

Marketing and distribution

We put our customers at the center of what we do. Hence we align our marketing and distribution activities in each of our business sectors to the requirements of each specific audience and target group.

At **Laundry & Home Care** we further centralized our marketing activities within the new organizational structure introduced in the third quarter, aligning it more effectively to our markets and customers. Central management of our global brands enables us to adopt more efficient decision-making processes, accelerate the market launch of our innovations and implement further improved cost structures. Through the close cooperation of our central marketing unit with our international organizational units, we also ensure that local market conditions are properly taken into account. We plan our distribution activities on a country-specific basis, while coordinating them at the international level. Introduction of the new organization has also allowed us to harmonize our processes on a global scale and improve the transfer of knowledge, experience and application know-how within the organization.

In the **Cosmetics/Toiletries** business sector, we develop marketing strategies for both our branded consumer goods and our hair salon businesses on a global scale, while implementing them locally. Here too, our distribution activities are managed on a national level while being increasingly coordinated at the international level. We communicate with consumers primarily through media advertising and point-of-sale campaigns. Addressing the market through the “new media” is also gaining in importance. Consumers purchase our products from retailers, primarily drug stores, grocery stores, supermarkets and department stores. We engage with our customers in the hair salon business through the activities of our sales force. Field sales representatives support the salons at the local level with, for example, product demonstrations and technical advice. As an addi-

tional service, we also offer specialist seminars and training courses in our globally established Schwarzkopf academies.

In our **consumer goods businesses**, marketing is focused on the needs of the consumer. Our marketing organization initiates innovation processes and effectively utilizes knowledge gained from market research and observation. Our marketing teams develop and execute media strategies and advertising formats that specifically address consumers. In order to support our major brands and continue to successfully market our innovations, we manage our marketing activities and investments on the basis of clear prioritization by category and region.

Our primary direct customer grouping is the grocery retail trade with distribution channels in the form of supermarkets, mass merchandisers/hypermarkets and discount stores. In Europe, drug stores are also important, while in markets outside Europe and North America, a large proportion of our sales continues to be channeled via wholesalers and distributors. Our Sales unit offers a full range of competences in serving our trade customers.

The **Adhesive Technologies** business sector serves a wide range of customers with different uses for our products. Client groups extend from large, internationally active corporations to small and medium-sized industrial businesses, craftsmen, do-it-yourselfers and private consumers.

We mainly rely on our own sales personnel as the channel for addressing our customers. Our direct customers are industrial clients and retail companies; these latter are able to meet demand from private users, craftsmen and small industrial customers more efficiently than can be achieved through direct sales. Our most important customers are supported by our key-account management teams. As many of our products are characterized by their high technical complexity, our technical customer service and the training of users also play an important role.

For our industrial accounts, we have introduced a new standard system for customer relationship management, which more than 5,000 employees are already using in over 60 countries around the world. Its functionalities go far beyond those of previously applied sales management systems, enabling us to further improve on our ability to cover existing and future client requirements.

Our strong, international brands, on which we intend to focus even more closely in the future, are of central importance to our portfolio.

We develop our marketing strategy on both the global and regional level. The measures derived from our planning are then locally implemented. To communicate with private consumers, we rely on media advertising with supportive point-of-sale activities in the retail trade. Craftsmen and industrial consumers are addressed primarily by our sales organization through the provision of technical advice, product demonstrations and training courses, and also at industrial fairs.

Electronic media are constantly growing in importance for communication with customers and users. In all three of our business sectors, therefore, we are focusing not only on constantly improving our existing website presence but also and increasingly on the use of digital and social media.

The importance of sustainability has grown significantly in our relations with our customers and consumers. Customers increasingly expect from their suppliers demonstrable compliance with global environmental, safety and social standards. Our standards and management systems, our many years of experience in sustainability reporting, and excellent appraisals by external rating agencies all help us to convince our audience of our credentials in this domain. Moreover, the credible implementation of our sustainability strategy strengthens both our brands and the reputation of our company in the marketplace. With our decades of experience in aligning our activities

to sustainable development, we are able to position ourselves as a leader in the field and as a partner capable of offering our customers future-viable solutions. And we cooperate closely with our customers in trade and industry in the development and implementation of viable concepts.

In order to convey to our customers and consumers the added value of our innovations – best possible performance combined with responsibility toward people and the environment – we use direct product communication and detailed information in the new media, for example electronic newspapers or online platforms, as well as events.

We intend to increase our involvement in the development of urgently needed appropriate measurement and assessment methods in order to facilitate effective, credible communication of our contributions to sustainability. We participate in related projects and working groups allied to, for example, the Consumer Goods Forum, the Sustainability Consortium and the Environmental Footprint Pilot Project of the Commission of the European Union.

For further information on the products and brands of our three business sectors, please go to:

 www.henkel.com/brands-and-solutions