

COMMERCIAL AWARENESS CASE STUDY

CASE STUDY: THE BODY SHOP - THE ONLY WAY IS ETHICS

In the early 1970s, Anita Roddick visited a shop in California selling naturally-scented products called The Body Shop. The Berkeley Body Shop used natural ingredients, and helped to employ and train immigrant women. This inspired Anita Roddick to open her own shop in the UK in 1976.

Roddick opened the first Body Shop with the aim of making an income for herself and her two daughters while her husband was away on business, and with the idea of providing quality skincare products in refillable containers and sample sizes. She opened her second shop six months later. On her husband's return, he joined the business.

In 1987, Roddick purchased the naming rights from the original Body Shop. Since its first launch in the UK in 1976, The Body Shop experienced rapid growth, expanding at a rate of 50% annually.

In April 1984 The Body Shop stock was floated on London's Unlisted Securities Market, opening at 95p. After it obtained a full listing on the London Stock Exchange, the stock was given the nickname 'The shares that defy gravity' as its price increased by more than 500%. By 1991, The Body Shop had 700 branches, and Roddick was awarded the 1991 World Vision Award for Development Initiative.

In the late 1980s, The Body Shop turned increasingly toward social and environmental campaigns to promote its business. In 1997, Roddick launched a global campaign to raise self-esteem in women and against the media stereotyping of women. It focused on unreasonably skinny models in the context of rising numbers in bulimia and anorexia.

In March 2006, The Body Shop agreed to a £652.3m takeover by L'Oréal. It was reported that Anita and Gordon Roddick, made £130m from the sale. Media controversy followed with claims that L'Oréal tests on animals, which contradicts The Body Shop's core value of Against Animal Testing. Before the sale, *Ethical Consumer* magazine had given L'Oréal its lowest rating because of the company's record on animal testing. L'Oréal stated the company has not tested cosmetics on animals since 1989 (but still continues to test new ingredients on animals). Roddick addressed it directly in an interview with *The Guardian* newspaper. She was continuing to work with the company for 25 days a year.

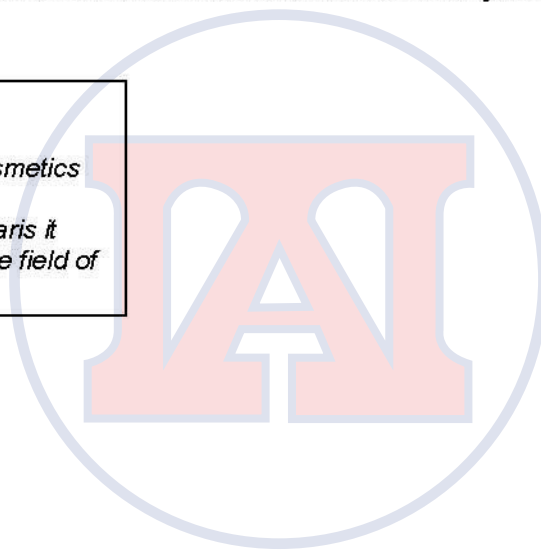
More criticism followed because the company is part-owned by Nestlé, which has been criticised for its treatment of third world producers.

Year of opening	Country - Taken from The Body Shop 1998 Annual Report & Accounts
1976	UK
1978	Belgium
1979	Austria
1979	Greece
1979	Sweden
1980	Iceland, Canada
1981	Denmark, Ireland, Finland
1982	France, Netherlands
1983	Cyprus, Germany, Switzerland, Singapore, Australia
1984	Italy, Hong Kong, Malaysia
1985	Norway, Bahamas, Bahrain
1986	Portugal, Spain, Kuwait, Oman
1987	Malta, Antigua, Bermuda, Qatar, Saudi Arabia
1988	Gibraltar, USA, Taiwan
1989	Cayman Islands, New Zealand
1990	Indonesia, Japan
1991	Luxembourg
1993	Mexico, Brunei, Thailand, Macau
1996	Philippines
1997	Korea

Following her death in 2007, Prime Minister Gordon Brown paid tribute to Dame Anita, calling her 'one of the country's true pioneers' and an 'inspiration' to businesswomen. He said²: 'She campaigned for green issues for many years before it became fashionable to do so and inspired millions to the cause by bringing sustainable products to a mass market. She will be remembered not only as a great campaigner but also as a great entrepreneur.'

Who is the L'Oréal Group?

This is the world's largest cosmetics and beauty company. With its registered office in Paris it has developed activities in the field of cosmetics



IKATAN AKUNTAN INDONESIA
Institute of Indonesia Chartered Accountants

News article: Lily Cole to front Body Shop campaign as new format is unveiled

Source: *Retail Week* 23 March 2012

The Body Shop has unveiled model Lily Cole as its new brand ambassador as it launches a new store concept.

The health and beauty retailer is revamping its 2,700 global stores to its new 'Pulse' store concept and has unveiled model Lily Cole as its brand advocate to tap into the new generation of ethical value-led shoppers.

The Body Shop said its new store concept centres on its Beauty with a Heart campaign, in which it hopes customers will "look good, feel good and do good" when buying its products. It aims to create stores which are part of their local community including posting local notices and volunteer opportunities in store.

The Oxford Street store, which reopened last week, is the first Pulse Boutique in the UK, while Bond Street is currently being refurbished. There are over 300 The Body Shop stores in the UK. The Body Shop's executive chairman Sophie Gasperment said: "We know that our Brand delivers more than beauty; our products truly contain heart as well. Today, we're looking to a future where our vision of beauty can be experienced by new generations for whom it is all about looking good, feeling good and doing good, too."

The new store has been designed to welcome customers in with its 'try before you buy' product stands, driving people through the store with long 'story selling' tables where customers learn about the how the product has been made.

In addition, cash generated by the new The Body Shop Foundation product range will be driven back into local communities around each store.

The Body Shop, which has stores in 63 countries worldwide, will launch into Hungary for the first time in April this year. Cole is heavily involved in a number of charity campaigns, which include Christian Aid, Comic Relief and the Elton John AIDS Foundation. Cole said: "I have long been an advocate of the potential of using business and consumer power to cause positive change. "By taking a responsible attitude to the people and ecology used [in making the products] it feels amazing to be supporting a brand who are pioneers in that way of working, and seeing the world."

News article: Did you know... that more than 10% of The Body Shop's global store network has been converted to its new Pulse store format? Source: *Retail Week* 1 August 2013

The Body Shop generated total retail sales of approaching £1.2bn worldwide in 2012, with retail sales in the UK estimated to have remained broadly flat at £150m, as modest like-for-like sales growth has been offset by a slight reduction in the store network.

News article: Body Shop raises £250,000 for Teenage Cancer Trust six months early

Source: *Southern Daily Echo* 13 August 2013

A SOUTHAMPTON store has contributed to fundraising that went beyond expectation for young cancer sufferers. Body Shop had pledged to raise £250,000 for the Teenage Cancer Trust in a year, but reached the total six months early. It has now set itself a new £500,000 annual target. The trust is fundraising towards a £2.4m teenage cancer unit at Southampton General Hospital, backed by the Daily Echo.

Business Green Plus talks to The Body Shop's Mark Davis about the expansion of its Community Fair Trade programme 17 September 2013

If Vernon Kay ever asked contestants on Family Fortunes to name the most ethical companies in the world, you can be sure The Body Shop would be up there on the list. But since it was taken over by the world's biggest beauty brand, questions have been consistently asked about whether the sustainable retail trailblazer can remain true to its green business roots.

When the then 36-year-old company founded by Anita Roddick was snapped up by L'Oreal in 2006, many customers voiced concerns that the company had also sold out on its ethics in the £652m deal. How would The Body Shop be able to retain its drive and vision for social responsibility while proving its financial worth to its new owner?

At the time, Roddick went on record to promise her brand would not "sell out". She even went as far as to suggest The Body Shop would be able to influence its new parent and help it become more ethical and sustainable.

Now, six years down the line, Mark Davis, who heads up The Body Shop's 26-year-old Community Fair Trade programme, insists that is exactly what has happened, with the retailer successfully encouraging L'Oreal to source its products from more sustainable suppliers.

Currently, The Body Shop includes at least one Community Fair Trade (CFT) ingredient in nearly all of its products. Rather than buying ingredients from trade shows, the company's buyers go out into the field, working with communities to build up the supply chain for more sustainable materials. For example, a perfume range now includes organic alcohol sourced from Ecuador and Davis is working with a number of other unnamed suppliers to build up its portfolio so every single product includes CFT ingredients.

It is an approach that is being successfully integrated into the parent company. Davis joined The Body Shop in 2004 as a senior buyer and following the buyout spent three years working with L'Oreal to teach the company some tricks of the "fair" trade. He helped L'Oreal launch its Solidarity Sourcing programme in 2010, with the conglomerate promising to buy ingredients from environmentally and socially responsible suppliers. To date, L'Oreal has signed 12 of The Body Shop's 18 Community Fair Trade suppliers on its books, and regularly buys from five of them for product ranges such as Garnier and Kiehls. L'Oreal is now also leaning on conventional suppliers to adopt a similar approach to sourcing ingredients.

The transition required Davis to work even more closely with many of the fair trade co-operatives that supply The Body Shop, helping them to meet the bureaucratic demands of large corporations. He became an intermediary between the two groups, explaining the needs of L'Oreal to the small co-ops and vice versa.

"The really important thing in our programme is that it enables us to help Community Fair Trade suppliers to work with much bigger, less ethically focused organisations," he tells BusinessGreen. "L'Oreal is very ethical and has ethical policies but that's not its driving force. I do like to think of it as my parent company training academy."

One company that has benefited from the buyout is ETICO, which started as a co-operative producing sesame seeds more than 20 years ago in one of the poorest parts of Nicaragua.

ETICO's managing director, Nick Hoskins, explained that as a result of the relationship with The Body Shop, it has improved the quality of its product and now supplies parent company L'Oreal, as well as a number of other international cosmetic businesses, with sesame oil, as well as hulled seeds for burger buns makers.

"It's a win-win, because if we've got a system where we're getting a good deal for our oil that makes it truly sustainable because nobody wants charity," he says. "You want to be selling a good product that people want to pay for."

Davis too is adamant the buyout has been nothing but positive for all parties involved, as the CFT ingredients tend to be of a higher quality than the conventional products they replace.

"L'Oreal was using sesame before, but when they looked at the two different qualities they decided the quality of ETICO was better than what they were currently buying, both from an ethical point of view and a quality technical point of view so it was very simple to switch it across," he says.

He also maintains that L'Oreal's focus on driving profits has not diluted The Body Shop's ethical ambitions, insisting that Solidarity Sourcing and CFT are helping to improve the resilience of the companies to environmental risks.

"If we're just thinking about what is the right thing to do, then yes we have a good story, but I have to deliver a business case as well, creating a virtuous circle of investment," he says. "L'Oreal brings its own view around rigour and development and they've got an enormous R&D function. It's brought additional capacity to what we do and helped us put professional systems in place, so we are now confirmed by the IMO and have a CFT charter."

However, The Body Shop's founding principle of being against animal testing is not entirely compatible with its parent company's expansion plans in China.

Chinese authorities require all cosmetic products to be tested on animals, meaning retailers such as The Body Shop are banned from selling there. L'Oreal last month paid \$843m to buy Chinese cosmetics company Magic Holdings International and it also sells some of its own brand products there.

But at the same time The Body Shop's triple bottom line approach is nevertheless delivering positive financial, as well as environmental, results. In spite of a difficult retail market environment last year, The Body Shop bolstered sales at its 306 stores, leading to a profit of £51.5m compared to a £49.3m profit in 2011. In the first half of this year, The Body Shop recorded like-for-like growth of 0.5 per cent, with profits expected to rise in the second half of the year.

It seems that the company's position as one of the UK's most famous green businesses is assured for a good while yet.

LUSH

Lush was started in the 1970s when Mark Constantine and Elizabeth Weir, who had an interest in beauty therapy, formed a company named Constantine & Weir. They began to develop recipes for bath and beauty products with the intention of selling them to other companies. The Body Shop contracted Constantine & Weir as one of its suppliers.

In December 2010, Mark and Mo Constantine were awarded the OBE in the New Year's Honours list, for services to the beauty industry.

Business structure

Lush is a privately-owned company with a small number of shares available on an invitation-basis only. The company's growth is based mainly upon partnerships. The company also owned the B Never Too Busy To Be Beautiful brand, which had outlets in Poole, Leeds, Covent Garden, and Oxford Street. Lush announced in 2009 that B would cease trading, saying 'the company has NOT gone bust or bankrupt and there are no administrators involved, we are simply unable to make a profit. Lush will be absorbing the business in order to retain the assets'.



CASE STUDY: QUESTIONS/DISCUSSIONS

DISCUSSION POINT

The founder of The Body Shop Anita Roddick is often spoken about as a good leader. In your opinion what attributes do you think make a good leader?

Why do you think corporate social responsibility (CSR) is so important to companies today?

Why do you think The Body Shop grew so rapidly after its launch?

What impact do you think the founder Anita Roddick's death had on the business?

Who do you think the biggest competitor(s) are for The Body Shop today? Name at least three.

PRACTICAL

Imagine it is 1976 and you are Anita Roddick. Produce a SWOT* analysis on The Body Shop considering what may have been the issues at the time.

Now move on to produce a TOWs analysis. How did you turn your key weaknesses into strengths for the idea of setting up The Body Shop?

Imagine you were The Body Shop in December 2005 and do a PESTEL analysis. Are there any risks to the business that come to mind

PRESENTATION

Consider the marketing of The Body Shop products. Is it a strategic way of getting customers to buy items which bear a financial donation to a humane cause, in turn giving customers a guilt-free conscience to buy retail goods? Discuss

Imagine it is 2015 and a major competitor enters the market. What issues would that throw up for a business such as The Body Shop? Does it need to think about more competitive pricing, diversifying, increased advertising, loyalty rewards? How will it fund any of those policies – will it take a hit on its margins? What will that mean for the company – its shareholders, its staff? Spend 10 minutes discussing how you would combat this issue of major competition for The Body Shop.

Many ethical consumers were shocked by the £652m sale of The Body Shop to French cosmetics giant L'Oreal. Discuss how this sale could have impacted a) stakeholders - in particular what did it mean for suppliers and consumers, and b) the brand and reputation?

*See glossary