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# HOW THE MAKING AND MARKETING OF SUSTAINABLE BRAND AFFECT CONSUMER BEHAVIOUR

Case company: LUSH Handmade Cosmetics

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Case: Handmade cosmetics company LUSH

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ABSTRACT

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The purpose of this thesis is to concentrate on sustainable businesses. This whole report will deal with sustainable production/making and marketing products, as well as their effect on consumer behaviour.

In the first stage, the author looked through the greening concept of mainstream business. Then, based on the review, the sustainable business part is developed and divided into making sustainable products and sustainable marketing. Sustainable production covers the main ideas of environmentally friendly operating processes while sustainable marketing includes mostly a definition of the concept, sustainable marketing strategy, and greenwashing – which is a form of marketing which is the opposite of sustainable marketing. Additionally, the consumer behaviour towards sustainable brands is also considered as the important part of the literature review. The secondary data for the literature review was gathered from published sources, such as books and articles and the Internet. To achieve the purpose of the thesis, interpretivism was taken into account as the research philosophy. In the research, the author conducted deductive approach with mixed methods. In the conclusion, a comment will be made in reply to the collected data in order to answer the research question.

To sum up, the final output of this thesis is that the importance of putting more effort into making sustainable products compared to marketing them.

Key words: Sustainable brand, cosmetics, LUSH, sustainable production, sustainable marketing



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# 1 INTRODUCTION

## 1.1 Background

In recent years, the earth has been continuously showing enormous signs of worldwide climate changes with regard to the fact that sea levels are getting higher and oceans are becoming warmer (WWF 2014). Action against global climate change is not a specific task of individual or organisation. By contrast, it is undoubtedly becoming the collective responsibility of every person, every company, industry and government. Climate and environment make significant impacts on our daily life; however, the importance of protecting the environment is not acknowledged fully. John McConnell, the founder of International Earth Day, incited that *“Let every individual and institution now think and act as a responsible trustee of Earth, seeking choices in ecology, economics and ethics that will provide a sustainable future, eliminate pollution, poverty and violence, awaken the wonder of life and foster peaceful progress in the human adventure”* (Celsias 2014).

In the area of business organisations and entrepreneurs, these concerns should be recognised and folded into strategy. According to the author of the book *“Green to Gold”* (Esty & Winston 2006, xi), in the past few years, a large number of businesses have gone green. Instead of focusing solely on the profit, many businesses today are managing business performance in terms of people and planet (Croston 2009, 3).

Lush is a handmade cosmetics company which operates in over 50 countries with over 900+ shops worldwide by 2014. Although officially launched in May of 1995, Lush has a long, robust history, which started in the 1970s. Lush prides itself *“on being dynamic, original and progressive”* (Lush 1995). Lush is famous for its natural handmade cosmetics products. On the other hand, cosmetics company Lush is a zero-packing pioneer on the high street (The Ecologist, Green business – Lush 2014). Lush has been doing more than just simply trying to sell more products; it also been seeking to shape the lifestyles and behaviours of consumers in ways that would both expand the business and achieve sustainability goals.



The thesis was conducted to investigate Lush - the case company in making and marketing its products and the consumer behaviour towards sustainable products.

The author hopes that this thesis will suggest useful recommendations for Lush to apply in its sustainable business strategies.

## 1.2 Research objectives and questions

The main objective of this thesis is to demonstrate the crucial roles of making and marketing sustainable products in the cosmetics market and examine the effect of them on consumer behaviour by analysing the case company Lush and its success. Thus, it will help the case company take a deeper insight into their potential customers and consistently enhance performance to make its sustainable business more valuable for the customers.

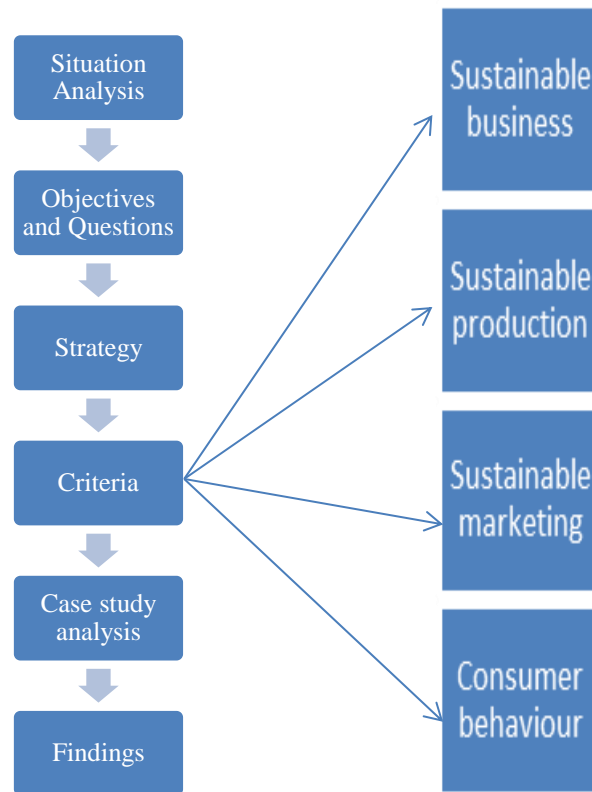
In order to achieve these objectives, the author's target is to answer the following sub-questions through her thesis:

- What is sustainable production in the cosmetics market and its importance?
- How do the case company's sustainable marketing strategies apply in bringing the sustainable products to customers?
- How do these factors (making and marketing) mainly affect the consumer behaviour in making buying decisions?
- How could case company improve its business to get more customers?

## 1.3 Theoretical framework

The author concisely critiques the theoretical framework – a guide that leads the readers through the topic in the most coherent and logical way. Within the help of this framework, the thesis's main topic will be scrutinized from a general overview to more detailed explanations, from an overall introduction of the whole process to the in-depth knowledge of the specific concept and then broken down

to the relevant hypotheses specifically involving to the case study. A framework employed for this research is shown in the figure below.



**FIGURE 1. Theoretical framework**

The theoretical framework will be presented in more details in the next two chapters.

#### 1.4 Thesis structure

The following Figure 2 demonstrates briefly the structure of this thesis, which comprises of 9 chapters.

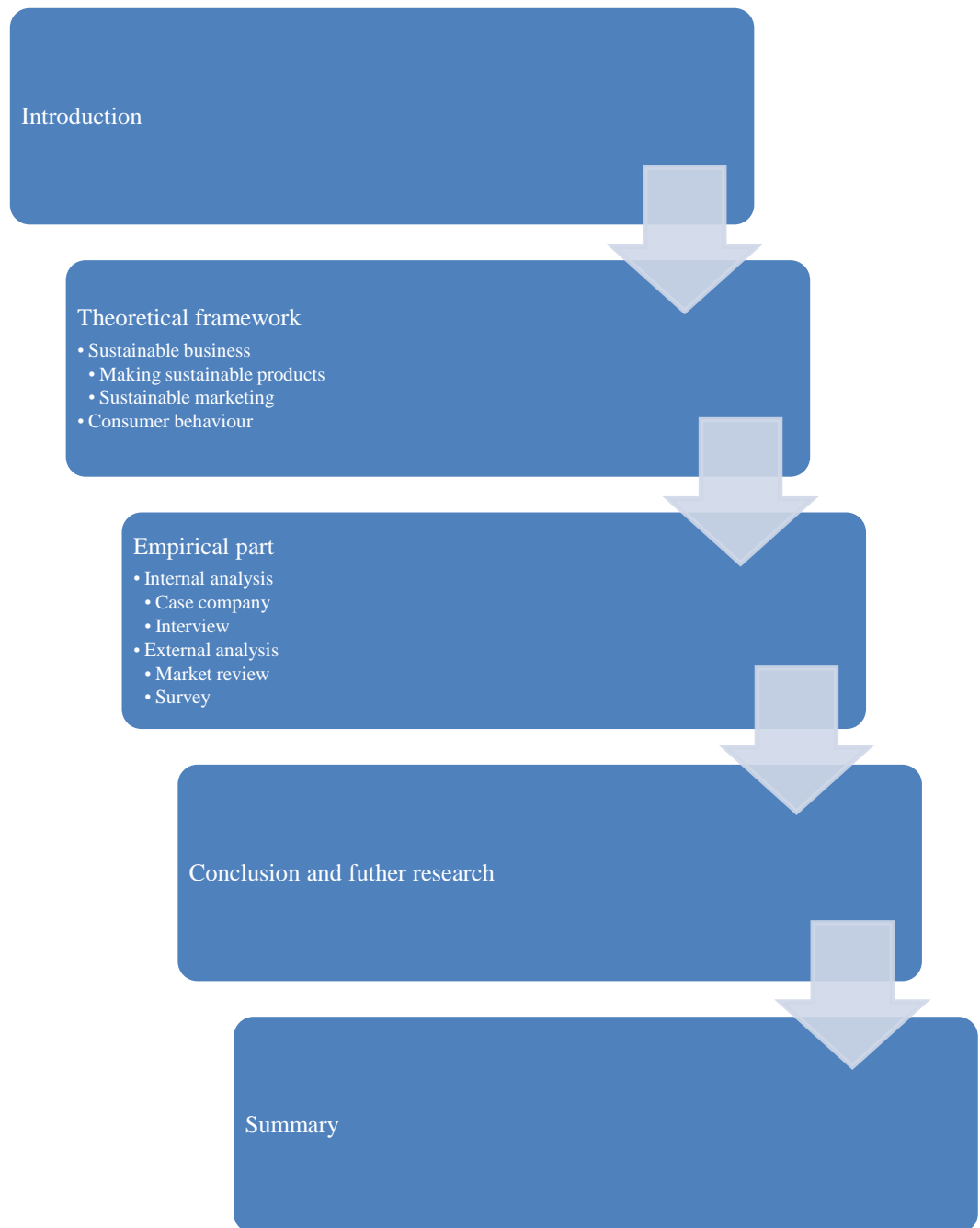
The study starts with the introduction in Chapter one, which provides readers with the thesis objectives and the research methodology. The research's main question is raised and divided into sub-questions for further analyses throughout the thesis.

Moreover, in this chapter, the thesis's framework is outlined to summarize of the research process.

Next, Chapter two, three, four and five encompass the theoretical framework. Chapter two presents a detailed overview on sustainable business. Chapter three and four digs deeply in two factors of sustainable business that are the production and the marketing. Chapter five ends the theoretical part with the consumer behaviour.

The empirical framework is described in Chapter six and seven of this thesis. Chapter six is focused on reviewing the case company's situation and analyzing the company's current strategies via semi-structured in-depth interview. In Chapter seven, the author uses data collections in the theoretical part together with major questionnaire findings present the customer behaviour towards sustainable products. Therefore, implications of the result will be discussed in to give recommendations for the case companies.

Chapter eight delivers thesis conclusion, providing an answer for the main research question and giving suggestions for further research possibilities. Finally, Chapter nine summarizes the whole thesis in its entirety with some important points.



**FIGURE 2. Thesis structure**

## 1.5 Research methodology

Clough and Nutbrown (2003, 34) stated “*the methodology is a research diary*”, in that it provides the means to justify the author’s choice of research conduct within a particular organization (Eriksson & Kovalainen 2008, 15-16).

The research design should be organized coherently. Moreover, it is important to be interactive in the cline. Based on a model of research “*onion*” in Appendix 1 (Saunders et al. 2012, 128), the author peeled away the outer layers step by step to formulate a research design. In order to reach all the objectives of this research, research design was according to the following figure.



**FIGURE 3. The research design**

## RESEARCH PHILOSOPHY

The main strands of research philosophy include Positivism, Realism, Interpretivism and Pragmatism (Saunders & Lewis 2012, 03-107), each of which contains huge differences. Besides, Johnson and Clark (2006) argued that the important issue does not depend on how our research philosophy should be informed, but how well we are able to support our philosophical choices along the paths and fend for them from the alternatives we could have adopted. Within the framework of this research, interpretivism – “*A reach philosophy which advocates the necessity to understand differences between humans in their role as social actors*” (Saunders & Lewis 2012, 106) was used as the research philosophy because the present project was driven by the researcher’s interests about the social phenomenon - consumer behaviour and as a researcher, the author played a part in the research process.

## RESEARCH APPROACH

There are two different approaches to carrying out the research that are deductive and inductive approaches. The former approach is “*clarifying theories at the early stage*” (Saunders & Lewis 2012, 107) while the latter is facts applied through observations to form the theory. In this thesis, the deductive approach which has a “*top-down*” flavor from theory (Saunders & Lewis 2012, 109) was chosen.



**FIGURE 4. Deductive approach model (adapted from Saunders & Lewis 2012)**

## RESEARCH STRATEGY

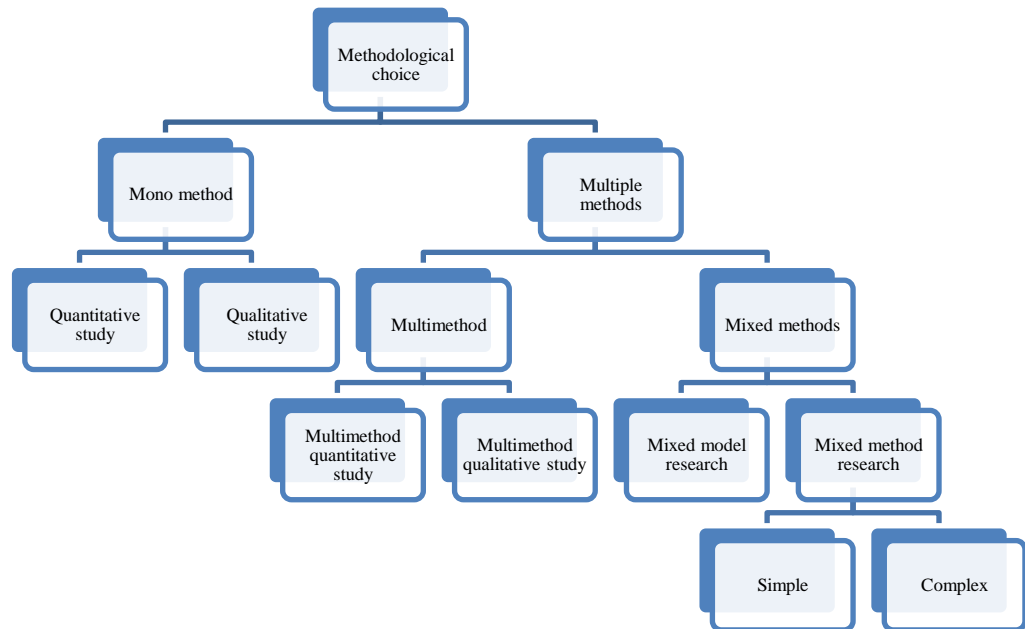
Although case study research is not being restricted to qualitative method (Arch Woodside 2012,11), there are many authors claimed that traditionally, the case study has been identified with qualitative methods while the cross-case study uses mainly quantitative methods (Gerring 2007, 29; Hancock & Algozzine 2006, 7-11).

To answering a “*How?*” question in the title of this project, case study is more appropriate (Saunders & Lewis 2012, 116-117). Although some criticise that the case study is not generalized to the population, it observes a theoretical disposition (Blumberg et al. 2011, 256). Saunders & Lewis (2012, 116-117) claimed that the case study is good for going into details of the context of the research and the activity taking place within that context. In addition, the research question is about consumer behaviour that cannot be understood if removed from their social context. The author used the single case study, Lush handmade cosmetics company, to investigate within its real-life issues whereby pointing out the assessment of the theory.

## METHODOLOGICAL CHOICE

Saunders et al. (2012, 161) believed that there are three main method choices formulating the research design which are quantitative, qualitative and multiple methods research design. Quantitative research uses numeric data and aims to test an established theory or hypothesis. On the contrary, qualitative research uses non-numeric data and generalizes in social sciences, in order to understand the phenomenon. Although it is important to distinguish this methodological choice, the difference is fairly narrow. In reality, both quantitative and qualitative elements are likely mixed by most business and management research designs. (Saunders et al. 2012, 161.)

The basic choice between using a single data collection technique, known as a mono method and more than one data collection technique, known as multiple methods is shown in the following chart.



**FIGURE 5. Methodological choice (modified from Saunders et al. 2012, 165)**

In order to be in harmony with the case study strategy, mixed methods were applied even though a case study mostly involved qualitative methods (Ghauri & Grønhaug 2010, 109-111). The author employed simple mixed methods, which means using of both methods at particular stages – not at every stage. It is indicated as “*partially integrated mixed methods research*” (Saunders et al. 2012, 166 according to Leech & Onwuegbuzie 2009; Nastasi et al. 2010; Ridenour & Newman 2008; Teddlie & Tashakkori 2009).

On the whole, qualitative data is harder to analyse but brings accordingly better information especially in the topics related to the experiences and behaviour of people.



## DATA COLLECTION AND DATA ANALYSIS

The data collection and analysis is to find out the consumer behaviour towards the sustainable cosmetics products in order to gain a better insight into consumer behaviour, whereby help Lush – the handmade cosmetics brand build up a better understanding and stronger relationship with its potential customers.

Both primary and secondary sources were selected to collect quantitative and qualitative data.

## SECONDARY RESEARCH

Secondary research is the collection of data or information that has already been analysed for some other purposes (Saunders & Lewis 2012, 84). Secondary data is used to explain and examine the background information and subject theory.

Review sources were various such as books, journals, articles and internet. In this project, the books drew an overall picture of the research topic “*sustainable business*” particularly in production and marketing which can be seen in the literature review part. Moreover, the internet was also used to achieve information of the case study company. The author endeavoured to access different sources and newest editions.

## PRIMARY RESEARCH

“*Primary data refer information obtained first-hand by the researcher*” (Sekaran & Bougie 2010, 180-181). The primary research was used to investigate the case company’s sustainable strategies in production and marketing as well as identifying its customers’ purchasing decisions. Mixed methods using data from the questionnaire and the interview were applied.

**Questionnaire** refers to a concurrent triangulation design which is likely richer outcome, shorter timescale and more practical undertaking (Saunders et al. 2012, 164-170). Moreover, questionnaire is often used to support for the case study (Saunders & Lewis 2012, 117). This applied scheme offered both quantitative and qualitative data. The questionnaires (conducted by the Google survey) were done over a four-week period and reached the answerers via social networks and

university's portal to understanding the consumer behaviour towards the sustainable cosmetics products.

The research considerably used mixed methods within interview; therefore, the questionnaire survey is not in-depth research. In addition to asking respondents to choose the appropriate box/answer which is considered as a quantitative research, the questionnaire also asked some open questions such as key background indicators to explain findings. Therefore, some quantitative research data were analysed qualitatively. (Saunders et al. 2012, 161.)

The survey resulted in 117 responses. Because of the time constraint and scale of the research, the number of respondents could be considered sufficiently satisfying. The survey has been posted on the university's portal, student's forum and spread via email, social networks, Erasmus group on Facebook, etc. In addition, the author's background is strongly connected with international students, so she managed to kindly ask her friends to take part in the survey. Eventually, there were 23 nationalities participating in this survey. Hence, this survey covered a broad aspect thanks to a variety of nationality.

**Semi-structured in-depth interview** was considered to be the most suitable because this allowed the author to understand several angles of the sustainable making and marketing of the handmade cosmetics brand Lush. Therefore, semi-structured interviews can provide reliable and comparable qualitative data. This interview was carried out with a representative of Lush in Southampton.

The manager of the case company Lush in Southampton was interviewed to gain information about how the company implements sustainable making and marketing in real life. The items in the semi-structured in-depth interview seek to obtain their views on the making and marketing of sustainable cosmetics products. Questions are also asked to share how Lush deals with the clash between making and marketing sustainable products while some other companies make corrupt use of green marketing that eventually lead to greenwashing. Finally, the questionnaire includes statements evaluating how important they think the process of being sustainable business has contributed to the success of Lush.

The semi-structured interview is firmly based on the thesis structure. The focus is on aspects, which the author believed would show best how important sustainable business is for companies. The complete interview sheets in English can be found in the appendices (Appendix 3).

The interviewer composed and developed an interview guide. The interviewee received the interview guide one week before the interview. This helped both the interviewer and interviewee prepare well and appear competent during the interview. The author has tried her best to gain detailed knowledge about Lush and its successfully sustainable business especially in making and marketing its products. Interview required the author to make up clearly structure questions; listen attentively (Clough & Nutbrown 2007); and ask more questions accordingly.

During the interview, the interviewer and respondents engaged and followed the guide that piloted the conversation through the appropriate direction. However, more questions were added by the researcher in order to understand deeply about the topic. Typically, the interview was recorded and later written down for analysis.

## 1.6 Scope and limitations

With regards to buyer decision process from the customer perspective, there is a conventional tendency in which people will go for products that have the lowest price (Harrison et al. 2005). Such behaviorally buying tendency could also be known in its other name, which is “*traditional purchasing*”. That being said; such tendency could be considered obsolete in the current situation of the common marketplace as price is no longer the sole factor that customers contemplate. In fact, there are many rising influencing factors concerning many aspects of a product other than price like quality, personal or brand preference and the like, but the one that is to be emphasized in the context of this study is “*Ethical purchase behaviours*”, which, for instance, takes the forms of fair trade, eco-label. In the scope of this report, the author will take a deep look into consumer behaviour on the move from the “*traditional purchasing*” habit to the ethical one.

The limitation is that since the primary purpose of the thesis is to research the strong effects of making and marketing sustainable products on the customer behaviour, all other aspects such as the financial management which are also among the fundamental constituents of a business were, therefore, not to be put into consideration.

Secondly, the authors' interest is sustainable business and consumer behaviour in the cosmetic industry. Moreover, the conducted research targets a multinational company, which has many stores worldwide. It means that the company has a long experience in the field and has a strong financial base. All those factors could also have great effects to the ultimate thesis findings. Hence, the results from this research might not be applicable to other sustainable businesses in smaller scale or different industries.

Last but not least, a key determinant of obtaining the case study research is the quality of the insights and thinking of the thesis topic; however, it is virtually impossible to avoid the scepticism being raised towards the objectivity of the whole topic while applying case study. In other words, the research is not, and cannot be, completely objective.

## 2 SUSTAINABLE BUSINESS

This chapter begins on a few issues relating to the sustainable business and provides some models of sustainable business. More importantly, the chapter deliberately provides the rationale behind the offering of a multitude of sustainable business models, ranging from those of utter simplicity to those of insightful sophistication. By doing so, the author can holistically present an overview of sustainable business and its substantial expansion, which can be illustrated by the multitude of various models – before delving into profound details of sustainable production and marketing in the subsequent chapters.

### 2.1 What is sustainable business?

Sustainability comes from the Latin term *sustinere*, which means to uphold or support (Townsend 2006, 158). As a term, sustainability is widespread known as *“the use of natural products and energy in a way that does not harm the environment”* (Oald8 2014). It is also a result of increased environmental awareness.

A sustainable world would be one in which everyone had at least a decent quality of life while living within the natural limits of the Earth (Kane 2011, 69). The human being’s existence on this planet should be sustainable, in other words, they should arrange their lifestyles so that future generations can continue to flourish (Kane 2010, 4). As Jonathon Porritt, the chair of the UK’s Sustainable Development Commission, said *“the opposite of sustainability is extinction”* (Kane 2010, 4).

Sustainable business is about doing business in a way that can be cultivated for the long term without degrading the environment and depleting resources. Building sustainable businesses and sustainable economy is the ultimate goal. (Croston 2009, 7)

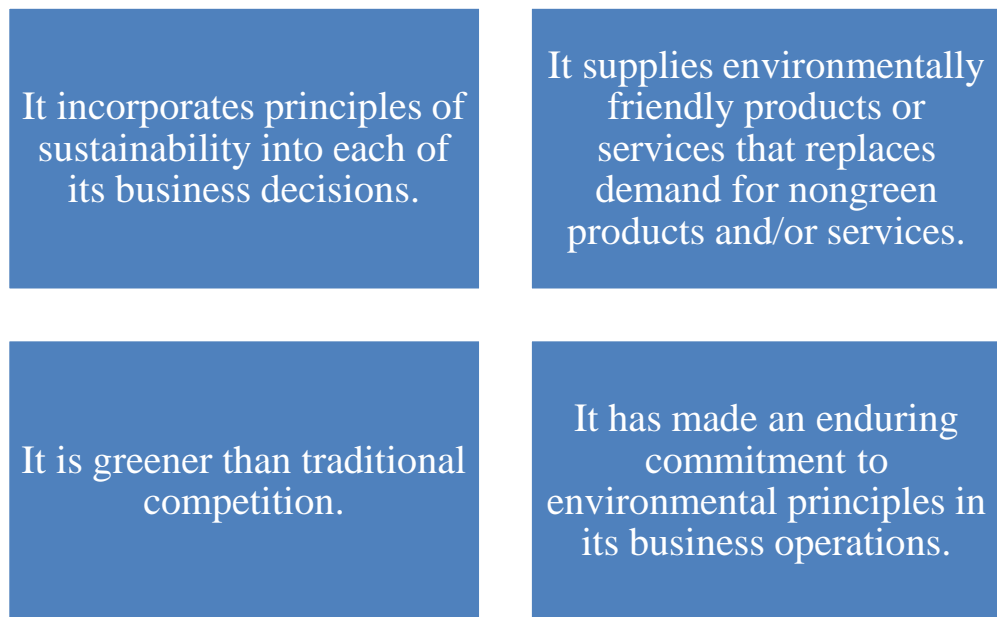
In essence, sustainable firms will be those that are *“locally self-sufficient”* (Townsend 2006, 158). It defines that ecologically sustainable companies will not use natural resources more quickly than those resources can be renewed naturally (Starik, Rands 1995 & Townsend 2006, 158 ).

There are also many elements of greening. The main five are listed in the Figure 6 below. They are facilities and sites; products and services; missions; employees and operations. In order to become ecologically sustainable, firms will need to green each of these elements completely. (Townsend 2006, 73.)



**FIGURE 6. The five elements of sustainable business (modified from Townsend 2006)**

The main objective of sustainable business is to minimize the negative impacts on both the global and local environment, community – society, and economy. The sustainable company is a business that strives to meet the triple bottom line. It is generally known that each sustainable business must have progressive environmental and human rights policies. In general, a business is described as sustainable if it matches the following four criteria (Cooney 2009):



**FIGURE 7. Four criteria of Sustainable Business (modified from Cooney 2009)**

In a nutshell, sustainable business preserves not only the company, its operation, morale and working ethics, more importantly, the fragile planet so-called Earth for the future generation to come.

#### 2.1.1 A brief history of sustainability and sustainable business

Knowing a brief history of the sustainable business world - where sustainable things stand today and where the green business community has been, will help to better understand where trends are overseen in the future (Croston 2009, 8).

The definition of sustainability was used widespread since the publication of the Our Common Future Report from the United Nations' World Commission on Environment and Development in 1987. The Our Common Future was also known as the Brundtland Report. At this time, the United Nations General Assembly realized that the human environment and natural resources had dramatically become worse. In order to stimulate countries to work and seek sustainable development together, the UN decided to establish the Brundtland

Commission. After then, various attempts have been made to amplify the original concept. (Russell et al. 2011, 3.)

The World Commission on Environment and Development defined sustainable development as a requirement that “*meets the needs of the present without compromising the ability of future generations to meet their own needs*” in the Brundtland report. (United Nations General Assembly 1987.)

Moreover, according the article “*Towards the Sustainable Corporation: Win-Win-Win Business Strategies for Sustainable Development*”, John Elkington (1994) asserted that based on the Brundtland report, the United Nations Conference on Environment and Development (UNCED) held in Rio de Janeiro in June 1992 has developed the concept of sustainable development which means applying the unification of environmental thinking into every aspect of life such as social, political, etc. It also stressed that economic activity has become the central part of the environmental debate.

### 2.1.2 Greening – Corporate social responsibility – Sustainability

It can be evidently observed that recent years marked the advent of materials and studies concerning what has become a prevalent, if not unavoidable, element in the commercial world: The Sustainable Business. There are tons of books that, either intentionally or unintentionally, incorporate into titling their books the trendy terms, such as “*green business*”, “*environmentally friendly business*”, or, in a broader and more fancy-sounding sense, “*Corporate Social Responsibility*”, a ubiquitous term with its no-less famous abbreviation “*CSR*”.

In fact, Townsend stated in his book that he viewed “*green*” and “*sustainable*” as synonymous. Something can be green, or environmentally friendly, as long as it provides sustenance for ecosystems (Townsend 2006, 18). In most cases, “*sustainable business*” and “*green business*” could be used interchangeably.

Besides that, in the book “*Climb the green ladder: make your company and career more sustainable*”, Aaron & Fetzer believed that CSR and Sustainable had similar ideas but different jargons. Traditionally, CSR tends to focus more on social issues such as workers’ rights or charitable activities, and was considered a



discrete part of the business that did not impact on day-to-day operation. Although CSR is integral to sustainability and is often used interchangeably with the term, its scope can be more limited. (Aaron & Fetzer 2010, 8-9.)

Within business practices, Sustainability is sharply related to Corporate Social Responsibility (CSR). But there are a few key differences between those terms. (Do Well Do Good 2014) (Table 1)

**TABLE 1. The differences between sustainability and CSR (Do Well Do Good 2014)**

<b>Sustainability</b>	<b>Corporate Social Responsibility (CSR)</b>
Business strategy that drives long-term corporate growth and profitability by mandating the inclusion of environmental and social issues in the business model	A set of actions of a company that changes business operations to improve, maintain, or mitigate a company's impact on society and the environment
A forward trajectory	Retroactively addresses issues
Looking forward by changing the nature of the company	Looking to the past actions of a company
Focusing on stakeholders	Primarily focusing on shareholders

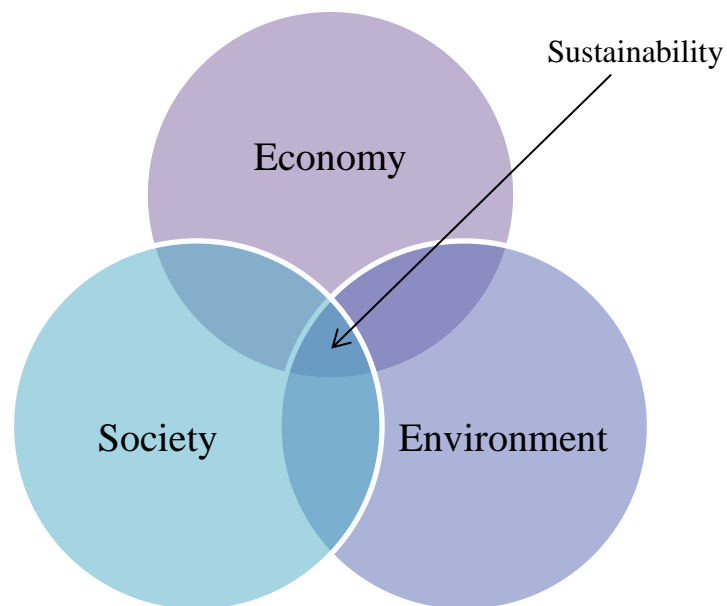
### 2.1.3 Models of sustainability

In this sub-chapter, the writer examines the concept of sustainability from various perspectives and also studies the relation of those perspectives in other to present a multi-dimensional phenomenon present a multi-dimensional phenomenon whose multiple facets are more or less correlated, not discrete and separated.

One of the most popular notions of visualising sustainability is “*three interlocking circles*” or three pillars comprising three factors – economy, society and

environment. The nexus of three pillars is regarded as sustainability. (Kane 2010, 5.) (Figure 8)

Furthermore, several authors have suggested that foundation of sustainability (Townsend 2006, 18 according to Rowledge, Barton & Brady 1999). In *The Three Secrets of Green Business*, Kane called it as “*the traditional model of sustainability*”.



**FIGURE 8. Traditional model of sustainability (adapted from Kane 2010)**

The social dimension concerns the human elements of your actions, such as health, wellbeing and social expectations, while the environmental dimension means making sure your behaviour does not have a negative impact on the ability of natural resources and ecosystems to sustain themselves. The economic dimension is related to the technological and financial systems and issues that are essentially the political and business thinking base to ensure any action is “*financially viable in the long term*”. (Aaron & Fetzer 2010, 8.)

A slightly more robust version of the interlocking circles is the “*three-legged stool*” where one leg represents “*economy*”, the second is “*society*” and the last one is “*environment*”. The Encyclopedia of Earth uses the term “*Sustainable development triangle*” to describe it. The triangle is illustrated in the figure below (Munasinghe 2007)

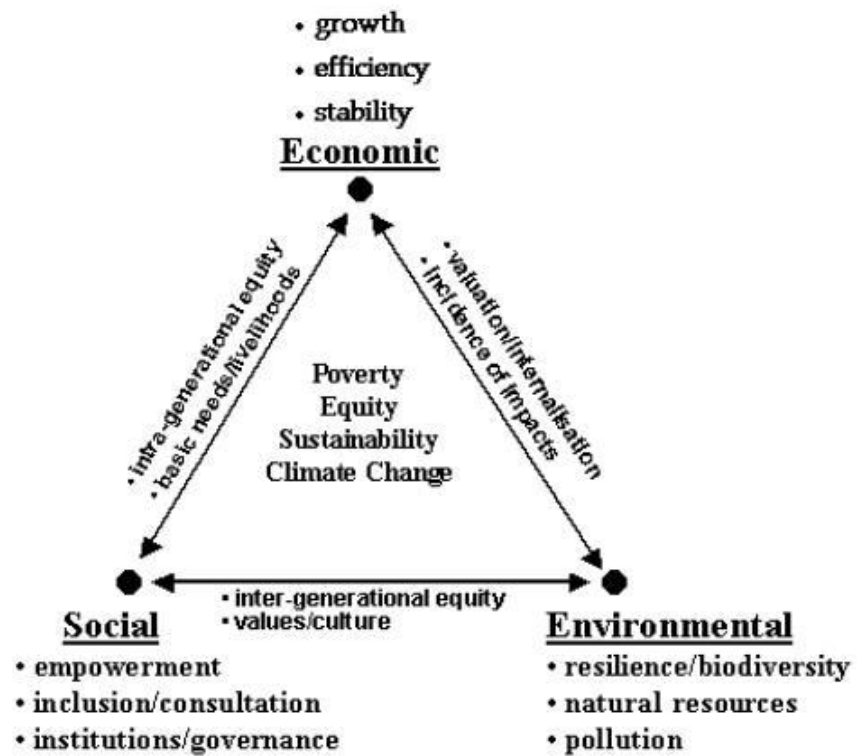


FIGURE 9. Sustainable development triangle (adapted from Munasinghe 1992a, 1994a)

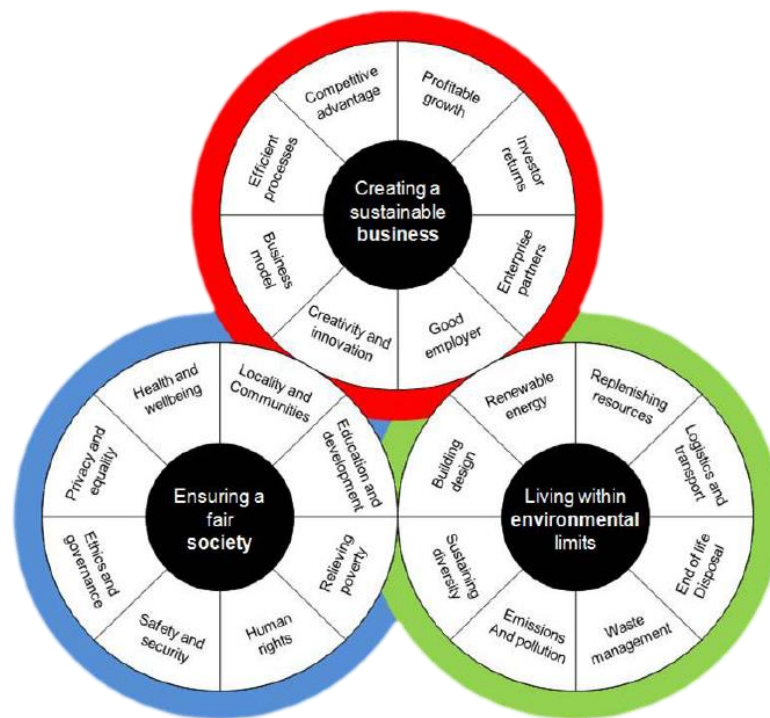
Together, these factors usually are also referred to as the “*triple bottom line*” – a term invented by John Elkington in his book “*Cannibals with Forks: The Tripple Bottom Line of 21st Century Business*”, which are “*inextricably linked*” to one another term: people, planet and profits. (Estes 2009, 7.)

Traditional economics and business accounting had been failing to account for many things. Rather than the traditional bottom line of money alone, many businesses today are running the “*triple bottom line*” focusing at business

performance in terms of not only profit but also people and the planet – the environmental impact. Therefore, the scope of measuring performance and business success nowadays is dramatically broader. (Croston 2009, 3.)

The purpose of “*triple bottom line*” model is to facilitate the optimum generation of consumer, employee and eventually company value by taking any possible advantages and putting risks under strict control, the ones that are rooted in environmental and social developments.

Besides that, the “*People, Planet and Profit*” model is a more associating approach to business. Such an approach would not be possible without systems thinking, the capability to have a holistic view of the rationale behind and the methods of our work. (Fisk 2010, 9.)



**FIGURE 10. People – Planet – Profit model (adapted from Fisk 2010)**

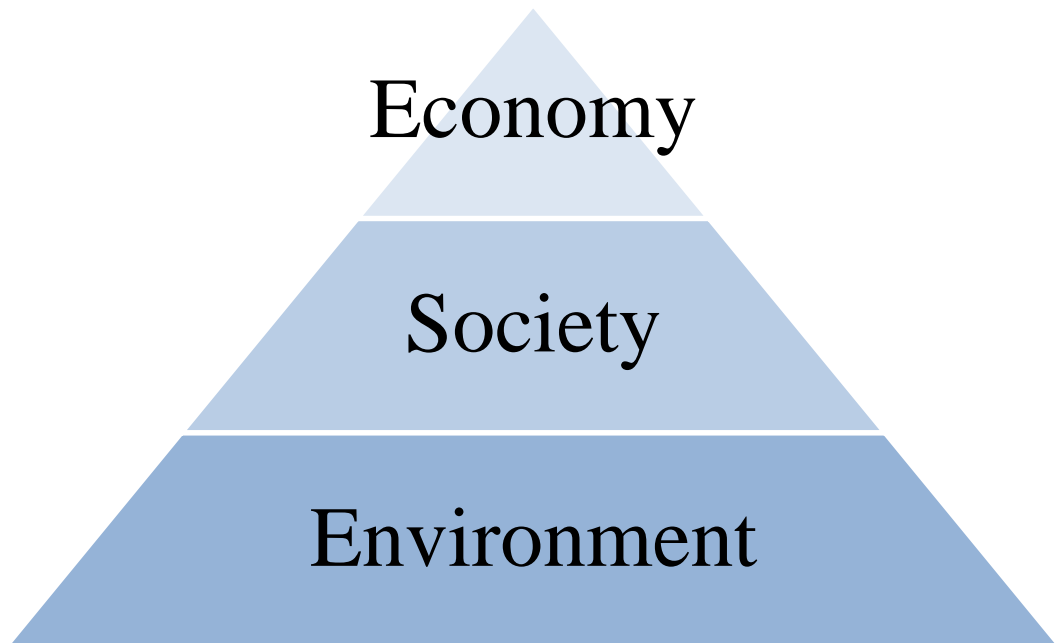
People - the social equity aspect whose implication is to ascertain the delivery of benefits in terms of opportunity and equality for every single individual. Planet -

the environmental aspect whose implication is about the preservation of intrinsic attributes of our ecosystem, which will in turn result in the benefits and health of generations to come and profits - the economic aspect whose implication is about the balance between financial growth and conscious attention to the society and environment. (Estes 2009, 7.)

Those three pillars of sustainability are becoming more of a popular and robust tool due to its ability to define the complete sustainability problem while the “*the traditional model of sustainability*” is pretty simplistic to deal with the growing complication. (Thwink 2014).

Having analogous substance to addressing issues concerning the environment, society and economics, the idea of the three pillars of sustainability, which is also known as the triple bottom line, is simply flawed since it appears to convey the idea that these three mentioning issues are of equal standing. Much as acceptably acknowledging that these three issues altogether account for a healthy society, the ecological reality depicts a note-worthy different perspective, in which the environment is the foundation without which nothing else would be able to blossom. There is a revolutionary discovery that “*Our industrial economy, indeed any human economy, is contained within and dependent upon the natural world*” (Nattrass & Altomare 1999, 4) and “*...the human economy is a fully dependent sub-system of the ecosphere*” (Wackernagel & Rees 1996, 4). Economies and social equity could not occur without ecosystems, and such statement would become utterly flawed if it were to be said otherwise. Indeed, the ecosystem itself is of pure authenticity that it would be safe bet to claim with confidence that its existence relies on neither human economies and social equity, though these two factors do have impacts, be it large or small, in modern ecological health. The discovery of such a gigantic influence could be reflected through the renowned saying among the ecologists, “*Ecosystems support economies, not vice versa*” (Jennings & Zandenbergen 1995, 1015). For that reason, it is simply ecologically inaccurate for equalizing economy, social equity and ecology as the three essential elements of ecological sustainability. The fact is that ecosystem, society and economy can be arranged in hierarchical order of importance, ranging from the most to the least respectively. To be more detailed, long-term economic health requires social health and equity, both of which require ecological health. As the

figure below indicates, the environment is the foundation for society, which in turn creates economies. Notwithstanding economics is created by societies, they are fully dependent upon the material resources of the environment. (Townsend 2006, 19.)

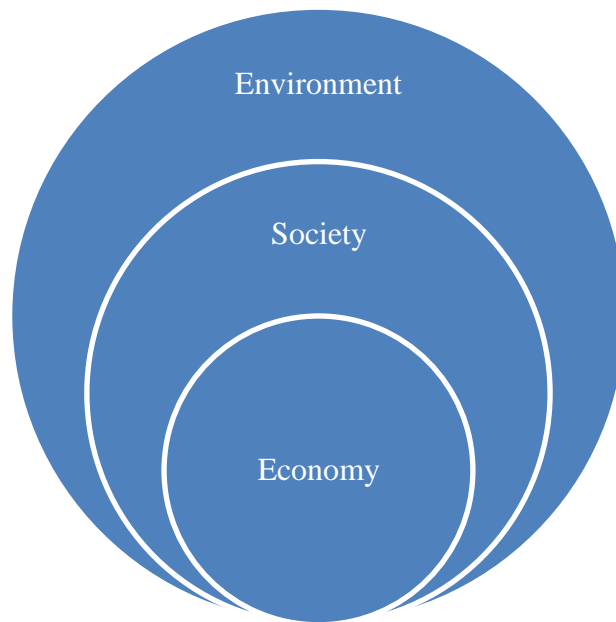


**FIGURE 11. Sustainability Pyramid (modified from Townsend 2006)**

Sustainability pyramid above indicates that the environment is the foundation of both society and economy. Therefore, the intentional inattention of author towards social and general economic aspects of sustainability must not be considered as an implication that these issues are inconsequential. Rather, it simply indicates the assumption that the ecological health is, by its very true nature, necessary for the long-term existence of healthy societies. (Townsend 2006, 19.)

Developing from this above idea, the less well-known but more meaningful model – “*fried eggs*” was created (Figure 12). It illustrates the relationship between economy, society and environment as one circle inside another, as the yolk of an egg.

According to this model, sustainability could be comprehended as the situation in which the economy is capable of operating within the limits set on it by society (e.g. equity, regulation and taxes), and in which society can flourish within the ecological limits placed on it by the natural world (Kane 2010, 6).



**FIGURE 12.** “*Fried eggs*” model of sustainability (adapted from Kane 2010)

This also implies that ultimately one – economy is entirely dependent upon the other. Hence a wealthy economy only happened if both, society and environment, are well.

## 2.2 Why sustainable business is important?

This sub-chapter explores the reasons why some businesses are choosing to become greener. It also presents the principal benefits of sustainable business. Then comes the essence of the chapter, which is the criteria based on which a company can be considered as green.

It is believed that companies become greener for one or more of these following five reasons (Townsend 2006, 35):



**FIGURE 13. Business greening (adapted from Townsend 2006)**

Nonetheless, this “*Business greening*” approach has just outlined the different reasons why businesses become greener, in fact, some of the categories have multi-dimension arrays and contain overlapping components. A serious drawback of this approach is that they might not entirely depict the reasons why companies boost their environmental performances (Townsend 2006, 35).

Sustainable business is not a goal in itself. Alternatively it is a how rather than a why. From a marketing and retailer’s perspective, Mr. David Roth - CEO, The Store, the WPP Group propagated key message that “*doing good is good business*” (Pitelis et al. 2011, 14). In fact, many business leaders were worried



that being sustainable business may require more item of investment and accordingly raise the price of products. However, “*a green business is not a charity*” (Kane 2010, 16). It is not only the social responsibility but also works for the business advantage. Goodall (2009, 3-14) suggested five principal benefits of making a company focused primarily on environmental objectives, which are:



**FIGURE 14. Five principal benefits of sustainable business (modified from Goodall 2009)**

However, in the current unstable economy, business leaders may put off action on climate change and commonly concern with short-term, business-critical decisions (Goodall 2009, ix). This point is particularly argued by the authors of the study “*The business of sustainability: Putting it into practice*”. In this study, the author affirmed that in order to make the most positive contribution to the short and long term value, it is important that the long-term strategic view of sustainability opportunities should be identified and pursued clearly (Bonini & Stephan 2011). Moreover, according to Olson (2010, 3), environmental issues “*have challenged our self-awareness*” and required daily practices (Hart et al. 2010, xv).

In fact, sustainable business is not only generating a huge return on investment (ROI) but also enhancing the value of the company for its stakeholders. It creates

the customer value investment; holds the highest value potential which is among the main criteria for the sustained business success. (Mahajan 2007, xv)

### 3 SUSTAINABLE PRODUCTION

This chapter aims at providing the readers with the knowledge of sustainable production and the related theories. Then it explores what sustainability means in cosmetics industry.

#### 3.1 What is sustainable production?

Sustainable production is the processes or systems of making goods and services that are non-polluting; preserving of energy and natural resources; economically viable; safe and healthful for workers, communities, and consumers. The more sustainable the production becomes, the more benefits will be realized towards many entities, such as environment, employees, communities, and organizations. These conditions can lead to long-term and, at times, short-term economic feasibility and enterprises' productivity. (Lowell Center 2014.)

The concept of sustainability would be incomplete if any of the three Rs of reduce, recycle and reuse is left out (Estes 2009, 7). Making **reduction**, in its very simple meaning, can be understood as to make less use of something, if not to avoid its usage at all. Yet, what is important is to meticulously and continuously apply the ideas into the decision making throughout the process.

**Reusing** materials is concerned with the taking a look again at the daily disposal of an organization: considerable financial benefits can be achieved through the simple act of redefining purposes for materials that would otherwise be discarded. Not only will the budget be reduced there will be less new materials needed, but also any charges relating to the waste disposal will be decreased. Some people are of the opinion that **recycling** would be actually an act of waste, especially in comparison with simply disposing of the product, as there are additional charges relating to collecting garbage. Nevertheless, according to a number of scientific studies, recycling does result in noteworthy economic use of energy and sources, which could be demonstrated by the following example: the amount of energy generated by recycling one glass bottle will be sufficient to power a computer for 20 minutes. (Zee 2008, 32-35.)

In Kane's point of view, there are broadly two approaches to environmental sustainability (2010, 20): eco-efficiency (quantities of materials and energy); and eco-system (the type of materials and energy and how we use them).

Seemly, based on customer value, there is more than one many way of making greener products such as: "*efficiency-based green products, ingredient-based green products, substitute-based green products and innovation-based green products*". (Olson 2010, 33-38.)

### 3.2 The importance of sustainable production

All environmental problems can actually be traced back to products. It may appear to be astonishing, but in reality, the majority of environmental problems are induced by unintentional side-effects of production, usage and disposal of products. An individual product itself could be supposed to be "*innocuous*", but the detrimental damages to the environment it can cause is simply ubiquitous, extending beyond one's horizon of knowledge and vision, staying undisclosed from the consumer as well as the manufacturer. (Datschefski 2001, 16-17.)

Many environmental impacts are simply unforeseeable, if not literally intangible. Vapors and gases can fill the atmosphere unseen. Pesticides and other pollutants can be detected in flawlessly clean-looking water. Radiation from nuclear and electrical sources undoubtedly cannot be observed by bare eyes but modern special equipment. Another striking example is the fact that for every ton of product reaching to the end customers, over 30 tons of waste will be produced. What is more, the usage duration of 98% of those products cannot last longer than 6 months. If necessary actions, such as plans or systems, are not to be taken to repurpose the product that would be otherwise disposed, to recycle the products instead of getting rid of it, every product sold implies the release of toxic. (Datschefski 2001, 16-17.)

### 3.3 Sustainable productions in practice

Much as having to undergo various fundamental changes in their manufacture and other areas in order to make sustainable products, the fruition it brings to the companies is fairly substantial and thus worthwhile. Moreover, the fruition takes various forms, from a much bolstered reputation to a competitive advantage to stand out from the competition, from the window of new business opportunities in terms of creation of greener products and technologies to surged profits. Products that are authentically entitled sustainable must be environmentally friendly inside out, throughout their entire lives. From their concept and design stages, the product would be imagined and designed to do more ecological and social good than harm, giving back more than it takes. Like the complex “*products*” of the nature, it would be designed not for one purpose but for multiple functions for numerous species. (Townsend 2006, 139.)

Based on a review of 500 products, Datschefski – the author of the book “*The total beauty of sustainable products*” found that one or more of these five following principles could be applied to 99% of all environmental products. (Datschefski 2001, 28-29.)

**TABLE 2. The principles of sustainable products (Datschefski 2001)**

<b>PRINCIPLES</b>	<b>MEANING</b>
<b>CYCLIC</b>	The idea is to make use of compostable, organic materials or any sorts of components that are enclosed in a recycling loop in producing products. While simply dumping a product is equal to releasing waste and toxic, biodegrading it to produce materials that can be components for the creation

	of something else.
<b>SOLAR</b>	The source of energy used to serve the production and manufacturing must be renewable, cyclic and safe. According to the US Department of Energy, the amount of solar energy comes into this planet is more than that the planet's population of 6 billion human beings can consume in 25 years. Such a clean and untapped potential should receive more and more attention.
<b>SAFE</b>	The releases in all forms to air, water, land or space must then become beneficial or constituent components for other systems. Any elements that can chemically or physically disrupt the flow of nature and any beings are virulent.
<b>EFFICIENT</b>	In comparison to production in 2009, it is only being deemed efficient if 90% less energy, materials and water are used.
<b>SOCIAL</b>	All aspects relating to products, including its manufacture and usage, must go hand in hand with rudimentary human rights and natural justice. Human is the most valuable resource and, therefore, should be received proper attention. Exploitation and maltreatment of workforce is simply not to be accepted, though such abusive

	practice appears to be popular as it is undisclosed to the end-user.
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While the author of the book Townsend (2006, 151) listed three activities that she believed is the most important activities in the sustainable production:

- 1 Putting the environment into consideration in every single stage of the products or services, from the product's/service's conception, design, and extraction of raw materials to its transport, production, use and disposal/recycling.
- 2 Educate consumers about the impacts of non-green products and why greener products should be deemed more and more of importance. This might be one of the only ways that consumers have to learn about the environmental impacts of particular products.
- 3 Ensure that products benefit the environment throughout their lives, including their disposal, by feeding resources back into ecosystems.

Nowadays there is no need to sell products at a higher price just because they are green. There are ways to sell green products at the same price. Furthermore becoming green will enable companies to attract more customers. Britisheco for example has seen its turnover grown by 400 per cent while selling products at affordable prices and taking care of the environment. (The Sunday Times 2007.)

Therefore, sustainability could become a trillion-dollar business in the near future. For instance, BP Amoco, Shell, DaimlerChrysler, Cargill Dow Polymers and Xerox have all initiated billion-dollar projects involving solar panels, fuel cells, bioplastics and remanufacturing. (Lowell Center 2014.)

In fact, there is a bunch of precedent researches that suggest the measures to put sustainable production into practice. Apart from the activities and the bottom lines of how to apply sustainability into practice that are listed above, the author will

continue this chapter by an introduction of two models that provide an excellent framework that facilitate the practice of sustainability.

### 3.3.1 Cradle to cradle (C2C)

Based on the fact of earlier successful business, environmental concerns can drive business rather than hold them back. Moreover, making a difference can become a more sustainable source of profit growth as well (Fisk 2010, 18-20). Perhaps that is the reason leading the model Cradle to cradle (C2C) has been become more and more preferred in many companies. In the book “*Cradle to Cradle*”, the authors reckoned “*Waste equals food*” by specifying the cherry tree (McDonough and Braungart 2002, 92-102), albeit its abundance is productive. After falling to the ground, the blossoms fertilize the soil and begin a new circulation – nourishing trees (Charter and Tischner 2001, 144). According to Sitwell (2009), C2C enables to “*green production without sacrificing profit at the altar of environmentalism*”

The seven areas for product improvement are quoted as the following table (Iannuzzi 2012, 96-97):

**Table 2. The areas of product improvement (adapted from Innuzzi 2012)**

<b>Materials</b>	Meet consumer needs with less material  Use more environmentally preferable material
<b>Packing</b>	Reduce packing or no packaging  Reduction of non-recyclable packaging  Use more sustainable packing materials
<b>Energy</b>	Create a less energy-intensive product



	<p>Invent more energy saving products</p> <p>Use more efficient manufacturing distribution processes</p>
<b>Waste</b>	<p>Reduce waste during manufacturing</p> <p>Recover more products for reuse or recycling</p>
<b>Water</b>	<p>Generate a more water-efficient product</p> <p>Make manufacturing process more water efficient.</p>
<b>Innovation</b>	<p>Initiate quantifiable environmental improvements in both production progress and a product itself.</p>
<b>Social</b>	<p>Use fair-trade materials</p> <p>Select socially responsible suppliers</p> <p>Support causes with clear social and environmental benefits.</p>

### 3.3.2 Life-cycle assessment (LCA)

No product during its entire life cycle can live no trace of its impact on the environment. To have a better assessment of the extent of the product's impacts, LCA, standing for life-cycle assessment, brings to light environmental impacts of new products designs, reassesses existing products and identifies the most critical areas.

Life Cycle Assessment (LCA) term has appeared since the 1960's (SAIC 2006). Life-cycle assessments (LCAs) involve exhaustive, cradle-to-grave scrutinization of production procedures for providing comprehensive evaluations of not only the

inputs and outputs of energy and materials but also multimedia environmental emissions. Such a full-packaged tool like LCAs can be expensive and time-consuming. However, in order to stimulate the interest in using LCA to a wider range of audience, streamlined techniques for applying LCAs are needed to reduce the cost and time involved with LCA. (RTI 2014.)

“*Cradle-to-grave*”, as the name speaks for itself, starts from the point of harnessing raw materials from the earth to serve the production and finishes at the point when those constituent materials are returned and re-integrated to the earth. LCA evaluates every stage of a product’s life as an interdependent entity meaning from one operation leads to the next. (SAIC 2006.)

In other words, LCA enables the estimation of the environmental impacts coming from all stages during the product lifecycle, often including impacts that are usually left unattended more traditional analysis tools such as raw material extraction, material transportation, ultimate product disposal, etc. (SAIC 2006.)

Specifically, another systematic way of presenting the functionality of LCA (SAIC 2006) could be explained as the following:

- Drawing a list of relevant inputs and outputs
- Estimating the potential environmental impacts associated with those inputs and outputs
- Interpreting the results of the inventory and impact phases in relation to the objectives of the study

In general, the term “*life cycle*” is used to indicate the major activities happened during a product’s life-span from the beginning step of raw material acquisition to its ultimate disposal. Figure 15 below illustrates the possible life cycle stages that can be considered in an LCA and the typical inputs and outputs measured. (SAIC 2006.)

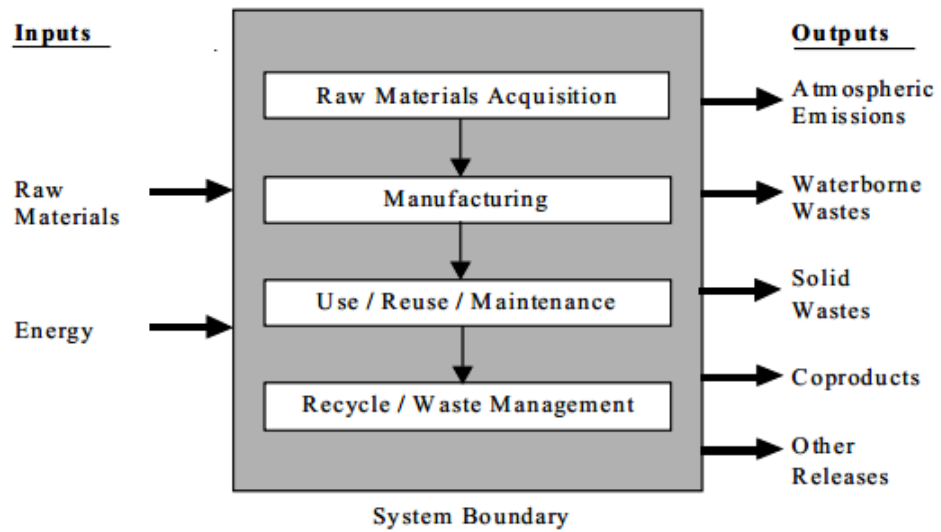


FIGURE 15. Life Cycle Stages (SAIC 2006 according to EPA 1993)

### 3.4 Sustainable production in cosmetics industry

When living standards are rising, people tend to care more about cosmetic products. People around the world, especially women, are consuming a great number of skincare and makeup products day by day. However, we do not know that the beauty industry has brought some problems to our environment.

In the beauty industry, mainstream cosmetics is not usually connected with environmental friendliness (Rees 2010) except the fact that many products were magnificently advertised as using natural ingredients to attract more customers, even so, other aspects such as packing or animal testing were bypassed. Among a multitude of products labelled as “*not testing on animals*”, “*100% natural ingredient*” or “*organic*”, no one can be absolutely certain about the truthfulness behind those statements, or whether many of those products turn out to use animals to test many natural ingredients are overused causing destruction of the local economies like Argan Oil (Baumann 2013). The newfound interest of Argan Oil for beauty preparations - that has been a well-kept secret for many centuries

brings about copious employment for local populations. However, unfortunately, it also carried devastating effects, including the harms caused to the local economies for local attention has been much allocated to such a profitable business as Argan Oil production, leaving other industries insufficiently attended and to the actual argan forests themselves as well because of the over-cultivation, soil erosion and desertification. (Baumann 2013.)

Besides that, many dangerous chemicals were found in cosmetic products such as parabens, sodium lauryl sulfate, neurotoxins, phthalates. Those poisons can not only harm your health but also bring huge impacts to the environment. (MNN 2010.)

To put it another way, it is also raising the question of whether the natural and synthetic raw materials in cosmetic products could be switched to other worthwhile applications. The role of beauty products in some areas where food poverty is around every corner and resources dramatically scarce. In the western countries, according to the life-cycle analysis, it is over 90% of the environmental impact of many personal care products is at the consumer level. (Sustainable Cosmetics Summit 2012.)

In general, sustainable cosmetics production means using natural and synthetic raw materials. However, in addition to all the foregoing, current research argues that the cosmetics industry more and more looks towards agricultural raw materials as the cornerstone for many of its ingredients with the challenge of producing sufficient quantities while ensuring its sustainability. By the way of explanation, the problem at hand is the demand and supply. (Cosmeticsdesign-europe 2011.)

## 4 SUSTAINABLE MARKETING

Chapters 4 touches briefly on the outline of sustainable marketing. The first part of this chapter is organized into two sub-chapter: the definition of sustainable marketing and the role of it in business. The remainder of the chapter outlines some particular sustainable marketing activities.

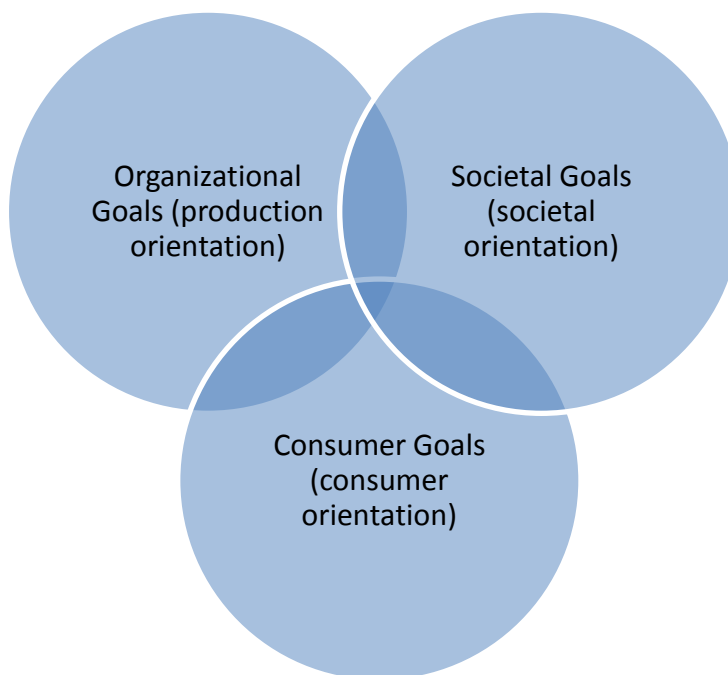
### 4.1 What is sustainable marketing?

There might be a conflict between green issues and marketing while the stimulation of consumer demand has often been criticized as a main reason of unsustainable economic growth issues. But the appearance of “*sustainable marketing*” in the end of 1970s (Belz and Peattie 2012, 14) demonstrated the connection between green and marketing by showing that marketing can actually help “*sell*” the new lifestyle (Grant 2007, 1-3).

According to the definition by Martin and Schouten, sustainable marketing is comprised of processes that are similar to that of conventional marketing, including creating, communicating, and delivering value to customers, yet there's an obligatory emphasis on the preservation and enhancement of both natural and human capital (2012, 10).

### 4.2 The importance of sustainable marketing

On the whole, the main goal of marketing is to satisfy customers' needs. Narrowly, sustainable marketing is marketing that has consequences for society and the environment, caused by production and consumption. The bellow chart reflected the close relationship between three factors: company – society – customer:



**FIGURE 16. Evolution of the marketing perspective (adapted from Belz and Peattie 2012)**

In fact, many ethical brands which were established by passionate individuals were trusted more than large corporate ones (Arnold 2009, 9-11). Demand of “*greener products*” has been increasing over the last decade. According to an online survey in Eco Pluse 2010 of 1.000 Americans, 64% of respondents said they were searching for greener products these days (Iannuzzi 2012, 132). A survey with 6000 consumers across 10 countries in 11/2008 revealed that when price and quality are equal, 76% of consumers would prefer to buy from a company associated with a good cause (Guerrilla 2010, 9). In addition, nowadays, employees expansively prefer and demand to work in the sustainable firms.

Besides, when sustainable factor was abused, greenwashing happened as some company may put a “*green*” logo to a normal product. However, consumer behaviour is unlikely enticed if the relevant information of that product is not easy available (Pitelis *et al.*, 89). Reputation is definitely more important than the logo. Perhaps marketing messages do a better job at the beginning stage though that first advantage will not last, they may change their minds. Precedent studies have shown that “*Gambit*” in business generally appears not to be in people's favour, if

not running a risk of experiencing detrimental backlash. (Guerrilla 2010, 119-120.)

### 4.3 Sustainable marketing activities

Sustainability has long become one of the most key signatures at many companies. However, their social, environmental, and governance activities have been digressed from core strategy for many years.

Based on commercial and sustainable purposes, sustainable marketing can be divided into three sorts of activity (Grant 2007, 12): setting new standards, sharing responsibilities and supporting innovation. Sustainability marketing delivers solutions that are (Belz & Peattie 2012, 217): ecologically oriented, viable (technical probability and competitive advantages), ethical, relationship-based. Beyond the modern marketing, it is the marketing of the future. In the other words, it is not exactly a new marketing, but it is an *“improved marketing in drawing insights and strengths from different perspectives”* (Belz & Peattie 2012, 15-18).

Based on commercial and sustainable purposes, green marketing can be divided into three sorts of activity in the following chart (Grant 2007, 12):

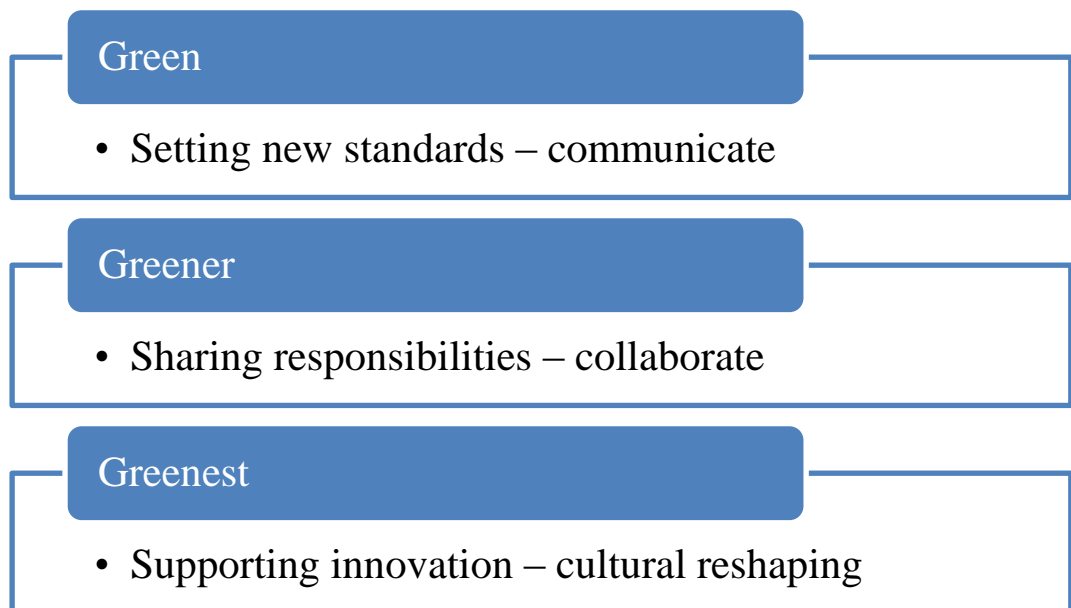


FIGURE 17. The purpose of green marketing (adapted from Grant 2007)

Sustainability marketing also delivers solutions that are: Ecologically oriented, viable, ethical and relationship-based. Ecologically oriented is taking account of the ecological limits of the planet and seeking to satisfy our needs without compromising the health of ecosystems and their ability to continue delivering ecosystem services. While “*viable*” is from technical feasibility and economic competitiveness perspectives, “*ethical*” is in promoting greater social justice and equity, or at the very least in term of avoiding making any existing patterns of injustice worse. Relationship-based moves away from viewing marketing in terms of economic exchanges, towards viewing it as the management of relationship between business and their customers and other key stakeholders. (Belz & Peattie 2012, 217.)

Beyond the modern marketing, sustainable marketing is the marketing for the future. In the other words, it is not exactly a new marketing, but it is an improved marketing in drawing insights and strengths from different perspectives.

#### 4.4 Greenwashing

When the companies know that customers are more willing to buy products if they are green, it seems that some companies have ruined the benefits of sustainable business by building the attractive green images without actually protecting the environment. For instance, they get the green logo but without really protecting the environment. Thus, the phrase “*green washing*” conflating “*greening*” and “*whitewash*” appeared. It was first used by environmentalist Jay Westerveld (Belz & Peattie 2012, 217). It is considered as the hidden ugly part of the iceberg.



It is more and more difficult for consumers to evaluate the greenness of products. For clothes, for example, it is not sustainable enough without acknowledging where the raw material is coming from and what it is made of as the transportation or the washing frequency matters. Having only bio-cotton or fair price could not be considered as being green. In fact, whole life cycle of the product needs to be taken into account. (Datschefski 2001.)

## 5 CONSUMER BEHAVIOUR

This chapter emphasises the consumer behaviour and its role in the process of purchasing sustainable products. Then, it nails down to the sustainable consumer behaviour before goes through the relationship between “*sustainable business*” and “*consumer behaviour*”.

### 5.1 What is consumer behaviour?

As the author mentioned in the previous parts, there are many approaches to put sustainable into practice and also several key points along the path to making a purchase.

The American Marketing Association interprets consumer behaviour as a diverse and animated interaction of not only internal elements such as cognition and behaviour of human beings, but also the external environment in which people share with one another various aspects of their lives. In other words, consumer behaviour engages in the thoughts and feelings that people experience and the actions they perform in the consumption process. Besides, it also involves all the living beings in that environment that influence these thoughts, feelings and lead to particular courses of actions. Some of those popular examples that can be easily observed are comments from other consumers, advertisements, price information, packaging, produce appearance and many others (Belz & Peattie 2009, 72-75) (Peter & Olson 2008, 8-11).

However, consumer behaviour is dynamic, involves interactions and involves exchanges. The author intended to investigate the consumer purchasing decision - how and why customers do or do not purchase sustainable products by finding out the role of social effects in consumption.

### 5.2 What is sustainable consumer behaviour?

Other papers highlighted that the companies have many approaches towards sustainability. However, most companies are only focusing on raw materials/

formulations and business processes for efficiency, the social aspects of sustainability are often neglected. (Sustainable Cosmetics Summit 2012.)

The concepts of “*going green*” are diverse just as the reasons for going green. “*Going green*” certainly means different things to different people (Wheatley 1993, 2) for instance, some people lean towards recycling and fighting climate change while for others, it is simple a eco-friendly life style appearing via daily action such as turning off unnecessary lights, saving running water, etc. It showed that “*there are plenty more green issues around*” and it is also a bunch of reasons for the consumer purchase (Wheatley 1993, 3).

Consumer behaviour is extremely complex and with the development of marketing, consumption has become more unsustainable over the years. However, consumer behaviour is tending to increase the demand for more sustainable and environmentally friendly products.

Faiers et al (2007) have also produced a useful categorisation and review of consumer behaviour theories that relate to the critical internal and external factors influencing consumer choice. The categories are listed in the figure below.



**FIGURE 18.** Categorisation of consumer behaviour theories (Faiers et al 2007)

A number of solutions to translate green consumer intent to action were suggested by speakers in the Sustainable Cosmetics Summit 2012 in London. The Worldwatch Institute believes that sustainable business practices can influence consumers, whilst marketing and legislation can directly change consumption habits. Citing the example of the Washington D.C. plastic bags tax, Erik Assadourian said that government can be also a major lever of change. Other speakers called brands to engage consumers for positive change, utilising social media as well as conventional communication tools. (Sustainable Cosmetics Summit 2012.)

### 5.3 From sustainable business to consumer behaviour

As the author did mention in the previous part, protecting the environment is not only the sole task of the individual.

Consumers also can do their part to preserve the natural resources that “*provide us with beneficial beauty ingredients as well*” (Baumann 2013). However, according to the report called “*Sustainable consumption: green consumer behaviour when purchasing products*”, there is a big “*attitude/behaviour gap*” or “*values/action gap*” – where 30% of consumers report that they are very concerned about environmental issues but they are struggling to translate this into purchases (Young et al. 2008).

In general, “*fairtrade*” and “*sustainability*” are the two main key terms to look out for sustainable cosmetics products. Fair trade means the products are sold with the prices that is not less than the market prices. Hence, “*there is adequate income to support sustainability and workers receive fair wages*”. Additionally, sustainability means working to preserve and regenerate the natural resource. (Baumann 2013.)

As the fact that the temptation of pretending to be green is high in the business nowadays, customers have to be cautious with the products they are buying and have to wonder if the company is really taking care of the environment or not as it seems that a lot claim to be eco-friendly. (Datschefski 2001.)

## 6 CASE STUDY – LUSH HANDMADE COSMETICS

This chapter explores an overall view of the the case company – Lush, its profile and mission statement. The most important part of this chapter discussed the situation concerning to the sustainable activities at the case company, which gives the answer for the research question of this thesis. In this chapter, the information used are mostly taken from the company’s official website, annual reports and especially from the interviews with Mr. Kevin Barker – the manager of Lush in Souhthampton, the United Kingdom.

### 6.1 Case company overview

#### 6.1.1 Profile

Lush is a fresh, handmade cosmetics company headquartered in the United Kingdom. Lush was found by the husband and wife Mark and Mo Constantine. The former name of Lush is Cosmetic to Go. Lush have changed to its current name since 10 April 1995. Lush produces and sells a variety of handmade products, including soaps, shower gels, shampoos and hair conditioners, bath bombs, bubble bars, face masks, and hand and body lotions for a variety of skin types. Established 18 years ago, the business of Lush has been profitable since day one. They have production facilities in the UK, Canada, Italy, South America and Japan. Lush profile and its environmental-concern mission is the core value of its business. (Lush 2013)

#### 6.1.2 Misstion statement

- Lush makes its products from fresh fruits and fresh vegetables, the finest essential oils and safe synthetics, with absolutely no animal ingredients inside. Lush also considers listing out the quantitative ingredients on the packages of the products.
- Lush makes sure to purchase only from companies that do not test the safety of their products on animals and in testing their products on only humans.

- Lush focuses on hand-making their own fresh products by making their own fragrances and printing their own labels.
- Lush believes in massage, long candlelit baths, and filling the house with fragrance. Also, Lush believes that they have rights to make some mistakes, lose everything and then start over again.
- Lush desires that their products must have high values, which helps them to earn profits. In addition, their customers are always right.
- Lush thinks that any words like “*fresh*” and “*organic*” must be honest and realistic other than marketing.

## 6.2 Situation analysis

For the empirical research, the interview with the manager of Lush – the case company in Southampton was based on the below structure.

**TABLE 3. Interview structure**

<b>Question 1</b>	Background of interviewee and company
<b>Question 2</b>	Target market and consumer behaviour
<b>Question 3 – 6</b>	Thoughts about sustainable production and pricing strategy
<b>Question 7 – 10</b>	Thoughts about sustainable marketing and “ <i>greenwashing</i> ”

The finding of the interview was displayed in the next two sub-chapters.

### 6.2.1 Lush sustainable production

Lush is far more a food retailer than a traditional cosmetics company because of hand-made, natural and fresh merchandise; butchers' blocks; prices by weight; greaseproof paper wrapping and best-by dates. In Lush's "*beauty delis*", soaps are piled high on Provençal-style wooden tables like strange exotic cheeses, whilst a myriad of orbs (fizzing bath ballistics) are presented in-store like perfectly round apples. "*I have always loved the way fruit and vegetables are displayed in a grocery store*", says Mark Constantine, Lush's managing director (Lush 2013).

Lush is lucky to be privately owned by its inventors, which allows them to present all kinds of different ideas that seem crazy by accomplishing their creative freedom. Lush always tries to make their products as natural as they can. (Barker, K. 2013.)

Lush stores are run in the mode of a 1950's Greengrocer with loose items and minimal packaging design. When the customers buy a product from Lush, they are paying for its ingredients themselves, not its packaging, advertising campaign or label design. (Barker, K. 2013.)

- Naked packing and sustainable packing:

90% of packaging in the shop is made from recycled materials. By this way, they could save approximately 90 tons of virgin plastic per year, which is over 900 barrels of oil. In fact, Lush sells about 6 million naked items every year.

Lush also loves closing the recycling loop. Some of Lush factory's waste cardboards are transferred to the paper mill which makes paper for Lush carrier bags. In total, more than 100 tons of cardboards are recycled in the factory every year. Lush tries to buy as much recycled material as they send for recycling, which is around 400 tons each year.

To help Lush's customers easy to recycle, Lush used mainly recycled and composted material for their packing process. Lush black pots can be returned to any store, and then they are made into one of Lush Pillars of Fizz.

- Honest labelling

Many companies hide behind Latin names to hide their ingredients, but Lush always writes both the Latin and English on their labels.

- Fresh, ethically sourced ingredients

Instead of buying in concentrates, they use fresh ingredients; peeled, chopped, squeezed and infused by Lush compounders. They have a buying team who would travel around the world; the team constantly searches out new ingredients and visits all Lush suppliers to learn more about what they use.

- Everything is hand-made

Every single Lush item is labeled with the date it was made and even the picture of the person who made it.

Different from many other companies, Lush goes further than making sure Lush ingredients are fair-trade and organic – they ensure that the quality of life of the farmers is being improved from Lush monetary input, and as they buy so many raw ingredients, they are making quite a significant difference. Lush buys a lot of sustainable ingredients, for example:

**TABLE 4. Lush Ingredients (Barker, K. 2013.)**

Real essential oils	From actual growers which Lush can make purchase directly but not from the open markets
Sandalwood oil	From One Island in the South Pacific in order to avoid kidnappers, mafia and smuggling from India. It's sustainably felled by the indigenous Kanak tribesmen.
Orange flower	1/6th of the world's harvest of them absolute from small orange groves in



	Tunisia
Neroli oil	1/8th the worlds, hand harvested from the bitter orange trees of Tunisia
Turkish Rose Absolute	1/10th the world's crop, gathered by the nomadic Roma people
Benzoin resin	Approximately 5 village's worth, from the inaccessible climbs of Northern Laos – one of the poorest countries in South East Asia
Fair-trade Shea butter	Supporting one hundred and fifty women in remote areas of Ghana
Sustainable coconut oil	Worth of one Tsunami stricken island in Indonesia
Henna	Nearly 1/5th of the UK's henna imports, a whopping 30 tonnes
Fair-trade and Organic cocoa butter	10 tonnes of from Costa Rica and the Dominican Republic
Blue Chamomile oil	1/3rd of Hungary's entire crop of their best
Flowers	150 bunch of flowers a week or about 8,000 bunches a year for using in Lush fresh products.
Organic fruit and fresh fruit and veg	25 tonnes of organic fruit a year and 50 tonnes of fresh fruits and veg a year both organic and conventional, locally sourced weather permitting
Zesty lemons and fresh oranges	10 tonnes or 90,000 zesty lemons and 4 tonnes, 33,000, fresh oranges each year

Palm oil	Lush has also stopped using approximately 250 tonnes of Palm oil in an effort to save the Orangutan and its threatened habitat in Indonesia's rainforests.
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### 6.2.2 Lush sustainable marketing

In general, Lush conducts a “*strange*” marketing strategy which obtains no-advertising. They introduce their products mostly through their own campaign, the exhibition and social events. In other words, Lush are against advertising and will only sell Lush products in Lush own shops, using Lush own people. This extends throughout Lush operations, from making Lush own furniture, to writing Lush own promotional materials and having Lush own press offices.

They strongly believe in ethical selling. Which means you will never see “*3 for 2*” offers or loyalty cards in Lush shops. “*3 for 2*” usually offers burden people with things they do not need; this is bad for the environment and for long term sales. Offers and loyalty cards mask the true price of goods and result in a certain amount of people paying a premium. (Barker, K. 2013.)

Advertising, especially in the industry they operate can be sexist and full of stereotypes. They are against selling people false hopes and encouraging people to buy things they do not need and will not use. While many of Lush products can be of benefit for health, customers are taught never to forget that the best things for their skin are to drink enough water and to get enough sleep. (Barker, K. 2013.)

Lush gives its local shops the freedom to run Lush stores in a way that suits Lush community. Every Lush store has its own charity officer and Green Helpers to strengthen and uphold Lush values. (Barker, K. 2013.)

Lush recently has some events such as support the Uncaged International Animal Rights Day, visiting schools to teach children about recycling and being green and sponsor for the “*Go-Green*” “*Save Energy*” campaigns in the university. They strongly believe that this is the greener, “*saver*” and more effective way to market

their products. Lush proudly compares itself as a “*war horse*” in contradict with a “*pony show*” – the company which is greenwashing. (Barker, K. 2013.)

### 6.2.3 Sustainable business in practice

Lush’s heart is laid on green initiatives, environmental policies, charities and ethical campaigns.

As examples they have only ever used Fair-trade coffee and free range eggs; Lush stores are powered by Ecotricity and they have never used plastic carrier bags.

About charitable support, 1 in 3 of Lush window campaigns is for charitable campaigns. Lush believe in supporting smaller organisations who would otherwise struggle to get their funding.

They give to three types of charity: environmental & conservation; animal and humanitarian

Lush prefer to get actively involved in the groups they help, rather than just giving out money or stock. They support charity because they want to do well – not to promote Lushselves.

Stance on direct action, Lush support non-violent direct action groups, because they play an important part in social change. However they would never support any direct action group that put people, animals or buildings at risk. They only support groups who have a written non-violence policy and stick to it.

As a vegetarian company, they won’t fund any charity involved in animal testing. They think that animal testing is a cruel technology which has not significantly evolved since Victorian times. It has been shown to be less reliable than flipping a coin and they believe animal testing deserves no place in modern society. Moreover, Lush refused to sponsor for any events that could be considered as a particularly unethical way of advertising Lush brand.

Whenever they give funding to a charity they do it in an honest and open way. Sometimes they give to controversial groups such as Climate Rush & The Hunts Sabs Alliance.

On the other hand, Lush customers have a choice to support the charity or not because Lush always give charity through the sales of a product. Also it means people with differing views to Lush can still enjoy their regular products without them funding anything they do not agree with.

## 7 CUSTOMER BEHAVIOUR TOWARDS SUSTAINABLE COSMETICS PRODUCTS

Regarding to the questionnaire, the author is aware that the observations the respondents make are the end products of a million different influences from social lives, memories to beliefs. So, some demographic questions are included at the beginning of the survey to gain insights into personal preferences (Hold and Walker 2009, 5)

According to the statistics from the survey, the featured respondent is about 15-25 years old living mainly in under £1000 income monthly.

In other words, does the customer buy sustainable products because of their quality or because of sustainability which they may think is good for the environment?

### 7.1 Key notes

- Lush makes its products from fresh fruits and fresh vegetables, the finest essential oils and safe synthetics, with absolutely no animal ingredients inside. Lush also considers listing out the quantitative ingredients on the packages of the products.
- Lush makes sure to purchase only from companies that do not test the safety of their products on animals and in testing their products on only humans.
- Lush focuses on hand-making their own fresh products by making their own fragrances and printing their own labels.
- Lush believes in massage, long candlelit baths, and filling the house with fragrance. Also, Lush believes that they have rights to make some mistakes, lose everything and then start over again.
- Lush desires that their products must have high values, which helps them to earn profits. In addition, their customers are always right.

- Lush thinks that any words like *“fresh”* and *“organic”* must be honest and realistic other than marketing.

## 7.2 Evaluation

Compared to theoretical evidence provided in literature review, the empirical findings in regard to the influencer factors are quite identical. Purchasing decision can be affected mostly by several aspects. That survey also shows that there are increasingly concerns about environment and society among the young generation as they are willing to pay more for the cosmetics products and they care about animal testing when purchasing.

## 8 CONCLUSION AND FURTHER RESEARCH

This final chapter will summarize the main findings concerning four research questions listed in the first chapter as well as address the suggestions for further research on the thesis topic.

The following table illustrates shortly the thesis sub-questions and the findings

**TABLE 5. Major findings of the thesis**

<b>Thesis sub-questions</b>	<b>Findings</b>
What is sustainable production in the cosmetics market and its importance?	Using natural and synthetic raw materials, not testing on animals, 100% natural ingredient and organic
How do the case company's sustainable marketing strategies apply in bringing the sustainable products to customers?	<ul style="list-style-type: none"> <li>• Fighting animal testing</li> <li>• Fresh Ingredients</li> <li>• Ethical Buying</li> <li>• Ethical Campaigns</li> <li>• Charitable Givings</li> </ul>
How do these factors (making and marketing) mainly affect the consumer behaviour in making buying decisions?	<ul style="list-style-type: none"> <li>• 54% of the respondents agreed that the product quality is the most important factor (rate 5) attributes to the cosmetics brand.</li> <li>• Other factors such as product advertisement, product packing, and product promotion were rated from 3 to 4 as "<i>Somewhat important</i>" factors.</li> <li>• More than half of the respondents (63%) will pay more for the cosmetics</li> </ul>

	<p>products that come from organic/natural sources.</p> <ul style="list-style-type: none"> <li>• While half of them (55%) do care about animal testing when deciding to purchase a cosmetics product.</li> </ul>
How could case company improve its business to get more customers?	Continuing to focusing on making sustainable products

The thesis question is to find out how the making and marketing of sustainable brand affect consumer behaviour. Although thesis questions have been mainly solved within the previous chapters, the thesis only concentrates on analysing the case company – which is the handmade cosmetics company. The author would recommend that the further researches should be broadly conducted in a different industry.

As mentioned in the “*Scope and limitations*” part, the thesis is created without taking finance into consideration. Therefore, further research is recommended to employ the accounting methods to evaluate and assess the success of sustainable business. For instance, how the case company reaches higher prices or gains more market share because of sustainable products...



## 9 SUMMARY

The general concern of environmental issues of the important of sustainability in business is currently undergoing a dramatic increase. Nowadays, when buying a new product, the customer's decision is not only connected with price itself but also the value of the product, the contribution of the company to the environment.

In the author's opinion, the production and marketing take an essential part of the sustainable brand. Neither of them is less important. Those two important factors contributed to build a strong sustainable image in customer's mind. In beauty industry, most of cosmetics companies run into difficulties because of lacking of sensible marketing while other fail in making natural products when raising worries about using overmuch unsafe chemical ingredients in cosmetics industry.

In the future, the author predicts that the company should continue to put more effort into making sustainable products than marketing them. It satisfied the growth in the consumer interest of contributing to the society, environment and ethical life.

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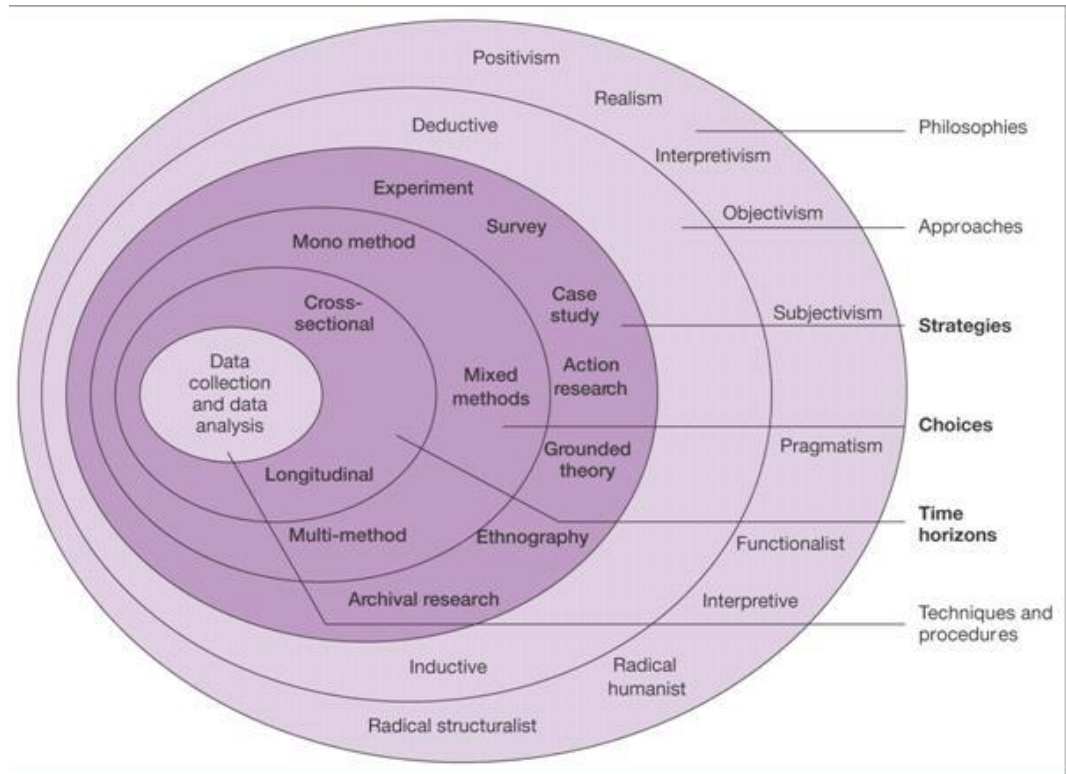
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## APPENDICES

## Appendix 1:

Research Process Onion (adopted from Saunders et al. 2012)



## Appendix 2:

Questionnaire form:

Hello, I am a BA student and I am in the process of writing my thesis, which focuses on the effects of sustainable production and marketing in relation to consumer. As a part of my thesis, I would like to ask you to fill in this questionnaire. This questionnaire will take less than 5 minutes of your time. Thank you for participating.

\*Required

1. What is your nationality? \*
2. How old are you? \*
  - 15 and under
  - 15-25
  - 25-35
  - 35-45
  - 45 and over
3. What is your monthly income? \*
  - Under 1000£
  - 1000£ - 3000£
  - 3000£ - 5000£
  - Over 5000£
4. When you decide to purchase cosmetics products, what factors influence your decision? \*
  - Brand
  - Price
  - Recommendation from friend
  - Special offer or promotion
  - Advertisement

- Ingredients
- Other:

5. Of the following subjects, please rate the cosmetics brand by their attributes on a scale. \*

Scale: 5 = Very important; 3 = Somewhat important; 1 = Very unimportant

	1	2	3	4	5
<b>Product quality</b>					
<b>Product advertisement</b>					
<b>Product packing</b>					
<b>Product promotion</b>					

6. When deciding to purchase a product, how important are natural ingredients? \*

Select a value from a range from

	1	2	3	4	5	
<b>Strongly disagree</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<b>Strongly agree</b>

7. When deciding to purchase a product, do you care about animal testing? \*

- Yes

- No

8. Do you think that eco-friendly factors (natural ingredients, green marketing...) have significant impacts on cosmetics consumption? \*

Select a value from a range from

	1	2	3	4	5	
<b>Strongly disagree</b>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<b>Strongly agree</b>

9. How much do you trust cosmetics advertisement? \*

- A lot
- Some
- Only a little
- Not at all

10. Will you pay more for the cosmetics products that come from organic/natural source? \*

- Yes
- No

### **Appendix 3:**

#### Open-ended interview structure

1. Brief information about the respondent: Who are you, what is your position in the company and what are your responsibilities?
2. Describe your company's target markets and customers.
3. How do you define sustainable production, especially applied in cosmetics production?
4. How sustainable is your production and products?
5. What do you think are the difficulties of sustainable production which may restrict other cosmetics companies to go-green?
6. How are your sustainable products priced in order to compete with ordinary products in the market?
7. How does the company sustainable marketing strategies applied in bringing the eco-friendly products?
8. How does your company communicate sustainable solutions to customers and how do their views affect your business?
9. What are the benefits of sustainable of "*making and marketing*" sustainable products for your company?
10. What do you think about "*green-washing*"?