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Item Type	Preprint
Authors	Cynanthia, Raras
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Download date	2026-11-02 18:39:52
Link to Item	http://hdl.handle.net/20.500.12424/185288

GREEN MARKETING, ETHICS, AND BUSINESS STRATEGIES IN INDONESIA: Case Study of The Body Shop in Indonesia

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Abstract

This paper discusses on the body shop in Indonesia. It focuses on the Green issues of marketing, ethics, and business strategies.

1. Introduction

The Body Shop International plc is a global manufacturer and retailer of naturally inspired, ethically produced beauty and cosmetics products. Founded in the UK in 1976 by Dame Anita Roddick, it now has over 2,400 stores in 61 countries, with a range of over 1,200 products (The Body Shop, 2011). Knowing as a successful international green company, The Body Shop has been a popular discussion among case studies in any field of business study. One notorious issue is their marketing strategy, which known as one of the most innovative marketing strategy among beauty industries.

Indonesia has more than 52 stores nationwide and is operated by a The Body Shop Franchisee, PT. Monica Hijau Lestari, under license by The Body Shop International plc. Every one of The Body Shop International plc products is animal cruelty free and vegetarian. In fact they were the first international cosmetics brand to be recognized under the Human Cosmetics Standard for our Against Animal Testing policy (The Body Shop, 2011).

2. Company Background

The Body Shop International plc believes in fair trade to such an extent, that over 20 years ago it set up its own fair trade programme, called Community Trade. It believes this level of commitment to trading fairly is unique in the cosmetics industry. Community Trade now works with over 30 suppliers in more than 20 countries, providing over 25,000 people across the globe with essential income to build their futures. Most of The Body Shop International plc products contain Community Trade ingredients. The Body Shop International plc is a leader in promoting greater corporate transparency, and they have been a force for positive social and environmental change through our campaigns around our five core Values: Support Community Trade, Defend Human Rights, Against Animal Testing, Activate Self-Esteem, and Protect Our Planet. The Body Shop International plc also has its own charity, The Body Shop Foundation. Launched in 1990 (registered charity no. 802757) it gives financial support to pioneering, frontline organisations that otherwise have little hope of conventional funding. The Foundation's focus is to assist those working to achieve progress in the areas of human and civil rights, environmental and animal protection (The Body Shop, 2011).

3. The Business Environment

A company must concernsto match the capabilities of the organization with the demands of the environment. It's not easy remembering that in doing this, The Body Shop should face a tough problem, since there's a typical concept thatenvironment encapsulates a wide variety of influences (Giliggan et al., 2003).

3.1 The macro environment

3.1.1 Political environment

When a company enlarge their market into foreign market, the first thing to do is to understand the political environment. Every nation has a unique political and legal environment. Those factors to be consideration are nationalism, government stability, trade restrictions and trade agreementsand economic communities (Evans et al., 1997). In Indonesia, there is Drug and Food Contoller Institution (POM) owned by the government. Every drug and food products, including cosmetic products should be licensed by the institution to be allowed to market their product in Indonesia.

Every products available in The Body Shop Stores has already licensed themselves in POM. There are several standard regulations stated by POM that applied to all brands of cosmetics marketed in Indonesia. One of them is a regulation number HK.03.1.23.12.10.12459 about technical requirements for cosmetics stating "Cosmetics must meet the quality requirements in accordance with quality requirements as contained in the Cosmetics Codex Indonesia, other standards recognized, or the corresponding provisions of the legislation"(BPOMRI, 2011).

3.1.2 Economic environment

A nation's economic environment indicates its present and potential capacities for consuming goods and services. Measures of economic performance include the standard of living, the Gross Domestic Product (GDP), the stage of economic development, and the stability of currency (Evans et al., 1997). Some fact about Indonesia, their last year GDP was only $822.631 billion. Rupiah (Indonesia currency) value is very low compared to poundsterling, the home base currency of The Body Shop. As accessed 30th November 2011, The Money Converter websitetranslated one poundsterling as 14288.91308 rupiah. So regarding the fact, The Body Shop product is quite expensive for Indonesians.

3.1.3 Socio-cultural environment

After deal with the political issue, one criterion whether a brand will be accepted or not in one target market is the public perception about the product. The public perception influenced by the culture. If the company unfamiliar with or insensitive culture may try to market goods or services that are unacceptable to that culture. In this point, culture awareness is strictly needed. Culture awareness can be improved by employing foreign personnel in key positions, hiring experienced marketing research specialist, locating offices in each country of operations, studying cultural differences and responding to cultural changes (Evans et al., 1997).

Population projection based on 2005 Intercensal Population Survey indicates that total population in 2007 were 225.624.124. In terms of age structure, age group of 0-14 years old were 29.30% of total population, productive age at 15-64 years old were 65.05%, and group of >65 years old remained 5.65%. Hence, Indonesia Dependency Ratio in 2007 was 53.73% (BPS Statistics

Indonesia, 2007). Conjugating the fact, Indonesia is a good place to market The Body Shop which has variety of product to be consumed in any age stage and both sexes.

3.1.4 Technological Environment

As the level of technology advances vary around the world, technological factors can affect international marketing. After all, Indonesian workers must often be trained to run equipment that unfamiliar to them.Problems occur if equipment maintenance practices vary by nation or adverse physical condition exists, such as high humidity, extreme hot or cold weather, or air pollution.Electricity and electrical power may vary by nation and require product modifications (Evans et al, 2007).

Air pollution is the core problem in this country, and the worst is in Jakarta province, the capital of the Republic of Indonesia. The pollution is due to increased human activities, population growth, the increasing number of industries, and transportation. Monitoring ambient air quality parameters, such as total suspended particles (TSP), sulfur dioxide, nitrogen oxide, carbon monitrogen oxidehide, hydrocarbons, and lead, in Jakarta indicates that the condition is concerning (Esri, 2011).

3.2 The micro environment

3.2.1 Competitor analysis

Ohmae (1983) created Market's Key Factors for Success, those are relative superiority, developing aggressive initiatives and developing strategic degrees of freedom. Based on the theory, The Body Shop's competitive strategy can be formulated this way:

a. The market's key factors of success

The key factor of The Body Shop to success istheir philosophy. The business philosophy of the Body Shop was evident from its mission statement. The mission statement itself signified that the company wanted to do something other than just selling cosmetic items (Roy, 2008, p.3).The main reasons behind the success of the company were protesting against the testing on animals, campaigns against human rights abuse, environmental protection and socially uplifting activities (Roy, 2008, p.4).

By the philosophy, The Body Shop can gain a competitive advantage because the core values owned by The Body Shop is has supremacy rather than other beauty brand who doesn't have such values. People who know and respect the importance of The Body Shop's core values, such as protesting against the testing on animals, campaigns against human rights abuse, environmental protection and socially uplifting activities, prefer to use The Body Shop's product than other brand's product.

b. Relative Superiority

The differences in competitive conditions between The Body Shop and its rivals are the positivity value of The Body Shop. While other beauty products do their campaigns about vanity, The Body Shop campaigns about positive values included in their product. It will make people think that they're less shallow and they're contributing something important when buying The Body Shop product rather than others.

c. Developing aggressive initiatives

The Body Shop challenges assumptions about the way of doing business by their business principles. The Body Shop has been held up a role model of social responsibility and business with ethics, as Anita Roddick stated, "I'd rather promote human rights, environmental concerns, indigenous rights, than promote a bubble bath" (Entine, 1995). It shows that The Body Shop changes the rules of the game in doing beauty business, which mostly just about vanity, into a beauty business that also bring up world issues.

d. Developing strategic degrees of freedom.

The Body Shop tried to be innovative by being the first beauty products that promoted about social issue as the core value, while other beauty products only use vanity as the main advertising theme. The Body Shop exploits market areas untouched by competitors using their environment and social campaign, The Body Shop known as the pioneer and the leader of successful green product. This is hard for new green beauty brands to compete even though they try to copy The Body Shop producing system or values. Several factors influence decision making.

These factors, including past experience (Juliusson, Karlsson, & Gärling, 2005), cognitive biases (Stanovich & West, 2008), age and individual differences (Bruin, Parker, & Fischoff, 2007), belief in personal relevance (Acevedo, & Krueger, 2004), and an escalation of commitment, influence what choices people make. Consumers always trust the brand which innovate first than the second, or third brand which adopt theirconcepts.That what makes The Body Shop becomes a leader in natural beauty product market.

3.2.2 Consumer behavior analysis

3.2.2.1 Green consumer behavior

Many factors have been proposed as influences of green consumer behaviour such as changing consumer values, demographic factors, knowledge of environmental problems and alternatives products, perceived personal relevance and the ability of the individual to make an effective contribution. There has been a good deal contradictory evidence in attempts to link factors such as genders, age or level of environmental knowledge of green consumption (Charter, 1999).

In a developing country like Indonesia, The Body Shop must be very careful to get desired perception of the product from consumers. Why? Because not all the expectant customers acknowledged with issues campaigned in the company. Attempts to relate environmental knowledge to green consumption have produced inconsistent result, but researchers have assumed that increasing environmental knowledge will lead to an increased desire to purchase green products. But then an interesting fact found which sounds in reverse; increasing environmental knowledge can actually reduce consumer's confidence in the effectiveness of market based solutions for environmental challenges, and it may take them more aware of the shortcomings of products seeking to market themselves on a green platform (Charter et al., 1999). In this sense, The Body Shop may gain luck in Indonesia.

The colour, the smell and the touch of The Body Shop products are their core elements to approach good perception from their customers. They have vary colour, scent and also level of moisture sensation to meet different need of vary markets. As the examples, they have the original lipgloss for glossy sensation, for they also have lipbalm with softer texture for preventing dryness of lips. They have many choices of scent for every product, like for their body butter, they have Cocoa Butter, Mango, and Olive (The Body Shop, 2011).

The Body Shop states that their enhance customer's natural beauty and express their unique personality as one of their effort to boost the self-esteem of their customers. Some of their commitment values are creating marketing messages which celebrate diversity and emphasise wellbeing and comfort without promising eternal youth or preying on people's insecurities through their campaigns on causes affecting women all over the world (The Body Shop, 2011). According to Maslow's hierarchy of needs, buying The Body Shop product meets the need of self-actualization and improving self-esteem. The satisfaction feeling of contributing something to green and social issue is a part of self-fulfilment, while boost their confidence consuming beauty product is for their self-esteem need.

4. GreenMarketing Mix

4.1 Product

A product item is a specific model, brand, or size of a product that a company sells (Evans et al., 1997). The Body Shop keeps product and promotion the same worldwide, which means they don't change their product and promotion or do product invention while selling their products internationally.

4.1.1 Product mix

The product mix consists of all the different product lines a firm offers. A product mix can be described of its width, depth and consistency. The width of a product mix is based on the number of different product lines a company offers (Evans et al., 1997).The Body Shop has a wide mix, while it has diversity products. The Body Shop has make-up products, skin care products, body care products, fragrances, and many more.The depth of a product mix based on the number of product items within each product line (Evans et al., 1997).

The Body Shop uses a deep mix method, because The Body Shop can satisfy the needs of several customer segments for the same product, maximize shelf-space,discourage competitors,cover a range of price and sustain dealer support. As an example, for white musk series, body shop has two series; the first is the original White Musk products, which consists beauty product with musky scent for woman and also white musk series for men; a range of The Body Shop products with slightly different scent because it's intended for men. The consistency of a product mix proved by how The Body Shop maintain their relationship among product lines in terms of their sharing a common end-use, distribution outlets, consumer groupsand price range (Evans et al., 1997).

4.1.2 Branding strategies

Brands are designed to enable customers to identify products or services which promise benefits. As such, they are a form of shorthand in that they create set of expectations in the minds of customers about purpose, performance, quality and price. This allows the strategies to build added-value into products and to differentiate form competitors (Wilson et al., 1993). The Body Shop uses their values to differentiate them from their competitors. Their values are against animal testing, support community trade, activate self-esteem, defend human right and protect our planet. Regarding the values, consumer who buys each of The Body Shop products will gather self-fulfilment as bonus of purchase.

4.2 Price

According to the approaches of price setting, The Body Shop is a firm who acts as price makers, considering their size and power within the market, and are able to determine the levels and patterns of price which others then follow (Wilson et al., 1993). As the price maker, The Body Shop has their price standard for wherever they sell their products. The Body Shop sells their product globally, their price stilladapt the UK Body Shop as the home base of the company, although then translated in each country currency. Considering the standard of living in Indonesiawhich the average income per year is $ 3461,65 and also the fact that rupiah considered as weak currency compared to poundsterling,The Body Shop Price is quite expensive.

Moreover, in Indonesia, there are a lot of local products with cheaper price. As an example, Indonesia has Sariayu beauty products, which sell almost the same product as the Body Shop. Sariayu has very low price range, which is very suitable for Indonesia market. For comparison, the price of Sariayu body scrub (SARIAYU Putih Langsat Lulur SPA 2-in-1) is 11.000 rupiah(Sariayu, 2011) while the price of The Body Shop scrub (product name: Wild Cherry Body Scrub) is 169.000 rupiah (The Body Shop, 2011).

4.3 Promotion

Promotion planning is systematic decision making rafting to all aspects of an organization's or individual's communications efforts (Evans et al., 1997).

4.3.1 Corporate image and issue advertising

4.3.1.1 Corporate Image Advertising

Corporate image advertising attempts to increase a firm's name recognition, establish goodwill for the company and its products, or identify itself with some meaningful and socially acceptable activity(Shimp et al., 2008). The Body Shop presents a corporate image of environmental responsibility.

4.3.1.2 Coporate Issue advertising

When using issue advertising, a company takes a position on a controversial social issue of public importance with the intention of swaying public opinion (Shimp et al., 2008).The campaigns that The Body Shop use to promote their products are the example. The Body Shop states about it in any chance, in their brochures, website or in media. They state about how they concern about issues like trafficking, HIV or woman violence and also about global climate. In this way, The Body Shop will gather people who are also concern about the issues to shop their product.

4.3.2 Consumer-Oriented promotion

4.3.2.1 Price-offs

Price-off promotions entail a reduction in a brand's regular price. The Body Shop usually makes price-off promotion for their product in some certain events, such as Christmas, new launching product, or just general price-off promotions to interest the consumers and boost the selling. For the example; as inspectedin one of The Body Shop store inNovember 2011, The Body Shop gives the customer gets 10% discount for perfume and lotion purchase.

4.3.2.2 Member card

The Body Shop in Indonesia offers a member card programme for their loyal customers. To get a membership, customer will get an offer to be a member after spend Rp 500.000 of purchase. Their members usually get better offer than general customers, one of examples is for every member with more than Rp 500.000 purchase without plastic bag get extra 5% discount (after 10% discount) and also get free shower gel as compliment. Also, they record the birth date of their members so when their members buy their product in their birth month, they will get one free product as a gift. This service aimed to make the members feel special.

4.3.2.3 Packet

The Body Shop offers many products sold in one packet with lower price than if the total price of those products sold individually. They usually provide larger variations of packet in special events, such as valentine day or mother day. It interests the customers since they don't have to choose every single product and create one packet their self which is less inconvenience and plus they get better price offer to buy the packet.

4.4 Place and distribution

58.38% of total human population in Indonesia is located in Java (BPS Statistics Indonesia, 2007). The Body Shop seems pretty concerned about this, as it has more than a half of their stores in Indonesia located in Java. In the service context, distribution is making services available to prospective users. The environment in which a service is offered, and consumed, is central to consumer's understanding of service, and to her or his enjoyment or satisfaction. The 'feel' of the service product is very much part of the service offer. The physical evidence, ambience or settling must be designed to reflect target consumer expectations, reflect the branding and selected brand positioning, and facilitate the smooth delivery of the service (Dibb, 2006). Most of The Body Shop stores in Indonesia are located inside Mall, a convenience place for people to shop comfortably.

5. The Segmentation, Targeting And Positioning Strategy

5.1 The segmentation strategy

5.1.1 Segmenting by demographics:

The Body Shop is segmenting people by social class. Referring their core values, it's shown that The Body Shop wants people who are well educated as their consumers. Their core values of The Body Shop are referring to complex issue, which won't be understood by people who aren't educated. Issues like Third World countries development or community trade isn't easily understand by people who don't have much knowledge.

5.1.2 Segmenting by behaviour:

The Body shop is segmenting well-educated consumer who cares about the environment, humanity and high social response. Anita Roddick, The Body Shop founder (1991) said that the business has existed for one reason only; to allow us to use our success to act as a force of change, to continue the education and consciousness-raising of our staff, to assist

development in the Third World and above all, to help protect the environment. What they are trying to do is to create a new business paradigm, simply showing that business can have a human face and a social conscience. It's stated that the product is delivered to anyone who wants to help developing the world and protect the environment. Which means, by consuming The Body Shop product, people will feel that they're giving contributions for humanity and environment.

5.2 The targeting strategy

The Body Shop is using a differentiated targeting strategy as the Body Shop has many kinds of product for different kind of customers. They have make-up for people who care about their looks, they have skin-care products for people who concerns about their skin health and they have their wellbeing products for people who wants to achieve comfort feeling.

5.3 The positioning strategy

Generally, body shop intended to place their product among educated target market, people who are concern about the sustainability of environment and social issues and positioned them self as a green product with positive values and positive impressions. Green product positioning is another issue that warrants a closer look. Research on premium pricing for green products indicates that few consumers would pay higher prices for green products. Green product positioning might be more beneficial if it is a part of an overall environmental strategy of waste reduction, quality improvements, energy conservation and cost advantages (Charter et al., 1999).

6. Conclusion and Recommendations

However, the roughest competitor of The Body Shop in Indonesia is the local products, because the offer similar product with much lower price. However, it's impossible to change The Body Shop's pricing method into price taker from price maker in order to match the market price because it will abuse the company consistency. The only way to survive in this condition is by communicating their product more clearly like creating a free booklet explains what The Body Shop is and its value then putting it in their stores so the customer can learn more about the product they're going to buy. It will be better if they create the booklet using bahasa or Indonesian language since not all Indonesians are familiar with English. By this, the customers will be more aware about what benefit they could get by buying The Body Shop product compared to local products.

About the green issue, unfortunately, Indonesians are just starting to grow their consternation. Lack of information and knowledge suffered by most of developing countries in the world also happened in Indonesia, then influence their attitude about environmental concern. As we can see that Indonesia is still lack of aggraviation about their environment. To be frank, the loyal customers of the Body Shop more interested in the prestige of buying the product than it offer. But nowadays, the consumer's response towards green product is exceeding. Lately Indonesians are more supportive to green products as it was proved by the latest survey by Catalyze Communications. The survey affirmed that Indonesian customers are now beginning to shop with their heart not just with their wallets when it comes to selecting a product. The product impacts on environment and producer responsibility are on their radar (Hijauku, 2011).

But since it's still growing, which Indonesian consumers are still new in green product consuming, there should be something to encourage them more to buy green products such asexecuting green action in Indonesia. They Body Shop is doing great in promoting their global

issue, while not all of Indonesians are familiar with global issue since their access to global context is still limited.

Relating the fact, if The Body Shop wants to reach larger target market, The Body Shop should show the real actions which are closer with local people. They can show their direct contribution to Indonesia by doing some green activity actions locally, such as donating money to support construction of sewers since Indonesia is high flood risk area. Beside the environmental issue, Indonesia social condition is not admirable too. The law in Indonesia is not strong enough to control issue like woman sexual coercion. In this case, The Body Shop can raise funds to Indonesian women who are affected.

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APPENDIX I
THE MISSION STATEMENT OF THE BODY SHOP

- To dedicate our business to the pursuit of social and environmental change.
- To creatively balance the financial and human needs of our stakeholders: employees, customers, franchisees, suppliers and shareholders.
- To courageously ensure that our business is ecologically sustainable: meeting the needs of the present without compromising the future.
- To meaningfully contribute to local, national and international communities in which we trade, by adopting a code of conduct which ensures care, honesty, fairness and respect.
- To passionately campaign for the protection of the environment, human and civil rights, and against animal testing within the cosmetics and toiletries industry.
- To tirelessly work to narrow the gap between principle and practice, whilst making fun, passion and care part of our daily lives.

Source:
http://www.thebodyshopinternational.com/web/tbsgl/about_reason.jsp

APPENDIX II
THE CORE VALUES OF THE BODY SHOP

We consider testing products or ingredients on animals to be morally and scientifically indefensible.
We support small producer communities around the world who supply us with accessories and natural ingredients.
We know that you're unique, and we'll always treat you like an individual. We like you just the way you are.
We believe that it is the responsibility of every individual to actively support those who have human rights denied to them.
We believe that a business has the responsibility to protect the environment in which it operates, locally and globally.

Source:

http://www.thebodyshopinternational.com/web/tbsgl/values.jsp

APPENDIX III
THE BODY SHOP STORE IN INDONESIA



