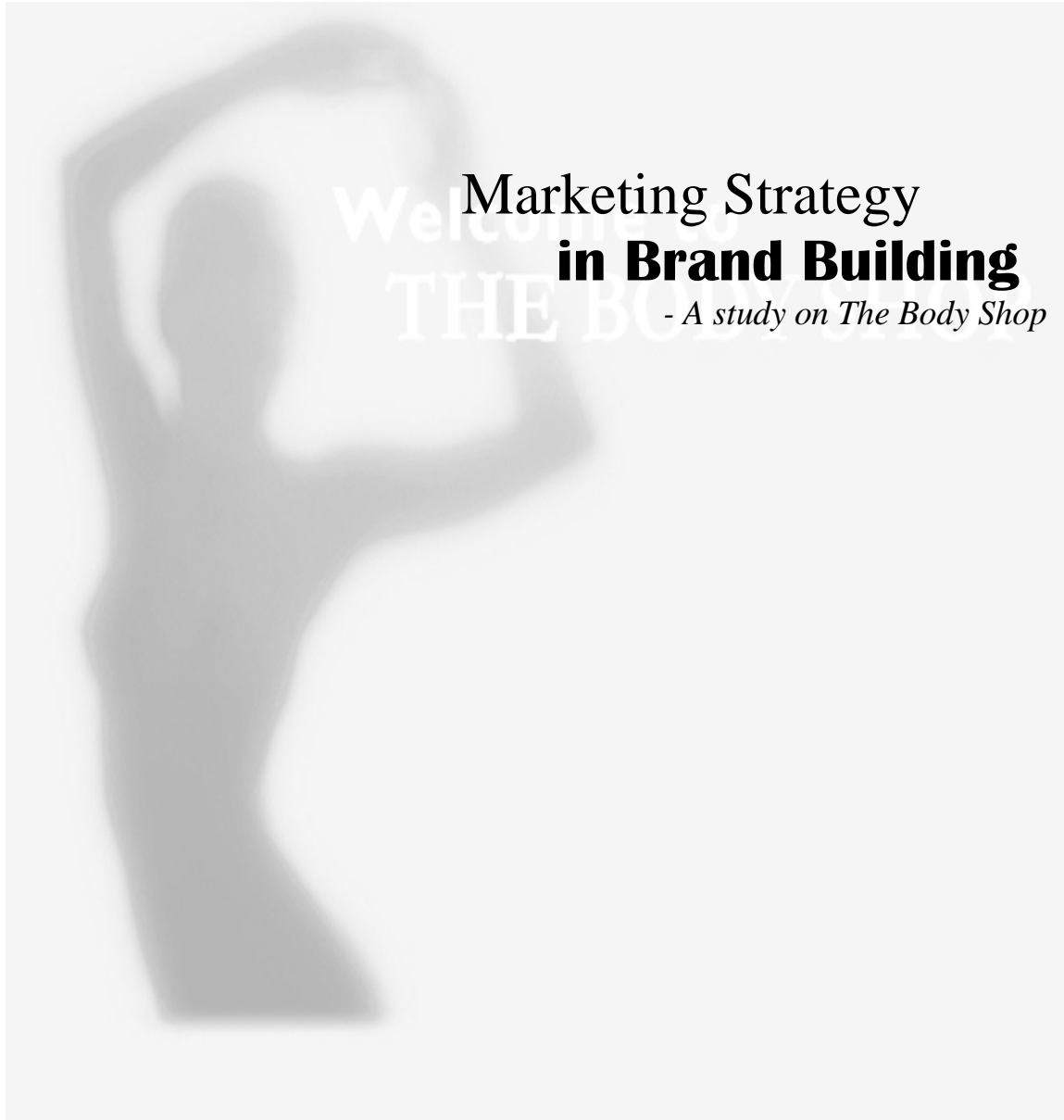




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## Annex 2: Sample marketing mix (the 4Ps)





## **Introduction**

The Body Shop, International (BSI) has been noted as a company that attempts to intertwine social and moral with profit values in its strategies over its 25-year history.

Founded by entrepreneur Anita Roddick who in 1976 identified a niche in the cosmetics market for naturally-based products with minimal packaging, The Body Shop has evolved from one small shop in Brighton on the South Coast of England to a worldwide network of specialty retail stores. It pioneered new approaches to the manufacturing, retailing and especially the marketing of cosmetics and toiletries. It adopted franchising that allowed for rapid growth and international expansion as hundreds of entrepreneurs worldwide brought into Roddick's vision. The company's campaigns in favor of animal and environmental protection, its commitment to challenge the stereotypes of beauty perpetuated by the cosmetics industry and against human rights abuses, have won the support of a generation of consumers.

The company continues to lead the way for businesses to use their voice for social and environmental change. It is estimated that in 1997-98, The Body Shop sold a product every 0.4 seconds to one of its more than 86 million customers visiting stores worldwide. Global retail sales increased by three percent during 1998-99 to break the \$1 billion mark. Strong performances worldwide were led by Europe, The Middle East, and Canada. Europe and the Middle East were up nine percent, Asia Pacific up three percent, the Americas up one percent.<sup>i</sup>

The huge success of The Body Shop is based on its brand image building. It has become a symbol for the public good, a symbol of a group of people who love naturally developed product, who are environmental and social conscious, and who follow the fad of this trend. This paper addresses the market strategy of The Body Shop in its market mix, through which it built up its superior brand and hence differentiated from other products in the cosmetic industry.

## **Product**

The Body Shop has a wide variety of products. Currently the company offers 227 products, in 30 categories and 8 product lines, which include skin care, bath/shower, aromatherapy, colorings, fragrance and men. As a manufacturer and retailer of natural, biodegradable cosmetics, The Body Shop is well known for such innovative and successful products as Vitamin E Cream, Tea Tree Oil, Banana Shampoo and Aloe Vera Lotion. The company contends that the importance of the skin and hair care products is their ingredients, manufacturing process, and use of profits. The natural ingredients it adopted are cocoa butter, peppermint, hemp, sandalwood, ylang ylang, lavender, grape seed, etc., some of which are from third-world country, giving a low cost of raw material and providing a social image. For example, BSI sources Cocoa butter from Ghana and claims that the



product profits of cocoa butter lotion are used to increase social welfare and ensure fair wages for the farmers in Ghana who provide the product.

The company's product policy focuses not only on reinforcement of heritage brands but also on the innovation of new premium quality products. At present, it faces stiff competition from cosmetic giants, such as Este Lauder as well as entrepreneurs, such as the Bath and Body Works, using similar tactics to target the same consumer group.

In response to these new competitors, The Body Shop announced the implementation of a major restructuring of the company in 1997 to revitalize the organization's sales, earnings and image. In working to become a world class brand retailer, The Body Shop has created centers of innovation in four regions: the UK, Asia, the US and Europe. Innovation is expected to come from increased efforts in spa products and products geared toward well being and health. All these efforts follow the strategy to maintain and even expand a large market share. The company has built an empire by carving out a niche in the cosmetics industry, offering natural products, packaging them in recyclable, refillable, biodegradable containers, and selling them at reasonable prices.

## **Price**

The Body Shop differentiates its product by pricing too. Its products are sold at reasonable prices challenging two practices common to the cosmetics industry. One is the use of extravagant product packages, and the other is setting high prices to communicate distinctiveness. The Body Shop's cosmetics are priced below those of competitors'. The company focuses on continuing reducing cost through outsourcing and regionalizing manufacturing to keep its profit margin.

The image pricing caters to the majority of its target groups who are well educated, social/environmental conscious, teens to middle aged, and who are financially in the middle to upper level. This pricing, in turn, helps reinforce the company's image.

## **Place**

Based on franchising, The Body Shop's distribution policy allowed the company to penetrate domestic and foreign markets without making substantial investments in new stores and promotion campaigns. The Body Shop's products are offered through a variety of retail formats stores. By using factory outlets, railway station outlets, kiosks and store within store concepts, the company optimizes its exposure to different market segments. Capturing on broad group of customers allows the company to maximize its sales. The introduction of factory outlets turned to be very successful. This distribution channel is reaching new customers and is offering high value through sales of discontinued products, end-of-season lines, gifts and large sizes at significant price reductions. There are now two highly successful factory outlets in the UK, one in Australia and one in Canada. Additional factory outlet openings are planned in the UK, Germany and Japan.



The look of the company's stores flows from the strategy and supports the image of the company as socially and environmentally responsible business. The look promotes the idea of natural life style. Currently the management is trying to redesign the product layout within the stores. This initiative is a result of customer's suggestions, as well as a research done by the company. The research identified the most appropriate store layout, which would provide maximum comfort for the clients during the buying process. Almost 300 existing stores have been refurbished in year 2000. The program will encompass a further 100 stores during its second phase in 2001. In addition, The Body Shop continues to work on the improvement of its store design by following trials initiated in France, the Republic of Ireland, Singapore and the USA.

As products need to be renovated in order to extend their life and increase their value, the same applies for distribution channels. A research in 1999 pointed out that customers perceive The Body Shop brand as something more than just a retail presence. In response to that, managers wanted to expand the brand to new areas. Shortly after that the brand branched out with Body Shop Direct, a Tupperware style parties where Body Shop products are sold at people's homes. The hosts of the parties are selected so that the branding fits alongside their values and beliefs. Direct selling takes company's message and product right into the home of their clients. As Anita Roddick commented: "This (product) goes directly into customers' homes - it's not reinventing the wheel, it's human empowerment. That's where the equity of the brand is."<sup>ii</sup> The management firmly believes that direct sales can be a strong contributor to growth worldwide. The Body Shop Direct at home shopping experience will undoubtedly, as research confirms, strengthen loyalty to the products and is another enterprising way to introduce new customers to the Body Shop's business. It is also becoming clear that the stories about the products, told at home parties, are exciting the customers to get out and take a look at what is happening back in the shops. It is also a wonderful opportunity for women, most of who are current company clients, to start their own business from home with very minimal investment. Internationally, the concept is being tested in Canada, Australia and Switzerland. Expectations are that in the next four years this new distribution channel will overtake the retail side.

Another form of distribution, currently employed by The Body Shop, is The Body Shop On-line. As Internet becomes more popular and allows electronic transactions at a very low cost and in a short period of time, many companies explored this opportunity as another way to sell their products. By using Internet The Body Shop is able not only to increase its sales in a fast and fad fashion but also to further enhance its image and expand its influence. The Body Shop On-Line focuses on sales, on-line education, ethical philosophy advocacy, membership development, and promotion.

## **Promotion**



Probably the most effective component of The Body Shop's marketing mix is its promotion tactic. Since its establishment the company spent very little money on advertising. Its success has been entirely due to publicity. Public relations carried more credibility than advertising. As experts say, consumers were five times more likely to be influenced by editorial copy than by advertising. A variety of programs, focusing on social issues and community needs, have been broadly covered by the media around the world. The auditorium response proved that the company has found the right approach to promote its mission, values and beliefs. Some of the initiatives that contributed to The Body Shop success are listed below.

**Environmental Policy.** Nowadays the society is more concerned about environmental issues than ever before. The Body Shop led this trend since its establishment. The company has developed its environmental policy to commit itself to the pursuit of positive social and ecological change and to the support of its brand image. Through this policy, the company declares that it will act responsibly in order to protect the environment both globally and locally, and to strive for continuous improvements in its performance. At all levels of operation, the company tries to minimize the use of resources including raw materials, water and energy, and it uses renewable resources wherever technically and economically feasible.

Since the company takes the quest for economic growth the cause of much environmental and human exploitation, it claims that its future planning will be based on achieving a balance between the need to limit the environmental impacts of its business and not compromising the long-term commercial viability. Notably, the company commits to forging a new and more sustainable ethic for business through continuous environmental education, comprehensive public disclosure of its environmental performance, and encouraging business partners around world to report on their environmental performance.

**Community Trade Program.** The Body Shop has developed this program to create sustainable trading relationships with communities in need around the world. The goal of this program is to help build livelihoods and to explore trade-based approaches in support of sustainable development. The managers believe that this goal could be achieved by purchasing ingredients and accessories from socially and economically marginalized producer communities. The Body Shop now trades with over 37 Community Trade suppliers in 21 countries. More importantly, the program has helped to support hundreds of people in building livelihoods for their families across the globe and brought educational and health benefits to many of the company's suppliers. At two of its longest-standing suppliers, Teddy Exports in India and General Paper Industries in Nepal, The Body Shop provided help in setting up AIDS awareness projects, which now attract international funding. The program has added additional value to the company's products. Socially conscious customers now believe that part of their money supports the communities in need.



**Animal Protection Campaign.** The Body Shop actively campaigns with animal groups around the world. The purpose of these campaigns is to ban animal testing of products and ingredients - a traditional practice for or by the cosmetics industry. Company's own animal protection practices have been recognized as an excellent example. The Body Shop does not test or commission animal tests. In its attempt "to do everything" to stop ingredient suppliers animal testing in the future, the company implemented "The Body Shop Purchasing Rule". According to it, all suppliers must certify that the ingredients they sell are subject to non-animal tests and that their products are developed using controlled testing on carefully monitored groups of human volunteers. When developing its own products, the company uses ingredients with a history of safe human use and naturals like bananas and Brazil nut oil. The company also supports and uses alternative tests and constantly informs the public on issues related to animal protection. This policy and associated practice have widely won positive consumer response.

**Human Rights.** The Body Shop actively advocates human rights. To celebrate the 50th anniversary of the Universal Declaration of Human Rights (UDHR) in 1998, The Body Shop and Amnesty International joined forces to launch the world's largest consumer based human rights campaign - 'Make Your Mark for Human Rights'. Currently the company is actively involved in human rights campaigns in over 30 countries.

## Summary

As consumers have become more concerned about and willing to spend money on personal health and the environment, "green marketing", practiced by The Body Shop, has created profitable opportunities for companies. The Body Shop, which has developed products tailored to the environmental niche, has been especially successful. It has built reputations for corporate responsibility, not only with their product lines but also by aggressive promotions that tout social responsibility. Market surveys have found that almost 90 percent of consumers are more likely to buy products from companies with the best reputations for social responsibility, when price, quality, and service are equal.<sup>iii</sup> Thus, The Body Shop's success is not surprising.

However, reputation and integrity will be in acute danger of becoming little more than marketing slogans, if the words are trotted out with little thought and scant attempt to establish whether the organizations concerned really measure up to such standards. Further, consumers become increasingly sophisticated, and will not necessarily accept that a company has an ethical stance just because it says it has. Having positioned itself as a value-laden company, The Body Shop has developed a comprehensive marketing strategy, which is in line with its mission statement<sup>iv</sup> and has been an effective base to develop and implement its marketing mix. In particular, its control on the standard of practices carried out by its suppliers (community trade) and claimed non-advertising are most effective tools to differentiate the company from others.



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Being one of the forward-thinking companies, The Body Shop gives dose consideration to social awareness, environmental concern and its ethics, which are all bound up together, thus improving the chances of long-run success.



Exhibit: 1

History and Milestones

1976

First branch of The Body Shop in Brighton, England.

1978

First international franchise - in a kiosk in Brussels.

1986

First campaign - Save the Whales, with Greenpeace.  
The Body Shop Charter, written by staff for staff.

1990

Romanian Relief Drive began (now Children on the Edge), renovating orphanages in post-Communist Romania.  
The Body Shop Foundation founded - "effectively taking risks" in human rights, the environment and animal welfare.  
Child Development Center opened at Head Office, first purpose-build UK company day care center.

1991

After three years of producing soap for The Body Shop, Soapworks opened a children's playground in Easterhouse, Glasgow.  
The Big Issue launched in London and supported by The Body Shop - Gordon Roddick's idea for a British newspaper sold by the homeless for the homeless.  
Joint Amnesty/The Body Shop letter-writing campaign helped free several prisoners of conscience.  
"Body and Soul" published, Anita Roddick's autobiography - the story so far.

1992

Brazilian Healthcare Project established through The Shop Foundation in conjunction with Brazilian agencies; funding and organizing immunization procedures, medical checks, hospital renovation, construction and health education for over 4,000 Indians in 18 Amazon villages.  
Community store in Harlem, New York.  
US Voter Registration drive signed up 40,000 more people to vote in US Presidential Elections.

1993

The Body Shop Tour of Head Office launched.  
A Community Trade supplier in India established.





1994

Paternity leave offered to all male Company employees.  
Children's school opened by our Community Trade supplier in India. The Body Shop Book launched - a celebration of women.  
Major award to The Body Shop Canada for Domestic Violence campaign. Anita and Gordon become grandparents.  
Link with the Missing Persons Helpline, converting our lorries into moving billboards.

1995

Visit funded and organized by The Body Shop Supply Company from Byelorussian children with 'Children Of Chernobyl' charity.  
Petition of 1.5 million signatures in support of women's rights presented by our delegates at 4th World Conference on Women in Beijing, China.  
The Body Shop on the Internet.

1996

First fully integrated Values Report, consisting of independently verified statements on the Company's performance on social, environmental and animal protection issues.  
The Body Shop recognized as 'trailblazer' by United Nations Environmental Program for publishing Values Report.  
The New Academy of Business launched - Anita's idea to reform business education for the next century.

1997

United Nations Environment Program (UNEP) 25th anniversary celebrations recognized Anita as one of 25 female leaders to have made outstanding contributions to the environment.



Exhibit: 2

Mission Statement<sup>iv</sup>

Our Reason for Being:

**To** dedicate our business to the pursuit of social and environmental change.

**To** Creatively balance the financial and human needs of our stakeholders: employees, customers, franchisees, suppliers and shareholders.

**To** Courageously ensure that our business is ecologically sustainable: meeting the needs of the present without compromising the future.

**To** Meaningfully contribute to local, national and international communities in which we trade, by adopting a code of conduct, which ensures care, honesty, fairness and respect.

**To** Passionately campaign for the protection of the environment, human and civil rights, and against animal testing within the cosmetics and toiletries industry.

**To** Tirelessly work to narrow the gap between principle and practice, whilst making fun, passion and care part of our daily lives.



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- <sup>iii</sup> Roger Trapp; Blunder Boss; The British Journal of Administrative Management; Orpington; Jul/Aug 1999
- <sup>iv</sup> <http://www.thebodyshop.co.uk/usa/aboutus/methodology.pdf>