

Competitive advantage

Life



Identify The Body Shop's generic strategy and use the value chain to analyse to illustrate the application of the generic strategy and also as the source of the organisation's competitive advantage. There are two major ways in which an organisation can gain competitive advantage, through competitive positioning and via the use of core competence (the exploitation of the advantages that the company has over its competitors). There are two methods that can be used to identify the generic strategy of The Body Shop. First of all Porter's (1985) generic strategy framework (appendix 3) suggests that, 'competitive advantage arises from the selection of the generic strategy which best fits the organisation's competitive environment and organising value adding activities to support the chosen strategy' (Campbell et al 1999). There are three main alternatives for a generic strategy and these can be found with the framework in appendix 3. The Body Shop has been identified as having a differentiation strategy in term of Porter's (1985) definition.

However, Porter's generic strategies have been called into question in recent years and a more up to date version was introduced by Cliff Bowman (1995) in the strategy clock (appendix 4). Again The Body Shop is seen as having a differentiation generic strategy but Bowman manages to go into a bit more detail because it is a differentiation without price premium strategy. It employs this strategy as its 'green' products are differentiated from the rest of the cosmetics market. It does not use this advantage to warrant a price premium however as this would be against company ethos.

Anita Roddick wants everyone to be able to help the environment and therefore charging a reasonable price gives everyone the opportunity to do so. The Body Shop brand is used extensively to differentiate the company from the rest of the industry as identified by Porter (1985) but this is not exploited. The excellent customer service offered by The Body Shop in terms of highly educated and enthusiastic staff and product information cards helps to differentiate it from the rest of the market and offers it an advantage over the competition.

Roddick clearly realises the importance of competitive advantage when she says, 'I look at what the cosmetics trade is doing and walk in the opposite direction'. Knowing Roddick this could be seen as a jibe at other standard built businesses within the industry but she is a much more shrewd businesswoman than she is given credit for, shown in the quote, 'know your differences and exploit them' (Anita Roddick). Upon seeking differentiation, The Body Shop will organise its value chain (appendix 5) activities to help create a differentiated product and to create a perception among customers of a higher quality.

'The value chain describes the activities within and around an organisation which together create a product or service' (Johnson & Scholes, 2002).

Concerned with the receiving, storing and distribution of inputs to the product and include materials handling, stock control and transport. The inbound logistics of The Body Shop are not mentioned in detail in the case and are therefore likely to be insignificant in providing a significant competitive advantage.

Due to the remote location of some of its ingredients, it can be assumed that as well as regular methods of transport such as lorries being used, unorthodox methods such as push bike upon collection of remote ingredients may also be used. Operations Automation of operations has now taken over bottles being filled by hand. This offers a competitive advantage in terms of efficiency and lower costs due to the small workforce of seven people. All products are available in five different sizes offering more product range and choice to The Body Shop's customers and further advantage over competitors.

The use of products from its investment in local communities such as product wrapping from Tibet and soap from Glasgow increases public opinion, and the introduction of new blow moulding facilities will offer a competitive advantage. Outbound Logistics This is involved with the collection, storage and distribution of products but again is not discussed in the case. This suggests the use of contractors who distribute products to the various franchises worldwide. Sales and Marketing

The first major difference between The Body shop and its competitors is the lack of advertising. Upon gaining the free publicity when the first store started up in Littlehampton, the company has, 'never paid for an advert since'. The Body Shop gains its competitive advantage through marketing by always being approachable, and Roddick is always, 'available, loudmouthed and quotable'. Positive publicity is always gained through the continual backing of environmental projects such as saving the whales and Amazon rainforest.

The consistency of signage and graphics also provides uniformity and instantly informs the customer of what they are getting. The discrete but essentially effective marketing strategy employed by The Body Shop is its most important method of gaining competitive advantage. Service The Body Shop gains a great degree of competitive advantage via the level of service that they offer. Recycling is a key issue and keeps in line with the strong company ethos through the use of biodegradable and recyclable bags, as well as their bottle refill service.

All the staff members are extremely knowledgeable and answer any customer queries, showing a great deal of professionalism all the way through to the bottom line. Support Activities Procurement The Body Shop gains competitive advantage this way by purchasing its products from the communities that it is helping to rebuild. Soap is purchased from the factory which it set up in a run down area of Glasgow, product wrappings are purchased from Tibet and various products from the boys' camp in India.

This will encourage sales from people who would also like to help these communities. The use of Jojoba oil in order to save Sperm whales will also have this affect as will the uniqueness of these ingredients.

Technology Development All of the value activities are influenced by technology and therefore development can lead to a very significant competitive advantage. The Body Shop manages this through constant innovation of new products due to Anita Roddick's extensive travelling year in year out.

The new research and development centre being built in Littlehampton will give the company a significant competitive advantage in the industry as product range will further be increased as new ingredients are manufactured differently. Human Resource Management The Body Shop already realise the significance of human resource management as shown through the extensive training programmes and the way in which it values its staff. Strict vetting of franchise applicants also ensures high standards are maintained throughout the company.

These factors are critical to gaining competitive advantage. Firm Infrastructure The infrastructure of The Body Shop is very successfully carried out by the issuing of self-financing franchises. The management of information is magnificently carried out by the use of information leaflets within stores, further getting the message across to the customer. Anita Roddick herself has been a major competitive advantage through her excellent leadership skills and public relations qualities.