The Body Shop – Acting Local

Jamee Krug
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Women love them. Men don’t quite understand them. They are one of largest growing industries in the world. *They* are cosmetics. Cosmetics go far beyond traditional lotions and soaps.

This paper will highlight the top-line view of the industry and feature one company, The Body Shop, which sources natural products through an unmatched Community Trade Program. This program, as this paper will tell, not only delivers quality, natural ingredients, but also provides women in developing countries with a source of income and provides the company itself with a novel and sustainable marketing position.

**Overview of U.S. Cosmetics Industry**

The U.S. Cosmetics market, measured in manufacturers' shipments, grew by more than one $1 billion dollars in 1998, at a rate of 6.6 percent (Cosmetic Market, 2003). Color Cosmetics drove growth with its focus on teens and pre-teens, known as tweens, and Skin Care with its dermal patches and pore strips, as well as the impact of niche lines with spa positioning.

As for body and bath products, there were few cellulite or slimming body products and the bath market seemed close to saturation. Fragrance exhibited modest growth, fueled by classic scents and by limited editions.
Big Picture

The cosmetics industry is viewed as a fairly stable market. Although, most industry experts believe the market is approaching maturity. In 1999, the latest year for which statistics are available, sales reached more than $21 billion (Cosmetics Market, 2003).

This industry is extremely broad, and thus it is difficult to identify true market leaders. However, L’Oreal, Avon, Johnson & Johnson, Estee Lauder, Revlon and Procter & Gamble account for roughly 20 percent of total industry sales (Cosmetics Market, 2003).

Distribution

With such an immense industry, distribution channels are a key differentiator in identifying products and how they are marketed. For this industry, there are three key distribution methods – prestige, broad and alternative.

Prestige - department stores, specialty stores and chain department stores, such as Macy's, Neiman-Marcus and J.C. Penney. This segment of the distribution channel accounts for $6,112 million in sales annually.

Broad - drug stores, food stores, cosmetic discounters, warehouse clubs, and mass merchandisers, examples are Eckerd, Pathmark, Cosmetic Center, Sam's Price Club, Wal-Mart and Target Stores. This broad distribution segment accounts for $6,645 million in sales annually.
Alternative - is identified by five different marketing methods:

*Direct Sales* (i.e., Avon, BeautiControl, Mary Kay)

*Direct Mail/TV/Print* (i.e., Yves Rocher, Victoria Jackson, Clientele, etc.)

*Free Standing Stores* (i.e., The Body Shop, Bath & Body Works, The Gap)

*Health Food Stores* (i.e., CamoCare, Kiss My Face, Rachel Perry, Zia)

*Salons* (i.e., Aveda, Matrix, Murad)

The alternative distribution segment is the fastest-growing method and accounts for $7,288 million in sales annually.

**Market share**

Products within the cosmetic market can be divided into six product categories.

**Skin Care** –

- Facial treatment and sun care
- 28% market share

**Color Cosmetics** –

- Face makeup, eye makeup, lip color, nail color and other (applicators, organizers, etc.)
- 31% market share

**Women's Fragrances** –

- Perfumes, colognes and fine fragrances
- 17% market share
Body & Bath –

• All hand & body care and bath & shower products that are not extensions of a fine fragrance
• 17% market share

Men's Products –

• Fragrances and ancillary products, men's treatment
• 6% market share

Other Fragrances –

• Unisex scents, joint launches, home fragrance, aromatherapy
• 1% market share

Clear divisions between product categories are becoming blurred. Some skin care products are shaded, while many makeup products have serious treatment claims. Spa themes touch all products, except fine fragrances. Aromatherapy and color therapy have become mainstream and are present in all product categories.

Skin Care picked up in the last part of the year with products for acne-prone skin, transdermal patches and vitamin C treatments. Teens drove Color Cosmetics, grabbing anything that sparkled, shone or glittered. Home fragrance (especially candles) was key to Body & Bath's growth (Cosmetic Market, 2003).
**Trends**

The explosion in popularity of products formulated with cosmeceuticals has been driving growth in the global skincare market since the late 1980's. Products with visible anti-ageing effects formulated with ingredients such as hydroxy acids, vitamins and retinol continue to be extremely popular across categories in skincare.

**Acceleration of cross-distribution**

**Generational marketing**

**Pampering – spa-oriented products**

**Natural beauty**

**The Natural Model**

Although it is not a new phenomenon, recent years have seen an explosion in the number of new products launched with a "natural" positioning. The trend is driven by a wide range of factors ranging from a growing consumer interest in organic food and increasing stress in lives. A number of companies are marketing on the natural trend:

**Origins** – A line of products designed for natural well being that combines natural and science. Origins markets their products through a number of retail stores such as Younkers, Dillards and Saks.

**Aveda** – Estee Lauder’s route into professional hair care now sustains a full-line of lifestyle products offering plant-derived, natural products.
Boots Botanicals – An emerging provider of well-being products marketed as the power of plants.

The Healing Garden – Coty entered the mass-market aromatherapy under The Healing Garden label. Combining fun and therapeutic benefits, the company is extending their line into the prestige market.

Clairol’s Herbal Essences – The mass-market naturals, made famous by their unforgettable commercial advertisements, are centered on the benefit of offering a feel good product.

**Overview of The Body Shop**

Anita Roddick, founder of The Body Shop is viewed as an activist at heart. “I would rather slide my wrists than be thought of as a businesswoman,” says Roddick (Business, 2003). However, her power as a marketer cannot be denied.

Roddick started The Body Shop in 1976 in London as she took products developed in her basement and opened a small store to sell the homemade concoctions. Roddick started the business to keep her busy while her husband was traveling and as “a playground for political ideas”, dedicated to supporting the downtrodden throughout the world (Business, 2003).
This offbeat business-for-social responsibility template flourished beyond imagination, becoming a cosmetics powerhouse with more than 2,000 stores worldwide offering make-up, spa products, body butters and even a widely-popular men's line. The key values of the company are: activate self-esteem, defend human rights, against animal testing, protect our plant and support community trade.

**Community Trade Program**

The Body Shop Community Trade Program supports long term, sustainable relationships with marginalized communities around the world. The Body Shop gets good quality products and ingredients and more than 25 communities get access to a sustained source of income, which can be invested to improve living conditions, education and health.

“Our trade with these communities is not just about creating another product or market for The Body Shop. It is about exchange and value, trade and respect, friendship and trust,” says Roddick.

The Body Shop Community Trade Program started in the late 1980s when Roddick developed trading relationship with local groups she met during her world travels. Now, the program is active in more than 25 countries from Australia to Zambia, trading with over 40 suppliers ranging from Nicaraguan sesame farmers to Indigenous Australian Tea Tree growers. In 2001, The Body
The Body Shop purchased over $12 million worth of natural ingredients and accessory items through the Community Trade Program, including nearly 400 tons of natural ingredients.

The Community Trade Program is aimed at small producer communities around the world who supply The Body Shop with accessories and natural ingredients. Fair prices help producers to take control over their own lives and allow money to go back into the community to supply basic needs such as water, health and education. Money earned through trade with The Body Shop has enabled producers to build wells in their villages, educate thousands of people about AIDS and HIV and provide schooling for hundreds of children.

The Community Trade Program, however, does have its critics. An anonymous article by McSpotlight claims The Body Shop using their program “to successfully manufacture the image of being green and cuddly.” However, the article states that the volume of free trade products used are only a small fraction of total ingredients purchased and that the programs really only help The Body Shop (McSpotlight, 2001.)

**Ingredient Story**

The history behind the product is the true story behind the Community Trade Program. One of these stories, the Eudafano Women’s Cooperative, portrays the program in the most accurate light. The Eudafano Cooperative is located
in northern Namibia in Africa and is a source of marula oil and melon seeds used in several The Body Shop products including the Bajik spa line, make-up products including eye shadows and melon seed body butter.

According to documents published by The Body Shop, the long-term aim of the cooperative is to 1) market the oil and seeds; 2) help the economy of the country; 3) help women to earn a fair wage and 4) protect and develop the natural environment. The business is owned and run by women who are involved in the complete processing of the marula kernels and melon seeds.

Like all of the community trade coops, the work the Eudafano Coop performs is extremely labor intensive. The melons the coop produces are used for oil. The melons are small in size with many different color patterns and are not edible.

Melon seed ingredient story –
First, the melons are planted around December/January and are harvested between March and June. Once harvested, the melons are crushed using a wooden pestle and the small black seeds are extracted by hand. Often times the crushed pulp is put in a water bucket to ease the separation of the flesh from the seeds. The seeds are dried in the sun for at least one week, and then winnowed (separating the chaff from the seed) before being processed into oil.

Marula oil ingredient story –
Marula oil comes from the marula tree, native to southern Africa. The stone within the marula fruit contains two to four kernels that are rich in oil. Marula trees can grow up to 15 meters tall. They grow in abundance and many families have marula trees growing a short distance of their homes. Tons of fruit grow each year, many of which often go unused. They are green in color and are about the size of a small plum and are related to the mango. Between January and April they fall to the ground where they are gathered by the women and placed in a heap so that the fruit will ripen evenly. When ripe, the fruits turn from green to yellow. The juice is traditionally extracted using a cow horn, the sharp end is used to cut out the stone from the fruit. The stones are stored and left to dry so that the flesh disappears. At the end of the main harvesting season, the women have less farm work and therefore are able to be used the time to process the marula stones, removing the kernels ready for oil extraction.

Trading with the Eudafano Cooperative has helped some 3,000 women in marginalized communities earn additional cash income as well as build their self-esteem. The women receive a fair price for their marula kernels and melon seeds which they use to educate their children, feed their families and contribute to developing community facilities. Despite the natural abundance of marula fruit, the coop is one of the first businesses to sell the oil.

**Benefits of Program**
The Community Trade Program created by The Body shop not only offer top quality ingredients, they also offer benefits to the women who source the products, the consumers who purchase them and the executives who market them.

The all-natural ingredients sourced by The Body Shop are most-likely higher quality than any other products sourced for cosmetic companies. By sourcing product from specific vendors from specific communities, The Body Shop ensures consistency and control.

The program also offers a source of income for women in underprivileged communities throughout the world. These women, who previously had no organization and no guaranteed income, now have sustainability and security. Within these communities, The Body Shop has been able to establish quality schools, women’s and children’s organizations based on their funding.

Based on surveys conducted by The Body Shop, customers rate the company’s Community Trade Program as one of the top three reasons they shop at the stores.

That image is a key marketing leverage for the company. The company has integrated the natural image from their displays to their packaging to their dress code. Although the company maintains that the reason the program
was started was to source products and to benefit women in developing countries, the derived benefits of the marketability of the product cannot be denied. Since the program started in the late 1980s, The Body Shop has grown from a chain with less than 500 stores to a cosmetics powerhouse with more than 2,000 stores worldwide.

Conclusion

In conclusion, although the Community Trade Program established by The Body Shop is a somewhat small network of vendors and growers compared to, for instance, to coffee grower organizations, the benefits of the program speak for themselves. The Body Shop has been able to establish a network of quality growers to source quality products, help women in underprivileged countries and create a brand image that could compete with any industry. By all accounts, the Community Trade Program is an example of social responsibility at its best.
Sources


