEA VISAGE Young reaches the right people in the right way.

### **REQUIRED:**

**1. Critically evaluate the assembly of a NIVEA marketing mix of the existing product offering and give recommendations for mix optimization to gain traction with the customers.**

**2. To what extent, do you think NIVEA can rely on its brand alone for future growth? Construct the strategies that you would recommend to Nivea's marketing manager to ensure continued success in the 21<sup>st</sup> century.**