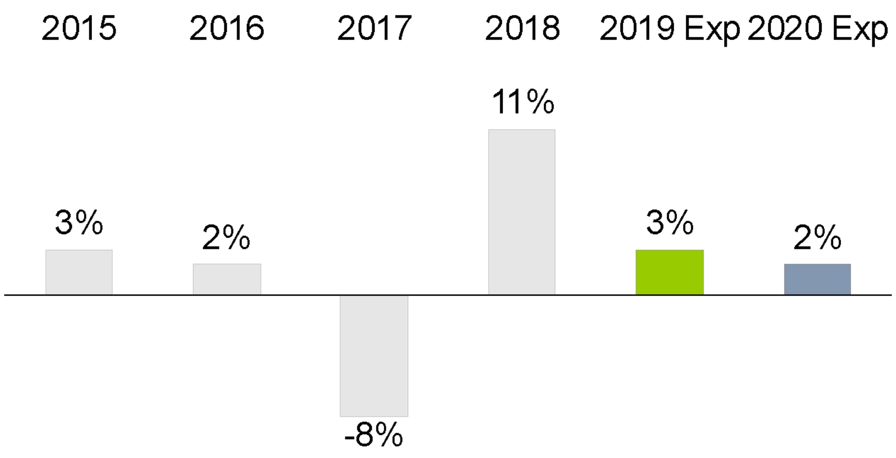
# Country Presentation

Case Study

# Market Dynamics [mLC]

## Market growth vs. PY in %

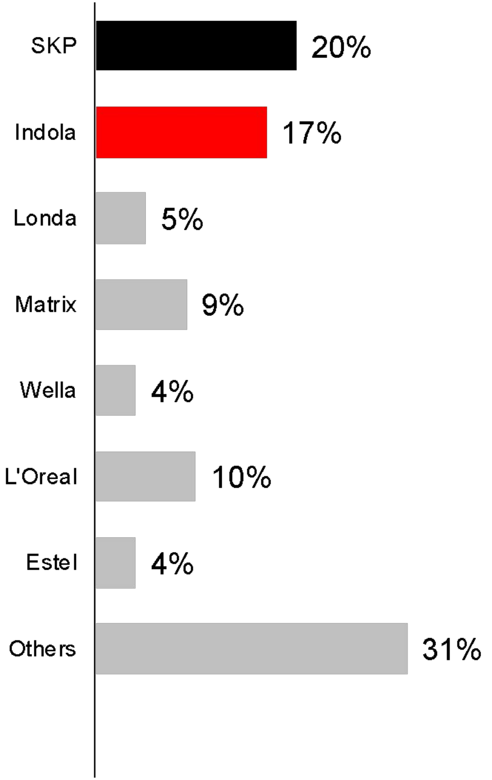



**Market value** (@Net 2ndary Sales Value )

| 2015 | 2016 | 2017 | 2018 | 2019 Exp | 2020 Exp |
|---|---|---|---|---|---|
| 767 mLC | 773 mLC | 713 mLC | 790 mLC | 814 mLC | 830 mLC |

## Top 10 market players

Market shares 2019 (Δ % vs. PY)




| | Δ % vs. PY | Est. Net 2ndary Sales Value 2019 |
|---|---|---|
| SKP | (-2%) | 164 mLC |
| Indola | (+1%) | 134 mLC |
| Londa | (-1%) | 39 mLC |
| Matrix | (+1%) | 74 mLC |
| Wella | (-1%) | 32 mLC |
| L'Oreal | (+6%) | 81 mLC |
| Estel | (0%) | 32 mLC |
| Others | (-1%) | 256 mLC |



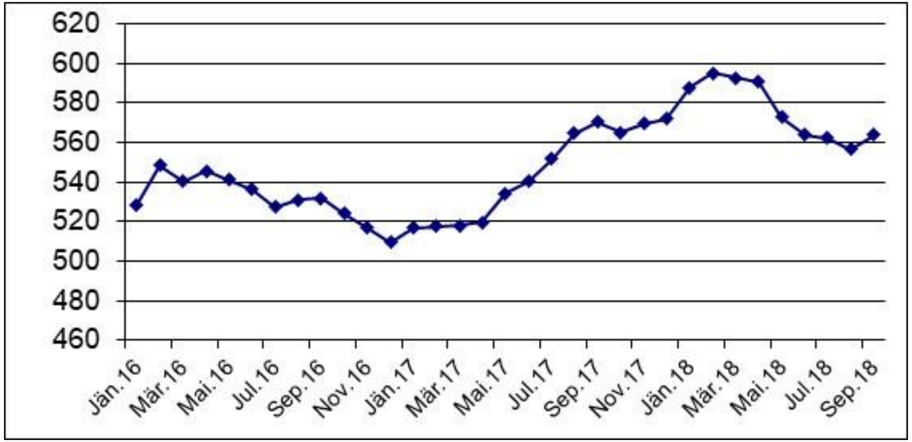
Henkel

# Macroeconomic data

GDP per capita 2018: 4.000USD GDP per capita expected 2019: 4.220USD
Inflation 2018: 0.90% Inflation 2019: 3.5%
Unemployment rate 2018: 15% Unemployment rate 2019: 18%

Relevant import customs and taxes development
- Custom Clearance tax 2018: 15% 2019: 15%
- Custom Union 2018: 11% 2019: 11%

Insert Exchange rate development (graph) vs Euro:






Henkel

# Macroeconomics 2019

**Highlights**

- Stable political situation
- Stability in the currency vs. the USD.
- Record Tourism due to several international events and stable political situation.

**Lowlights**

- Decline in population due to Emigration.
- Rise in unemployement due to several downsizing of big businesses.



Henkel

# Competition Set Up

| Brand | Distribution | # of exclusive sales force | # of shared sales force | Operating since when? Year | Studio or Academy |
|---|---|---|---|---|---|
| SKP | distributor | 4.0 | None | 2002 | Yes |
| Wella | distributor | 4.0 | None | 1994 | Yes |
| L´Oréal | distributor | 2.0 | None | 2019 | No |
| Goldwell | distributor | 1.0 | None | 2016 | No |
| Indola | distributor | 2.0 | None | 2004 | Yes |
| Londa | distributor | 4.0 | None | 1994 | Yes |
| Matrix | distributor | 3.0 | None | 2019 | No |
| Estel | distributor | 2.0 | None | 2010 | No |

- Comment: L'Oreal/Matrix is in an uncertain status at this moment. Distribution has been given to a new distributor in the market.



Henkel

# Market Environment

| Market Segmentation | | 2017 | 2018 | 2019 Expected |
|---|---|---|---|---|
| Field customer Base* | >5 FTS | 32 | 38 | 32 |
| | 3-4 FTS | 210 | 244 | 250 |
| | 1-2 FTS | 368 | 386 | 395 |
| | Total | 610 | 668 | 677 |
| Professional Shop | | 4 | 4 | 4 |
| Wholesaler | | 0 | 0 | 2 |
| Internet shop | | 4 | 5 | 5 |
| Other | | 0 | 0 | 0 |
| **Total Universe** | | **618** | **677** | **688** |

* Number of total HD Salons in the country by category / FTS = Full Time Stylist not including receptionist, wner etc. if he/she is not a HD etc.  Pls indicate number of Full Time Stylist

# Company Organizational Structure 2019

Company
Owner: Mrs. A & Mr. B

Warehousing | Accounting

SKP & IND 15%

Retail 85%

Executive Director

Field Sales Manager | KAM | Marketing | Studio M.

SR SKP/IND | Marketing | TA SKP

SR SKP/IND | TA SKP

SR SKP | TA IND

SR SKP

# Coverage and Field Force Set Up

| Market Segmentation | | Market Universe | | | Number of covered distribution points | | | Coverage Ratio Numeric | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | 2018 | 2019 Expected | 2017 | 2018 | 2019 Expected | 2017 | 2018 | 2019 Expected |
| Field customer Base* | >5 FTS | 32 | 38 | 32 | 12 | 13 | 10 | 38% | 34% | 31% |
| | 3-4 FTS | 210 | 244 | 250 | 89 | 97 | 101 | 42% | 40% | 40% |
| | 1-2 FTS | 368 | 386 | 395 | 295 | 315 | 330 | 80% | 82% | 84% |
| | Total | 610 | 668 | 677 | 396 | $\boxed{495}$ | $\boxed{515}$ | 65% | $\boxed{74\%}$ | $\boxed{76\%}$ |
| Professional Shop | | 4 | 4 | 4 | 1 | 1 | 3 | 25% | 25% | 75% |
| Wholesaler | | 0 | 0 | 2 | 0 | 0 | 0 | | | 0% |
| Internet shop | | 4 | 5 | 5 | 1 | 1 | 3 | 25% | 20% | 60% |
| Other | | 0 | 0 | 0 | | | | | | |
| **Total Universe** | | **618** | **677** | **688** | **398** | **497** | **521** | **64%** | **73%** | **76%** |

Mathematical mistakes influence coverage.

Information considers Henkel Beauty Care Professional

* Number of total HD Salons in the country by category / FTS = Full Time Stylist not including receptionist, wner etc. if he/she is not a HD etc.  Pls indicate number of Full Time Stylist



Henkel

# Coverage and Field Force Set Up **(corrected figures)**

| Market Segmentation | | Market Universe | | | Number of covered distribution | | | Coverage Ratio Numeric | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | 2017 | 2018 | 2019 Expected | 2017 | 2018 | 2019 Expected | 2017 | 2018 | 2019 Expected |
| Field customer Base* | >5 FTS | 32 | 38 | 32 | 12 | 13 | 10 | 38% | 34% | 31% |
| | 3-4 FTS | 210 | 244 | 250 | 89 | 97 | 101 | 42% | 40% | 40% |
| | 1-2 FTS | 368 | 386 | 395 | 295 | 315 | 330 | 80% | 82% | 84% |
| | Total | 610 | 668 | 677 | 396 | 425 | 441 | 65% | 64% | 65% |
| Professional Shop | | 4 | 4 | 4 | 1 | 1 | 3 | 25% | 25% | 75% |
| Wholesaler | | 0 | 0 | 2 | 0 | 0 | 0 | | | 0% |
| Internet shop | | 4 | 5 | 5 | 1 | 1 | 3 | 25% | 20% | 60% |
| Other | | 0 | 0 | 0 | | | | | | |
| **Total Universe** | | **618** | **677** | **688** | **398** | **427** | **447** | **64%** | **63%** | **65%** |

Information considers Henkel Beauty Care Professional



Henkel

* Number of total HD Salons in the country by category / FTS = Full Time Stylist not including receptionist, wner etc. if he/she is not a HD etc.  Pls indicate number of Full Time Stylist

# Field Force KPI

| Sales Force Deployed | 2017 | | 2018 | | 2019 | |
|---|---|---|---|---|---|---|
| | Mixed | Exclusive | Mixed | Exclusive | Mixed | Exclusive |
| Field Sales Representative | 0 | 4 | 0 | 4 | 0 | 4 |
| Key Account manager | 0 | 0 | 0 | 1 | 0 | 1 |
| Wholesale manager | 0 | 0 | 0 | 0 | 0 | 0 |
| Technical Advisor | 0 | 2 | 0 | 3 | 0 | 3 |
| Other Sales/PPS | 0 | 1 | 0 | 1 | 0 | 1 |
| **Total** | **0** | **7** | **0** | **9** | **0** | **9** |

| Sales Force KPIs | 2017 | 2018 | 2019 targeted |
|---|---|---|---|
| **Number of visits / SR / day w/o NCA**<br>*how many point of sales are visited per SR per day in average w/o new client acquisition* | 9 | 12 | 14 |
| **Number of NCA visits / SR / day**<br>*how many new clients are visited per SR per day in average* | 1 | 1 | 1 |
| **Number of orders / SR / day**<br>*how many orders are taken per SR per day in average* | 6 | 7 | 7,5 |

- Only the 4 field sales reps considered

Information considers Henkel Beauty Care Professional



Henkel

# CEE Master Plan – country execution

**Jan/Feb** | **Mar/Apr** | **May/ Jun** | **Jul/ Aug** | **Sep/Oct**

## COLOUR

IR #Royal TakeOver 1 & 2 05/19 (int. 1 & 3/19)


BM Blush/Lift LE 06/19 (int. 5/19)

SKP Goodbye Yellow 09/19 (int. 1/19)
SKP ColorWash 09/19 (int 7/19)


IR #Royal TakeOver 3 10/19 (int. 9/19)


## CARE

SKP Oil Miracle 02/19 (int. 1/19)

MAD about Curls 3/19 (int. 1/19)

BC SUN 03-05/19 (int. 2/19)

BC Relaunch 4/19 (int. 3/19)


BC Fibre Clinix 10/19 (int. 9/19)

## STYLING

OSiS+ Made to go Higher 06/19 (int. 3/19)


OSiS+ Boho Rebel 06/19 (int. 6/19)


Prio 1 project

# Local Digital Marketing - Overview 2019

| Brand | Social Media | Nr. of Followers | | | Total Engagement (likes, comments) | | |
|---|---|---|---|---|---|---|---|
| | | End of Dec 2018 | ACT Aug 2019 | FY 2019 Expected | End of Dec 2018 | ACT Aug 2019 | FY 2019 Expected |
| SKP | Facebook | 3.528 | 7.086 | 7.500 | 6.538 | 12.964 | 18.000 |
| | Instagram | 0 | 0 | 0 | 0 | 0 | 0 |
| IND | Facebook | 1.026 | 2.014 | 2.200 | 2.789 | 4.386 | 8.000 |
| | Instagram | 0 | 0 | 0 | 0 | 0 | 0 |

| Digital Investment* | ACT 2018 | YTD Aug 2019 | FY 2018 | Plan 2019 |
|---|---|---|---|---|
| SKP | 1.500 | 2.645 | 2.800 | 3.200 |
| IND | 600 | 860 | 1.200 | 1.500 |

** pls indicate your investment in EUR*



Henkel

# Influencer/Ambasador Overview 2019

| Influencer type * | Name | No of followers | | Facebook URL | Instagram account name | Cooperation since | Paid/Unpaid |
|---|---|---|---|---|---|---|---|
| | | Facebook | Instagram | | | | |
| HD | xxx | 2.629 | 879 | https://www.facebook.com/xxx | xxx | October 2018 | Paid |
| HD | xxx | 2.268 | 814 | https://www.facebook.com/xxx | xxx | October 2018 | Paid |

* Please indicate type of influencer: HD, Blogger, Celebrity, …

- Comment: 2 seminars/shows with our ambasadors every quarter
- Contracts were signed in January 2019



Henkel

# Education Structure 2019

**Academy**
**Salon manager, HD**

**SKP Technical Advisor**

**SKP Technical Advisor**

- Providing technical support to customers
- On-site customer problem solving and staff training
- Training and development of employees in the technical field
- Training and development of Customers through bi-monthly seminars
- Organization of Regional events , essential looks shows and new launch events
- Market visit to customers on a bi-weekly basis
- Consultancy on latest market trends , competition strengths and weaknesses & customer needs

**IND Technical Advisor**

# Education Activities 2019 vs. 2018

| Brand | KPI | 2019 | | | | | 2018 | Diff | |
|---|---|---|---|---|---|---|---|---|---|
| | | Q1 ACT | Q2 ACT | Q3 ACT | Q4 Plan | Total | | in ABS | in % |
| SKP | No. of seminars | 6 | 6 | 2 | 6 | 20 | 16 | 4 | +25% |
| | No. of participants | 62 | 80 | 18 | 85 | 245 | 263 | 5 | -7% |
| IND | No. of seminars | 6 | 6 | 0 | 6 | 18 | 15 | 1 | +7% |
| | No. of participants | 75 | 82 | 0 | 88 | 245 | 230 | 15 | +7% |
| Regional @workteam member presence | | 0 | 0 | 0 | 0 | 0 | 0 | 0 | #DIV/0! |

Mathematical mistakes influence education results.



Henkel

# Education Activities 2019 vs. 2018 **(corrected figures)**

| Brand | KPI | 2019 | | | | | 2018 | Diff | |
|---|---|---|---|---|---|---|---|---|---|
| | | Q1 ACT | Q2 ACT | Q3 ACT | Q4 Plan | Total | | in ABS | in % |
| SKP | No. of seminars | 6 | 6 | 2 | 6 | 20 | 16 | 4 | 25% |
| | No. of participants | 62 | 80 | 18 | 85 | 245 | 263 | -18 | -7% |
| IND | No. of seminars | 6 | 6 | 0 | 6 | 18 | 15 | 3 | 20% |
| | No. of participants | 75 | 82 | 0 | 88 | 245 | 230 | 15 | 7% |
| Regional | @workteam member presence | 0 | 0 | 0 | 0 | 0 | 0 | 0 | #DIV/0! |



Henkel

# Brand Development 2019 [T Euro] – sell-in

| Brands | | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | 2019 | 2018 | vs % PY |
| **Indola** | 22,5 | 26,3 | 24,7 | 34,1 | 107,6 | 103,0 | 4,5% |
| **Igora Royal** | 12,9 | 11,3 | 11,5 | 15,8 | 51,5 | 53,0 | -2,8% |
| **Blond Me** | 1,6 | 2,6 | 2,0 | 2,7 | 8,9 | 9,3 | -4,3% |
| **BC Bonacure** | 8,7 | 6,7 | 8,8 | 12,2 | 36,4 | 34,8 | 4,6% |
| **Osis** | 8,1 | 2,6 | 6,0 | 8,3 | 25,0 | 26,0 | -3,8% |
| **Professionelle** | 7,8 | 8,2 | 5,9 | 8,1 | 30,0 | 28,0 | 7,1% |
| **Silhouette** | 6,0 | 6,4 | 5,3 | 7,3 | 24,9 | 23,0 | 8,3% |
| **Others** | 5,2 | 6,0 | 3,6 | 4,9 | 19,7 | 23,0 | -14,3% |
| **Total** | **72,8** | **70,1** | **67,7** | **93,4** | **304,0** | **300,1** | **1,3%** |
| | 67,5 | 64,8 | 72,1 | 99,6 | 303,9 | 303,9 | 0,0% |

| Net Primary Sales in T€ | Net Primary Sales in T€ | | | | | | |
|---|---|---|---|---|---|---|---|
| | Q1 2019 | Q2 2019 | Q3 2019 | Q4 2019 | 2019 | 2018 | vs % PY |
| **SKP** | **50,3** | **43,8** | **43,0** | **59,3** | **196,4** | **197,1** | -0,4% |
| **IND** | **22,5** | **26,3** | **24,7** | **34,1** | **107,6** | **103,0** | 4,5% |
| **Total** | **67,5** | **64,7** | **221,9** | **82,0** | **303,9** | **300,1** | **1,3%** |

# Local Marketing Budget Overview

| Business Area of investment in T€ | 2018 | 2019 YTD Aug | 2019 FY Plan | 2020 FY Plan | 2019 vs % PY | 2020 vs % PY |
|---|---|---|---|---|---|---|
| FB activity | 2058 | 3146 | 4000 | 3500 | 94% | -13% |
| Printing materials | 1250 | 1326 | 1500 | 1500 | 20% | 0% |
| Seminars | 18500 | 14526 | 20000 | 20000 | 8% | 0% |
| Novelties presentations | 6348 | 6830 | 7000 | 9000 | 10% | 29% |
| Loyalty program for clients | 7300 | 15000 | 7300 | 9000 | 0% | 23% |
| Trade Promotions | 20000 | 18540 | 26000 | 25000 | 30% | -4% |
| **Total** | **55,456** | **59,368** | **65,800** | **69,000** | **19%** | **5%** |

FY plan is less than YTD August, need to be checked.

# SWOT Analysis

CHECK

- SKP+ Indola have leading position on the Market
- Inovations Calendar to support Trends
- Focus on Education
- Commercial Structure
- Social Media Investment Growth

- Only 15% of weight in business
- SKP negative growth on positive Market
- Slow distribution coverage (2017= 64%; 2018 =63%; 2019 = 65%)
- SKP Coloration  sell-in decrease

S W O T

- Positive Market Dynamics
- Uncertain status of main competitor
- Digitalization to communicate Brand Value
- Co-promotions during international events

- Economical unstability
- Decline of population
- Competitors activation
- Focus on cheaper proposals or/and mass market products



Information considers Henkel Beauty Care Professional

# Status Summary

CHECK

- After turbulent 2017, Market has been recovered and is estimated to keep growing further
- Schwarzkopf Professional keeps leading positions with 37% on the Market
- Stable Partnership with Distributor (17 years of mutual Business Development) with clear set-up Structure adopted for Business needs
- Slow Salon distribution coverage in all Segments => need of more agressive New Salons Aquisition aproach especialy as Market is not increasing (2019 vs 2018 market universe is increased on 9 Salons only) and competition is tough
- No information about Market, trends, competitors, consumer portrait/insights, Brand values, products positioning, price trees, cost of application, unique sales points, ambitions, action plan (Coloration and Hair Care separatly)
- Social Media development, Education and constant work with Brands Ambassadors to increase Brand Awareness and build Loyalty

# Findings

# CHECK

- **Market** L'Oreal, main competitor of Schwarzkopf Professional is showing the biggest growth in value in 2019 (+6%). Catch momentum of uncertain status of producer to increase Schwarzkopf Professional distribution. Need of deep analysis of Competitors Environment, their activities focused on Hairdressers/End Consumers, price positiong per tube and per ml, services proposed in Salons, distribution coverage)
- **Distribution** increase with focus on different channels but low performance on main Brands territory (salons +1p.p. vs 2018 with 65% of coverage). No deep analysis of distribution: Who are our best Salons? How we interact with them? How we build loyalty? Do we have Schwarzkopf Professional flagships?
- **Sales Force** has clear KPI's with focus on Salons visit (1 Salon almost x2,5 times per month), orders in each Salons monthly, in some 2 times a month . But still a potential in distribution increase. (To better understand New Salon Acquisition performance, information about closed Salons is needed).
- **Marketing** Master Plan is saturated. But, will Salons have money to support 2 priorities in Coloration and in Hair Care at the same time? Or maybe is better to focus on 1 priority to make it big and to have 2 months at least between main priorities launch. No promo plan details: promotions to support main holidays, end-consumers activation with gift for service, special services from Brand

  Qualitative work on FB with constant increase of followers (almost x2 for both Brands) and engagement (almost x3 times for both Brands)

# Findings

CHECK

- **Education** is structured to support Customers in Salons, Academy and during Events organization. For SKP with increased number of Seminars (+4), number of Participants is decreasing (-18). The main reason can be low Seminars attendance during summer time (Q3). No information about trends development and Brand link to Beauty Market. All Educational Events should be linked with Marketing plan.
- **Sell-in** is growing thanks to Indola. More detailed analysis of SKP Coloration Segments should be done where and why are we loosing sales (S21, distribution, top shades, price positioning, services comparison vs competitors, education with focus on specific technical skills…)

  Others' weight is 6,5% in total sales with negative growth (-14,3% vs PY)=> deeply analyze to understand the reasons, maybe some products in this Category should be repositioned or discontinued
- **Budget allocation** main part of BGT is spent on Education & Trade Promotion. Decrease of spending for Social Media in 2020 with slight increase of BGT for loyalty programs and novelties presentation *(here more information is needed for deep analysis: strategy 2020, detailed description of spending for each line, per Brand and P&L analyses)*

# Action Plan 2019-2020

CHECK

## OBJECTIVE

KEEP **LEADING POSITION** ON THE MARKET WITH **SCHWARZKOPF PROFESIONNAL IN TOP OF MIND OF HAIRDRESSERS** AS TRENDY AND TOTAL LOOK CREATION BRAND:

| | |
|---|---|
| Market Share 2020 | 38,5% (+1,5%) |
| Distribution coverage 2020, H1 | 80% |

## HOW

### Marketing Focus

- Market environment deep analyses: Competition, Consumers insights, Trends, Customer needs, distribution and its potential, price ladders, cost of application, portfolio and top shades, launch effectiveness
- Novelties launch with 360° Marketing Approach: PR & Digital, in Salon visualization, Education
- Diversified approach to different Customers (Salons/Prof Shops/e-com)

### Commercial Focus

- Sales Reps KPI's shift to New Salons Acquisition and focus on territory increase (4 new Salons per SR monthly)
- Professional Shops and e-com clear sales strategy
- Commercial Team Motivation & Education

### Education Focus

- Loyalty Building through:
  - ✔ in Academy trainings quarterly Calendar for different TA (from base to expert)
  - ✔ Events and co-promo (Fashion weeks, trade shows)
- Master Classes with Ambassadors
- Inspiration with International Brand Ambassador
- Work with HD schools and young perspective HDs

Information considers Henkel Beauty Care Professional

# Thank you!