

Business as unusual: a on the body shop case study example

[Business](#), [Company](#)



Business as Unusual: The Body Shop

(Instructor Name)

- Why has Body Shop been so successful?

The Body Shop's core positioning has been environment friendly products created through sustainable sourcing of natural ingredients. This positioning appeals to consumers at multiple levels:

- The products are natural and therefore pure and unadulterated with high percentage of harmful chemicals. They will therefore not have any side-effects.
- The products are environment-friendly and do not cause pollution.
- The products are sourced from indigenous tribes and farming communities which produce them by sustainable methods.

The social viewpoint supported the ecological perspective and therefore the products were known for this positioning. This was reinforced by The Body Shop's support of environmental and social causes such as Greenpeace in 1986. The association of the founder Anita Roddick directly with these causes created a strong connection between The Body Shop's positioning and the products sold. Throughout the history of the brand, the Body Shop had raised protests against the testing on animals, campaigns against human rights abuse, environmental protection and socially uplifting activities. It gave the concept of ethical business and fair trade practices a foundation. From a niche brand, it created a unique positioning for the brand in a market where most of the competition was focused on only the beauty aspects. By creating this unique positioning and consistently staying with it through activities and communication, Body Shop was able to build a unique

identity, which contributed to its success.

- Which strategic decisions contributed most to its initial success?

The Body shop became successful due to two key strategic decisions that it took in the beginning. The first decision was to source natural products from sustainable methods by supporting indigenous tribes etc. This gave the company good PR as well as ensured that the positioning of “ natural ingredients” and “ environment friendly products” were associated closely with the company. It further reinforced this strategic decision by supporting social and environmental causes such as Greenpeace and the protection of tribal natives in Nigeria, etc. as well as campaigning against WTO and multinational corporations like Shell. The strategy of sourcing raw material from the source and supporting local economies through what are today known as fair trade practices helped the brand build goodwill and a niche positioning.

The second key strategic decision was to choose the franchising route for its international expansion. As a relatively small brand, managing operations across a multitude of countries with the inherent problems of administration and taxation would have created too much overhead for the company, which its volumes would not have supported. Instead, by choosing the franchisee method, the company was able to get outsiders to invest in the brand and thereby reduce the risk and potential for failure of the brand outside its home base of UK.

- Why did the company make the decision to stop distribution and manufacturing?

In 1999, the Body Shop agreed to sell its manufacturing arm to South Africa

based PAC Creative for 13. 2 million pounds (Baker, 1999). The company had been going through a tough time during this period, with operating profits down to £20. 1 million from £38. 1 million in 1998. Its Profit before Tax (PBT) is also down to a low of £3. 4 million, from £38. 1 million in 1998 (Appendix V).

The company wanted to focus on its retail business, in order to improve margins at the front end. Therefore, the company chose to let go of its manufacturing business. At the same time, the Body Shop started buying back its franchise locations and converting them into company owned stores, in order to consolidate its hold over the retail end of the business. The company was also reorganized into four main divisions – the UK, Americas, Europe and Asia. This significantly affected the cash flows of the business. At the same time, there was increasing competition. Companies like the US Bath and Body Works were making inroads into the market with aggressive advertising, and retail chains like Boots, Superdrug, and Lush were coming up with their own range of natural beauty products to compete against The Body Shop. This was the key reason for focusing on the retail business (Fundinguniverse, 2014).

- What are the dangers of having the brand so linked to the entrepreneur?

Many brands, mainly niche ones are driven by the personality of the entrepreneur. As they grow larger, they get intrinsically linked to the entrepreneur and he or she is seen as the face of the brand, essentially its brand ambassador. This has many advantages. With media-savvy entrepreneurs, this can help build upon the persona of the brand. For example, Richard Branson is closely associated with his company brand

Virgin. The same applies to personalities such as Bill Gates (Microsoft), Mark Zuckerberg (Facebook), Arianna Huffington (The Huffington Post) and Oprah Winfrey (OWN). Anita Roddick had a similar persona that was intrinsically linked to the Body Shop brand, due to her support for social and environmental causes (The Body Shop, 2014).

While the celebrity status of the entrepreneur gives added visibility to the brand, it has a number of drawbacks as well. The foremost drawback is the inability of the brand to delink or separate itself from the behavior of the entrepreneur. So, if the entrepreneur is found guilty of wrongdoing or an ethical or moral violation, the brand suffers much more than if the brand ambassador were a professional. For example, the brands Tiger Woods endorsed were able to dissociate themselves from the golfer when news of his infidelity came out. However, the Livestrong Foundation, owned by Lance Armstrong was adversely affected when the news of his drug use and subsequent forfeiture of Tour de France titles came about. The behavior of the entrepreneur is closely linked to the brand, so any negative news or implication of wrongdoing by the entrepreneur reflects poorly on the company as well. For example, when Martha Stewart was indicted of insider trading, her company shares fell 21 % in a single day (Gasparino, Craig and Markon, 2002). Similarly, the death or serious injury of the founder can create uncertainty about the company's future, as can the change of ownership of the company. Investors and customers are likely to question whether the new management taking the place of the founder will maintain the same value system and way of working as the original or if changes will be for better or worse.

- Can a company like Body Shop, linked so closely to the values and vision of its founders, survive after their exit?

Entrepreneurial companies are often closely associated with their founders. The founders give a unique identity to the company, and can instill a sense of values and a positioning to the brand when it is yet to establish itself in the market. The entrepreneur and the company are intrinsically linked together in the minds of customers, investors and other stakeholders. At such times, the exit of the founder, if not planned carefully can create a significant loss of trust in the brand, leading to declining interest in its products. However, when succession is planned carefully, the brand is capable of living and thriving beyond the exit of the founders as well. A typical example of a successful transition is Apple. After the exit of Steve Jobs, many people were worried if the entrepreneur's legacy would continue. However, the company came back strongly to launch new products and has successfully managed to retain customer loyalty and interest in its brands and products. Similar cases of a successful handover include Bill Gates at Microsoft and fashion brands like Donna Karan (DKNY) and Versace. However, the Body Shop is an example of a brand that struggled after the exit of its founders, and was eventually sold to L'Oreal in 2006, and is part of their portfolio of brands today (BBC News, 2006).

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