An Analysis of the Factors Impacting The Body Shop

Module: Problem Solving and Innovation

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1. Introduction of The Body Shop as a company.

   Explain the background and their current situation.

"**We exist to fight for a fairer, more beautiful world"-** The Body Shop.

The Body Shop was founded in 1976, in Brighton, by Dame Anita Roddick and within thirteen years became a magical emporium achieving great financial incomes. Roddick's emphasis was on natural ingredients. It was the first company in the world to introduce Fair Trade to the beauty industry. Her vision was to create an organisation with high-quality, naturally-inspired beauty products while promoting human rights, animal wellbeing and environment protection.

So, what went wrong ?

In 2006, Roddick decided to sell her brand to L'Oréal for £ 650 m. Many customers then abandoned the brand thinking that "a new owner did not know how to run a retailer and so the soul went out of it" according to Portas (2024).

Then, The Body Shop was bought by Brazilian company Natura and now is owned by Aurelius.

Currently, The Body Shop is in crisis.

In February this year, the UK business was put into administration by its new owner when sales during the all-important Christmas season were insufficient for the working capital required after the bank had refused to renew its credit facility.

1.2 SWOT analysis of The Body Shop:

"SWOT analysis points out possibilities and difficulties you or the company faces and can measure internal and external factors that affect your professional growth or the business" (Lyden, 2018).

Strengths:

- It was the first to realise the market for feminine body care, rather than cosmetics.
- Ethical ingredients, never tested on animals.
- Product materials and packaging is 100% recyclable.
- The company participated in the Community Fair Trade program, providing fair income and benefits.

- The brand offers a range of beauty products including skincare, bodycare, hair care plus makeup items.
- The products were presented in 65 countries.

Weaknesses:

“Finding weaknesses is one of the most uncomfortable internal examinations we can perform” Belfiore (2021).

- The prices are expensive.
- Consumers change their preferences and tastes.
- Crowded and competitive beauty industry, particularly in the USA.
- Lack of new formulations and products.
- Over-attentive shop assistants.
- Recent suggestions that chemicals were in the products.
- Lack of online media marketing and use of social media, including online influencers.

Opportunities:

- Grow its e-commerce sales including use of marketing on all social media platforms and use of celebrities and online influencers.
- Expand and emphasise its sustainable and ethical offerings.
- Develop new products in response to the demands.
- Expand the presence in Africa and Asia, emerging markets.
- Collaborate with other trademarks to increase its reach to new customer segments.
- Personalise products according to individual skin types.
- Improve the company's offerings.

Threats:

- Intense beauty industry competition.
- Customers' preferences change regularly.
- Uncertainty in economy and politics, global events and the wars.
- Natural disasters can impact the company’s ability to produce and distribute its products and reduce buyers” expenses.
- The retail industry is being challenged by online shopping.
- Any deviation from The Body Shop”s perceived principles could lead to customer counteraction.

2. Findings

We have so many successful companies and organisations in the market in our modern world, which are focused on improving the product's quality, sales and profit, using different tools for these purposes. The competition among them is so aggressive, that every decision can change their position either positively or negativily.

2.1 A PESTLE analysis examines external factors that impact organisations.

“PESTLE” stands for:

P- Political: What is the political situation in the country and how does it affect the market ?
E- Economic: What are the general factors of the economy ?
S- Sociological: How is society affecting the markets ?
T- Technological: What are trending technological inventions and other chances in this field ?
L - Legal: What are the up to date regulations and laws that influence the industry ?
E- Environmental: What are the environmental studies for the industry ?

Advantages:

- Easy to understand and use.
- Helps to use opportunities and anticipate threats.
- Teaches to assess the potential of the market.
- Helps to develop future strategies.
- Involves people to gain different perspectives.
- Monitors changes in the business environment.
- Develops strategic thinking.

Disadvantages:

- Potential use of insufficient data.
- Collecting too much information can lead the analysis in the wrong way.
- Regular applications of a PESTLE analysis can improve the positive stability of the company.

“To work effectively, the organisations must perform PESTLE analysis on a regular basis to enjoy a competitive advantage before others” Pathak (2020).

2.2 PESTLE Analysis for The Body Shop:

- Political Factors:

  Regulation and Legislation: The Governments adopt different laws affecting the beauty industry, the rules linked to product safety, labelling and advertising. The brand must follow ethical guidelines.

- Economic Factors:

  Market Trends**:** The Body Shop works in a competitive market. Understanding the trends in the economy; consumer spending patterns and currency variations is crucial for a company's growth and success. Global economic downturns always affect consumer behaviour and purchasing ability.

- Social Factors:

  Ethics and Sustainability: The Body Shop's reputation focuses on ethical production, environmental preservation and community involvement. Its commitment to non-harmful, vegetarian and plant-based products resonates with those who are concerned about the environment.

- Technological Factors:

  Digital Transformation: Traditional retail is being affected by the rise of e-commerce and digital competitors. The Body Shop needs to adapt to digital channels and use them for growth.

- Environmental Factors:

  Sustainability**:** Consumer”s demand for eco-friendly products is aligned with The Body Shop's focus on sustainability. It is important that it continues to reduce its environmental footprint.

- Legal Factors:

  Animal Testing Ban: The Body Shop helped fight against animal testing, which led to a ban in Europe in 2013 and it is very important to follow these rules.

This analysis assesses all external factors that affect The Body Shop. It helps make strategic decisions and ensures alignment with the company’s values and goals.

2.3 What is a Stakeholder analysis?

Stakeholders are people who have an interest in a business and can be affected by it.

A stakeholder analysis identifies and understands the key players in a project.

Mattmann (2021) explains that doing a stakeholder analysis starts with finding enough information to determine what each stakeholder needs and then comparing the results to the core requirements set by the sponsors of the project.

Strengths:

- Can identify important people with whom to communicate.
- Helps to understand the needs of stakeholder groups and anticipate potential risks.
- Solves disagreements between people involved.
- Makes decisions by considering different perspectives and interests.

Weaknesses:

- There are assumptions and biases in stakeholder analysis. It is important to approach it cautiously and recognize its limitations.
- Interviewing and gaining information from stakeholders can be time-consuming, especially for complex projects.
- The needs and priorities of stakeholders may change over time, so the analysis needs to be updated constantly.

2.4 A Stakeholder Analysis of The Body Shop:

The primary external stakeholders of The Body Shop are its customers, who are interested in product quality, ethical sourcing and environmental impact.

The owners of the company, the internal stakeholders, are affected because they earn dividends from profits. They also make decisions that affect many people involved in the company.

Suppliers are external stakeholders. They profit from the money that the company pays for their raw material and goods. The Body Shop has established many community trade programmes that benefit the suppliers of their business. The Body Shop is affected by suppliers because without them, they would not have any ingredients for their products and would not be able to make and sell them.

Society is an external stakeholder. The Body Shop has programs to improve facilities for people through its community schemes. The company is interested in society as well, because it must target its advertising relevantly.

Creditors are external stakeholders that lend money to the company. If The Body Shop fails, the creditors might never recover their money. The Body Shop is affected by creditors as well, because they receive money from them, which they can invest in assets or provide extra working capital. The debt, however, must be paid back.

The Body Shop also receives money from shareholders to invest into the business in order to improve its stability and performance.

Government is an external stakeholder. The Body Shop pays tax on the profit that the company makes and it is interested in the government, because they have the power to make decisions and laws that could affect the way the company does business.

3. Conclusion

The Body Shop became a popular brand in the UK, attracting many customers by affordable pricing, natural products and respect for nature. The appeal of this policy was profitable for a long time.

The Body Shop failed owing to increasing competition in its market for beauty products, lack of innovation, changing retail conditions and poor management decisions which diminished the brand"s reputation among customers. The company appears to have struggled to adjust to the recent changing circumstances in the world, such as the war in Ukraine and the rapidly changing trading environment.

4. My recommendations:

- Instead of releasing too many similar products, the company had to look for ways to differentiate.
- It should invest in research and development of new products.
- Develop online marketing by using various social media platforms, online influencers and celebrities to promote the brand to younger shoppers.
- Reduce prices without compromising quality by finding less expensive suppliers.

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