

Lush Ltd's entry into argentina



**ASSIGN
BUSTER**

LUSH was founded in 1994 by Mark Constantine as an organic cosmetics and skin care company. LUSH is headquartered in Poole, England. The company started with core beliefs of manufacturing fresh handmade products from natural materials and essential oils for personal care. Lush has more than 650 stores and several factories in over forty countries around the world while having mail order operations in twelve countries. It has construction facilities in the UK, Italy, Japan, Canada, and South America. It makes its products by hand in its own production facilities and distributes them to its own retail stores and no where else. It is a privately owned company with its growth mainly based upon partnerships and franchising. (Floor, 2006)

MISSION AND OBJECTIVES:

Lush's mission is to make effectual products out of fresh natural fruit and vegetables, the finest essential oils and safe synthetics, free of animal ingredients

Lush's aim is to have the freshest personal care products in the history of cosmetics.

LUSH believes in testing products on human volunteers and in buying only from those suppliers who tests their products on humans.

Lush makes its products by hand and prints its own labels and even produces its own fragrances.

LUSH aims to produce good value products according to its customers' demands.

LUSH believes that fresh and natural have an honest meaning beyond marketing.

LUSH Products:

LUSH offers over 300 luxurious beauty products. LUSH body products for bath, body, hair and face are safe as they are completely made of fresh materials, cruelty-free, vegetarian (without animal ingredients) minimally preserved and minimally packaged. Lush produces many different types of cosmetic products, including, face, hair, hands and feet, all the way to bath and shower products. Lush creates solid products instead of liquid soaps or shampoos to reduce packaging waste and the need for preservatives. Some examples of Lush's solid products include bubble bath bars, shampoo bars, hair conditioner bars, solid shower gel, and massage bars. LUSH tries to keep its products fresh and that is why produces products in batches for individual stores to preserve freshness. In order to maintain this standard of freshness, LUSH takes off the product from store shelves that's older than 4 months. Lush lists their product ingredients in English, Japanese and many other languages. Many LUSH products are labeled with a use-by date and who made that product. Less than 30% of LUSH's products contain animal ingredients such as beeswax, honey etc.

LUSH Policies:

No animal testing. LUSH is firmly committed to a policy that restrains testing products and ingredients on animals, discourage suppliers to do so and also prohibits buying from suppliers that test any material on animals for any purpose. In fact they test their products on human volunteers. LUSH supports wildlife by buying pure organic ingredients. (Lush Times, 2008)

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Green Policy: Environmental issues are at the centre of the company. The company uses the money it saves from less packaging on making sure the customers are getting the most natural materials money can buy. LUSH also discourages the use of packaging as its destroys the environment. Lush's naked campaign is part of this effort and such events are carried out in 30 cities across the UK.. (Buchwalter, 2007). Another strategy of LUSH in the effort of saving environment is the use of recycled products. (Lush style)

Another policy is to use as little preservatives in the products as possible. This is why the company produces solid products to reduce the use of water.

BUSINESS STRATEGY:

Create products that we want to use ourselves.

Only use organic ingredients to maintain the freshness.

Involve the customers in everything, in all operations.

Involve employees and customers in decision making.

MARKETING STRATEGY:

LUSH is about

Passion: to produce fresh handmade products, seductive fragrances and for growth and profit.

Iconoclastic: about everything else.

TARGET MARKET:

Getting solid information on LUSH's target customers' demographics and the way in which they use market segmentation is difficult. The company is privately held and hesitant to give out such information. Simon Nicholls, who runs the LUSH mail order operation, says when LUSH started out, it focused

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on the young age group but now we realize that “ delicatessen appeal to a wider group of people. In general, the majority of the LUSH consumers are professional women within the age of 25-35, followed by teenagers and then the women of age group 45-54s. Around 17.5% of its customers are Male within the age group of 25-34. LUSH customers tend to be responsive towards fashion and are willing to pay more on facial products.

Communication Modes:

Word-of-mouth: LUSH doesn't have a marketing department and advertises little through paid media such as TV, instead LUSH communicates through its products, people and internet.

Public Relations: The Company also makes extensive use of PR for effective communication promotions: LUSH often gives cosmetics as presents because of the way the products are packaged and presented, they make great gifts.

Internal communication: Fast and efficient internal communication due to a flat organizational structure.

Virtually everyone can have a word with the CEO Andrew Gerrie or the founder and MD Mark Constantine.

BUILDING CUSTOMER RELATIONSHIP:

The strongest aspect of LUSH can be seen in its relationship with consumers, affectionately termed “ LUSHies.” Through the forum, LUSH has created a discriminating community. The LUSH forum works as a key in creating a strong relationship among people. They are easily and immediately able to interact with store managers, sales associates, and company owners. Lush

by its hedonist consumption event also increases its product involvement.

Lush (enjoys)/has a strong company-customer relationship therefore is not terribly keen on using any kind of reinforcement to increase sales.

(Buchwalter, 2007). The LUSH TIMES that is a print newsletter and the LUSH LIFE basically a email newsletter, through both of these the “ LUSHies” get rewarded. Sometimes hosts “ chat parties” during which people receive promotion codes. LUSH also implements Cialdini’s principle of reciprocity. When a person enters into a LUSH store, even if they are not willing to purchase, they are given numerous samples and the chance to try out some products in the store. The idea is simply that people are unwilling to accept something free - they believe they must reciprocate the action. Since the Potion debacle, LUSH runs a “ Fresh From the Past” promotion every year. Forum members and website visitors are invited to cast their votes for favorite discontinued items.

PERFORMANCE:

Financial:

Lush is not a charity. The company has its objectives, and one of them is to make profit. At Lush they firmly believe that if they contribute in making people’s lives better than they at least they deserve rewards, including financial. This is consistent with honesty - one of the most important values in Lush. Lush maintains a balance between the prices for their customers and profit margin for the organization.

INTERNAL ANALYSIS:

STRENGTHS:

Strong beliefs entrenched in the company.

Environmentally friendly products

No preservatives in products

Strong brand loyalty

Strong global brand operating in over 40 countries.

Customer Loyalty

WEAKNESSES

It is fantastic that LUSH is secured enough in its products that it can provide a space for customers to discuss even negative aspects of the company on the company forum. However, this may result as a weakness of the company in the way that it can turn off potential customers of the company when they will read poor reviews of products or the company overall.

EXTERNAL ANALYSIS OF UK:

PERSONAL CARE INDUSTRY

Physical attractiveness is quoted to be an important determinant of a person's success and fortune in life. Studies have even shown that babies prefer beautiful faces.

Growth in the global beauty market decreased to 4% in 2009, down from 5% in 2008, a result of increased price sensitivity, fueling demand for less expensive brands and private label, according to Euro monitor International. Despite some regional bright spots-namely emerging markets, which put in

strong performances-sharp declines in major beauty markets, such as Japan, dragged down overall growth globally.

International Trends

The global cosmetics industry has grown 12% from 2006 to 2011. The industry was divided into various segments such as anti-aging, bath and shower, candle/home, cosmetics, fine fragrance, hair care, natural and organic, oral care, skin care, and sun care.

Opportunities:

Focus on special niches can prove to be effective specially in competing with rivals in the industry.

Growth of men consumer market in Cosmetics industry

Focus on senior citizen population in the markets.

Threats:

Study of the Porter's 5 forces model gives a good analysis about the threats to the company.

PORTER'S FORCES MODEL:

FORCES

Industry

Bath and shower

Hand and body

Fragrances

Threat of buyer power

Moderate

Weak

Moderate

Threat of substitutes

Weak

Weak

Moderate

Threat of supplier buying power

Moderate

Moderate

Moderate

Threat of new entrants

Moderate

Moderate

Moderate

Threat of rivalry

Strong

Moderate

Moderate

Table 1 Summary of Porter's Model

INDUSTRY PLAYERS/ COMPETITORS

Eminence Organics, L'Occitane en Provence and Rocky Mountain Soap are LUSH's competitors. Eminence Organics is a skincare organization located in Europe. Eminence products were all manufactured by hand and no mass production processes were used. Eminence produced organic products and in 2009 created a new product line that was Certified Organic by Biokontrollxx. Olivier Baussan founded L'Occitane in 1979 in France. Occitane later expanded to almost 700 stores in more than 70 countries worldwide. It is a natural skin care and fragrances company. The third competitor Rocky Mountain Soap was an all natural bath and body products manufacturer and retailer that started in Canmore, Alberta. Its products included skin care, body butter, bath salts and soaps. Revenues of Rocky Mountain Soap reached \$5.4 million (CAD) and the company had experienced 440% growth in revenues since 2003. It employed 44 employees and had managed eight stores in Western Canada by 2009.

Indirect Competitors

On the other hand the indirect competitors include The Body Shop, Yves Rocher, and Fruits and Passion. The Body Shop opened its first store in 1980 and expanded to more than 100 locations. LUSH was its supplier in the beginning. The Body Shop had over 1000 employees in Canada and sales greater than \$130 million (CAD) annually. Yves Rocher was a skincare

company that began in France in 1959. Yves Rocher's products included skin care, bath and body, fragrances, and hair care. The company made all of its products from plants. Fruits and Passion was a body and bath company located in United States, Canada and other countries around the world. Other indirect competitors included Bleu Lavande and Dans un Jardin. Bleu Lavande is a skin care producer in Quebec. It also produced products for the home, the garden, the kitchen and pets. It was the only Canadian company certified as an international producer of lavender. Dans un Jardin was a bath and body company that began in France and moved its way into North American boutique.

ENTERING INTO ARGENTINA:

The internationalization of firms is occurring at an ever increasing pace. In the past 20 years, firms have changed their course from domestic to international; they have shifted from multi domestic marketing to global marketing.

The choice of market entry mode has become an important field of interest in the international marketing literature. Andersen (1997) established a review of theories and conceptual frameworks used to explain foreign ownership decisions (Mayrhofer, 2004).

MODES OF ENTRY:

Most manufacturing companies that choose to keep production at home and serve foreign markets through exporting will work with foreign market intermediaries, such as distributors and agents. Companies that choose to sell their technology (that is, intellectual property, such as know-how, trademarks, and copyrights) rather than merchandise will work with foreign licensees, independent businesses that apply such proprietary knowledge to produce products in their own country. A third common type of foreign partner is a franchisee, an independent business that acquires similar rights and skills from its principal to conduct service-based operations in its own market (for example, fast-food, car rental, hospitality, and insurance business). A fourth major type is a conventional joint-venture partner. This option is used by companies that wish to make equity investments in a foreign market (such as a production or assembly (Cavusgil, 1998)

These include exporting; contractual arrangements, such as licensing and franchising; joint ventures; strategic alliances and wholly owned foreign direct investment (FDI), including greenfield investments and mergers and acquisitions.

Entry-mode decisions are likely influenced by home- and host-country conditions. The company considers the following risks of going into a particular market, These factors are important in the sense they influence the company's control and resource commitment level.

Country risk: Political, Social and Economic stability of the company. For example, Exporting and contractual agreements offer low resource commitment options in markets that have elevated country risk. However,

contractual agreements are increasingly used in countries noticeable for having high risk of intellectual property violation.

Location risk: Perceived difference between home and host country cultural and business environment. When this difference is high, firms favor entry modes that promise high control and low resource commitment. Such as joint Ventures. In contrast, the internationalization theory explains that when exporting, firms prefer countries that have low psychic distance.

Demand risk: Risk that demand for the company's product may fail to reach up the desired level in the host country. The higher this risk the lower the resource commitment. a low-resource-commitment option such as exporting is favorable in a high demand risk situation.

Competitive Risk. When this risk is high, firms like to minimize resource commitment; they often tend to avoid internationalization. Therefore, the degree of competitive risk is an entry barrier that discourages some international firms from entering into the market. Thus, exporting may be firms' favored option. Strategic alliances offer a promising substitute to exporting in dealing with entry barriers in markets characterized by high competitive insecurity.

In case of LUSH entering Argentina, the best mode of entry could be franchising. The company has experience in dealing with franchises before as well and the country conditions look promising as well.

FRANCHISE:

It is a common type of entry mode. An independent business acquires similar rights and skills from its principal company (in this case, LUSH) to conduct service-based operations in its own market.

BENEFITS:

First, the firm can realize better operational efficiencies by focusing on what it does best.

Second, it can lower the risks (commercial or political) connected with international business.

Third, it can enter markets that are closed to foreign firms (such as China and India).

Fourth, it can easily exploit national and/or differential advantages of partners.

DRAWBACKS:

For example, higher transaction costs i. e. the cost of searching for, negotiating with, communicating with, and mentoring foreign partners. Releasing proprietary knowledge to partners may have some unwanted outcomes as well.

PESTLE Analysis of Argentina:**Political landscape**

Economic liberalization.

Encouragement of foreign investments.

Economic landscape

GDP growth over 8%.

Argentina has two types of tax-exempt zones: the foreign trade zones (FTZs) and comprehensive special customs area (SCA).

Social landscape

Healthcare expenditure amplified from \$18 billion in 2006 to \$20 billion in 2007; however, healthcare expenditure as a percentage of GDP lowered from 8.3% in 2006 to 8% in 2007.

Higher literacy rate: over 97% literacy for both men and women.

Technological landscape

Growth in technology related to cosmetic products being manufactured.

Remarkable growth in mobile technology.

Legal landscape

Same tax rates for both international and domestic companies.

Foreign ownership of media and internet 30%.

The standard value added tax (VAT) rate is 21%.

Environmental landscape

High increase in CO₂ emission.

Nature conservation areas cover 3% of the country.

COSMETICS INDUSTRY TRENDS IN ARGENTINA:

The Argentinean bath and shower products market increased by 7.0% in 2003 the value of which is 73 million dollars.

There is a remarkable increase in the body care sector of 15.3%

Female sector constituted the largest sector in the fragrance industry in 2003. The male sector generated the second largest volumes, reaching a volume of 7.6 million units. It is doubtful that this sector will challenge the female sector's position going forward.

MARKETING PLAN IN ARGENTINA:

Before launching a product, marketers need to predict how the demand will respond to the marketing mix variables. Successfully introducing new products into the market is very important to the long-term development of a company. Before a new product launch, marketers create marketing programs which include decisions about product, distribution etc. in order to maximize the chances of success. (Luan & Sudhir, 2010)

Marketing Mix

Product:

Stay global act local policy. Due to different customer needs, behavior patterns and economic situation than UK. Lush can research the cultural differences and provide additional value to the local customers of Argentina.

Brand name. some companies chose to change their brand names in the local language of the country they operate in. but Lush has not entered a

market with this strategy before and has proved to be successful, so it can still keep its name and enter into Argentina.

Providing same quality products.

Quality: lush is known for its fresh handmade quality and will keep this approach when entering Argentina.

Appearance: same solid products with no preservatives and less packaging.

Price:

Prices can differ with the home country prices. Many big companies follow this strategy of different pricing in different countries; for example, L'Oreal mass market products are less expensive in China.

Distribution:

Lush doesn't supply its products to other companies to see, only its own outlets. Once it enters the market, lush can continue doing franchising partnerships in different parts of the country to meet the product demand.

Promotion:

Lush can carry out its promotional campaigns just like it does in other countries. Its core beliefs will stay the same as it is recognized by its core beliefs of saving the environment, animals and the community.

Starting from a slow expansion strategy. Focusing on quality rather than quantity

Promotion:

Continuing the disruptive strategy and sense of humor in the new market.

Applying global marketing strategy to promote homogeneity of the products.

Its marketing can be coherent worldwide, but it will have to adapt to local market as packaging and names can have different meaning in Spanish.

While considering international communication strategies, a localized approach is better. In one incident, its promotional message of "Free sex in the bathtub" for boosting sales for its shower product "emotibombs" received bad reviews from the consumers.

CONCLUSION:

LUSH is a successful global brand with its unique concept. Argentina, a Latin America country can be an attractive market for its products and through franchising. LUSH can prove to be successful in the country.

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