

The year 2006,
marketing plan for the
body shop
international essay
sample



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The view of present company situation. Company managed to successfully market itself for 3 decades as well as expand very fast through retail franchising model. Constant product development has shown positive results in sales. Trading relationships with communities in need has enabled company to outsource high quality sustainable and relatively cheap materials.

Growth Model. Acquisition of independent “ The Body Shop” franchisee stores In Hong Kong and Canada is expected to marginally increase stakeholder value. As well, company plans to open 120 new stores in four regions.

Current Marketing Strategy. The Body Shop employed “ green marketing” strategy to build customer base in the market by help of publicity. The Body Shop considers the most efficient way of advertising through using its shops and staff. By using the shop windows company runs posters and by using the staff informs their customers.

Marketing Objectives. One of core company objectives is to move the brand to a “ masstige” positioning (Mass-market combined with prestige).

Opportunities for Expansion. The worldwide cosmetics and toiletries market has a turnover in excess of \$80 billion (with 3. 1% annual growth) dominated by major companies like Proctor and Gamble, Unilever, Shiseido, L’Oreal, Avon and Revlon. Even though competition levels are high there is a high growth potential for male grooming products in UK, USA and Europe. Men in the UK spend a total of \$1351 million in year 2005.

Strategic development options. The Body Shop does not reach market segment aged between 8 and 14. Because of different marketing approach company does not use intensive advertising campaigns through mass media. Company distribution channels have to be widened.

Expected profits. Company predicts operating Profit of £43. 0m during year 2006 around 15%-20% increase compared to previous year.

2006 Marketing Plan focus is on how to deliver positive store sales performance, and ensure that new strong and disciplined operating practices are used and the ones already put in place continue.

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SITUATION ANALYSIS

Body Shop International is a skin and hair care retailer operating in around 52 countries through around 2050 outlets as well as growing direct selling organization. The Body Shop has only one manufacturing facility, “

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Soapworks” in Scotland. The remainder of production is outsourced to suppliers around the world.

The Body Shop manufactures, and markets a range of over 600 products and approximately 400 accessories. The company sells a wide range of high quality values-driven health and beauty products as shampoos, bath products, soaps, skin creams and conditioners, beauty related accessories, special children’s and men’s toiletry ranges, perfumes and seasonal products. The company also sells a line of cosmetics.

None of the company’s products are tested on animals, and many of the company’s stores offer recycling facilities. The Body Shop develops trading relationships with communities in need and company’s ultimate goal is to be socially, environmentally and economically sustainable.

The company operates through a number of retail formats including stores in railway stations, units in large shopping malls, town center stores and airports. It has grown through the opening of franchises.

The Body Shop International operates company owned stores in the UK, the US, France, Germany and Singapore, with the remaining 45 markets owned and operated by independent franchisees.

Company had global retail sales of £708. 7m in year 2005 and profit before taxation of \$36. 2m. (www.thebodyshopinternational.com)

SWOT ANALYSIS

STRENGTHS

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- * First mover advantage

- * Strong product development

- * Strong Brand Name

- * The Body Shop at Home

- * Trade Not Aid program

First mover advantage

The company was the first to manufacture and market naturally inspired skin and hair care products.

The company also revolutionized the concept of ethical treatment of animals by not testing cosmetics and other personal care products on animals.

Though the company's concept was copied by other competitors in the years to come, the company still retained high brand recognition and the first mover advantage.

Strong product development

The company has a strong product development program which enables it to maintain a healthy pipeline of products. The company built on the success of its ingredient-led Bath and Body range with the extension of the range into new variants such as Ultra Smooth Face Base, Global Fragrance collection; and the New Everyday Aromatherapy range.

Strong Brand Name

The name of The Body Shop has strong loyalty from its customers and worldwide recognition for its commitment to the environment and its superior products.

The Body Shop at Home

Home selling has proven to offer great synergy with the store-based business and to be highly successful in the UK and US and in Mexico.

“ Trade Not Aid” program

The company has a unique procurement program which provides it access to low cost raw materials for its products as well as ties up with its corporate social responsibility program. The company purchases such ingredients as blue corn from the Pueblo Indians in New Mexico and Brazil nut oil from the Kayapo Indians of the Amazon River Basin, and thus proves to be beneficial socially and cost-wise.

WEAKNESSES

- * False claims

- * Franchisee problems

False claims

The company has been charged with exploitation and deception by selling products that were not “ all-natural” and goods with ingredients that were, at some point, tested on animals. The company was charged with making false claims about its products and thus misleading the customers. The company

lost face in front of its loyal customer base who endorsed the company's ethical stance about natural ingredients and non-testing on animals.

Franchisee problems

The company's business has primarily been based on franchising. As the company banks heavily on loyal customer base who expect uniform ambience, quality and service in all Body Shop outlets, the company is highly dependent on the performance of its franchise stores.

The performance of the franchisee stores has deteriorated over the last several years and there have been numerous customer complaints about poor quality and service in these stores. The company has failed to effectively manage its franchisee stores.

OPPORTUNITIES

- * Acquisitions
- * High growth potential of male grooming products
- * Entry in new markets

Acquisitions

In order to effectively manage its franchisee and strategically enhance the number of company owned stores, the company has embarked on a series of acquisitions of its franchisee stores which have been constantly profitable. Company acquired 127 stores “ through the purchase of the Canadian and

Hong Kong head franchise businesses and other individual franchised stores, primarily in the UK." (Annual Report, pg. 2)

High growth potential of male grooming products

There is a high growth potential for male grooming products in UK, USA and Europe. Men in the UK spend a total of \$1351 million a year on body-care, hair-care, skincare products and fragrances. The UK market for male grooming products is likely to grow to \$1.5 billion by 2008. A trend toward greater usage of personal care items among young men has also seized the US.

Young men between the ages of 8 to 18 are an important and growing sector of the health and beauty care industry, representing a potential market of \$2.8 billion by 2008. This high growth potential of male grooming products is a positive sign for the company's range of men's products.

Entry in new markets

The company plans to exploit the opportunities to enter new markets like North and South Asia, South America and Eastern Europe. Demographically high opportunity Asian markets are showing an increase in consumer spending and increased trend towards purchase of personal care and grooming products among the urban population in these countries. These regions can be the key growth drivers of the company's revenues.

THREATS

* Strong competition

* Foreign currency risk

Strong competition

Body Shop sales have dropped due to intense competition in the global natural cosmetics market. Throughout the world competitors such as Boots, Johnson & Johnson, L'Oreal, Avon Products and numerous others have threatened to take market share from The Body Shop. The company competes against those that offer natural products, but also against those that offer supplemented products. Recently many of competitors' natural products have been offered in simple packaging and in many cases at a lower price. The Body Shop has been criticized for selling low end products at a premium price.

Foreign currency risk

The company faces currency exposure arising from the translation of the net assets held by overseas subsidiaries, export sales from the UK and retail royalties payable to the UK, as well as from purchases and interest payments. Since, the company sources most of its raw materials (natural products) from low cost destinations, currency fluctuations can eliminate the company's cost advantage and can have an adverse affect on the company's margins.

(Datamonitor, Published Sep. 2004)

MARKETING OBJECTIVES

- * The major task of The Body Shop is to define and satisfy the needs and expectations of the customers more effectively than its competitors.
- * One of core company objectives is to move the brand to a “ masstige” positioning (Mass-market combined with prestige) by developing innovative, credible and relatively low price retail goods that are sold under the tag of a prestigious brand name. (bbc. co. uk)
- * Company has objectives to open around 120 additional shops across four regions of which two thirds will be company-owned. As well there are great opportunities to enter new markets as North and South Asia, South America and Eastern Europe. (Annual Report, pg. 2)
- * The Body Shop plans investment in “ stores and store refurbishments, while...continuing to invest in point of sale systems to improve operational efficiencies.” (Annual Report, pg. 14)
- * Expand sales more than double from year 2005 through home selling “ The Body Shop At Home” and e-commerce channels.

MARKETING STRATEGY

The Body Shop has no marketing department and no advertising department. They operate according to criteria, which places more emphasis on human values than on strictly commercial considerations. The Body Shop never advertised in newspapers or television because this type of advertising increases costs hence price of the products. For The Body Shop, the most effective and useful way of advertising is to use its shops and its staff. By

using the shop windows they run posters and by using the staff they inform their customers.

The newest venture for The Body Shop is the “ at home business”, where trained consultants come to your home and demonstrate the products.
([www. geocities. com](http://www.geocities.com))

The founder of company Anita Roddick spends most of her time in marketing activities such as campaigns and conferences. The Body Shop employed “ green marketing” strategies to build their customer base in the market by help of publicity.

MARKETING PROGRAMS

The Body Shop uses global marketing programs such as value promotions, increased sampling and gift with purchase initiatives, designed to support new product launches and seasonal events. Programs are developed to drive customer loyalty and increase repeat visits. Environmental audit reports is supportive mean for customer loyalty and confidence in the company. ([available at www. bodyshop. com](http://www.bodyshop.com))

Many people have a strong trust that The Body Shop’s products have not been tested on animals and those products have less impact on environment. And the benefits of using products are printed on labels to an explanation of using it. These sort of things increased the confidence to the company. Also the programmes and actions such as improvement in energy efficiency, reduce, re-use and recycle of waste management, reduce the

packaging waste were perceived by the consumers in a very positive way for the benefit of the company. (Welford, 1993, p. 116)

Even though company doesn't give advertisements directly to the media because of economic reasons, they know how to use media and how to advertise themselves very well. Since 1985, the company works together with environmental organisations and Friends of Earth campaigning on major environmental issues such as Acid Rain, Tropical Rain Forests, The Ozone Layer etc. All these actions and campaigns were effective, which were strongly supported by the media and press. Such market strategy development is known as "green marketing" which is more about changing the type of advertising. Green marketing becomes a whole company approach and philosophy for the business. (Forrester, 1990, p. 59)

Company exploits cross-channel marketing opportunities with its "Love Your Body" loyalty programme with more than 2m cards sold in 10 markets. (The Body Shop, Interim Results, 27 August 2005)

FUTURE STRATEGIC DIRECTION

New product development and marketing initiatives are ongoing activities which make company competitive in skin and hair care market segment.

The Body Shop will continue the project for The Body Shop. com in the US. On-line consumer channel is expanding rapidly worldwide. Company expects to expand the concept to global coverage.

"The Body Shop at Home" – direct sales channel showed impressive growth in the UK, the USA and Australia. Company plans this promotional model to <https://assignbuster.com/the-year-2006-marketing-plan-for-the-body-shop-international-essay-sample/>

be a prime growth vehicle over the next several years. Growth will come from the existing operations in the UK, US and Australia, as well as a number of additional countries, which company sees as having the opportunity to develop the concept in.

STRATEGIC TECHNOLOGY HIGHLIGHTS

With the aim of providing better customer service, The Body Shop initiated a search for a solution that would streamline the checkout process for the customers. Trial “ Point-of-Sale” (POS) system that utilizes HP iPAQ h3850 Pocket PC equipped with Compact-Flash wireless LAN adapters and thermal printers has proven successfully and will be further implemented to increase productivity of retail outlets by:

- * Improving customer satisfaction and revenue per outlet
- * Reducing average checkout waiting time
- * Multiple points of sale improving convenience for customers

(Hewlett-Packard Company, 2003)

MARKET ANALYSIS

MARKET SEGMENTATION

The Body Shop International operates in premium hand and body care market segment which accounts for 30. 8% of the global market and is worth around 2. 2 billion, the rest 69. 2% is mass products.

Europe is the largest global hand and body care market accounting for 39.1%. There are more than 1000 stores of The Body Shop in Europe which generated around £350m in sales in 2005.

Global Hand & Body Care Market Segmentation : % Share, by Value, 2004

Geography Share

Europe 39.10%

Asia-Pacific 32.3%

US 17.5%

Rest of the World 11.2%

Total 100%

Source: Datamonitor

Total sales of The Body Shop International 2005

Source: Annual Report The Body Shop Int. PLC

MARKET VALUE FORECAST

Global Hand and Body Care Market is forecast to have a Compound Annual Growth Rate of 3.1% in the period 2004-2009, and the market is expected to reach a value of \$8.3 billion.

Global Hand & Body Care Market Value Forecast: \$ billion,

2004-2009

Year \$ billion % Growth

2004 7. 1 3. 80%

2005 7. 4 3. 70%

2006 7. 6 3. 50%

2007 7. 8 2. 70%

2008 8. 1 3. 00%

2009 8. 3 2. 60%

2004 - 2009 3. 1%

Source: Datamonitor

MARKET VOLUME FORECAST

The Global Hand and Body Care Market is predicted to have a volume of 1, 792. 4 million units, and the CAGR in the period 2004-2009 is expected to be 2. 5%.

Global Hand & Body Care Market Volume Forecast: Units

million, 2004-2009

Year Units million % Growth

2004 1, 583. 2 2. 60%

2005 1, 624. 5 2. 60%

2006 1, 665. 8 2. 50%

2007 1, 708. 2 2. 50%

2008 1, 750. 2 2. 50%

2009 1, 792. 4 2. 40%

2004 – 2009 2. 5%

Source: Datamonitor

COMPETITORS

The Body Shop has the first mover advantage in the natural personal care products market though its position is challenged by the growing competition in the market. The company was the leader in the natural products area, – today most of their competitors have followed business model.

Even though competition level is growing very fast, high market growth potential promises room for further expansion: “ The global toiletries and cosmetics market is estimated to be growing at an annual rate of approximately 3. 1%. This underlying growth in the market, together with the opportunity to grow market share in markets around the world, provides a solid foundation for the future growth of The Body Shop.”

Top Competitors

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* The Estée Lauder Companies Inc.(U. S.)

* Aveda (U. S.)

* Bath & Body Works (U. S.)

* Origins Natural Resources, Inc.

* H2O+

* Boots (U. K.)

* Lush (U. K.)

* Nectar (Ireland)

Datamonitor (Published Sep. 2004)

The Estée Lauder Companies is one of the world's largest manufacturers and marketers of quality skin care, makeup, fragrance and hair-care products.

The Company's products are sold in more than 130 countries and territories under well recognized brand names, including Estée Lauder, Clinique, Aramis, Prescriptives, Origins, MAC, Bobbi Brown, Tommy Hilfiger, Donna Karan, Aveda etc. Estée Lauder's net sales increased 14% or \$694. 4 million to \$5. 8 billion in 2004. (Global Hand & Body Care, Datamonitor 2005)

CONSUMERS

According to Verdict Research, " shoppers are going to supermarkets rather than retail cosmetics stores for beauty aids." They also found that

supermarket chains will double their share of the health and beauty market to 60% in the next five years.” (Shana Bush, “ The Body Shop”)

Today Marketers are rushing to compete in the tween and teen grooming market. At \$6. 9 billion now, sales of youth hair-care, cosmetics, skincare, and ethnic HBC items are forecast to hit \$8 billion by 2008. Expanding numbers of tweens and teens (aged 8-14), their high disposable income, the growing worldliness of both tweens and teens - even that a majority of teen girls now reach puberty at the age of 10 - these are all drivers that open up. (www. marketresearch. com)

STRATEGIC DEVELOPMENT OPTIONS

The Body Shop will need to widen its distribution channels if it wants to compete with major players in grooming product market as Procter & Gamble Company with licensed trademark OT - “ first complete line of personal care products ever developed exclusively for tween and teen guys.” (http://couponing. about. com)

Key success factor for companies (marketers) in teen and tween market is “ COOL trend”, youth culture understanding and adoption of provocative marketing campaigns featuring young models. With narrow range of grooming products and current advertising strategies The Body Shop does not reach market segment aged between 8 and 14. Company should use advertising campaigns through mass media. (Marketing and Consumerism)

PROJECTED PROFIT AND LOSS ACCOUNT

Total Total Total

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2006 2005 2004

£m £m £m

Turnover 460. 9 419. 0 381. 1

Cost of sales (160. 93) (146. 3) (140. 7)

Gross profit 299. 97 272. 7 240. 4

Operating expenses (256. 97) (236. 5) (210. 1)

Operating profit 43. 0 36. 2 30. 3

Net interest (2. 0) (1. 7) (1. 8)

Profit on ordinary activities before taxation 41. 0 34. 5 28. 5

Taxation on profit on ordinary activities (8. 6) (7. 2) (6. 8)

Profit on ordinary activities after taxation 32. 4 27. 3 21. 7

Equity minority interests - (0. 3) -

Profit for the financial year 32. 4 27. 0 21. 7

Dividends paid and proposed (12. 2) (11. 9) (11. 6)

Retained profit 20. 2 15. 1 10. 1

Basic earnings per ordinary share 15. 7p 13. 1p 10. 7p

Calculations were made based on 15%-20% growth expectations of operating profit in 2006. (The Body Shop, Annual Report 2005)

CONTROLS

Cost Loyalty programmes £700, 000

Cost of Promotions £1. 2m

Cost of Sampling £500, 000

Cost of Gifts £1. 3m

Annual gross sales from the previous year - £419. 0m

Marketing expenditures during the current year - £3. 7m

Annual gross sales at the end of the current year - £460. 9m

Percentage of the actual difference between this year's sales and last year's sales that can be fairly attributed to the marketing effort depends on many influence factors. In order to calculate marketing efficiency ratio (used for future controls activities in marketing) confidential data on The Body Shop marketing expenditure is required.

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