

# The body shop strategic analysis essay sample

[Business](#), [Marketing](#)



Market Saturation/Loss of Sales (CI#1) - Growth Strategy is no longer working for The Body Shop. Their store growth has diminished since the mid-1990s, and by 2002 the company's profit was shrinking, and sales were not growing proportionally to the rapid expansion of stores. Having entered a retrenchment phase, they need to focus on profitability without rapid expansion.

Is Anita Gone? (CI#2) - Though Anita Roddick stepped down as CEO in 1998, and resigned as Executive Chairman in 2002, it is unclear how much influence she has on day-to-day operations and strategy.

Core Values (CI#3) - By changing top management and governance, The Body Shop runs the risk of losing their identity and their core values. Losing touch with these values could cause a loss of reputation, however, clinging to them above shareholder's value is also detrimental.

Loss of Image (CI#4) - The Body Shop's image seems to be undergoing another makeover. With Anita Roddick being at least a less visible member of the organization, The Body shop no longer practices eccentricity for eccentricity's sake. However, changing their image has also meant they have lost their uniqueness among their competitors.

## I. CURRENT SITUATION

### A. CURRENT PERFORMANCE

The Body Shop achieved an overall solid performance for the year 2004 especially with strong sales in the USA (+ 4%), the Middle East (+4%), the Nordic countries (+4%) and most part of Asia pacific (+2%). However, these

encouraging numbers were offset by weak sale in the United Kingdom (-13%), Canada (-10%) and parts of Europe (-7%).

This growth occurred while the growth of stores slowed. This may signal a shift away from the extreme growth model to a focus on quality.

## B. STRATEGIC POSTURE

### Missions

Ø To dedicate their business to the pursuit of social and environmental change

Ø To balance the financial and human needs of their stakeholders: employees, customers, franchisees, suppliers and shareholders.

Ø To ensure that their business is ecologically sustainable: meeting the needs of the present without compromising the future

Ø To contribute to local, national and international communities in which they trade, by adopting a code of conduct which ensure care, honesty, fairness and respect.

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

### Objectives

Ø Drive customer loyalty “ focus on customer’ satisfaction by providing them with the best global practices and services among the four regions we are running our brand”.

Ø Launch a \$100 million expansion program which aims to: expand operations, open new channels, and install new infrastructure

Ø Developing innovative and credible products

Ø Keep price affordable

#### Strategies

Ø Move the brand to a “ masstige” positioning by developing original products at affordable price. (CI#4)

Ø Launch marketing initiatives in order to promote their “ masstige” brand positioning. (CI#2)(CI#4)

Ø Promote the Body Shop’s image as a corporate mainstream retailer rather than as an activist’s company. (CI#3) (CI#4)

Ø Focus more on quality rather than growth (CI#1)

#### Policies

Ø The Body Shop is against animal testing on cosmetic products and ingredients. They do not purchase from suppliers who perform animal testing.

Ø The corporate seeks to trade with local communities, who would not normally have the chance to trade with companies like Body Shop. (CI#3)

Ø The Body Shop defends human rights and support social responsibilities through doing business. (CI#3)

Ø The Body Shop supports and campaign the protection of the environment, perhaps in a less rabid way than before. (The Body Shop International and Greenpeace joined forces in 2001 to run the Choose Positive Energy campaign.)

## II. CORPORATE GOVERNANCE

### A. BOARD OF DIRECTORS

Name Director Since Title

Anita Roddick 1976 Non-Executive Director and Founder

Gordon T Roddick 1977 Non-Executive Director

Peter Saunders 2002 Executive Director, CEO

Adrian P Bellamy 1997 Executive Director

Jack Keenan 1999 Non-Executive Director

Irene Miller 2000 Non-Executive Director

Ronald de Waal 2000 Non-Executive Director

Anita Roddick

As the founder, Anita has always had the clearest and strongest vision for the company. In 2000, she stepped down as CEO of the company, handing that torch to Peter Saunders. Again in 2002, she resigned as executive director, remaining a non-executive director of the company. Since then, her influence on the company has been less visible (CI#4), but it is unknown if her strength has weakened at all (CI#2).

#### Gordon T Roddick

Anita's husband has supported her company from the beginning. For years, Anita was the CEO, and both husband and wife chaired the board of directors. This tag-team supported Anita's entrepreneurial style of management. Since Gordon has always followed Anita's lead, when she stepped down in 2002, so did he.

#### Peter Saunders

Saunders was hired in 1998 as the Chief Operating Officer to turn around the floundering United States business. With that success, he was granted the position of CEO in 2000. Saunders provided what the Roddicks lacked: business experience. He has experience as COO of a Canadian retail firm (advantage)

#### Adrian Bellamy

When business first started to look bad for The Body Shop in 1997, the Roddicks entered a Joint Venture with Bellamy Retail Group to spin off the U. S. business under Bellamy's control. This, along with the addition of

Saunders was so successful that the Roddicks bought BRG, and brought Bellamy and Saunders into the company to run worldwide operations.

Bellamy also serves as non-executive director for several other retail chains, such as The Gap and Williams-Sonoma (conflict/advantage?).

Jack Keenan

Keenan is a non-executive director who brings experience with similar industries to The Body Shop. He previously worked with Diageo, best known for Guinness Beer. Keenan currently also serves on the boards of Marks & Spencer PLC, Tomkins PLC and General Mills, Inc (Conflict?).

Irene Miller

Irene brings retail experience to the company with her time at Barnes & Noble. She still currently serves as a non-executive director of B&N.

Robert de Waal

De Waal is a non-executive director who also sits on the board of the Dutch National Retailers Association (conflict?)

## B. TOP MANAGEMENT & MANAGEMENT STYLE

Ø Bellamy and Saunders have a partnership style of management

Ø Anita still looms (CI#2)

## III. EXTERNAL ENVIRONMENT SCAN

## A. SOCIETAL ENVIRONMENT

### 1 Economic

Ø The seemingly improving economy can lead to higher consumer spending and investment.

Ø Sales of products that include components obtained from foreign suppliers can be adversely affected by currency exchange rate fluctuations and by international trade regulations (tariffs and antidumping penalties).

Ø Low interest rates in the United States

### 2 Technological

Ø Advent of the internet in the industry is a key market

Ø Most retailers offer their products online as well

Ø The Body Shop has gotten ahead of the pack by being the first to offer a Direct Selling service.

### 3 Political-Legal

Ø International trade regulations such as tariffs, quotas and taxes can significantly affect the company's operating results.

Ø NAFTA, European Union and other regional trade pacts opening doors to markets in Europe, Asia, Latin America that offer enormous potential.

### 4 Sociocultural



Ø Promotes human and animal rights

Ø The Body Shop is no longer alone in this, however

Ø The company is value conscious, and appears to be free of any sociocultural threats.

## B. TASK ENVIRONMENT

Threat of New Entrants:

Ø Low - It is difficult for new competitors to enter the market due to high costs and high existing competition

Threat of substitute products:

Ø High - Competitors (Bath and Body Works or Crabtree & Evelyn) make products which can be substituted for most of the Body Shop's products

Bargaining power of suppliers:

Ø Low - The Body Shop has an upper hand on its suppliers. They will not buy products that are tested on animals

Ø Use of suppliers in 3rd world countries that are economically depressed

Bargaining power of buyers:

Ø Medium-High - Materials used can be obtained worldwide. Buyers have the advantage here, competition is generally nearby

Rivalry among competition:

Ø High – There are many companies involved in the industry who are able to offer lower prices

#### IV. INTERNAL ENVIRONMENT SCAN

##### A. CORPORATE STRUCTURE

The company's structure is a hybrid. Primarily,

##### B. CORPORATE CULTURE

Corporate Culture well-defined and strongly entrenched along 5 lines:

1 Against Animal Testing

2 Support Community Trade

3 Activate Self Esteem

4 Defend Human Rights

5 Protect Our Planet

The Body Shop does more than claim to take the high road. With regard to animal testing, they “ consider such tests to be morally and scientifically indefensible.” To support this position, they have had a no-animal-testing rule since 1991. This means they refuse to buy ingredients from suppliers who perform animal testing, and The Body Shop conducts annual inspections to ensure that none of their suppliers are animal testing.

The Community Trade program is a “targeted purchasing programme of accessories and natural ingredients from disadvantaged communities around the world.” “We get good quality products at a fair price which covers production, wages and also enables communities to invest in their future. They get a sustained source of income which can be used for improving education or sanitation, building homes and modernising farming methods, to name but a few.” As an example, in 1998, a line of products was introduced using oil from a citrus fruit grown in Calabria, Italy. The advent of cheap synthetics to this oil destroyed the grove economy in that area. Through the Community Trade program, Anita decided to use the actual fruit in The Body Shop’s product line, which revitalized the economy in Calabria.

Improving women’s self-esteem is a key goal of the Body Shop. Their products claim to make you “feel good about yourself”. The corporate website offers this frank description of their products:

We’re in the business of skin and hair care. Our products care for your skin and your hair. That’s all. We want you to buy our products because they work. That’s it. We don’t claim to sell miracles . . . We don’t sell false promises.

One campaign, which took place in the late 1990s, featured a doll named Ruby whose body represented that of real women. The thrust of the campaign was: “There are three billion women in the world who don’t look like supermodels and only eight who do.”

Since 1988, The Body Shop has been involved in dozens of Human Rights campaigns, making progress in the areas of child labor, education, gender equality, and the right to housing.

Finally, The Body Shop believes that all businesses have the responsibility to protect Earth, and recognizes the many ways in which an organization indirectly impacts the environment.

As a retail business there are many activities involved in bringing products to market that have a direct impact on the environment. Examples include fuel used to distribute goods to our stores, waste generated by our office activities and store design.

One of the more notable contributions of The Body Shop in this area is their support of Farm Aid, and their support of non-narcotic hemp.

This strong, well-defined corporate culture is both a Strength and a Weakness. It is a strength because it creates a positive image of the company to customers, but it is a weakness because in every respect, social and environmental responsibility is put ahead of productivity, cost control, and competitive pricing.

### C. CORPORATE RESOURCES

#### Marketing

The Body Shop has always been very clever when it comes to marketing. The only marketing strategy compatible with their activist philosophy is no

marketing at all. From the beginning, Anita flatly refused to advertise or have a marketing campaign.

However, like many other “green” organizations, they have procured their fair share of publicity from their social agendas. The body Shop makes a lot of noise about the causes they support. This results in free marketing, and adds to their reputation as a company with a social conscience—whether it is true or not.

Primary Target Market: Middle-Class Women aged 30-50

Customers who care about social

issues.

Emerging Markets: None. Company is in retrenchment,

trying to regain it's market

Marketing Mix:

Ø PRODUCT:

The primary products of the Body Shop are the all-natural skin- and hair-care products. However, there are several important byproducts that cannot be ignored.

Ø Self-Esteem

The Body Shop does not market using supermodels or make judgments about how anyone should look. They claim that their products make you “feel good about yourself.”

Inconsistent? - Claiming this puts them in a risky position as they also claim “We don’t sell false promises.”

#### Ø Environmental and Social Activism

By buying Body Shop products, customers are made to feel that, simply by buying lotion made from hemp, that they are effecting social change. The Body Shop seeks to endow its position on social issues on its physical products.

Cheap? - This may actually weaken their stand on issues with the message: “change the world, buy shampoo.”

#### Ø The Body Shop Experience

Each Body Shop location is meant to be different and unique. It is crafted to be calming and pleasing to the senses.

Changing? - With a visible move toward more corporate, universal store design, Body Shop locations may be losing their uniqueness.

#### Ø PLACEMENT:

Trying to shift market placement from eccentric, small-production, all-natural brand to a mainstream, “masstige”, all-natural brand.

Ø Stores – Stores are more inviting, more corporate.

Ø Similar to Williams-Sonoma (no surprise, since Bellamy also sits on their board)

Ø Products – Through packaging, they are attempting to shift their product to a “masstige” position.

Ø Packaging has come a long way from hospital urine sample jars.

Ø The transformation is still not quite complete. The Body Shop’s Image does not quite match its pricing (see below)

Ø PROMOTION:

Minimal advertising. Promotion is done primarily by

Ø Sampling – In-store sampling for all products

Ø Gifts – As with other cosmetic companies, they promote new products by giving away gifts with other purchases.

Ø PRICE:

Price is average to high compared to competitors.

Image needs to support the higher pricing.

No longer offers multiple product sizes

Customers forced to buy the more expensive,

larger increment of the product.

This was one of Anita's founding principles.

Vanished.

## 1 Finance

Ø Gross profit increased by 3% to 240. 4 million in 2004 (2003: 234. 2 million)

Ø Operating profit for 2004 increased to 30. 3 million, up 25% (2003: 24. 3 million)

Ø Excellent performance from the Americas region (+110%)

Ø Worldwide retail sales were flat at 699. 5 million, comparable store sales down 4%

Ø Profit before tax of 28. 5 million, up 40% (2003: 20. 4million)

Ø Earnings per share for the 52 weeks to 28 February 2004 increased sharply to 10. 7p, up 53% (2003: 6. 8p).

Ø Stable dividend of 5. 7p-same as last year.

Ø Global growth with over 2000 store in 50 countries

Balance Sheet: See Next Page

## BALANCE SHEET



## Group Company

28 Feb 2004 1 Mar 2003 28 Feb 2004 1 Mar 2003

£m £m £m £m

## Fixed Assets

Intangible Assets 31. 7 34. 7 0. 2 0. 2

Tangible Assets 61. 9 67. 8 37. 2 36. 5

Investments 6. 1 4. 1 02. 0 93. 2

99. 7 107. 2 139. 4 129. 9

## Current Assets

Stocks 52. 4 49. 1 37. 2 34. 5

Debtors: receivable within one year 36. 2 36. 8 65. 8 64. 4

Debtors: receivable after more than one year 5. 9 7. 1 4. 9 5. 9

42. 1 43. 9 70. 7 70. 3

Cash at bank and in hand 17. 6 25. 9 6. 1 15. 6

112. 1 118. 9 114. 0 120. 4

Creditors: amt falling due within one year (73. 0) (96. 9) (83. 0) (109. 9)

Net current assets 39. 1 22. 0 31. 0 10. 5

Total assets less current liabilities 138. 8 129. 2 170. 4 140. 4

Creditors: amt falling due after more than one year (0. 9) (1. 6) (0. 3) (0. 5)

Provisions for liabilities and charges (2. 5) (1. 6) (3. 1) (1. 6)

135. 4 126. 0 167. 0 138. 3

Capital and reserves

Called up share capital 10. 4 10. 2 10. 4 10. 2

Share premium account 54. 7 52. 5 54. 7 52. 5

Profit and loss account 70. 3 63. 3 101. 9 75. 6

Shareholders' funds – equity 135. 4 126. 0 167. 0 138. 3

2 Research and Development

Product R&D

According to the Annual Report 2004:

“ Our strategy is to move the brand to a ‘ masstige’ positioning by developing innovative and credible products for our customers at affordable prices. Major developments during the year included two ingredient-led, technically advanced product ranges: a complete performance-driven Sun Care range that combines 100% mineral sunscreens with advanced antioxidant and moisturising benefits; and a new Hair Care range (containing six Community Trade ingredients, including beeswax and honey from

Zambia, and sesame oil from Nicaragua) that has been expertly formulated to deliver outstanding results. “

New products are a necessity in this industry. Product R&D seems to be a priority for The Body Shop. New products are not always a success, though. The Body Shop’s make-up line was rolled out twice unsuccessfully. This may be due to The Body Shop’s focus on well-being and not beauty.

### Process R&D

“ The Body Shop At Home business, in which agents sell products directly through parties, saw sales growth of 28 per cent in the ten week Christmas period, with sales up 34 per cent for the year to date.”

Franchising and Company Stores were the The Body Shop Way for years. The numbers show that the e-Commerce and the direct selling arms of the business are outperforming the traditional stores. Process R&D seems to be paying off for them.

### 3 Operations and Logistics

Operations is one area where The Body Shop’s “ Social Custodian” attitude both hurts and helps them.

The Body Shop’s Community Trade program contributes to the company’s image. By sourcing from third-world countries, they have a good image of helping underprivileged communities. (CI#4)

While they do have a fairly spotless record in dealing with these communities, dealing with low-infrastructure suppliers presents potential logistics problems. Using Zambian beeswax is admirable but risky if the Zambian government decides it does not want you doing business with its beeswax sector.

Once more, putting core values above shareholder's value is dangerous in a for-profit organization. (CI#3)

#### 4 Human Resource Management

HRM at the Body Shop is largely above reproach. The question that nags, however, is: To what degree must employees subscribe to the company's (Anita's) social agendas? (CI#3)

In the early days of the company, Anita personally interviewed and judged the worthiness of each franchise applicant. The degree to which this attitude filters to the employee level will be discussed in the next section.

#### 5 Information Systems / Communication

The Body Shop keeps abreast of technological advances in the retail industry, and has made wise use of technology to communicate with and educate its employees at all levels.

By means of video releases, employees are trained in new product lines, company policies, and so forth. However, these videos often inform employees of "important" social issues.

This raises a question. Are employees at the Body Shop required to be activists to work there? Does the “ education” amount to brainwashing? Apparently not. After speaking with Body Shop employees, it’s apparent that the company’s reputation on human, animal, and environmental issues attracts employees who have a strong social conscience as well. One employee said “ I think it’s what sets us apart from other companies, is that you know where we stand.”

## V. SWOT/TOWS ANALYSIS

### A. SWOT

#### Strengths Weaknesses

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>1. Strong view of the environment</li> <li>2. Increase in retail sales in US</li> <li>3. Focus on product development</li> <li>4. Great stand on social, political issues</li> <li>5. Reduced debt</li> </ul> | <ul style="list-style-type: none"> <li>1. Too much focus on personal beliefs and controversial subjects</li> <li>2. Puts social responsibility above shareholders value</li> <li>3. Brand Image lower than competitors</li> </ul> |
|--|---|

#### Opportunities Threats

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>1. Attract more customers through its strong stands on human rights, animal testing etc.</li> <li>2. Improve brand image and placement</li> <li>3. Good relationship with suppliers</li> </ul> | <ul style="list-style-type: none"> <li>1. Losing sales at home</li> <li>2. Anita’s increasing activism</li> </ul> |
|---|---|

### B. TOWS

Ø SO (++)

1. Develop products appealing to a higher market segment (S3, O2)
2. Continue to market on the green platform (S1, O1)

Ø ST (+-)

1. Realize that what works in the US may not work in the UK (S2, T1)
2. Distance from Anita while continuing to focus on the environment (S1, T2)

Ø WO (+-)

1. Developing “Masstige” product placement will help put company on par with competitors (W3, O2)
2. Express more mainstream views of social topics to avoid alienating potential customers. (W1, O1)

Ø WT (-)

1. De-emphasize Core Values and Anita in favor of a profitable company. (W2, T2)

## VI. STRATEGIC ALTERNATIVES AND RECOMMENDED STRATEGY

### A. STRATEGIC ALTERNATIVES

#### 1 Turnaround

With a move more toward a corporate image, the Body Shop could be heading for a complete change of image. While maintaining all-natural and innovative status, they could start by putting shareholder value above saving

the whales, so to speak. Use effective marketing strategies to correctly place the brand image as “masstige.” Invest more in R&D for new products.

PROS:

Ø Shedding the activist mask would open up mainstream markets. (CI#4)

Ø Increase in sales from marketing incentives. (CI#1)

Ø Might make Anita’s “retirement” more believable. (CI#2)

Ø Creating a more inviting environment in the store could improve customer satisfaction and repeat business.

CONS:

Ø Completely sheds the Body Shop’s original image, causing them to lose touch with their loyal customers. (CI#4)

Ø Shift away from activism would violate their Core Values (CI#3)

## 2 No Change Strategy

The 2003 and 2004 fiscal years saw an increase in profitability, as well as a falloff in store growth. This focus on quality over quantity has produced results. Continued focus on quality could continue to reap long-term results.

PROS:

Ø Increased customer satisfaction

Ø Increased profitability (CI#1)

Ø They have not yet strayed too far from their image and values. Keeping this posture may appease loyalists and attract mainstreamers. (CI#3) (CI#4)

CONS:

Ø Sales growth is still lackluster. (CI#1)

Ø European sales decreased, perhaps because of CI#4, so keeping this strategy may only hurt them at home even more.

3 Return to Roots

Anita Roddick was the primary reason for The Body Shop's initial success. The Body Shop has strayed very far from her original vision. A return to roots would mean transforming The Body Shop back into that eccentric, unique chain that it was.

PROS:

Ø Could boost sales in Europe. (CI#1)

Ø Would signal a return to the Core Values and Image of Anita (CI#3) (CI#4)

CONS:

Ø May be impossible. It would require a high level control on Anita's part.

Ø Move away from mainstream would essentially hand the US Market to Bath And Body Works. (CI#1)

Ø Uniqueness is hard to implement across 2000+ stores.



Ø Would be expensive to retro-fit the entire organization, which would drive up price.

## B. RECOMMENDED STRATEGY

### No Change Strategy

The last two fiscal years have seen improvement for The Body Shop. Profits have steadily increased and the focus has been on quality. Keeping Bellamy and Saunders as leaders of the company even after the contract with BRG is up is a good idea.

Keeping this in-between activist/corporate image can lead to a broader market segment now, and will make it easier to transition to a more prestigious brand placement.

### THEN

### Turnaround

Once the benefits from the current strategy (increase in profit, stability) shift have been achieved, the company should complete its image change and turn to an all-natural, but socially neutral company. With a more innocuous reputation, the company can focus on shareholder value and compete with the mainstream market.