

## **Beiersdorf's AG's Brand Architecture Strategies. Challenges in Nurturing an Umbrella Brand Nivea**

**Q1. (a)** Beiersdorf AG, an international brand that deals with skincare products, has developed and maintained a powerful brand DNA which allows it to successfully market various lines of products. Notably, the case focuses on the Nivea brand, and the crafting of a strategic management plan for that brand may be considered as a perfect illustration of the subject. This analysis aims to evaluate how Beiersdorf AG uses the brand-product matrix to get an insight into the breadth, depth, and coherence of its product portfolio and brand portfolio, emphasising any aspect that gives the company the competitive advantage.

**Breadth of Brand Portfolio:** Nivea is a strong brand series example for the management of a broad portfolio of brands represented by the different categories of Nivea products. All of them target different consumer groups, which shows how the company purposefully applies the principle of brand width in order to fully cover the market (*Case study p.2.*) Extensive spread is fundamental for satisfying the different consumer demand and necessity since this is vital in maintaining the fierce competition in the dynamic environment of the personal care industry (*Keller, 2015*).

**Depth of Product Lines:** To indicate what makes Beiersdorf's product line so deep is the fact that it had Nivea skincare products of different kinds which can be seen in the huge number of its products. Every category offered by Nivea is reached by a differentiated array of products to address those needs like different types of skins, age groups and even powerfully gender specific desires. (*Case study p.2.*) This strategy not only increases the market presence but also builds brand trust based on customer knowledge that they can have confidence in products with the same consumer-trusted brand name (*Keller, 2015*).

**Consistency of Product Lines and Brand Portfolio:** Beiersdorf delivers a uniform communication through consistent and unified brand messaging across its product lines as well as its whole brand portfolio that focuses on the core values such as quality, reliability, and consumer trust. These values are consistently reinforced through all Nivea products, regardless of whether through the product design, the advertising, or the way they engage consumers. (*Case study p.2.*) This consistency further solidifies Nivea's prominent position in the market and facilitates uniform marketing perception within different product groups (*Keller, 2015*).

**Utilisation of the Brand-Product Matrix in Strategic Brand Management:** By utilising products' brand-product matrix with the purpose of properly exploiting brand equity Mercedes-Benz provides adequate management across its wide spectrum of products. Putting the links between its different product lines and categories on a map, the firm can realise every new product line or category enhancement helps retain the brand identity its customers recognize. This information grid is a main tool to keep the company focused and functional so that there are no problems in replacing traditional things with innovations (*Keller, 2015*).

To better illustrate Beiersdorf's strategic brand management, the following table details the breadth, depth, and consistency of the Nivea brand across various product categories:

Category	Product Types	Brand Values	Strategic Brand Management
Body Care	Lotions, creams, in-shower moisturisers	Hydration, nourishment	Products designed for different skin types, emphasising deep hydration
Facial Care	Face creams, cleansers, toners	Gentle care, anti-aging	Tailored solutions for varying skincare needs
Sun Care	Sunscreens, after-sun lotions	Protection, aftercare	Broad spectrum protection, skin soothing formulas
Men's Care	Shaving products, moisturisers, face washes	Masculine hygiene, simplicity	Simplified grooming routines, effective results
Deodorants	Roll-ons, sprays, sticks	Freshness, protection	Long-lasting protection against body odour
Hair Care	Shampoos, conditioners	Scalp health, beauty	Formulas targeting different hair types and health needs

This table underscores how Beiersdorf AG meticulously manages its Nivea brand to ensure each product aligns with established brand values while meeting specific customer needs, thereby reinforcing a strong brand identity across diverse market segments.

**Q1. (b)** Beiersdorf AG's strategic use of its brand architecture can be analysed through the lens of Aaker and Joachimsthaler's Brand Relationship Spectrum, which includes various strategies such as the "branded house," "house of brands," and "endorsed brands" among others. Beiersdorf, with its diversified portfolio including prominent brands like Nivea, Eucerin, and La Prairie, employs a mixed strategy that leans towards a "house of brands." (*Case study p.2.*) This approach further enables each brand under its umbrella to target different segments and maintain distinct brand identities, which is crucial for catering to diverse consumer preferences and market needs (*Case study p.4, Beiersdorf's region-wise consumer segment*).

### **Brand Architecture Analysis of Beiersdorf AG**

**House of Brands:** Beiersdorf is mainly employed by a "brands' house" strategy. This structure works in such a way that All three products of this group, such as Nivea, Eucerin, and La Prairie, are free to act with their own brand assurances, characters, and marketing ways.(*Case study* p.2.). This segmentation ensures that the brand messages contain clarity and are tailored to specific target audiences without overlap, which can dilute brand equity (*Case study* p.4.) (Keller, 2015).

**Advantages**

- *Clear Brand Identity:* Each brand can have its own brand identity, which will be useful to the companies, along with their strategic focus on particular market segments as well.
- *Risk Mitigation:* If errors or pain points that are related to one brand did not automatically affect the reputation of other brands in the pool.

**Disadvantages**

- *Higher Marketing Costs:* Every brand has its own targeted strategy and planned campaign, which on aggregate becomes a costly affair.
- *Management Complexity:* This rises overhead as the management of multiple independent brands navigate organisational complexity and resource allocation issues.

**Endorsed Brands**

Although it is a mostly a house of brands company, porting the endorsed brand strategy as well, this is often its choices of how to manage the brand extensions in the Nivea segment. The products Nivea Soft, Nivea Sun, and Nivea Men are essentially the same and they all also share the core Nivea brand equity, but each of these products also has its own sub-identifier which belongs to the parent brand (Keller, 2015).

**Advantages**

- *Leverage Brand Equity:* The core brand's established market equity supports the sub-brands, enhancing consumer trust and recognition.
- *Strategic Flexibility:* Allows the company to explore new market opportunities without committing fully to independent brand strategies.

**Disadvantages**

- *Risk of Brand Dilution:* Overextension under the parent brand can lead to dilution of the main brand's identity and equity.
- *Consumer Confusion:* If not managed well, too many sub-brands can confuse consumers about the differentiation and positioning of each.

**Brand Hierarchy :** To maintain the separation of its core corporate brand from a line of products, the Beiersdorf Brand Hierarchy is intensely organised. Such a framework helps to foster consistency with the brand message and to keep the communication across the multiple product lines aligned throughout the whole brand portfolio (Keller, 2015).

Strategy Type	Brands Involved	Advantages	Disadvantages
---------------	-----------------	------------	---------------

House of Brands	Nivea, Eucerin, La Prairie	Clear identity, risk mitigation	Higher costs, management complexity
Endorsed Brands	Nivea Soft, Nivea Sun, Nivea Men	Leverage equity, strategic flexibility	Potential brand dilution, consumer confusion

To sum up, Beiersdorf's refined method of brand architecture does the job of maintaining a diverse set of brands that serves different consumer segments and markets. Using those two typologies of branding, i.e. houses of brand and endorsed brands strategies, Beiersdorf manages the harmonious combination of the power of each individual brand and shared brand equity.

**Q2.** Evaluating the Nivea brand using the ten parameters outlined by Keller (2000) in his Brand Report Card provides a comprehensive insight into the strengths and weaknesses of Nivea's brand equity. Here's a detailed evaluation based on the criteria set forth by Keller:

**1. The Brand Excels at Delivering the Benefits Customers Truly Desire:** Nivea consistently plays around on core benefits of quality and skin care, further leading in skin health and personal care products. The brand's strong understanding of customer needs is successfully exhibited in its varied range of products catering to several skin types and conditions, garnering customer satisfaction and loyalty (Keller, 2000).

**2. The Brand Stays Relevant:** By continuously innovating and expanding its product line to include items like in-shower body lotions and micellar waters, Nivea maintains its relevance in the rapidly changing beauty and personal care industry (*Case study p.1.*). This adaptability ensures it remains a top choice among consumers across different demographics (Keller, 2000).

**3. The Pricing Strategy Is Based on Consumers' Perception of Value:** Nivea Portrays commitment to its core origin as a pioneer in skin care by creating quality and innovative solutions that secure its leading position in skin care and personal cleanliness. Its wide variety of skin care solutions that address multiple skin issues, types, and conditions demonstrate that it has the customers' needs at heart, resulting in satisfaction and loyalty. (Keller, 2000).

**4. The Brand Is Properly Positioned:** Nivea has a clear positioning as a brand of simple, effective, and reliable skin care. It ensures that the product stands out even in the market and enables a solid customer connection (Keller, 2000).

**5. The Brand Is Consistent:** Nivea has always relied on the image of care and trust. Over the past decades, they have had several logos or saturated light-blue designs in the majority of products. The brand also used "Care for Human Touch" as a slogan for various campaigns and ads. (Keller, 2000).

**6. The Brand Portfolio and Hierarchy are aligned:** Nivea has a well-balanced brand hierarchy in which the parent brand supports multiple sub-brands, such as Nivea Men, Nivea

Sun, and Nivea Soft. Such coordination enhances the clarity of the brand proposition and strengthens equity over a product line (Keller, 2000).

**7. The Brand Makes Use of and Coordinates a Full Repertoire of Marketing Activities to Build Equity:** Nivea utilises the full set of advertising with a mix of traditional advertising and promotional tools, digital advertising and traditional media, sponsorships Crowdsight , sponsorships of family-oriented sports, and community engagement through corporate social responsibility emphasising the importance of skin health and family (Keller, 2000).

**8. The Brand’s Managers Understand What the Brand Means to Consumers:** Nivea’s management demonstrates a detailed understanding of the brand’s emotional and functional benefits to consumers. This understanding is evident in their product innovation and targeted marketing strategies that resonate well with the consumer base (Keller, 2000).

**9. The Brand Is Given Proper Support, and That Support Is Sustained Over the Long Run:** Beiersdorf AG consistently invests in Nivea, ensuring it receives adequate support through R&D and marketing. This sustained support is crucial for maintaining the brand’s market presence and competitive edge (Keller, 2000).

**10. The Company Monitors Sources of Brand Equity:** Nivea actively monitors its brand performance through market research, consumer feedback, and sales data analysis. This vigilance allows the brand to stay ahead of market trends and align its strategies accordingly (Keller, 2000).

Keller’s Parameter	Evaluation of Nivea
Delivering desired benefits	Excellentlly meets diverse skin care needs
Staying relevant	Continuously innovates and expands product range
Consumer perception of value	Affordable, aligns with quality perception
Proper positioning	Clear, effective positioning around simplicity and reliability
Consistency	Maintains strong message and visual consistency
Logical brand portfolio and hierarchy	Well-structured product range under the Nivea umbrella
Use of comprehensive marketing activities	Uses diverse marketing strategies to build equity

Understanding of what the brand means to consumers	Deep understanding, reflected in product and marketing choices
Proper and sustained support	Strong ongoing investment in brand support
Monitoring sources of brand equity	Active monitoring of brand performance and equity

Nivea exemplifies a strong brand that excels in all ten parameters outlined by Keller. Its strategic management of brand equity ensures continued consumer relevance, strong market positioning, and sustained brand support, making it a powerful player in the personal care industry. (*Case study p.2.- brand strategies and page 5-market performance*)

**Q3.** Nivea acts as an umbrella brand for Beiersdorf AG, streamlining marketing efforts and leveraging its strong reputation to promote a diverse range of personal care products. This strategy enhances brand recognition and trust, allowing Nivea to introduce new products more efficiently and with greater consumer acceptance, underpinned by shared values of quality and care.

**Q3. (a): Critical Factors for Successful Brand Extension**

Beiersdorf successfully extended the Nivea brand by leveraging several critical factors identified in Tauber's strategies for establishing brand extensions (*Case study p.8.*). These strategies include product similarity, transfer of parent brand attributes, and customer franchise leverage, among others (Tauber, 1988).

**1. Product Similarity and Complementarity:** Nivea has effectively utilised its core brand associations of gentle and effective skin care to launch complementary products such as Nivea Sun, Nivea Men, and various in-shower body lotions (*Case study p.2 & p.11.*). This similarity and complementarity strengthen consumer perceptions of the brand's expertise across different yet related categories.

**2. Transfer of Parent Brand Attributes:**

The attributes associated with the Nivea brand, such as trust, quality, and care, have been seamlessly transferred to new products. This transfer has been critical in gaining consumer acceptance for new product lines, as these attributes are highly valued in personal care products. (*Case study p.11.*)

**3. Consumer Insight and Franchise Leverage:**

Understanding consumer needs and leveraging existing customer relationships have enabled Nivea to introduce products that meet specific consumer demands, such as products tailored for men's skin care needs, which tapped into an existing but previously unaddressed segment of their consumer base. (*Case study p.20.*)

### Q3. (b): Challenges in Extending the Nivea Brand

Despite successful extensions, challenges remain, particularly concerning brand equity dilution. Keller and Sood (2003) discuss how unsuccessful brand extensions (*Case study p.1.*) can potentially dilute the parent brand's equity, particularly when the extensions lack fit with the core brand values or fail to meet consumer expectations.

**1. Risk of Overextension:** Extending a brand like Nivea into too many categories or into areas too far removed from its core competencies could confuse consumers about what the brand stands for, potentially diluting its strong association with skin care.

**2. Maintaining Consistent Quality and Brand Image:** As Nivea ventures into new product categories, maintaining the high-quality standards and cohesive brand image that consumers expect becomes more challenging. Any perceived decline in quality or inconsistency in brand messaging could harm the overall brand equity.

**3. Consumer Perception of Fit:** While Nivea has strong equity in skin care, moving into unrelated categories might lead to consumer scepticism about the brand's expertise in those new areas. For instance, if Nivea were to extend into health supplements, it might face challenges convincing consumers of its credibility in this new domain.

Table: Nivea Brand Extension Strategy Overview

Factor/Challenge	Description	Impact on Brand Equity
Product Similarity and Complementarity	Leveraging core brand associations to launch complementary products such as Nivea Sun and Nivea Men.	Positive, enhances brand coherence and strengthens brand associations.
Transfer of Parent Brand Attributes	Seamless transfer of core attributes such as trust and quality to new product lines.	Positive, critical for consumer acceptance and loyalty.
Consumer Insight and Franchise Leverage	Introduction of products tailored to specific consumer demands based on deep consumer insights.	Positive, taps into existing customer base and addresses unmet needs.
Risk of Overextension	Extending the brand into too many or unrelated categories.	Negative, risks confusing consumers and diluting core brand associations.
Maintaining Consistent Quality and Image	Challenge in maintaining quality and cohesive brand image across new product categories.	Negative, any perceived decline could harm overall brand equity.

Consumer Perception of Fit	Scepticism about the brand's expertise in new, unrelated categories.	Negative, could weaken consumer trust if the brand overextends.
----------------------------	--	---

Nivea's role as an umbrella brand under Beiersdorf has been largely successful due to strategic brand extensions that align closely with its core values and competencies. However, vigilance is needed to manage these extensions to prevent any dilution of the brand equity built over decades. The company must continue to leverage its strong brand identity while carefully evaluating potential risks associated with new market entries. (*Case study* p.2., p.3, p.5.)

In conclusion, Beiersdorf AG's management of its Nivea brand showcases an exemplary use of mixed brand architecture strategies, effectively balancing the individual strengths of a house of brands and endorsed brands. This approach allows for distinct brand identities and strategic market positioning, while mitigating risks associated with brand equity dilution. Nivea's success as an umbrella brand illustrates the potent application of brand extension theories, highlighting the importance of maintaining brand coherence and leveraging brand equity. Beiersdorf's strategic navigation through brand management challenges provides valuable insights for sustaining competitive advantage and fostering innovation in the global market.



## **References:**

- Aaker, D.A. and Joachimsthaler, E. (2000). The Brand Relationship Spectrum. California Management Review, 42(4), pp.8–23. doi:<https://doi.org/10.1177/000812560004200401>.
- Keller, K.L. (2000). The Brand Report Card. HARVARD BUSINESS REVIEW. [ONLINE] 78(1), pp. 147-157. Available at: <https://web-p-ebSCOhost-com.ezproxy.kingston.ac.uk/ehost/pdfviewer/pdfviewer?vid=0&sid=f8891450-2740-41ba-9677-775b0e21604d%40redis> [Accessed 10 May 2024].
- Keller, K.L. (2014). Designing and Implementing Brand Architecture Strategies. Journal of Brand Management , [online] 21(9), pp.702–715. Available at: <https://www.proquest.com/docview/1667801751?sourcetype=Scholarly%20Journal> [Accessed 3 May 2024].
- Keller, K.L. and Sanjay, S. (2003). BRAND EQUITY DILUTION. MIT Sloan Management Review, [online] 45(1), pp.12–15. Available at: <https://www.proquest.com/docview/224966286?accountid=14557&sourcetype=Scholarly%20Journals> [Accessed 10 May 2024].
- Tauber, Edward.M. (1988). Brand Leverage: Strategy for Growth in a Cost-Control World. Journal of Advertising Research, [online] , pp.26–30. doi: <https://doi.org/August/September>