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**Market Feasibility Research in China  
And Strategy Design  
– The Case of THE BODY SHOP**

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## **ABSTRACT**

**Title:** Market Feasibility Research in China and Strategy Design –  
The Case of THEBODY SHOP

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**Introduction & Purpose:**the purpose of this paper is to find the successful elements of THE BODY SHOP in Gavle, and using that experience to study the market entry into a third world country using the case study to assess whether it is worthwhile for THE BODY SHOPto enter the Chinese market, if it is worthwhile, and how to do it.

**Method:**A qualitative research approach was used for the case study. The case study evidence is produced from three main sources: interviews, documents, direct observation.

**Findings:** There are three main factors for THE BODY SHOP gaining advantageover other cosmetic industries in Gavle, and these are fewer competitors, an outstanding marketing strategy, natural ingredients and special core values, butmore details will be provided in the relevant chapter.

**Contribution:**In this thesis, THE BODY SHOP's core values, products and competitors are analyzed, the environments of the Chinese and Gavle (Swedish) markets analyzed, and the significance of THE BODY SHOP entering the

Chinese market assessed. It is worthwhile for us to do the findings of a market survey and theoretical analysis, which can strongly support the feasibility of the Body Shop's early entry into the Chinese market. This thesis includes some important implications for foreign business operations finding the proper opportunities for entering the Chinese market.

**Key words:** strategy, entry, marketing, core value, THE BODY SHOP

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# 1. Introduction

*There are four sections in Chapter 1.* The background to the investigation is explained in the aim of the thesis, the research questions as well as the limitations of the study. A brief description of the thesis is provided and the conclusion ends this section. The purpose is to give readers clarity on the importance of the study and what problems are seeking resolution.

## 1.1 Background

The economic crisis in 2008 had a deep influence all over the world. In 2010, global economic prospects showed a critical juncture for the world economy. A recovery from the financial crisis that rocked the world in the fall of 2008 is under way. Financial markets have recovered a large portion of the heavy losses they incurred in late 2008 and early 2009, and developing countries are once again attracting the interest of international investors (The World Bank, 2010). While many countries and areas appeared to suffer during the global recession, the global cosmetics market maintained a stable growth momentum in sales. The global cosmetics industry reached 25.3 billion U.S. dollars in retail sales, which has maintained a strong and steady growth trend in the last 5 years. From 1997-2000, an annual growth rate increase of 11.7% was achieved. According to the International Market Track (IMT) authoritative report, the growth rate of the international cosmetics market in recent years was around 20 percent. Another global market research company, Euro Monitor Survey, indicates that in the Asia-Pacific region the cosmetics market is rapidly growing and predicts it can still have a higher growth trend in the future.

The Chinese cosmetics market is one of the industries with the most potential for profit. On the basis of the report, *2010 Blue Book of Chinese Cosmetics Industry Development Trend*, cosmetics sales in China in 2009 had reached over 140 billion Yuan, which places them as the world's third largest cosmetics sales<sup>2</sup> after the United

States and Japan. According to analyst forecasts, although the cosmetics industry has had rising sales in recent years, the industry seems to lack innovative ideas, so whether producers or sellers, they face a crisis of being unable to meet increasing consumer preferences and need for quality (cryptonym, 2010).

BAIDU's *Cosmetics Industry Report 2010*, indicated that consumers are concerned with their needs in a rational manner. This reflects that consumers have a strong demand for skin care products and health, and that the consumers have a number of issues of concern regarding existing skin care products. This need might drive future trends in product innovation.

As a result of increasing competition in domestic and foreign markets, some of the emerging consumer markets and consumption patterns are becoming more and more important and promote industry growth. At the same time, some cosmetics firms are facing financial difficulties as a result of their traditional business models. In other words, the cosmetics market is changing and prompting the industry to speed up the pace of structural adjustment. As a result of economic globalization, both Sweden and China are becoming part of a global village and no organization can be insulated from the effects of foreign markets and competition. To exploit markets in every corner of the world, more and more firms are reshaping themselves for international competition and discovering new ways (Griffin, 2005). Failure to take a global perspective is one of the biggest mistakes managers can make (Begley, T., and Boyd, D., 2003). Internationalization is the process through which a firm moves from operating solely in its domestic marketplace to international markets (Anderssen, 1993; Buckley and Casson, 1998; O'Farrell et al., 1998 cited in Javalgi *et al.*, 2003:186).

Consequent on the abovementioned challenges and issues, organizations may need to enter a new market during the internationalization process. There are several reasons for the firm to enter a foreign market. From a pure marketing perspective, it is natural to view expansion abroad in terms of entering new countries due to their

market potential, while at the same time, the firm may also enter in order to get access to a larger regional trade bloc, to learn from customers and competitors in a leading market, or to attack a competitor's major market (Johansson, J.K., 2003). Not only can the firm sell more products but it can also get other benefits from a presence in a new market. Selecting the right target countries for foreign operations is an important managerial decision and has a major impact for success or failure in international operations (Ojala, A., and Tyrvaïnen, P., 2007). Consequently there are several scholars who have done studies on this topic (Rothaermel *et al.*, 2006; Blomstermo, A., and Deo Sharma, D., 2005; Pehrsson, A., 2008). This thesis will also focus on this topic.

## **1.2 Aim, Research Questions and Limitation of the Study**

Despite much attention on international market selection and entry, it seems to still lack an integrated quantitative research study on how to make a proper market feasibility analysis for a firm like THE BODY SHOP, which has a sustainable development strategy to enter a third world country. What is a good market strategy for a firm to enter a new, different, but profitable market? It is estimated that many international companies, which want win-win economic cooperation with third world countries, can gain inspiration from this research, including students who will soon be employed in this market segment. Thus the purpose of this paper is to find elements of a successful market entry into a third world country using the case of whether it is worthwhile for THE BODY SHOP to enter the Chinese market, and if it does how to do it.

The three main questions to attain the research purpose are

1. Why is THE BODY SHOP in Gavle so successful and what are the factors?
2. Learning from THE BODY SHOP's successful experience in Gavle, what is a good market strategy for THE BODY SHOP to enter the Chinese market?

This thesis is based on only one firm, and the relationship between the operating

conditions of THE BODY SHOP and the Chinese market situation. The data is gathered from the people who are in the corporate management level of one shop and top management and the subordinates are not included.

### **1.3Disposition of the Thesis**

Six chapters are presented in our thesis. In the first chapter we give a background description, aim, research questions and also the limitation of the study selected. After the introduction the concepts, theories and models used in the thesis will be shown in Chapter 2. In Chapter 3 the data collection process is described and analysis commences. In Chapter 4, both the primary and secondary data are revealed during the investigation. The concepts, theories and models connected with the data are then shown in Chapter 5, the analysis. The final points of our study appear in Chapter 6, the conclusion.

### **1.4Conclusion**

As mentioned above, the introduction explains the background of our investigation, the aim of the thesis, and the precise research questions being investigated and the limitations of the study are also described in this section. The next Chapter discusses the theoretical framework.

## 2. Theoretical Framework

A lot of literature was reviewed in order to reach consensus on the main issues in respect of foreign market entry, in order to find appropriate theories to support this study. This chapter will present the theoretical knowledge used in later sections of the study, such as PEST Analysis, SWOT Analysis and Sustainable Development Strategy.

### 2.1 PEST Analysis

It's essential for a company to consider its environment before entering a new market. PEST analysis is an environmental analysis tool that helps firms to understand the macro environment. Kotler (1998) said that a PEST analysis is a useful tool for firms to understand market growth or decline, business position, potential and direction for operations. It analyses four factors so as to have a better overall understanding of the macro environment.

1. Political Factors—All organizations are affected by politics no matter where they are operating.
2. Economic Factors—The economic factors that affect organizations have a tight relationship with political factors because of the influences by many types of government intervention, such as share prices and bank base rates.
3. Social Factors—Examples of social issues which the organization needs to be aware of include demographic changes, changes in work and leisure habits, changes in patterns of illness and health and general shifts in attitude. For instance, in Chinese people's minds, imported things are good. When women are buying cosmetics, they will chose the imported one if it is in the same price range.

4. Technological Factors — Technology is a source of sustainable competitive advantage. Nowadays a technological update also means a product update. In the cosmetics industry, updating is fast and the product life cycle is short. In other words, when a kind of cosmetics is listed, the company should prepare for the next product immediately.

## **2.2 SWOT Analysis**

A SWOT analysis is a tool for auditing an organisation and its environment, which helps marketers focus on key issues in the first planning stage. Griffin stated that a SWOT analysis is a careful evaluation of an organisation's internal strengths and weaknesses as well as its environmental opportunities and threats. A good strategy can be created with this method by exploiting a company's opportunities and strengths while neutralizing its threats and avoiding its weaknesses.

1. Evaluating an organization's strengths -Griffin(2008)says that the strengths of an organization are the advantages or skills that enable the company to carry out its own strategies. According to Harding and Long (1998), the strengths of a firm comprise any positive attribution especially internal attributes, such as cash flow, branding and others. An organization's strengths are a skill or capability that enables an organization to conceive and implement strategies. It can be divided into two categories, common strengths and distinctive competencies. For the common strengths aspect, compared with other markets, consumer demand in the cosmetics market is characterized more significantly by diversification and differentiation. The formations of a market segment provide the existence of preconditions for companies to launch new products or new brand positioning. So it is easier to connect the brand style and market positioning closely, and then to create a diversified, differentiated brand style. For the distinctive competencies aspect, the brand architecture is directly matched with the status, tastes, purchasing power and number of target customers, which fully reflects that they use the price and quality as

brand differentiation standards. In other words, strengths represent the advantages of the firm so that the firm can use its strengths to enhance its competitiveness.

2. Evaluating an organization's weaknesses - The weaknesses of a firm are the skills that make the firm fail to carry out and choose its own strategies to fulfill the mission (Griffin, R.W., 2008). Organizational weaknesses are skills and capabilities that do not enable an organization to choose and implement strategies that support its mission. In a global company, if one area is not managed well, it can damage the quality of the brand image in other places. In addition, blind brand extension will not only cause confusion in the target market, but is also very likely to lose the advantages of the original market if it cannot be well consolidated and protected. Moreover, it can lead to consumer awareness becoming fuzzy, and dilute the personality of the original brand positioning. A product problem in the operation may involve the credibility of other products, and even lead to the negation of brands by consumers.

3. Evaluating an organization's opportunities and threats - Organizational opportunities are areas that may generate higher performance. While organizational threats are areas that increase the difficulty of an organization performing at a high level. According to research, having a wide range of products can enhance the competitive advantage, which can be done by adding new brand lines, expanding the breadth and depth of the brand portfolio, extending the existing brand lines, all the while gaining more attention for the enterprise; Threats also exist with opportunities. If the positioning is not clear enough, it can easily lead to the harm of other brands within the enterprise, increasing friction, and the company's net contribution rate of the original brand can be decreased. The big promotion expenses of a new brand, together with other marketing costs can also cause further strain in the allocation of limited resources. SWOT analysis is a tool that can be used to analyze the strengths, weaknesses, opportunities, and threats of a company (Harding and Long, 1998). It is an important tool for a company to analyze the environment, including external and internal environments (Duarte, C., Ettkin, L.P., Helms, M., Anderson, S.,

2006). Bulliton (2005) agrees that a SWOT analysis can be effectively used in an early environmental analysis due to its categorical structure. A SWOT analysis is usually used in complex environments so that the company can formulate business strategies according to the analysis results (Xiaoming).

## **2.3 Sustainable Development Strategy**

As a top 500 company and one of the world's largest cosmetics companies, L'Oreal uphold the concept of sustainable development, to combine with increasing levels of economic development the responsibilities of social and environmental awareness. THE BODY SHOP, being one independently operated brand which L'Oreal own, will integrate sustainable development in every detail. In this paper, importance of a sustainable development strategy and how THE BODY SHOP successfully uses this strategy will be analyzed and explained.

### **1. Sustainability in a business context**

Crane and Matten (2007, p. 23) refer to sustainability as the long-term maintenance of systems according to environmental, economic and social considerations. Environmental, economic and social considerations are used to integrate sustainability at multiple levels throughout the organisational system. It means that the company's vision needs to reflect the company's commitment to sustainability, at the same time, sustainability needs to be part of the strategic decision-making process as well as the strategy content. In addition, the organizational culture should support the economic, social and sustainability issues in the national and global contexts. Figure 1 presents how sustainability can be incorporated into strategy.

**Figure 1** Sustainability as an integral part of strategy



*Figure 1: Sustainability as an intergral part of strategy*

*Source: Bonn and Fisher(2011)*

Firstly, administrative staff members need to provide the vision for the whole company, to guide it in the right direction. Here we use the concept which is given by Bonn and Fisher that a vision that includes sustainability as a core value will include economic, environmental and social elements, signaling strong corporate norms and values and providing principles that guide the decisions of senior managers, line managers and employees. Secondly, managers need to know how to make a proper decision, in other words, they have to keep in mind a clear strategic decision-making process. According to Bonn and Fisher's study the strategic decision-making process is concerned with the way decisions are reached in an organizational setting and includes the activities that lead up to and support the choice of strategy. During this process, decision-makers need to scan the environment to gather data and make sense of it by developing cognitive models and building mental representations that guide managers' thinking and the direction of their decisions. Besides, the strategy content of corporate, business and functional levels in Bonn and Fisher's study, the decisions at corporate level of strategy content is about how resources are to be allocated between the different parts of the organisation and form the basis for all other strategic decisions. This

involves building businesses that develop and promote durable products that can be produced and consumed with minimal environmental impact. For the business-level strategy, it focuses on how to compete effectively in an industry or a particular product/market segment and which products or services to offer to the market. This includes product development, raw material access and extraction, production and distribution, product use as well as the disposal of packaging and used products. And the last one is functional-level strategies, it includes the development of a pricing strategy that incorporates the true environmental and social costs into the price of products and services, the development of promotional strategies that honestly convey the organisation's social and environmental achievements and the use of sustainable marketing channels.

## **2.4 Conclusion of Theoretical Framework**

Three kinds of theories are shown in the theoretical framework and the base concepts as well as the reasons why these theories and tools were used in this thesis are provided. In addition, the relative knowledge on each branch of the theory is explained so as to make a better analysis in the Empirical Findings chapter and the Analysis chapter. The following chapter will describe the practical methodologies which are used in our thesis.

## **3. Methodology**

The current chapter explains how this investigation proceeds with the detailed research methodology. The aim of the interview questions is also explained. The summary of this Chapter is given in the last section.

### **3.1 Qualitative Research Approach**

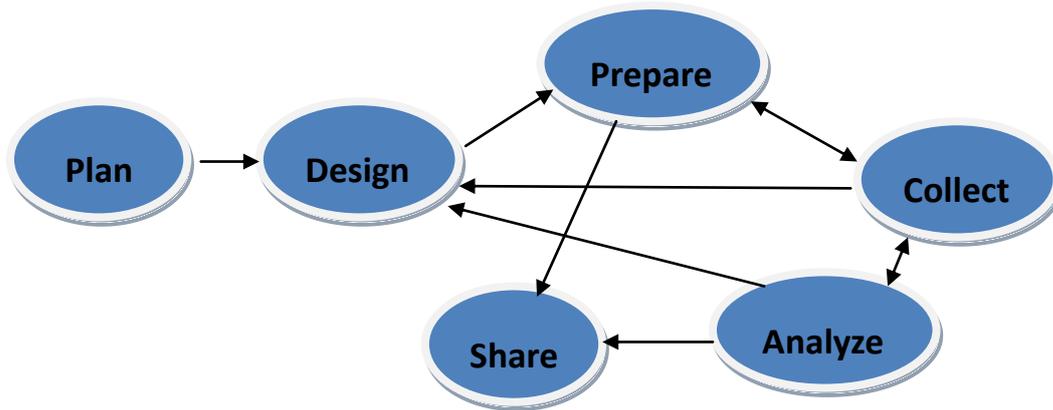
Qualitative research provides powerful tools for research in management and business subjects, including general management, leadership, marketing, organization, corporate strategy, accounting, and more (John Van Maanen,2000).Qualitative research is a research design which exposes various emphases from qualitative research (Bryman, A., 1989). Van Maanen (1983) also gave the definition of a qualitative method as being an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world. The features of a qualitative method are to perceive the prerequisites for the study of social reality, as they reflect a lot of the goals and preoccupations of this tradition. There are three main sources of data associated with a qualitative research method which were considered for this thesis, interviews, participant observation and diary methods. Once close to organization members, the researcher can gain insights into people and situations that they want by using the qualitative research methods. They are useful as the tools to help the respondents think about their own worlds and consider, the way they construct their reality possibly for the first time (Easterby-Smith, M., Thorpe, R., Lowe, A.,1991). Therefore, qualitative research was employed by many scholars and is also used in this thesis.

### **3.2 Case Study as Research Strategy**

Case studies can refer to various functions, relationships, or events. They may also

concern a study of historical, present, or future situations or a mixture of them all (Van Maanen, J., 2000). It is a research strategy which typically combines data collection methods like interviews and observations, which help to understanding the dynamics present within single settings (Eisenhardt, K.M., 1989). There are three kinds of uses for case study research, being: explanatory, descriptive, and exploratory (Yin, 1994). John Van Maanen<sup>1</sup> has mentioned that they are hard to make in isolation because exploratory studies as well as descriptions can be theory generating, descriptions may be explanatory, and so forth (Van Maanen, J., 2000, p.86).

A case research study is a useful strategy for us to learn the processes in a firm. Examples of case study research include Selznick's (1949) description of TVA, Allison's (1971) study of the Cuban missile crisis, and Pettigrew's (1973) research on decision making at a British retailer (Eisenhardt, K.M., 1989). Using the case research strategy provides us with the opportunity to develop an extensive range of helpful skills. If we want to deal with a new and complex circumstance, the case method of instruction is well suited to it, and furthermore, cases offer information about how work is planned and organized in different situations, how systems operate and how organizations compete. It is also a good tool to test the grasp of theory, to connect theory with application, and to develop new insights. (Mauffette-Leenders, L.A., Erskine, J.A., Leenders, M.R.,1997). For these reasons, the case research study methodology will be used in combination with the interview, observation and data analyses process in our thesis. Figure 3 shows a linear but iterative process about doing case study research, which can help us to know how to conduct our research step by step:



*Figure2: Doing Case Study Research: A linear but iterative process*

*Source: Yin, 2009*

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### **3.2.1 Interviewing**

Case study evidence may be produced from six sources, documents, archival records, interviews, direct observation, participant-observation, and physical artifacts. Because most case studies are about behavioral events or human affairs, interviews are an essential source of case study evidence (Yin, R.K.,2009). Patton has described the purpose of interviewing to find out what is on someone's mind or to find out from them those things that cannot directly be observed.... try to emerge from the respondents' own perspective, detect the ways in which people working together share common understandings, get insight into special experiences, find out motives behind decisions, get a view of informal procedures, consider apparent contradictions between attitudes and behavior, and allow respondents time to provide their answers (Patton, M.Q.,*Qualitative Evaluation and Research Methods, Sage Publications, 1990*). Yin also states that well-informed interviewees can provide significant insights into such affairs or events. Other relevant sources of evidence can be identified, from the interviewees who provide shortcuts to prior history of such situations.

There are three types of case study interviews, including an in-depth interview, a focused interview and structured questions interview. This study will use the focused interview method to launch this study. In this case, a person is interviewed for a short period of time. The interviews may still remain open-ended and assume a

conversational manner, but a series of questions may follow the interview process (Yin, 2009).

### **3.2.2 Documents**

Document information is likely to be relevant to each case study topic (Neuman & Celano, 2001). This type of information can be formed in various ways, such as administrative documents, agendas, announcements, letters, formal studies or evaluations of the same case that you are studying, other articles appearing in the mass media or in community newspapers and similar. For a case study to corroborate and augment evidence from other sources is the most important use of documents. It can be helpful in verifying the correct spelling and titles of organizations that might have been mentioned in an interview. Documents can provide some specific details to corroborate information from other sources. Moreover, we can make inferences from documents (Yin, 2009).

### **3.2.3 Observation**

If a case study takes place in the natural setting of the case, direct observations can occur during the learning process. Either formal or casual data collection activities can be done through the observations. Most formally, observational instruments can be developed as part of the case study protocol and the fieldworker is asked to assess the occurrence of several kinds of behavior during a certain time in the field (Yin, 2009). For example, Gross *et al.* (1971) used this method to analyze a case study. It included an observational protocol which relied on a structured survey of a larger number of teachers, open-ended interviews with a smaller number of key persons, and a review of organizational documents (Yin, 2009). And the data collection from the observations will also emerge in the thesis.

## **3.3 Data Collection**

Case study evidence can come from numerous sources, and every source is associated with an array of data or evidence. There are three principles which should

be paid attention to, and which are really helpful in making a high-quality case study, and these are using multiple sources of evidence, creating a case study database, and maintaining a chain of evidence (Yin, 2009).

### **3.3.1 Focused Interview**

As mentioned before in this thesis, the face-to-face focused interview was selected for use. There are several things which need to be considered on how to do the interview properly. The questionnaire can generate a fair volume of simple information, while a face-to-face interview might only provide the interviewer with access to the limited area or answer of the individuals. A highly structured interview would be based on a set of questions piloted and refined until the interviewer is convinced of their 'validity' (Richard Thorpe et al., 1991).

The focus of this kind of interview is decided by the interviewer and there may be areas the researcher is interested in exploring. The researcher tries to build a rapport with the respondent so that the interview is more like a conversation. In addition, it can benefit the researcher by creating a positive rapport between interviewee and interviewer, creating high validity, offering pre-judgmental and complex questions and issues can be clarified.

One purposes of the thesis is to discuss THE BODY SHOP in Gavle's success. The store manager of THE BODY SHOP Gavle downtown was interviewed. The brief introduction of our interviewee is as follow;

**Lotta Karlsson**

Position : Store manager

Date : 2<sup>nd</sup> May 2011

Time : 15.02 – 15.24

Miss Lotta Karlsson is a senior staff member in THE BODY SHOP of Gavle. She is described as a good leader amongst the staff. She was to be interviewed for these reasons. There are 8 questions which were answered during the face to face interview (see Appendix C). The respondent was informed five days in advance of the scheduled interview. Due to her busy schedule, she did not have time to read the

questionnaire prior to the interview, and after the interview, she was again contacted through email to add further where more information was required.

*Table 1: Questions, Underlying Principles and Data Category*

Question Number	Underlying Principles	Data Category
1 and 2	To gain a basic understanding	Marketing Research
3 and 7	General information about the product value	Product Strategies
4,5 and 6	To know the strength and the attractiveness of the product	Pricing / Promotion / Distribution
8	To get information that THE BODY SHOP can cope with the future challenges	Future/ Supplementary Information

*Source: Authors own*

### **3.3.2 Other Sources**

Related books and e-books were used as sources. Further research was done on the internet. There are a number of reasons for doing secondary analysis, and the two main reasons are that a second analyst wishes to consider an alternative interpretation of a set of data from the original researcher and secondly that the analysis of someone else's data can be envisaged (Bryman, A., 1989). Bryman pointed out that a second analyst can provide information on issues that cannot be readily addressed through other methods, as they can help to reach a different level of analysis from other methods and they can check the validity of information deriving from other methods.

Direct observation was also used in this research study. THE BODY SHOP was visited five times (9<sup>th</sup>, 18<sup>th</sup>, 24<sup>th</sup>, 27<sup>th</sup> April and 2<sup>nd</sup> May). Even though each observation did not take long, it was worth doing because staff service to their customers could be directly observed or how they introduced their products to the people, As a customer, what were the feelings and which were the most attractive

items in the shop at the time? All these things helped the study to be more scientific and comprehensive. With this method, data can be collected through three types of records: *Chronological records* which details the times and basic activities that punctuate the executive's day; *Mail records* chronicle the nature of the mail received by the executive; *Contact records* provide details of the meetings, calls and tours undertaken by the manager which make up the chronological record (Bryman, A., 1989). The Chronology and Contact records will be used in our thesis during the data collection process.

### **3.4 Data Analysis**

The analysis of case study evidence is one of the least developed and most difficult aspects of doing a case research. Yin also stated that data analysis consists of examining, categorizing, tabulating, testing, or otherwise recombining evidence, to draw empirically based conclusions. Miles and Huberman (1994), gave a more comprehensive summarization this process, suggesting that it was putting information into various arrays, making a matrix of categories and placing the evidence within such categories, creating data displays such as flowcharts or other graphics, tabulating the frequency of different events, examining the complexity of such tabulations and their relationships by calculating second-order numbers, putting information in chronological order or using some other temporal scheme. Furthermore, Yin recommend four general strategies to follow during the learning process, these are relying on the theoretical propositions, that can help in the selection of useful data, developing a case description, was used to identify an embedded unit of analysis and the whole pattern of complexity, using both qualitative and quantitative data was a strong analytic strategy to make a more appreciable study and examining rival explanations.

### **3.5 Conclusion of Practical Methodology**

Based on Figure 1, we can follow it to carry out our research process. A qualitative method was used for our research approach and a case study for our research strategy. Our case study evidence is produced from three main sources: interviews, documents,

and direct observation. The interview and direct observations provided the primary data while the secondary data was taken from the documents to support and extend opinions. Following the concept and general strategies the real situation was analysed and the environment of THE BODY SHOP and the Chinese market with the collected data in the following two chapters.

## 4. Empirical Findings

In Chapter 4, all the data collected by the systematic descriptions will be displayed. The background of THE BODY SHOP, its success in Gavle and the motivational analysis of entering the Chinese market are introduced in the latter section in this chapter.

### 4.1 Background of THE BODY SHOP

THE BODY SHOP, one of the most famous and outstanding global cosmetics manufacturers and retailers, was founded by Anita Roddick in the UK in 1976. It now has more than 2,400 stores, and a range of over 1,200 products which sell in 61 countries. In 1999, THE BODY SHOP was ranked 27<sup>th</sup> in the world as one of the most distinguished brands and it is also evaluated as the second most trusted brand by the British Consumer Association. It has five core values: Support Community Trade, Defend Human Rights, Against Animal Testing, Activate Self-Esteem, and Protect Our Planet. The company always tries to maintain a harmonious relationship of its brand, products, customers, society, enterprises and employees and with its special values the company has received a lot of awards and built a reputation around the world. In 2005, because of their outstanding performance in the protection of animals, the United Kingdom Association, Royal Society of Prevention of Cruelty to Animals, gave the first annual awards to THE BODY SHOP due to its high standards of animal welfare and its 'policy against animal testing'.

THE BODY SHOP has its own special culture, and it does not belong in a general category of the cosmetics business. It emphasizes the role of cosmetics modification on the human external look, at the same time, it pays more attention to the influence on the human heart. Overall, it is this unique culture that keeps THE BODY SHOP surviving in the highly competitive consumer goods industry. THE BODY SHOP was always against animal testing; including all their suppliers, have been opposed to using animals for cosmetics testing. One of their proudest achievements is their

successful global campaigning against cosmetics animal testing, which has obtained the support of The EU, which banned animal testing for finished cosmetic products in 2004, and for ingredients in 2009. With technological development, it now uses artificially grown human skin to do the testing. Secondly, THE BODY SHOP Support Community Trade and persist in helping developing countries with trade and not just giving aid. They require all their suppliers to sign the Code of Conduct, which is strictly enforced and monitored to make sure the labour and pay is fair in the various types jobs offered. Thirdly, Activate Self-Esteem is supported by THE BODY SHOP employs mainly women and most customers are also women, so to defend their rights is a focus of THE BODY SHOP. Fourthly, Defend Human Rights is also supported by THE BODY SHOP by supporting a variety of activist organizations globally, such as women's rights organizations and the Committee against AIDS. Fifthly, Protect Our Planet is supported internally by THE BODY SHOP who is always seeking new ways to protect the environment whether from energy saving in the store and in the production thereof, or energy-awareness of their staff. Externally THE BODY SHOP has launched some global scale campaigns to protect the environment, such as to prevent global warming with Greenpeace in 2001, organizing 10 million consumers to sign a petition in 1991, which called on the Brazilian Government to take drastic action on the abuse of burning the rainforests. In short, all these efforts gave THE BODY SHOP a good reputation and brand image around the world.

#### **4.2 The Success of THE BODY SHOP in Gavle**

Gavle is the capital of Gävleborg County and it is a medium sized city in the north of Sweden, and the population here is about 90,000. THE BODY SHOP was located in the high street of the Gavle city centre.

### **4.2.1 Less Competitors**

Compared with a medium sized city in China, Gavle has a smaller population and it does not have as many available cosmetic brands or products. In China there are many inexpensive and good effective products such as YUE-SAI, DHC, KOSE and others, which are not sold in Gavle. A survey of numerous cosmetics stores in Gavle found just a few Asian cosmetic product brands on sale. Possible reasons for this could be due to geographic variation or the difference in climate between Western Europe and Asia. Certain types of Asian cosmetic products are not popular in Gavle, for example, as most Europeans like the brown skin colors while Asian people mostly prefer the white skin tones. Consequently it was difficult to find the whitening cosmetic products in Gavle. In other words, there is less strong competition in the local market. Based on the interview, the store manager in Gavle, Lotta Karlsson said that for THE BODY SHOP in Gavle, KICS is the biggest competitor for THE BODY SHOP. H&M, AHLENS and the local supermarket are located near THE BODY SHOP and these stores also provide some competition to THE BODY SHOP. THE BODY SHOP's main competitors are the comprehensive shops, which are near THE BODY SHOP in Gavle and sell various kinds of cosmetic products.

### **4.2.2 Natural Ingredients, Special Core Value**

Lotta Karlsson's interview revealed that THE BODY SHOP's target customers are women between the ages of 20 to 60. This is a broad range of customers, but as THE BODY SHOP is always seeking sustainable natural ingredients and materials, their healthy products are welcomed by many people.

The interview also revealed that the two main points that the customers ask most frequently about are the function and the values of the product. A lot of the customers query what the main ingredients of the products are and whether the product is right for their age and skin type. A considerable portion of the customers also like to know the core values of the company such as what contribution they

make to the public welfare if they purchase the products. The staff members are willing to answer their questions as they know that many Europeans pay attention to environmental protection issues. The 2009 values report of THE BODY SHOP stated that 97% of their loyal Love Your Body™ card members surveyed said that The Body Shop Values are either important or very important to them as customers. Besides their five core values previously mentioned, THE BODY SHOP has their own charitable foundation. The Body Shop's foundation was launched in 1990 and gives financial support to pioneering, frontline organizations that otherwise have little hope of conventional funding. The Foundation's focus is to assist those working to achieve progress in the areas of environmental and animal protection, human and civil rights. For example, ECPAT UK receives £3.15 and ECPAT International receives £0.30 for each product sold. Consequently many local people are willing to purchase the products of THE BODY SHOP.

### **4.2.3 Outstanding Marketing Strategy**

The SWOT method will be used to analyze and present the advantages of THE BODY SHOP's marketing strategy in Gavle, as well as some suggested modifications for improvement. The interview information and direct observation about the SWOT analysis of THE BODY SHOP in Gavle is summarized below in Figure 4. More details and discussion will be presented in the analysis section.

*Figure 3: THE BODY SHOP's marketing strategy in Gavle*

Strengths	Weakness
Good employee benefits and training; Lower product prices; Natural products; Clear product positioning; Attractive for women groups and environmental groups; Attractive promotion.	Product packaging design is not enough diversity; Low prices lead to lower profits; Advertising rate is low, consumers do not realise that new products are launched often.
Opportunities	Threats
Maintenance of synchronisation with the world trend; Global awareness of environmental protection and refusal to experiment on animals	Target customers are women, why not target men too.

*Source: Authors own*

#### **4.2.4 Successful Sustainable Development Strategy**

Another point is THE BODY SHOP's successful sustainable development strategy. As mentioned before, it is the long-term maintenance of systems according to environmental, economic and social considerations (Crane and Matten, 2007). In the World Commission on Environment and Development, it also gives the definition of sustainable development, as a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional changes are made consistent with the future as well as present needs. It required the decision-makers to address the sustainability concerns in all operating processes.

Based on Figure 1, there are six factors that the company needs to consider during the process of creating sustainability initiatives. Those are vision, organisational culture, global context, national context, strategic decision-making processes and strategy content at the three levels (corporate, business and functional). Firstly, from the vision aspect, Dame Anita Roddick, founder of THE BODY SHOP, gave the

vision of her company as: "The business of business should not just be about money, it should be about responsibility. It should be about public good, not private greed." Lotta Karlsson said that "There are five core values in our company that we want to deliver to the customers: Support Community Trade, Defend Human Rights, Against Animal Testing, Activate Self-Esteem, and Protect Our Planet." This also illustrates the position of THE BODY SHOP. The information from the official website states, "We believe there is only one way to be beautiful, nature's way. We've believed this for years and still do."; they insist in seeking out superior natural ingredients and striving to protect our beautiful planet. "We don't do it this way because it's fashionable. We do it because, to us, it's the only way."

In a global survey conducted by KPMG in 2008, it was found that 47.7% of companies thought that sustainability and corporate responsibility are the most important factors which drive innovation, and this figure increases year by year (KPMG International, 2008). With the globalization course going forward constantly, the issue of sustainability is increasingly noted among many companies around the world. In the national context, the Chinese market, according to the China Sustainable Development Strategy Report 2009 (Sustainable Development Strategy Study Group, Chinese Academy of Sciences, 2009), proposed that in the next decade, the Chinese Government should create a new green development model, build an integrated development framework to balance the benefits of various factors, such as environment, society and the economy. China would make an important contribution to the sustainable development, to meet an efficient and sustainable low-carbon future.

Referring to the strategic decision-making process, it requires the decision-maker to combine the long-term sustainability with all the processes, especially to deal with the virtual tensions among the three items mentioned before. Bonn and Fisher also suggest that the employees could try to create new sustainability opportunities during their operating process by providing an environment where such activities are

encouraged and rewarded. The real operational details related to the strategy content of the three levels (corporate, business and functional) can be seen as follows.

1. How do they make sure that their products are responsibly sourced?

THE BODY SHOP launched Community Trade and they try their best to use Community Trade ingredients in their products. THE BODY SHOP webpage states “Over the past two years, spending on Community Trade ingredients, gifts and accessories has risen from £6.4m to £7.4m. We now work with over 25,000 farmers and producers worldwide who supply us with 20 of our naturally derived ingredients and over 60 different gifts and accessories.”

2. How are they reducing their impact on the environment?

THE BODY SHOP is constantly seeking new methods to improve their business practices and reduce their carbon footprint. Such as the new lighting in many of their stores, including store signs, have been successfully tried, and will help to reduce energy use; all our store staff have been given energy-awareness training. The content of their gift packaging and carrier bags are 100 per cent recyclable.

3. “We believe that business should be about more than just making money, it should be about responsibility and public good.” “We’ve always believed in using profit for good. So in 1990 we set up The Body Shop Foundation, our charitable trust. Currently we make an annual donation of £650,000, as well as donating end-of-line stock for the Trust to sell. Since we established the Foundation, we’ve donated over £11 million to more than 3,000 projects around the world.”

Based on the abovementioned statements, it would appear that THE BODY SHOP is a real pioneer who takes long-term sustainability serious and implements it within all the processes. Because of its outstanding performance in the maintenance of sustainability among environmental, economic and social considerations, it has achieved the effect that it can keep growing economically, as well as improving its influence on environmental protection and social welfare.

### **4.3 The motivation analysis of entering the Chinese market**

As we know, the business organization needs to remain profitable to survive, and although THE BODY SHOP has a laudable performance in persisting in its core values concerning human rights and environmental protection, it cannot be viewed it as a non-profit marketing organization. In our opinion, THE BODY SHOP is a brand with a wide global vision which tries to consider the needs of all people. Due to the need of this world-wide brand, China has a population of 1.3 billion, its consumption should not be underestimated, it is the future development of THE BODY SHOP and such a large market that it cannot be ignored.

Why is it time to enter the Chinese market for THE BODY SHOP? There are several reasons. To begin with, though there is no lack of famous international cosmetics brands in China such as Chanel, Clinique, and EsteeLauder, this will not have much effect on sales for THE BODY SHOP. They have a different market positioning and brand value. Chanel for example, is a luxury brand that can represent the user's status but it is not so for THE BODY SHOP, which represents the protection of plants, the environment and animals. Their target customers may pay more attention to products which are environmentally friendly and linked to social welfare. Such types of brands are still limited in China, even for the foreign market. Thanks to its core value and brand image being so unique, THE BODY SHOP will easily spread all over China. THE BODY SHOP can be a good business organisation to fill the niche market gaps. It not only provides cosmetics, it can also initiate the Chinese people to the environmental protection concept. This unique personalised goods image and its values will be widely extended to Chinese citizens in the future. Furthermore, THE BODY SHOP's marketing strategy is right for the present policies of the Chinese Government, which will help it to more easily enter the Chinese market successfully. As we know, the Chinese economy is growing very fast, but in the past decade, it was at the cost of the environment, natural resources and many Chinese people were aware that this kind of development was harmful to long term development. Now the Green GDP is something Chinese people

are more aware of to maintain the harmonious relationship between nature and humans.

## **4.4 The difficulties of entering the Chinese market**

### **4.4.1 The Competition of THE BODY SHOP in China**

THE BODY SHOP is a kind of public cosmetic product, which is very different from brands like Chanel, Biotherm, Lancome and other big global brands. Even though it has a more acceptable price, it still has a lot of alternatives. Especially with the opening of China's cosmetics market and the arrival of the Korean wave, many brands have established shops in the Chinese market, among the more famous competitor representatives are MISSHA and THE FACE SHOP, both of which also advertise as using natural ingredients as do THE BODY SHOP. Their target market is also the younger generation. But there are still some differences between them.

In modern marketing, a product is anything that can be offered to a market that might satisfy a want or need (Kotler, P., Armstrong, G., Brown, L., and Adam, S. (2006) Marketing, 7th Ed. Pearson Education Australia/Prentice Hall). Philip. Kotler also describes that the product includes five levels: the core benefit, basic product, expected product, additional products and potential products, product value will in turn increase. From the point of view of raw material, these three brands of raw materials are natural, mostly fruit or component plants. The packaging style should be natural and simple. Three brands of products to highlight a significant difference. Most people buy skin care products, the minimum requirement is to prevent chapped dry skin. If it is a slightly better product then moisturizing, whitening or anti-acne and other effects should be included because consumers will want to have the benefits of the purchase. From the additional product-level view, although MISSHA and THE FACE SHOP emphasise natural ingredients, they have more spices and are not completely natural. Finally, from the potential product level, MISSHA and THE FACE SHOP cannot afford to go any further. Therefore, whether from core interests,

basic product or expected product, these three levels are the same. The difference is that THE BODY SHOP not only uses all natural spices, but also supports public welfare, to provide unique additional products and potential products which help people to meet the aspirations of the social component.

From a pricing perspective, the pricing of the three similar brands makes THE BODY SHOP the most expensive, THE FACE SHOP follows with MISSHA being the cheapest. THE BODY SHOP's price range is from ten SEK to two hundred SEK ,because most of THE BODY SHOP production is based in the UK where the wage level is much higher than in Asia. Therefore, THE BODY SHOP's price is a little more expensive than MISSHA and THE FACE SHOP.

#### **4.4.2 High Price in Asian Market**

Many Europeans think that THE BODY SHOP is a low price product but it may be a high priced product in many Chinese minds. This is because the living standard in Europe is much higher than in China, and their purchasing power is much stronger, so faced with the same price product, THE BODY SHOP is like an everyday product to Europeans while a lot of Chinese people may view it as a luxury product. Also due to the tax policies of different areas, the products of THE BODY SHOP in HK or Taiwan are more expensive than in Europe. According to the “Provisional Regulations on Consumption Tax Interpretation of the People's Republic”, the Government will charge 30% tax on high class skin care cosmetic products, but until now, the specific criteria of the high class skin care cosmetics consumption are still in the research phase. Based on this situation, lots of foreign cosmetics are selling at a higher price in China.

#### **4.4.3 Culture difference**

First of all, THE BODY SHOP can say that it is an outstanding representative of a business operation which has a strong awareness to protect our environment and the

community. The ideas and beliefs, which are advocated by THE BODY SHOP, have a certain conflict with the real situation in China. Chinese people pay more attention to the function of the product than to other issues like price, brand and so on. In addition, according to *The Index of public environmental livelihood of the people of China, 2007*, China's first environmental index, which was organised and released by the China Environmental Culture Promotion Association and launched under the guidance of the State Environmental Protection Administration, more than 80% think that the Government's efforts in environmental protection needs to improve. The general public's environmental awareness score is 42.1 points, environmental behavior scores 36.6 points, and the environmental satisfaction score is 44.7 points. None of these three indicators pass. There is no doubt that it gives a warning on the Chinese public's environmental awareness and behavior. Because of the gaps of the environmental awareness and behavior between the Chinese people and the Western Europeans, it is hard to expect the Chinese people to achieve the same high degree that the Western European shave. The Chinese people are unlikely to enforce environmental and human rights protection in the short term. The tendency shows that the Chinese people will improve their environmental awareness and behavior in the future. From the index report above, 66.9% of the public agree that the current environmental problem is very serious in China, 73.1% believe that China should implement a "green GDP ".And the environmental pollution problem is ranked second in the hot topic of Chinese public concern, just after the price issue. As more and more Chinese people become concerned about the environmental pollution problem, public environmental awareness strengthens and there is more active participation on environmental protection Acts.

#### **4.4.4 Other Factors**

THE BODY SHOP's products and concepts are becoming more and more popular with Chinese consumers, but it has delayed entering the Chinese market. It could be that they do not understand the Chinese market or that there is inadequate

preparation to enter the new market, as they are owner operated, rather than through agents, so it will involve a large amount of input or preparation work with the Government departments. From a business perspective, it seems that THE BODY SHOP is not a very aggressive company. If L'Oreal does not make the acquisition, it might like Starbucks and 7-11, find a cooperation that is more familiar with China, to provide only products and brands.

It cannot be denied that there is a huge potential market in mainland China, so more and more well-known international brands have come to China. In fact, China is still a developing country, which still needs to improve its regulations, and the market is not open and transparent enough, and furthermore the legal system is still not perfect. There is still a lot of risk and uncertainty, so companies must make long-term planning and adequate preparation. Small international brands need to do a lot of preliminary work.

According to the Chinese National Standard issued by the Ministry of Health GB7919 87, all cosmetics must undergo strict animal testing, this regulation comes into conflict with one of the core value of THE BODY SHOP - Against Animal Testing. But with the development of technology, THE BODY SHOP has found the solution to this problem, which provides the platform and opportunity for the company to enter the Chinese market. This will be discussed in a later chapter.

#### **4.5 Conclusion of Empirical Findings**

In this section the results of the empirical research were presented. The background of THE BODY SHOP, its success in Gavle, the motivation analysis and the difficulties of entering the Chinese market are introduced in this chapter. Based on these empirical findings above, in the next chapter, we will make a further analysis of them combined with the analysis tools, which were mentioned in the theoretical framework.

## 5. Analysis

In this chapter, the empirical findings will be discussed combining the methods and models which are shown in the theoretical framework, and also give comments and suggestions in some areas.

### 5.1 The Potential of THE BODY SHOP in China

#### 5.1.1 In a Great Potential Geographic Zone

THE BODY SHOP divides its markets into several sections, according to its official website they include Western Europe, North America and New Markets which includes India, Russia, and numerous others in Asia. The figures of retail sales by geographic zone can be seen in Table 3.

Table 3: retail sales by geographic zone

#### ⌘ Retail sales <sup>(1)</sup> by geographic zone

€ millions	2010	% of 2010 retail sales	Like-for-like growth
Western Europe	508.8	39.3 %	- 4.9%
North America	177.8	13.8 %	- 7.8 %
New Markets	607.7	46.9 %	+ 1.2%
Total	1 294.4	100 %	- 2.6 %

(1) Total sales to consumers through all channels, including franchisees.

*Source: L'Oreal's official website*

*[http://www.loreal-finance.com/site/us/marques/marque5.asp#\(2011\)](http://www.loreal-finance.com/site/us/marques/marque5.asp#(2011))*

The data describes that both the Western Europe market and North America market have experienced a dramatic decrease in 2010 while it is quite different for the New Markets. The sales in the New Markets are growing remarkably, reaching to 2.6%. This achievement is hard to come by especially after the financial crisis. The figure already includes most of the Asian countries such as Japan, Korea, Singapore, and developed regions such as Hong Kong and Taiwan, but excluding the Chinese mainland market. If THE BODY SHOP enters the Chinese market, this figure will

change a lot due to the huge potential of the Chinese market. In the interview, Lotta Karlsson advised that THE BODY SHOP intends to open more sub-branches in Gavle in the future. THE BODY SHOP currently has 2500 sub-branches in 50 countries all over the world including Hong Kong and Macau. China is a large potential market for THE BODY SHOP, and they will enter the Chinese market in the future. In the following section the PEST is used to do more analysis on the Chinese market.

### **5.1.2 The analysis of the Chinese market of PEST**

As mentioned before, the business organizations need to keep profitable to survive, entering a potential market is an obvious way to make more profits and to keep the company surviving. Where there is demand, there is an opportunity to supply. China has a population of 1.3 billion which cannot be ignored by the organization. Should THE BODY SHOP enter the Chinese market? Before entering a new market, it is necessary and essential to use PEST to analyze the environment from four perspectives of the new market so as to have a better overall evaluation in relation to the macro environment.

1. Political factors: As mentioned in the theoretical chapter, politics affect every organization no matter where it is operating. For the control and supervision of cosmetics, the Chinese Government has a strict standard which is shown in the cosmetics policy. Before being imported into the Chinese market, all cosmetics have to pass strict tests under the related cosmetics law of China. In the empirical findings section, it was mentioned that according to the Chinese National Standard issued by the ministry of health GB7919 87, all cosmetics must undergo strict animal testing. This standard is applicable to the production and sales in China of all the raw materials and cosmetics products. In recent years, the Chinese Government has had to pay more attention to the cosmetics policies. As a result, increasing numbers of new cosmetics policies are being issued. Even though there are many strict laws on the imported and exported cosmetics, there are still a lot of preferential policies in

the cosmetics area. There is a rise in full scale clearance efficiency, reducing the inspection cycle of the goods. The Chinese Government also announced fresh policies to support foreign investments in the Chinese market. On one hand, the Chinese Government gives overseas-funded enterprises a tax preferential policy, such as a reduced tax rate. On the other hand, they established special funds to assist firms lacking investment capital.

Under the current situation in the Chinese policy, THE BODY SHOP has realised that there is a problem entering the Chinese market, as there is a conflict between Chinese policy and THE BODY SHOP's core value: Against Animal Testing. However, over several years THE BODY SHOP has funded many organisations which devote themselves to finding alternatives to animal testing.

2. Economic factors: As mentioned in the theoretical section, economic factors also affect firms. China is a fast growing developing country. In the past decade, the Chinese GDP (Gross Domestic Product) has increased year by year. According to the report of GDP growth data statistics, the Chinese GDP trend is to retain a steady increase. Under Government intervention, such as share prices, banks' base rates, the economic increase remains stable as a whole. Resident's income has increased and the quality of people's lives has improved. Moreover, people's purchasing power has greatly improved. The Chinese market is a potential market for THE BODY SHOP to enter because people have a strong purchasing desire and an increasing purchasing ability. The Chinese market would be a large market within which to make profits.

3. Social Factors: As mentioned in the theoretical framework section, social factors which have an influence on enterprises can be changes in work and leisure habits, and general shifts in attitude. With the development of the economy and enhancement of the quality of life, there is a general shift in life attitude towards buying products. For instance, when women buy cosmetics in China, they will choose the imported one when it is in the same price range. As an imported product, THE BODY SHOP has its own advantage because it is a foreign brand for Chinese customers. Furthermore, when people currently buy a new product, they are not only

concerned about the function and price of the product, but also the ingredients. THE BODY SHOP's value is to be completely natural which means the raw materials of products are natural and it keeps seeking natural ingredients from all four corners of the world. Furthermore, more and more Chinese people have realized the importance of protecting the environment. A lot of them have called for an enhancement of environmental awareness. Environmental protection is shown in THE BODY SHOP's value: protect our planet, which is suited to the present attitude of the Chinese people. There is no doubt that this will attract more Chinese customers to buy its products so that THE BODY SHOP can develop a new market in China.

4. Technological factors: As mentioned in the theoretical part, a technological update also means a product update. In China, technology development is something which should not be neglected. In recent years, local Chinese cosmetics manufacturers introduced advanced technology from abroad. It gives cosmetics companies technological support so that the company can reduce the cost of products in order to make more profits. It provides THE BODY SHOP with a good opportunity to make profits through cutting cost with the help of technology support if it establishes its own factory in China. In recent years, THE BODY SHOP had found many organizations which use alternatives to animal testing. With the development of technology, the L'Oreal group had made a great contribution on this research. According to *THE BODY SHOP's VALUES REPORT 2009*, the L'Oreal group has developed non-animal skin irritancy tests using artificially grown human skin. This skin is prepared under scrupulously clean conditions to ensure that it closely resembles the outer layers of human skin. This method was officially validated as a full replacement method for skin irritancy by ECVAM (European Centre for the Validation of Alternative Methods), and THE BODY SHOP uses this method for all its product testing. This kind of technology will really help THE BODY SHOP to overcome the conflict between animal testing in China and its Against Animal Testing core value.

## **5.2 The Target Market in China**

According to the interview, Lotta Karlsson said that the target customers are women between 20 and 60 years of age. The products of THE BODY SHOP are suitable for all people no matter what race they are and what skin they have. But is it also fit for the Chinese market? From the 2006 annual report, there is a sampling questionnaire survey which was carried out with 200 consumers aged from 18 to 50 years old and 170 valid responses that were used for analysis in that survey. 66 percent are females. They had found that 90% will choose natural ingredient products and about 60% hope that cosmetics can be a symbol of being environmentally friendly. 83% of young Chinese people between 18 and 25 are innovators and conscious of the environment. The conclusion is that THE BODY SHOP can take a share of the potential market in China. After analyzing the data above, THE BODY SHOP should try to launch its products initially for the younger generation in China. The target customers can be young females who care about the environment and beauty and are willing to spend money on beauty items. In this case, packaging is one of the important factors to attract customers. THE BODY SHOP takes a unique approach by choosing simple packaging. It could appeal to young Chinese females, who like an international brand at an inexpensive price. This type of person has a great demand for beauty, but also cares about the environment and human rights (The Body Shop Annual Report 2002 to 2006).

## **5.3 Outstanding Marketing Strategy**

The SWOT method is used to analyse and present the advantages of THE BODY SHOP's marketing strategy in Gavle. Summing up the information from the interview and direct observations about the SWOT analysis of THE BODY SHOP in Gavle (see Figure4).

*Figure 4: THE BODY SHOP's marketing strategy in Gavle*

<b>Strengths</b>	<b>Weakness</b>
Good employee benefits and training; Lower product prices; Natural products demands; Clear product positioning; Attractive for women groups and environmental groups; Attractive promotion.	Product packaging design is not enough diversity; Lower prices may lead to lower profits; Advertising rate is low, consumers do not realise that new products launched regularly.
<b>Opportunities</b>	<b>Threats</b>
Maintenance of synchronisation with the world trend; Global awareness of environmental protection and refusal to do animal experiments	Most target customeris women, lack of attractiveness for other group.

*Source: Authors own*

From the data above, THE BODY SHOP's strategy is clearly illustrated. As a customer of THE BODY SHOP, the good service manner of the staff is tangible. When they introduced the product, they gave the general product information, such as the function, price, how to use it, whether it was on promotion. Secondly, the price was reasonable compared to other cosmetic products in the market. It was in the low price range in the European market where lots of people prefer to purchase this kind of product. But low prices may lead to lower profits. There would be attractive promotions during the holidays, for example, the biggest promotions are often held at Christmas and Easter. Different events have different kinds of promotions. Moreover, they encourage people to join the Love Your Body™ in-store membership. There are membership benefits which they offer, such as invitations to exclusive member events, a birthday privilege of a onetime 20% discount during your birthday month. Thirdly, it has a clear brand position along with special value, which really helps to attract women groups and environmental groups. Their target customer group is women aged from 20 to 60 years old, who have strong awareness of the need to protect our incredible planet and the community of people. It is also fit for men

because there is a tendency for more and more men to protect their skin due to the environment changing a lot more than before. Fourthly, each time a customer comes into THE BODY SHOP they are attracted by its colorful and simple packaging and advertising. It is a visual shock that can leave a deep impression on their customer. THE BODY SHOP's advertising rate is low, a lot of consumers do not quickly realize that there are new products, even though a new product is generated every 4 weeks.

Based on the previous analysis of the Chinese market, in conjunction with the above analysis of the success of THE BODY SHOP in Gavle, we want to give some useful and practical suggestions to help THE BODY SHOP enter the Chinese market.

### **5.3.1 Pricing**

Pricing is one of the vital factors used to identify the target market. If we want to attract the younger generation, the price of the products cannot be high. Similar products which had the same target customers range in price from 20 RMB to 200 RMB. If THE BODY SHOP enters the Chinese market and owns its manufacturing base, the price will definitely be lower than that which is selling in Hong Kong or Taiwan. As the purchasing power in mainland China is much lower than that in Hong Kong and Taiwan, this will definitely impact on the sales of the product. Forming a purchasing power should have three basic elements, the characteristics and advantages of brand name products, consumer demand and affordability, and finally the degree of consumer demand for brand-name products. As analyzed in the empirical findings, their natural ingredients, special core values and wide target market have formed the characteristics and advantages of brand name products, at the same time, both of these can really help to meet the various needs of the consumers. It is well known that the economic purchasing power of consumers and their affordability are inseparable. As the income gap exists, the purchasing power of regional differences also exists. So if they can set an appropriate price in China, it will be effective for the customers to form part of their purchasing power. On the

other hand, China is rich in material resources and the average wage is lower than in most developed countries, and these factors can save a lot of money for the company, were they to manufacture in China. So under these circumstances, because of the lower cost, it provides a condition for the company to reduce its price a little, which will expand its sales and increase its profits. Finally, it helps the company to enhance the attractiveness of their products in the market.

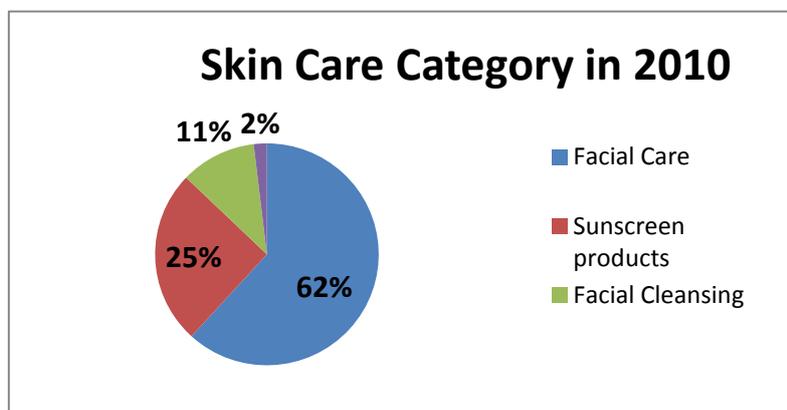
### **5.3.2 Channels**

Selling cosmetics products in the supermarket or the shopping mall are the channel selections for most cosmetic companies in China. However, for the younger generation, they may prefer to buy the product in chain stores. The reason is they can enjoy the better service and the store environment in chain stores. THE BODY SHOP always insists on selling from its own stores rather than finding other agents. So the chain store may be a good choice for THE BODY SHOP to manage its business. They can open a new internet selling system in China, because buying products online is a way many young people will choose when they need to purchase something. They like networking because it is very convenient for them, like DHC, a famous Japanese cosmetic brand, which has a very successful online purchasing system in China. THE BODY SHOP should consider setting up their own sales network system in China.

### **5.3.3 Promotion**

From the interview, Lotta Karlsson told to us that, THE BODY SHOP holds promotions for different occasions like Easter, Christmas and Mother's Day. At these times, their sales have peaked throughout the year. Generally the body butter is the best-selling product. Foot products sold the most in summer. In winter, facial products are the best-selling."In different seasons they hold different sales promotions for different products. Besides the traditional promotion methods, we give some other suggestions in this area.

Advertising media: In Europe, THE BODY SHOP has chosen a special method to do its marketing which is establishing a good image and reputation without any advertising. They prefer to join a lot of social activities to improve word-of-mouth. However, this may not work so well in China. Most people still do not know this brand well enough, and it is hard to do a successful promotion without any advertising. Data from the BAIDU DATA BASIC (see Figure 5), from the annual report of the cosmetics industry in 2010, revealed that 61.78% of shoppers are more concerned about facial care, while 25.37% are interested in sunscreen products, 10.96% in facial cleansing, and only 1.89 percent in body care. THE BODY SHOP should change their advertising methods.



**Figure 5: Skin Care Category in 2010**

*Source: Baidu Data Category official website*

*<http://wenku.baidu.com/view/88f9db15866fb84ae45c8d8a.html>(2011)*

In order to maintain the specifics of THE BODY SHOP, it should not, like other brands decide to pay money to some sexy superstar to be their spokesperson. Based on its healthy brand image, it can do advertising in good quality fashion magazines or show their product on TV along with other programs or shows that are about the environment or animal protection.

Campus cathedra: In addition, many consumers buy THE BODY SHOP products from agents due to there not being stores in China. This phenomenon often happens in the campus because a lot of students like this type of product, but there is a problem in that the quality of the product sold by the agents cannot be guaranteed. In

this case, we suggest that THE BODY SHOP can hold the cathedra among the universities in China to advertise their products and values, because it can raise awareness and market share of THE BODY SHOP among their target customers, at the same time, it can help prevent and reduce the poor, fake products which are sold with THE BODY SHOP brand name.

Sponsorship and activities: THE BODY SHOP can co-operate with the Chinese and British Governments to hold activities to promote its image, such as environmental knowledge competitions, and exhibitions on environmental issues or animal protection. The winner could visit the factory of THE BODY SHOP in England to show their business is accountable. THE BODY SHOP can be a big sponsor of the China Environmental Protection Association, and this can help to create a good corporate identity among the Chinese people.

## **5.4 Sustainable Development Strategy**

According to a survey by KPMG in 2008, 47.7% of companies thought that sustainability and corporate responsibility are the important factors which drive innovation (KPMG International, 2008). After analyzing the information mentioned in the empirical part, it is acknowledged that the raw material purchase process, the manufacturing process, the sales process, and the whole product development of The Body Shop is to always adhere to the principle of respect for nature, and to address the sustainability concerns in all operating processes. They insist in using pure natural ingredients to produce all kinds of cosmetics and skin care products, the packaging for all goods is designed in such a manner as to support environmental protection, in order to promote the principles of the 3Rs: Recycle, Reuse, Refill. In addition, The Body Shop identified a number of principles of environmental responsibility, to establish the product's core value of environmental protection, to treat the environmental responsibility as the mission of the company. From logo design, product packaging or store decoration, all visual design has green colouring

which is not only a unifying brand recognition, but also established a unique brand identity for the enterprises.

Therefore, THE BODY SHOP can still carry out the sustainable development strategy, as they can show their effect on the environment or animal protection so that the Chinese people know more about their core value and its significance. THE BODY SHOP in Gavle and Europe use plastic bottles made from 100% recycled material, and use new lighting to reduce the energy consumed as they can begin to work with a well-known public welfare institution to conduct a sustainable organization in China. This can help them to create a good reputation among the Chinese people, and it can still promote its corporate values as well.

## **5.5 Conclusion of Analysis**

In this chapter we discussed the findings of our research and combined them with the theoretical framework to do the analysis. In order to help THE BODY SHOP enter the Chinese market more easily and expand their sales, some suggestions were made and some innovations suggested on the marketing strategy for THE BODY SHOP.

## 6. Conclusion

In this chapter, comments and explanations will be indicated as to why the findings of the study differ or do not differ from the theories. The thesis results are provided to answer the three research questions.

### 6.1 Research Questions

In the beginning of this paper, there are two research questions that we hoped to investigate. The answers are presented and listed in the following section.

#### **Why is THE BODY SHOP in Gavle so successful and what are the factors?**

1. Less Competitors - a lot of inexpensive and good effective products such as YUE-SAI, DHC and KOSE do not sell in Gavle, so there are fewer competitors in the local market

2. Natural Ingredients, Special Core Value - natural ingredients and materials, their healthier and less sensitive products are welcomed by many people. A lot of Europeans pay attention to environmental protection. THE BODY SHOP has their own charitable foundation, which helps to attract more customers.

3. Outstanding Marketing Strategy - THE BODY SHOP's staff members have a good service manner and price is reasonable compared to other cosmetic products in the recent market. At the same time, it holds attractive promotions for the holidays. It also has a lot of membership benefits. And we should not ignore the clear brand position along with the special value, which really helps to attract women's groups and environmental groups. The colorful and simple packaging and posters leave a deep impression on the customer. They regularly generate new products.

4. Successful sustainable development strategy - In the thesis, THE BODY Shop's long-term sustainability was analysed with all the processes in terms of vision, organisational culture, global context, national context and the real operational details related to the strategy content at the three levels (corporate, business and

functional). All of them show that THE BODY SHOP is a pioneer of environmental protection.

**Learning from THE BODY SHOP's successful experience in Gavlle, What is a good market strategy for THE BODY SHOP to enter the Chinese market?**

After analysis, it is possibly worthwhile for THE BODY SHOP to enter the Chinese market. There are several reasons. To begin with, although there is no lack of famous global cosmetics brands in China, thanks to its core value and brand image being so unique, THE BODY SHOP will easily spread all over China. Besides, THE BODY SHOP's marketing strategy is fit for the present policies of the Chinese Government, which will help it more easily enter the Chinese market successfully.

However, it does have some barriers which prevent THE BODY SHOP's access to the Chinese market. Firstly, MISSHA and THE FACE SHOP are also advertised as using natural ingredients similar to THE BODY SHOP, and competition for THE BODY SHOP in China is drastic. Secondly, THE BODY SHOP may be a high priced product in many Chinese minds. Thirdly, because of the gaps of environmental awareness between the Chinese people and the Western Europeans, it is hard to make the Chinese people understand the concept of environmental protection and maintaining human rights. Last but not least, THE BODY SHOP does not understand the Chinese market well. China is still a developing country, which still needs to improve regulations, the market is not open and transparent enough, and there is a still great risk and uncertainty, so companies must make long-term plans and adequate preparation.

We have analyzed it in different ways;

The Target Market in China—the target customers are young females who care about the environment and beauty and are willing to spend money on beauty items.

Pricing—if we want to attract the younger generation, the price of the products cannot be high.

Channel—the chain store may be a good choice for THE BODY SHOP to manage its business. They can open a new internet selling system in China, buying products online is a way many young people will choose when they do need to purchase something.

Promotion—based on its healthy brand image, it can do advertising in good quality fashion magazines or show their products on TV along with other programs or shows about environmental or animal protection. At the same time, we suggest that THE BODY SHOP can hold the cathedra among the universities in China. Be the sponsor for well-known organisations and hold joint activities with them;

Sustainable Development Strategy —THE BODY SHOP can still carry out their sustainable development strategy, they can show their past impact on environmental or animal protection so that the Chinese people learn more about their core value and its significance. They can work with a well-known public welfare institution to conduct their sustainable strategy in China.

## **6.2 Reflections**

In the thesis, three theories were used to do the research - the PEST model, SWOT method and Sustainable Development Strategy. qualitative research approach and a Case Study for the research strategy were selected. PEST analysis, as an environmental analysis tool, helps firms to know about the macro environment, and we used it to analyze the Chinese market. SWOT analysis is a tool for auditing an organization and its environment, which helps marketers to focus on key issues in the first planning stage. Our thesis used it to analyse and to present the advantages of THE BODY SHOP's marketing strategy in Gavle, as well as some modifications on its improvement. Sustainable Development Strategy, THE BODY SHOP, being one independent operated brand of L'Oreal uphold, will integrate sustainable development into every detail. In this paper, we will analyze and explain the importance of the sustainable development strategy and how THE BODY SHOP successfully uses this strategy. A qualitative method was used for our research

approach and a case study for our research strategy. Our case study evidence was produced from three main sources: interviews, documents, and direct observation. The interview and direct observation provided the primary data while the secondary data was obtained from documents to support and extend the findings. It was hoped to use these tools and methods to find out the reasons for THE BODY SHOP's success in Gavle and use this experience to help THE BODY SHOP enter the Chinese market.

### **6.3 Further Research**

In this thesis, THE BODY SHOP's core values, products, competitors were analyzed, the environments of the Chinese and Gavle markets compared, and the significance of THE BODY SHOP entering the Chinese market assessed. Once THE BODY SHOP enters the Chinese market, it should create the relevant marketing strategies and management for the Chinese market, the target customer, with the market positioning and target markets being done with proper consideration of Chinese people. All in all, it was worthwhile for us to do the findings of a market survey and theoretical analysis, which strongly supports the feasibility of THE BODY SHOP's early entry into the Chinese market. This thesis includes some important implications for foreign business operations to find the proper opportunity to enter the Chinese market. It is a limited small research group, so a further systematic survey should be conducted. Because cosmetics only bring external changes to the consumer, and inner thoughts, which are contained in the brand, can truly offer our customers a spiritual harvest. This comes from the corporate values and it is also what THE BODY SHOP sells to their customers over and above the products.

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# Appendix A

## Interview Questionnaire



Department of Business Administration

Dr. Maria Fregidou-Malama

Michelle Rydback

Name of the Interviewee	THE BODY SHOP Interview
Position	Store Manager
Year in the company	2011
Date of the Interview	2nd May
Location of the Interview	9 Drottninggatan Gavle, Gavle 803 20
Time (Start – Finish)	15:00-15:20

**1. Who are your target customers? Which age group are they ? What gender and race are most of them ?**

Answer: Our target customers are women. Most of them are 20 to 60 years old. The products of THE BODY SHOP are suitable for all people no matter what race they are or what skin they have.

**2. Which cosmetic brand do you think is THE BODY SHOP's biggest competitor?**

Answer: For THE BODY SHOP in Gavle, I think KICS is the biggest competitor .Others such as H&M, AHLENS, and the local supermarkets located near THE BODY SHOP also cause competition .

**3. To THE BODY SHOP, what brand image do you want to show to the customers? And what core value do you want to deliver to them?**

Answer: There are five core values in our company that we want to deliver to the customers: Against animal testing, support community trade, activateself-esteem, defend human rights, and protect our planet. We want more people to pay attention to our environment, campaigns etc.

**4. What is the best-selling product of THE BODY SHOP in Gavle? Which period or season do the products sell most frequently?**

Answer: The body butter and face products like VE face cream are the best-selling products of THE BODY SHOP in Gavle. Generally the body butter is the best-selling product in winter. Foot products sell the most in summer. In winter, face products are the best-selling .

**5. How often does THE BODY SHOP hold a promotion? More exactly, when is it, like summer holidays or other festivals?**

Answer: THE BODY SHOP holds promotions in different events. Like Easter, Christmas and Mother's day.

**6. How often does THE BODY SHOP introduce new products?**

Answer: We normally introduce new products once a month.

**7. What are the frequently asked questions from the customers? What information are they most concerned with ?**

Answer: The functions of the products and our company's values are frequently asked questions for THE BODY SHOP. The customers care about environmental protection.

**8. Does THE BODY SHOP want to open more subbranches in Gavle? What about the Chinese market, do you think that THE BODY SHOP will enter the Chinese market?**

Answer: THE BODY SHOP does want to open more sub branches in Gavle in the future. At present , THE BODY SHOP has 2500 sub branches in 50 countries all over the world. I know, there are sub braches in HongKong and

Macaw. China is a large and potential market for THE BODY SHOP. So I believe our company will enter the Chinese market in the future.