

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.

In the **Laundry & Home Care** business sector, we have oriented our marketing activities even more closely to our markets and customers as a result of the new business model introduced in 2011. Central management of our global brands plays an important role, as it enables us to adopt more efficient decision-making processes, accelerate the market launch and further commercialization of our innovations, and further advance the use of new and important media. At the same time, close cooperation between our central marketing unit and local organizational units ensures that local market conditions and consumer habits are taken into account. We plan our distribution activities on a country-specific basis, while coordinating them internationally. At the same time, we have harmonized processes worldwide and improved the transfer of knowledge, experience and applications within the organization.

In the **Beauty Care** 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. Our distribution activities are also increasingly being coordinated internationally, but managed on a country-specific basis. We communicate with consumers primarily through media advertising and point-of-sale campaigns. The use of digital marketing, especially social media, to address potential customers is also gaining in importance. Consumers purchase our products from retailers, primarily drug 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 additional service, we also offer specialist seminars and training courses in our globally established Schwarzkopf academies.

Marketing in our **Consumer Goods Businesses** is focused on the needs of the consumer. Our marketing organization initiates innovation pro-

cesses and uses knowledge gained from market research and observation. Our marketing teams develop and execute media strategies and advertising formats that specifically address consumers. To support our strong brands and continue the successful marketing of our innovations, we manage our marketing activities and investments using clear priorities set according to category and region.

Our primary direct customer group is the grocery retail trade with distribution channels in the form of supermarkets, large-scale mass merchandizers/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 made using wholesalers and distributors. Our sales unit offers a full range of competences to serve trade customers.

The **Adhesive Technologies** business sector serves a wide range of customers with different uses for our products. Customers range from large international industrial clients to small and medium-sized industrial businesses, craftsmen, do-it-yourselfers and private households.

We generally rely on our own sales personnel as the channel for approaching our customers. Our direct customers are industrial clients and retail companies. The retail companies serve the needs of private users, craftsmen and small industrial customers more efficiently than direct sales. Our most important customers are served by our key account management teams. We are further expanding our key account organizations in order to better exploit the potential offered by these customers. As many of our products are technically complex, our technical customer service and user training also play an important role.

Based on feedback from more than 5,000 users, we have further improved our new system for Customer Relationship Management that was rolled out globally in 2011 for our industrial businesses. As a result, we can now plan, manage and document sales projects and activities more efficiently, while sales projects involving key accounts can be more easily managed around the world, across local or regional borders.

We develop our marketing strategy on both the global and regional level. The measures derived from our planning are then implemented locally,

with a specific focus on our strong international brands. In light of this, we will divide our industrial business into five technology cluster brands in future: Loctite, Bonderite, Technomelt, Teroson and Aquence. In the consumer business, we will further strengthen our four existing brand platforms.

Electronic media are playing an increasingly important role in communication with all of our target groups. In addition, we rely on traditional media advertising and supporting point-of-sale activities in the retail trade to communicate with private users. Craftsmen and industrial customers are primarily addressed by our sales organization through the provision of technical advice, product demonstrations and training courses, and also at industrial fairs.

The use of electronic media for communicating with customers and users is becoming increasingly important for Henkel. In all three of our business sectors, we therefore focus not only on constantly improving our existing websites but also and increasingly on the use of social media.

The importance of sustainability has increased significantly in our relationships with customers and consumers. Our customers increasingly expect their suppliers to ensure 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, as well as detailed information provided in the new media, such as electronic newspapers and online platforms, and at events.

We intend to increase our involvement in the development of appropriate measurement and assessment methods in order to facilitate effective, credible communication of our contributions to sustainability. To this end, we have developed a variety of tools, which are brought together in our “Henkel Sustainability#Master.” This evaluation system centers around a matrix based on the individual steps in our value chains and on our six focal areas. This shows which areas are most relevant from a sustainability perspective, and allows a transparent and quantifiable comparison to be made between two products or processes.

We also participate in related projects and working groups, such as various working groups of the Consumer Goods Forum, the Sustainability Consortium and the World Business Council for Sustainable Development, and in the Environmental Footprint Pilot Project of the European Commission.

For further information on the products and brands of our three business sectors, please go to our website at www.henkel.com/products-and-solutions