

# Competitive strategy analysis on The Body Shop International plc

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**Abstract.** The article delves into the competitive strategy of The Body Shop International plc through the Positioning School. The Porter's Five Forces are applied to profile the company's environment. Before exploring the definition, function and application of this tool, the article pinpoints the Body Shop's strategic advantages by drawing on fundamental strategies from competitive advantage theory. The analysis outlines the company's unique positioning in the industry and how it has leveraged its strengths to thrive in a competitive market.

**Keywords:** the Positioning School; Porter's Five Forces; competitive edge.

## 1. Introduction

The Body Shop International plc, a UK-based organization, is renowned for its use of natural plant ingredients in its products. Its commitment to sustainability and fashion makes it a pioneer in the beauty and skin care industry.

Dame Anita Roddick, the founder of The Body Shop, opened the company's first store in Kensington Gardens, Brighton, England, symbolizing its geographic origin. Her passion for travel led her to explore unique beauty techniques worldwide, ultimately inspiring her to launch her own business. She discovered that women from various regions utilized natural plants, vegetables and fruits for skin and haircare, achieving remarkable results. Initially, The Body Shop offered approximately 20 kinds of skin and haircare products, all formulated with pure and natural ingredients. This marked the beginning of a journey that would revolutionize the beauty industry. The natural plant-based skincare and recyclable environmental protection concepts have given The Body Shop a reputable brand image (Griffin, 2002) and global appeal.

The essay aims to critically analyze The Body Shop using Porter's Five Forces model and the Positioning School theory.

The Positioning School (Gershon, 2003) emphasizes that strategy development is an analytical and studious process, which initially shifts the focus of strategic analysis from individual enterprises to the industry. This school maintains that in formulating strategies, enterprises should excel at analyzing both the industry's structure and their respective competitive positions within it.

Porter's Five Forces (Amrollahi, 2013) is a framework for evaluating competitive strategy, effectively examining a customer's competitive context. The five forces consider suppliers' bargaining power, buyers' bargaining power, threat of new entrants, threat of substitutes and competition among rivals. Changes in these factors impact the industry's profit potential.

## 2. Theoretical examination and rationale

The Positioning School places a strong emphasis on strategic position over detailed planning. By analyzing the market landscape, companies can identify a unique position relative to competitors. The Positioning School (McKechnie, 2008) is based on several key principles. Firstly, it emphasizes that strategy is applicable across various markets. Secondly, it highlights the competitive nature and profitability of the market environment. Thirdly, strategy formation involves analyzing and selecting a generic strategy through a calculated process. Additionally, analysts are key players in this process, as they provide their calculations to managers who are responsible for overseeing strategic decisions. Ultimately, strategies are developed through a meticulous formation

process, and are subsequently described and put into action. This approach underscores the importance of strategic analysis and decision-making in the business world.

The Positioning School was chosen as the theoretical approach for The Body Shop due to several key reasons. First and foremost, The company's products are centered around environmental protection and energy saving, resonating well with consumers and garnering their praise and support. By aligning with this concept, the generic strategy (Schneible, 2009) developed can further promote environmental responsibility, not only fulfilling corporate social responsibility but also enhancing the visibility of Greenpeace International's renewable energy initiatives. Additionally, as a player in the retail industry, The company faces numerous competitors and a diverse consumer base, providing ample data on suppliers, buyers and potential substitutes. The customer satisfaction, a key indicator of sales volume, serves as a strong link between the organization and its customers. By leveraging customer satisfaction data, analysts can effectively identify market needs and develop strategies to meet them. This approach combines quantitative and qualitative analysis, making it well-suited for The company's organizational needs. By analyzing customer data and market trends, the company can better understand consumer preferences and tailor its strategies accordingly. Ultimately, the Positioning School's focus on aligning with market demands and achieving customer satisfaction makes it an ideal theoretical framework for guiding The Body Shop's strategic decisions.

### **3. Environment Analysis**

Porter's Five Forces analysis is a powerful tool for evaluating the competitive landscape of an industry. By examining the impact of various factors, businesses can gain valuable insights into the dynamics of their market. These forces collectively shape the level of competition within an industry and can greatly influence the attractiveness of business opportunities.

The tool integrates various elements to assess a company's competitive landscape. Before proposing a successful strategy, it is crucial to first analyze and evaluate Porter's Five Forces. In this context, we will delve into how The Body Shop International plc is impacted by the five forces.

#### **3.1 Supplier bargaining power**

The supplier concentration is low, reducing reliance on any one supplier and minimizing the risk of disruptions. Suppliers do not hold significant leverage, ensuring favorable terms for the company. Raw material availability remains stable.

The Body Shop sources pure natural plant ingredients to create green beauty care products and accessories, resulting in moderate pricing due to low supplier contribution (Nair, 2011) to raw materials. This mid-range pricing strategy mitigates the impact of supplier bargaining power.

#### **3.2 Buyers bargaining power**

The cosmetics industry is experiencing a steady increase in demand, with consumers showing a growing interest in men's cosmetics and children's skin care products. As consumer purchasing power rises, the demand structure (Chae, 2003) within the industry is evolving.

The Body Shop offers a wide range of natural and healthy products that cater to people of all ages and genders. As the beauty industry evolves, there is a growing demand from non-traditional consumers, leading to a significant increase in sales. By providing inclusive and high-quality products, The Body Shop is able to attract a diverse customer base and maintain its position as a leading brand in the market.

#### **3.3 Threat of new entrants**

Emerging players join market competition at moderate skill levels, maintaining fair competitiveness.

In the cosmetics industry, the level of product differentiation (Kalish, 1978) is relatively low, making it easy for customers to switch between brands with minimal cost. Additionally, the sales volume in the cosmetics industry is closely linked to the company's size, resulting in economies of scale. As a result, larger enterprises tend to have a competitive advantage in this market due to the scale effect. The Body Shop International plc is a globally respected brand known for its expansive store network and strong brand reputation. As a result, new entrants in the market are unlikely to pose a significant threat to the company's success due to its established presence and customer loyalty.

### **3.4 Threat of substitutes**

The Body Shop's impact on consumer behavior lacks clear substitution effects in sales.

This brand stands out in the market with its unparalleled green product formula, setting it apart from any potential competition. Consumers are increasingly drawn to the brand's natural ethos, as they prioritize the use of pure and natural cosmetics for their skin and haircare routines. While there may be similar brands in the industry, none can match the unique qualities and appeal that this particular brand offers to its loyal consumers.

### **3.5 Rivalry among existing competitors**

Intense competition has posed a serious challenge to The Body Shop, creating a sense of urgency and concern.

The Body Shop's mid-range beauty products are facing stiff competition from high-end brands like Estee Lauder, Shiseido and BioSpring. These luxurious brands offer remarkable effects that are enticing consumers away from traditional mid-range options. While deluxe brands may have a higher price point, they also offer superior product effectiveness. On the other hand, The Body Shop falls in the mid-range price category and has managed to maintain a loyal customer base due to its eco-friendly product approach. Despite facing competition from higher-end brands, The Body Shop's unique concept and good reputation have helped it stay relevant in the market. Ultimately, the threat of competitors does not pose a significant challenge to the company.

## **4. Competitive edge**

The competitive edge (Huang, 2015) is crucial for organizations to establish a unique position in the market and outperform competitors. The report outlines three key strategies to achieve this advantage. Cost leadership, differentiation and focus are key strategies for companies to achieve success in today's competitive market. Cost leadership (Kachaner, 2011) entails becoming a low-cost manufacturer to gain a pricing advantage. Differentiation (Tay, 2003) involves establishing a unique position in the industry that is valued by customers. This can be achieved through various means such as unique marketing strategies, innovative products or exceptional customer service. Focus (Foley, 2001) is about becoming the top player in a specific market segment or business niche.

The company stands out in the market with three key competitive advantages. Firstly, the company excels in cost leadership by keeping prices low through simple packaging and competitive pricing strategies. Secondly, their focus on differentiation sets them apart from competitors. Their emphasis on green and environmentally friendly products resonates with consumers who value sustainability and ethical practices. The brand's products not only reflect a love for life and respect for the environment, but also promote fair trade principles. Lastly, the organization's strategic focus on the middle consumer group has earned them a strong reputation within this specific market segment. By combining cost leadership, differentiation and customer focus, the company has established itself as a leader in the beauty and skincare industry.

## 5. Summary

The report delves into the theoretical framework and tools applicable to The Body Shop International plc. By examining the group's business philosophy, commercial data and market analysis, the report justifies the use of the Positioning School. Meantime, five fundamental principles utilized in the Positioning School are explored, covering topics such as generic strategy, strategy evaluation and so forth.

The case study report delves into environmental analysis using Porter's Five Forces methodology. It begins with a detailed exploration of the tool's definition, purpose and application. Through a close examination of The Body Shop International plc, the report evaluates factors such as bargaining power with suppliers and buyers, the threat of new market entrants, potential substitutes and competition among current players. Furthermore, the report highlights The company's unique competitive advantages before delving into three fundamental strategies derived from competitive advantage theory.

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