

### Body Shop

Anita Lucia Roddick, née Perilla, was born in Littlehampton, England in 1942, one of four children of Italian immigrants. Her parents settled in Littlehampton to run the Clifton Cafe. Her father died when she was ten and the children then helped to run the cafe. From school she went to Bath College of Education where she took a Teacher Training course. She started teaching, but wanted to live abroad so she got a job with the United Nations in Geneva. She had never had a holiday as a child and so, with the tax-free money she earned in Geneva, she decided to spend a year travelling around the world. She visited Polynesia, New Caledonia, Australia and Africa where her interest in the use of natural ingredients for cosmetic purposes was aroused. In Tahiti she saw local women plastering themselves with cocoa butter. Half the bean was used for chocolate and the other half was used as a cosmetic. In Morocco she saw women washing their hair in mud.



Returning to England, she met Gordon Roddick, a graduate of the Royal Agricultural College at Cirencester. He had farmed overseas and in the UK before settling in Littlehampton. They married in 1970. Originally they planned to travel overland to Australia and buy a pineapple plantation, but the arrival of first one and then two children made them change their plans. Instead they bought and ran a restaurant and later a small hotel in Littlehampton.

In 1976 Anita opened the first Body Shop in a back street in Brighton in 1976. The roof leaked and the ugly unpainted walls were covered with green garden lattice primarily because it was cheap. The shop sold only about a dozen inexpensive 'natural' cosmetics, all herbal creams and shampoos, all in simple packaging. Pot plants were placed between the products to fill the space. Anita thought these products would only appeal to a small number of customers that shared her values. Her husband, Gordon, even went off to ride a horse across the Americas about a month after it opened.

'I know everyone wants to think that it is like an act of God – that you sit down and have a brilliant idea. Well, when you start your own business it does not work like that. I remember walking through Littlehampton with the kids, one in a pushchair and one walking beside me. We went into the sweet shop, then into the greengrocer and then to Boots. In both the sweet shop and the greengrocers I had choice. I could buy as much, or as little, as I wanted. I could buy half a pound of gob-stoppers or a kilo of apples, the quantities were up to me. In Boots I suddenly thought 'What a shame that I can't buy as little as I like here too. Why am I stuck with only big sizes to choose from? If I'm trying something out and don't like it, I am too intimidated to return it, so I'm stuck with it.' That one thought, that single reaction, was me voicing a need, a disappointment with things as they were. But if that's a need I have, lots of other women must have the same need, I thought. Why can't we buy smaller sizes – like in the greengrocers?'

However, Anita was wrong. It proved to be a huge success. nevertheless whilst this idea was novel at the time it was easily copiable. The firm's initial roll-out owes much to the clear focus Anita and Gordon Roddick had on where their competitive advantage lay. They realised that the idea they had could be easily copied and success would only come from developing the brand and a rapid expansion.

## Case Studies in Entrepreneurship

Unfortunately they had little cash to do either. It was Gordon who had the idea of a franchise, which meant that franchisees paid to become part of Body Shop and managed the shop themselves.

Franchisees pay an initial fee plus an annual operating charge for a fixed term, renewable franchise. Franchisees buy a 'turn-key' system with a tightly controlled retail format providing shop fitting and layout, staff training, financial and stock control systems and even help with site identification. Body Shop can also help arrange finance to purchase the franchise. Body Shop also, of course, makes a margin on the products it sells to the franchisees.

Franchisees receive regular visits from company representatives who provide assistance with display, sales promotion and training. Information packs, newsletters, videos and free promotional material are made available and franchisees have to return a monthly report on their sales. This enables the company to monitor both trading results and the local sales performance of individual products. The company closely monitors the use of The Body Shop trade mark in all franchisees' literature, advertising and other uses.

Franchisees are selected partly upon their 'fit' with Body Shop ideals. Employees receive regular newsletters and videos concentrating on Body Shop campaigns and achievements. In 1995 the firm introduced in-store satellite transmitted radio. Body Shop takes every opportunity to put forward its values and beliefs which it believes sets it out as distinctive and different to its high street competitors. It also believes that the company brings together like-minded people and motivate staff in what otherwise is a sector with high staff turnover. The franchisees generated sufficient cash to finance early expansion until 1984 when the company went to the stock market, although it still maintained the franchise model.

Overseas expansion followed the same model as in the UK. In most countries a head franchisee was granted exclusive rights as user of the trade mark, distributor and, after an initial trial of running a few shops themselves, the right to sub-franchise. In this way the firm built upon local market knowledge and minimised its risks. This model was not always followed because of the quality of the head franchisee. For example, the firm took back control of the franchise. Body Shop remains an international franchise chain of shops. Body Shop International Ltd. is the franchisor.

The Roddicks initially decided not to manufacture their products or even invest in a distribution system, but rather to concentrate on getting the franchise formula right, developing the brand and protecting it from imitators. In the 1980s Body Shop reversed its decision and started its own warehousing and distribution network, based upon a sophisticated stock control system, and built up a substantial fleet of lorries. Products could typically be delivered within 24 hours. It also started manufacturing many of its cosmetics mainly in the UK, although many of the ingredients came from overseas under its 'trade-not-aid' policy. These two



elements of strategy initially worked well for it and generated substantial sales and profit growth but the manufacturing policy was reviewed in the late 1990s.

In the early years Body Shop could not afford to advertise. Developing the brand was heavily reliant upon the personality of Anita and her ability to get free PR for the environmental causes associated with the firm. Indeed, advertising would have been very much against the firm's image. In those early days her outspoken, controversial views – concerning just about anything – guaranteed her media coverage and helped her win the Businesswoman of the Year award just before the stock market launch. Even today the Body Shop brand is inexorably linked with its culture, which in turn is based firmly in its ethical and environmental beliefs and values. Based very much around the charismatic Anita Roddick's views that business can be a vehicle for social and environmental change, the firm has championed numerous causes. These not only show themselves in window displays and PR activities, they also underscore everything the company does. Employees are given time off to work on local social projects. Body Shop takes every opportunity to put forward its values and beliefs which it believes sets it out as distinctive and different to its high street competition.

Body Shop is now a global brand, but what does it stand for and what are customers buying? Even Anita Roddick admitted they were not just buying cosmetics – 'oil and water will not make their hearts sing'. The marketing mix comprises cosmetics made from high quality, natural ingredients which do not involve cruelty to animals. They can be bought in a range of refillable containers, including trial sizes, that are plain and simple with clear factual statements about their ingredients. Tester bottles are freely available in shops and staff are trained not to sell products 'hard' and to respond to questions honestly, if necessary going to the Product Information Manual. The company does not advertise, relying instead on PR and their prime-site shop windows that often promote environmental issues rather than products. The green shop decor with its ambience of a sweet shop reinforces the environmental, no-frills image. Staff receive regular training, not only on business but also on environmental issues. Unlike other cosmetics companies, Body Shop is selling a feel-good factor of a different sort, with a strong ethical dimension. It campaigns on behalf of many environmental issues such as the destruction of the Brazilian rain forests, 'trade, not aid', recycling and, famously, animal testing of cosmetics. The Body Shop brand is deeply emotional, based upon a marketing mix that reinforces the 'save the planet' image and really does 'make the heart sing'. The company's values and mission reflect this (see page 227).

In 1996 an attempted re-privatisation was abandoned because of the gearing implications. After that the Roddicks increasingly took a back seat. In 1998 a new Chief Executive was recruited with the Roddicks becoming co-chairmen. Over the last decade Body Shop has been attracting more competition from both newcomers and established retailers introducing 'natural' products. Because of the emergence of an aggressive US competitor called Bath and Body Works, Body Shop was forced into even more rapid expansion with a unfortunate effect on costs and profitability. Profits and share price subsequently recovered. It also faced criticism about the reality behind its ethical stance. In 1999 the company withdrew from manufacturing.

In 2000 the Roddicks resigned from Body Shop, multimillionaires, but retained a majority shareholding. In March 2006 it was announced that Body Shop was to be sold to L'Oreal for £652 million. With the Roddick's stake in the company estimated at 18%, they were expected to make



£130 million - and they moved into the top 100 richest people in the UK. This was the final exit. L'Oreal assures the public it will take a 'hands-off' approach to managing the business, but with its very different image to Body Shop, many analysts wonder whether the Body Shop values and ethos will really survive – indeed whether the brand can survive not only without the Roddick, but now as part of a larger multinational company – the very thing it hated so much.

### *Case questions:*

1. Why has Body Shop been so successful?
2. Which strategic decisions contributed most to the successful initial role out of Body Shop? Why were they correct?
3. Why did the company make the decision to stop distribution and manufacturing?
4. What are the dangers of having the brand so linked to the entrepreneur?
5. Can a company like Body Shop, linked so closely to the values and vision of its founders, survive after their exit?