

Beiersdorf

CHRONICLE

07



NIVEA's "Zero Hour"

Loss of trademark rights after 1945



NIVEA

The long path back to Beiersdorf

52 years – 5 CEOs – one global brand

Many branded products accompany us throughout our lives. Big brands transcend all borders and have the same characteristics and consistent quality around the world. This global availability makes us feel at home, no matter where we are. If such a brand had diverse characteristics and addressed differing target groups in different countries, this would damage our sense of security and the trust we have in it.

That was precisely the problem Beiersdorf faced with its NIVEA brand after the Second World War. The brand, which was already international back then, was confiscated as “enemy property” and sold to the highest bidder in many countries. For the company’s international business after the Second World War this proved disastrous: each country had a different NIVEA Creme with its own recipe, design, and positioning.

What did that do to the brand? As paradoxical as it may sound, from today’s point of view, it can be considered a stroke of luck that NIVEA was regionalized, lost its German character, and integrated itself into the brand environments of the respective countries. It took Beiersdorf half a century, countless negotiations, lots of travel, and many contracts to once again acquire the trademark rights to NIVEA worldwide. But even today, NIVEA is regarded in many countries as a local brand that belongs to the history of the respective country and has been represented there for generations. This has created a special bond with the consumer and made NIVEA even stronger internationally: it is a “local global brand” that has its own story in every country.



NIVEA
HÅR-SPRAY



NIVEA

NIVEA



NIVEA



NIVEA





One brand – many owners

After losing the NIVEA trademark rights, it took Beiersdorf more than 50 years – until 1997 – to re-acquire them. Until then, the global brand had belonged to different companies in many countries – which meant that it was very different from one country to the next. Only the brand name remained identical and inextricably linked with Beiersdorf. From a purely economic point of view, repurchasing the rights was in many cases a heavy burden; but from an entrepreneurial perspective it was essential for the future of the company.

Negotiations and contract signatures relating to the NIVEA trademark rights were repeated in various countries on all continents and were central to the careers of several CEOs.



Hamburg was taken by the British without a fight on May 3, 1945. The Beiersdorf headquarters was also inspected and confiscated.

Text: Thorsten Finke/Daniel Wallburg

>> The unconditional surrender of the German Wehrmacht on May 8, 1945 at 11:01 PM, which entered the history books as “Zero Hour,” marked the beginning of an uncertain future. The allied powers took control of the former German Reich and divided it into three, and later into four occupation zones. After the uncontested handover of the city of Hamburg – significantly negotiated by Albert Schäfer, the father of the later Beiersdorf Board member Peter Schäfer – British troops moved into the city in early May 1945. The Beiersdorf administration building was confiscated, and the management had to temporarily relocate to production premises until August 1945. From July 1945, with the permission of the Allies, limited production could recommence to some extent: as adhesive bandages and medicines were scarce, some exceptions applied that made this possible.

The international business, which Beiersdorf had expanded over the years, especially with the NIVEA brand, almost vanished in 1945. Different international regulations stipulated the confiscation of German private assets – including intangible assets, which also encompassed patents and trademarks abroad. This “enemy property” was mostly sold through a trustee, and individuals or companies abroad could now acquire these trademarks. The only conditions were citizenship in the respective country and placing the highest bid. In this way, Beiersdorf lost international rights to brands such as NIVEA or Leukoplast.

In some countries, former partners and trustees also claimed such rights as their property. Some of these expropriation processes dragged on until the late 1940s. In 1948, the British government expropriated the company and trademark rights for the entire Commonwealth. In the countries under Soviet influence, the companies and trademark rights fell to the state.



Two well-known brands in one picture. The VW Beetle served as a representative vehicle in Hamburg, approx. 1948.

From 1948, the focus was mainly on bringing NIVEA back onto the market, under the slogan “Endlich wieder” (Finally back again).

As a consequence, nearly all of Beiersdorf’s international business, which had accounted for almost 40 percent of total sales before the war, collapsed, and production facilities abroad could no longer be used. For the extremely successful business with the products of the NIVEA brand, this was akin to bankruptcy. For the time being, Beiersdorf was only able to use the brand in Germany. Some of the new brand owners abroad used different formulations, formulas, and fragrances, and advertising was not uniform either.

Because exporting products abroad was only possible with an export permit from the occupation authorities until 1949, the scope here remained very limited. Besides, products from Germany found hardly any international buyers so soon after the war. The development of the German business was a clear priority at the end of the 1940s.

BACKGROUND

The legal controversy over the expropriation of German companies

The Control Council Law No. 5 laid the foundation for the expropriation of German assets abroad. It came into force on November 4, 1945. Section 2 was crucial for private companies: “All rights, titles, and interests in respect of any property outside Germany which is owned or controlled by any person of German nationality inside Germany are hereby vested in the Commission.” Similar laws also applied in the other states that were at war with Germany. The propriety of these laws, however, was subject to controversial discussion: many international law experts considered the confiscation of German private property abroad as a clear violation of international law. The Chief Justice of the High Court of Appeal of the British Commonwealth commented as follows: “I am dismayed by this view. For hundreds of years, it was no longer part of international law to allow the victor in a war to acquire the private wealth of citizens of the enemy state.” Over the years, however, the debate trailed off. Only a few countries, such as Turkey and Uruguay, did not participate in the seizure of German personal assets after the Second World War.



The Allied Control Council was appointed as the highest occupation authority for Germany and was recognized as the highest governmental power.

Expropriation methods

In the countries in which Beiersdorf was expropriated, the process varied considerably from one to the next and can roughly be classified into three different types.



After the Second World War, the rights to dispose of the foreign companies were initially controversial. From 1933, the then CEO Willy Jacobsohn had tried to protect the majority of foreign companies from access by the German authorities by combining them into several financially interconnected companies in Amsterdam. Against the background of the outbreak of the war in 1939, almost all foreign trademark rights and the stake in the Dutch company were transferred to the Beiersdorf company in neutral Switzerland in order to escape expropriation abroad in the event of a defeat. But in the end, these legal steps were not enough: the trademark rights were still lost and sold.

The changes of ownership were marked by the different political and economic systems prevailing in the different countries. One scenario was seizure by the state and sale to a large company, for example in

the UK, where Smith & Nephew acquired the NIVEA trademarks for the entire British Commonwealth. However, in the vast majority of cases, Beiersdorf's assets were sold to small businesses following confiscation by the state. The new owners were often former Beiersdorf general managers or licensees with years of experience, who knew the business well and saw their opportunity to become independent of Hamburg. One such example was Duke Laboratories in the USA.

A third scenario existed in Switzerland, France, and Italy: although no formal confiscations took place there, the trademark rights were lost nevertheless. The Beiersdorf subsidiaries under Soviet rule took on a special role: the operations in Yugoslavia, Poland, Romania, Czechoslovakia, and Hungary were nationalized.



Diverse colors and fonts: NIVEA advertising campaign by Smith & Nephew, UK, 1964

Commonwealth: Smith & Nephew

Founded in 1856, the London-based company was and is a major global corporation. Since 1931, Beiersdorf has worked with Smith & Nephew as a partner for adhesive bandage sales in the British Empire. The end of the Second World War marked a new beginning: in 1948, the British government expropriated the Beiersdorf subsidiary and the adhesive bandage and NIVEA trademark rights for the entire Commonwealth, and in 1951 Smith & Nephew acquired the factory and the brands from the state. It would take 40 years for Smith & Nephew to start focusing on the healthcare market and withdraw from the personal care segment. In 1992, Beiersdorf repurchased all rights, having previously succeeded in repurchasing rights for individual countries of the British Commonwealth.



NIVEA as a Swiss brand with a product only locally available in this design, Switzerland, from 1957

Switzerland: Pilot AG

As a trustee, Pilot AG in Switzerland owned the NIVEA trademark rights in France, Italy, and Switzerland from 1939 onwards. Until 1940, Beiersdorf had held shares in this company, but – due to the expropriation experience with the toothpaste brand Pebecco after the First World War – then sold them to Richard Doetsch, the owner of Pilot AG, under the agreement that they could be bought back at the original price at any time.

After the end of the Second World War, Doetsch claimed to be the legitimate trademark owner and had this confirmed by the Allies. He thus considered the agreement with Beiersdorf null and void. Consequently, the three companies in France, Italy, and Switzerland were not formally confiscated, but were owned by Richard Doetsch. Only after his death in 1958 was Beiersdorf able to acquire Pilot AG.

Surrender America. We're too soft to fight.

Five years ago the Nivea invasion was launched. It was a small assault: only Nivea Creme and Oil. Just a few markets. Spot TV. No big stuff. As consumers started surrendering, the Nivea beachhead was expanded. More markets. More spot TV. Magazine coupons. Some new troops (Nivea Lotion, Soap). This year the attack is really accelerating. Nivea is now storming every market in the U.S. Network TV, daytime and prime. 12-month magazine schedule in 4-color. Millions of samples. Millions of mailed coupons. We have patience, America. Softness is on our side. Nivea. No.1 in the world. Growing irresistibly in America



BDF Beiersdorf, Inc., South Norwalk, Conn. 06854

This document shows how Beiersdorf tried to make NIVEA competitive again in the US after the brand had been merely administered for almost three decades, 1979.

HIGH VALUE - HIGH QUALITY - HIGH PROFIT

NIVEA

Cream for Skin Care

1 FREE with 10

NIGHT CREAM CLEANSING CREAM
HAND CREAM POWDER BASE

Size	Code #600		Code #602	
	2 1/2 oz. Tube		7 oz. Jar	
Regular Case Cost (doz.)	\$3.52		\$7.04	
Regular Unit Cost	.293		.585	
Deal Cost: (1/w10)	\$3.20		\$6.40	
Deal Unit Cost (each)	.266		.535	
Regular Suggested Retail	.59		1.09	
Profit: (1/w10)	54.9%		50.9%	
SUGGESTED FEATURES:	45¢	40.9%	79¢	32.2%
	49¢	45.7%	89¢	39.9%
	55¢	56.6%	99¢	45.9%

Printed in U.S.A.

Excerpt from Duke price sheet, 1970s

USA: Duke Laboratories

The Custodian of Alien Property expropriated Beiersdorf in 1947. Shortly thereafter, Duke Laboratories acquired the company's assets and the trademark rights to NIVEA. The owner, Dr. Carl Herzog, was familiar with the cosmetics business: as an employee of a Beiersdorf sales partner, he had already come into contact with the brand in the 1920s and had accompanied the market launch of NIVEA in the USA. In retrospect, it is surprising that, as the new owner, he evidently showed little interest in strategically expanding the brand. Following the acquisition, the NIVEA trademarks were expected to yield an annual profit of about one million dollars. As NIVEA managed to achieve this even without advertising, hardly any investments were made in the US brand – with the result that other products slowly outperformed it. But still, Herzog didn't want to let the brand go for a long time. Ultimately, though, he couldn't refuse a very lucrative offer from Beiersdorf. So from November 1, 1973, the trademark rights were again owned by the Hamburg company.

BACKGROUND

Dr. Carl Herzog



The early repurchase of rights often failed because of individual persons. The negotiations in the USA with Dr. Carl Herzog (1884–1980), owner of Duke Laboratories Inc., are a perfect example of this: due to the events surrounding the acquisition of the trademark rights, Beiersdorf and Herzog were suspicious of each other. Before the war, Herzog was a trustee of the NIVEA trademarks. After the war, Beiersdorf trusted that he would transfer the rights back again – but this didn't happen. Herzog, for his part, suspected that the company wanted to take advantage of him. The business relationship was shattered. Nevertheless, initial contact from Hamburg was made as early as in the 1950s: Beiersdorf tried to establish a friendly relationship and demonstrated a lot of patience, which eventually paid off. Twenty years later, on January 16, 1973, the Beiersdorf Executive Board wrote to the Supervisory Board: "... that due to his age of almost 88, Dr. Herzog is now determined to hand over the management of his company."

"Dr. Herzog had acquired the rights lawfully. So [Beiersdorf] had no choice but to assure Dr. Herzog that we fully understood his actions."

(Quote by former CEO Dr. Hellmut Kruse, 2006)

The strategy at a glance

After 1945, the Beiersdorf Board initially concentrated on rebuilding the German business. Raw material shortages and Allied restrictions made this venture extremely difficult. Buying back the NIVEA trademarks abroad was unthinkable for the time being. Attempts to get them back by legal means proved to be a dead end. A different strategy was needed but proved very tedious. In most cases, it was implemented in three stages.



Left: Significantly involved in the brand repurchases: the former CEOs (from left to right) Georg Wilhelm Claussen, Hans-Otto Wöbcke, Dr. Rolf Kunisch, and Dr. Hellmut Kruse, 1996

Right: Carl Claussen led the company from 1933 to 1954 and laid the foundation for the first brand repurchases.

Approach

The first step in exploring a possible repurchase was to get in contact with the new owners – after all, good relationships could prove helpful for facilitating later acquisition. The owners often included former Beiersdorf trustees or general managers, but also competitors. Travel was therefore one of the main tasks of the Beiersdorf CEOs in the following years. It was necessary to “get a foot in the door” in order to be able to negotiate a repurchase of the trademark rights in the medium terms.

Exchange

To ensure the quality of NIVEA products around the world, after a successful approach, there was often an exchange of knowledge with the new brand owners. Beiersdorf, for example, supplied raw materials, advised on the formula, and offered advertising concepts, even if they were not always accepted. The NIVEA brand image was to look as uniform as possible internationally. The introduction of new products, such as NIVEA milk in 1963, was often a door opener to intensify cooperation.

Repurchase

The repurchase of the NIVEA rights was complex and required a lot of diplomatic skill. The longer the process took, the more Beiersdorf had to leave the developed consumer markets, such as the UK or the USA, to competitors. To avoid encountering overly powerful established competitors 20 years later, more had to be paid for some purchases than seemed economically reasonable from today's perspective. At the time, the management made decisions based on an entrepreneurial perspective. After all, the future of the brand and of the company was at stake.

BACKGROUND

New brands for the world

At the beginning of the 1950s, when domestic demand for Beiersdorf products rose sharply and the German “economic miracle” began, Beiersdorf needed to develop strategies to offset the loss of the NIVEA brand rights. This was also possible with new brands that Beiersdorf had established in Germany and was successfully selling internationally. As early as in 1951, Beiersdorf launched the 8x4 deodorant series, which has been successful in many European countries.

The expansion of the tesa range with high-turnover products such as tesamoll generated considerable profits. atrixo (atrixo in the UK), a novel hand cream with silicone that is supposed to protect the skin “like an invisible glove,” was another success in 1955. In the same year, the new “Zeozon Sun Filter” offered summer vacationers protection from the sun and the opportunity to enjoy their vacation without sunburn.



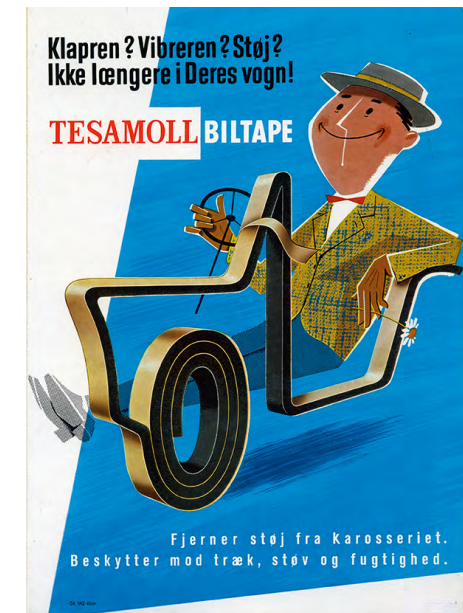
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1 Poster for 8x4 soap, France, 1954
3 Zeozon cardboard display, Germany, 1957

2 atrixo tin, UK, 1960
4 Poster for tesamoll, Denmark, 1960

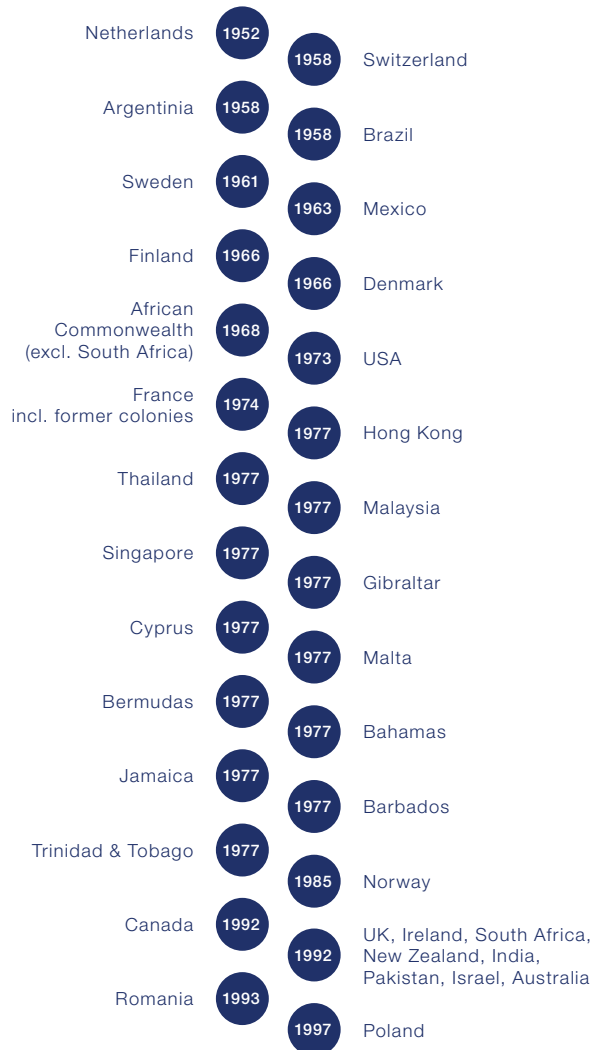
Repurchase in the UK

The example of the UK shows in detail how complex the brand repurchasing process was. In 1957, Beiersdorf and Smith & Nephew commenced initial negotiations, ...

which in the following year led to discussions about collaboration between the two companies – but to no avail. Smith & Nephew did not want to renounce the NIVEA trademark rights for their key markets. This primarily pertained to the UK, where NIVEA reached a market share of 22.5 percent in 1960, but also Canada and South Africa. Beiersdorf therefore initially focused on the other regions and in 1968 acquired the rights for the former British colonies in Africa. In 1977, this was followed by trademark rights in Hong Kong, Singapore, Malaysia, and Thailand. For the rights that were still held by Smith & Nephew, including the UK and Canada, Beiersdorf proposed a joint venture in the 1980s. Smith & Nephew refused and brought a merger into play, which Beiersdorf in turn rejected.

As a result of a change of strategy at Smith & Nephew, the repurchase finally succeeded in 1992. However, Smith & Nephew insisted on a contractual warranty for distribution in some countries until the year 2000. Beiersdorf had to pay 113 million Deutschmarks for NIVEA. This corresponded to about two-thirds of the company's own profit. In return, they received a high-turnover, but low-income business. Nevertheless, this was a milestone in the company's historical development, about which CEO Rolf Kunisch later said the following: "You know that my predecessors had been working hard since 1950 to buy back the trademark rights for NIVEA. My pre-predecessor, Dr. Kruse, certainly a proud man, once told me when I was a bit down after negotiating with Smith & Nephew: 'You mustn't shy away from humiliation. The trademarks are too important for Beiersdorf.' And I must say, he sure knew what he was talking about."

Repurchase by country and territory



The final step

The acquisition of NIVEA for the UK and the Commonwealth of Nations was not the end of the repurchase of trademark rights. Only owing to the gradual takeover of the NIVEA owner in Poland, Pollena-Lechia, this chapter of Beiersdorf's history finally closed in 1997, after more than 50 years. In this key document, Beiersdorf CEO Dr. Rolf Kunisch talks about initial negotiation successes on August 7, 1997.

letter of intent

Beiersdorf's goal is to obtain a majority of voting rights and to take control in operational management.

Polish Fund "Octava"

In 1997, the national investment fund "Octava" owned 33 percent of the shares of Pollena-Lechia.

Pollena-Lechia

In 1996, the company turned over about 100 million Deutschmarks. This corresponded to the cumulative yield of the Czech Republic, Hungary, Slovakia, and Slovenia.

future cooperation

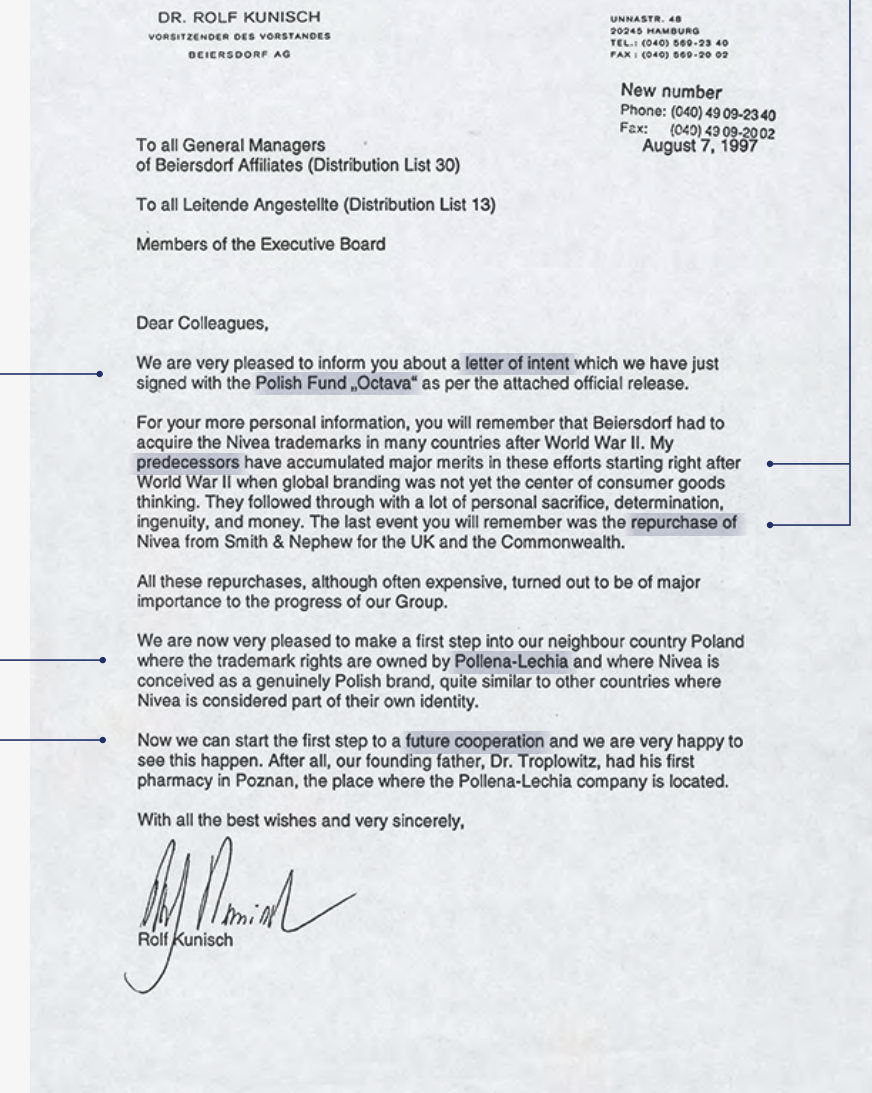
Beiersdorf took over Pollena-Lechia. The targets of the aforementioned letter of intent were exceeded. The voting rights share was 70 percent, with 43 percent of the share capital belonging to Beiersdorf. The new company was called Beiersdorf-Lechia S.A. In December 2006, Beiersdorf AG came to wholly own the subsidiary, which by then had been renamed NIVEA Polska Sp. z o.o.

predecessors

These are former CEOs Carl Claussen, Georg Wilhelm Claussen, Dr. Hellmut Kruse, and Hans-Otto Wöbcke.

repurchase of ...

Between this repurchase in 1992 and the purchase in Poland, Beiersdorf also acquired the trademark rights in Romania in 1993.



NIVEA not the only brand affected

Due to the two World Wars, most of Germany's foreign assets were lost at the beginning and in the middle of the 20th century. The subsidiaries of German companies operating abroad were confiscated during the war and partly sold to third parties after the end of the war. This included patents and trademarks. Apart from Beiersdorf, other companies were also affected – in very different ways.



A company with headquarters in the Soviet Occupation Zone

Auto Union AG, founded after the Second World War in 1932 in the Soviet Occupation Zone – the later GDR – was expropriated, the factories disassembled to make the reparations payments, and the company removed from the commercial register of the city of Chemnitz in 1948. Before the Second World War, the Auto Union Group was the second largest German car manufacturer after Adam Opel AG. Leading employees founded the company known today as Audi on the basis of a former parts warehouse in Ingolstadt in the then FRG. At the end of 1966, Volkswagen took over the company completely.



A business loses company and brand names

The world-famous Aspirin brand of the Bayer Group was confiscated as enemy property shortly after the First World War in 1918 and sold to competitors. Unusually, this also affected the company name Bayer. When Bayer managed to repurchase the right to its name in the US in 1986, "Bayer Aspirin" with the Bayer cross remained excluded from this regulation. Only through a company repurchase in 1994 made it possible to regain the Aspirin rights too.

Persil

A global brand that still belongs to two companies

After Persil was launched in 1907, Henkel in 1909 issued licenses to sell the branded product to companies in the UK and France. After the First World War, Lever (later Unilever) bought up these companies and Henkel lost the rights to the brand. Persil is still different from country to country today – in the UK, Ireland, France, Latin America (except Mexico), Australia and New Zealand, Persil is sold by Unilever and has a different composition and brand design than Henkel's Persil.

IMPRINT

Publisher:
Beiersdorf AG
Corporate Communications
Corporate & Brand History
Unnastraße 48
20245 Hamburg

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Editorial and text:
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Concept und creation:
Factor, Hamburg

Print:
Beisner Druck GmbH & Co. KG, Buchholz i. d. N.

Image credits:
Page 09: Federal Agency for Civic Education
Page 18: AUDI AG, Henkel AG & Co. KGaA, Bayer AG
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Illustrations:
Gregory Gilbert-Lodge, Zurich

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