

Lush
“Happy people making happy soap”

EXECUTIVE SUMMARY

I. Situation Analysis

Lush Products and Services:

Creators of Lush have been working together to craft their handmade cosmetics since the 1970's, but not under the name Lush. Luckily in 1994 the company was able to recreate itself and reopened its doors as Lush Inc. Their headquarters are in Poole, England where they really changed the bathing world by introducing the public to new bath products such as Bath Bombs, Shampoo Bars and Massage Bars. Lush offers organic hair care, shower care, skin care and body fragrances.¹ The company was an instant success in England and now they have over 600 stores in 43 different countries. Lush believes in “happy people making happy soap.”

Industry Analysis:

Lush Inc. is a privately held company based in Poole, England. The company manufactures and has a market of personal health care products and gifts. There is no industry yet for organic cosmetics, which Lush ultimately falls into, however, Lush advertises itself as a cosmetic company. Thus Lush falls into the industry of cosmetic, perfume, or beauty supply stores that primarily engage in retailing cosmetics, perfumes, toiletries, and personal grooming products.² In 2002, there were 10,786 cosmetic, beauty supplies and perfume stores in the United States.³ Also in 2002, the cosmetic industry

¹ Marketline, “Lush Limited,” Marketline, http://0-www.marketlineinfo.com.library.simmons.edu/library/iProduct_product.aspx?R=245B70E6-7273-4999-B1D9-20D8B0C6BC2A&s=IDA0MYO (accessed October 13, 2010)

² U.S. Census Bureau, “NAICS 44612: Cosmetics, Beauty Supplies, and Perfume Stores,” U.S. Census Bureau. <http://www.census.gov/epcd/ec97/def/44612.HTM> (accessed October 13, 2010)

³ Bobby E. Russell, “Health and Personal Care Stores: 2002” U.S. Census Bureau <http://www.census.gov/prod/ec02/ec0244i06.pdf> (accessed October 13, 2010)

made about \$6,700,460 in sales.⁴ Since 1997, the industry has grown by at least one thousand establishments and over 2 million units in sales. The industry will likely continue to grow at the same kind of rate or steady out in the near future.

There are many trends emerging in the health care product world. In 2009, there was a 3% increase in bath and shower products in the United States.⁵ Unfortunately, it seems as if the demand for bar soaps is decreasing while gel and liquid soaps are gaining popularity in the industry. In addition, other bath products that you add to your bath such as bubble soaps have begun to decline. However, male bath products have become popular within the last couple of years and have started to emerge in the industry with strong potential.

There are many parts of Lush that make it a unique company and help it stand out from the rest of the cosmetic world. Lush is one of the few companies that use completely organic materials to make their products. In addition, Lush makes all their products by hand instead of mass production to ensure all their products are always fresh. Lush wants their products to be made personally by their employees instead of having production lines and large factories full of machines. Organic Cosmetics is an up and coming idea. Lush seems to be way ahead of the rest of the industry, not just in their actual products they are producing, but also in the way they package. The entire company is green from their stores, factories, and offices to the products they sell.

⁴ Bobby E. Russell, "Health and Personal Care Stores: 2002" U.S. Census Bureau <http://www.census.gov/prod/ec02/ec0244i06.pdf> (accessed October 13, 2010)

⁵ <http://0-www.portal.euromonitor.com.library.simmons.edu/Portal/ResultsList.aspx>

This is the perfect time for Lush to re-launch themselves into the public eye. Going green and using organic products are one of the most significant issues today. Lush is one of the few cosmetic companies that can say all their products are organic and that the packagings for these products are either none existent or recyclable. The image that Lush has as a company creates huge opportunity for them to play off the idea of going green. Since Lush is an organic company it is very easy for them to get their supplies. They do not really need to rely on a particular material; all they really need is the earth.

The demographic for Lush is between the ages of sixteen to thirty-five, probably the most popular for women in their mid to late twenties. Lush attracts mainly to women costumers. This is a weakness, because it eliminates male costumers. Lush does not sell any products that really appeal to their male consumers. Most products are either too feminine in terms of scent, use and appeal. Also, since Lush is an all-organic company the products tend to be more expensive compared to other health and beauty products. This too eliminates a number of potential costumers.

Company Analysis:

One of the strongest qualities about Lush is that all their products are completely handmade and one hundred percent organic. Their soaps, shampoos, and body wash are made from ingredients found in nature and often have a shelf life of one year. Most beauty products in the industry contain different kinds of chemicals and can sit on store shelves for years. The advantage of informing customers that Lush products are all made fresh and do not contain any preservative gives them a competitive edge against

other competitors. Another factor distinguishes Lush from their competitors is their stance against cosmetic testing on animals. Lush is passionate about protecting and enforcing animal rights. Most companies in the industry like to experiment on animals to see how the chemicals in the products would affect the skin. With Lush, they know that by making all their products fresh and with organic ingredients, no further testing is called for. In keeping with their organic theme, Lush is environmentally conscious and has used no packaging at all and has encouraged customers to reuse and recycle their Lush pots (the container their products come in). Other strengths include staff expertise and the ownership of the company. Lush is a privately owned company; they do not have to answer to shareholders and have all control of what is being made and what is being sold. Lush employees are very friendly and knowledgeable about their products. Employees study the Lush catalogue in order to provide correct information about each product, what each product is made of and what the uses are.

Regarding weaknesses, we believe Lush can improve on their marketing communications and campaigns. That's why we decided on creating a marketing plan that can better expand the company's demographics and geographic locations. Lush has the potential to attract many more customers and appeal to customers who are not satisfied with the beauty products they are currently using or who are looking for products that do not contain any harmful chemicals and colorings. In addition to marketing, Lush products are often pricier than most products. It is understandable that organic cost more, but for consumers who want or prefer organic products, how do they able to pay for them? In our opinion, it is best for Lush to have a wide range of prices that are able to meet all consumers' budgets.

Competitor Analysis:

Since organic cosmetics are an up and coming industry there are not a large number of competitors for Lush. Luckily, for Lush since there are such a low number of establishments in organics cosmetics it gives them the opportunity to grow as a company. There is not a huge threat of entry for Lush, since the world is looking to go green; it gives Lush so many opportunities to create a new industry. Lush will do even better once the economy goes back up and people are willing to spend more on luxury items. Since Lush is more of a luxury item it does have to worry about people looking for cheaper products at their local drugstore chains. Also not many people are familiar with the Lush as a brand name. This is a challenge because many people become gain brand loyalty early on and are not always so willing to try something new. The buyers hold the power over suppliers in Lush's situation, because Lush is a want and not a need.

Lush Inc. specializes in organic beauty products that range from skincare, hair care, body, shower ,and perfumes. Upon researching its top competitor is The Body Shop and Aubrey Organics. The Body Shop is a natural beauty supply shop with products that reach all demographics. Their products range from cosmetics, skincare, and even baby products. Aubrey Organics also sells organic beauty and cosmetic products that cater to every customers' needs.

Lush has positioned themselves as “ happy people making happy soap”. To further develop their initiatives they have whole-heartedly integrated themselves in an eco-friendly and socially responsible strategic plan to run their company. Products are made and created in house. Each product has a sticker showcasing who made the product along with an expiration date. Each product is made to order drastically saving cost and

relaying the fact that consumers are getting the freshest product possible. Products are tailored specifically to the consumer's interests. Products are discontinued annually and restored with innovative creations that are developed. Lush also gives back to society with strong CSR campaigns. Such campaigns include Save the Sharks, Save the Seals, No Nukes, and Stop the Tar Sands. In addition to the campaigns, Lush stresses the fact that they are drastically cutting environmental waste by recycling their products, using minimal to no packaging, and cutting back filling landfills by five percent. The company does lack adequate promotion of its company. Lush's competitive classification can be defined as a challenger. They have a clear identity, innovative products, but are lacking proper promotion, which could catapult them into the position of a leader. Additionally if they add more products targeting different ages groups as well as men they would be on a more lucrative path. Distribution in the US is also a weakness for Lush. Stores are sparingly located only on the east coast.

The Body Shop is an eco- friendly beauty product store that has products for a range of demographics. Natural products vary from skincare, cosmetics, hair care, products for men, and baby products. The Body Shop positioning simply is "there is only one way to be beautiful- Nature's way". This company has natural products that are priced relatively expensively. The wide product line allows for a wider market thus bringing in more revenue. This company prides itself on very strong CSR campaigns such as: aiding the end sex trafficking, defending human rights, no animal testing, activating self-esteem, and protecting our planet. Distribution of products is sold globally as well as evenly dispersed stores around the US. Promotion of the company includes advertisements, "love your body" member cards, specials and discounts, and an online

website that is highly informative. Products are organic and not tested on animals.

Weaknesses of the company include high costs, natural products that are made out of house, trade costs are high, and product isn't has fresh and organic as it could be. The Body Shop can be defined as Leader. The company is a leader because they have natural products, an expansive line of products, great distribution, and a wide target market.

Aubrey Organics was founded in 1967 by Aubrey Hampton. Since then, Aubrey has been recognized as a pioneer of the organic cosmetic industry. Aubrey is credited for inventing many of the "firsts" in the field. Such examples are: the first to list all ingredients in his products, the first to develop a grapefruit seed extract and antioxidant preservative and the first to use essential fatty acids in his formulas. Since the many inventions of his career Aubrey Organics has established their organization as a leader. Their position is summarized by their statement, "Protect the earth.... Support the well being of people ... Nourish the Spirit." Aubrey Organics has a wide variety of products that engage all demographics. Their products range from hair care, skincare, makeup, fragrances, men's, sun/outdoor, pets, books, lotions, bath and spa, baby, household, and deodorants. Products are globally distributed as well as being sold in virtually every organic grocery store in the United States. Products are also available on their highly educational website as well as offered through catalogs. Prices for Aubrey Organics are moderate and are affordable ranging from three dollars to forty dollars. Aubrey Organics has been featured in numerous magazines as well as promoting themselves through one hundred percent recyclable print ads. Aubrey Organics also supports the aide of organic agriculture in Ghana, Japan, and Honduras. Many of their product ingredients come from the prosperous farms that are developed in these countries. Weaknesses that Aubrey

Organics could work on are more innovative and contemporary products that would gain the attention of younger consumers. Promotions offered on the website could be more available as well.

Table 1: Competitor Analysis

	Lush	Aubrey Organics	The Body Shop
Product Description	Organic handmade fresh beauty care products. Products categories range from hair care, skincare, bath, cosmetics, and fragrances.	Organic Beauty Care Products Product categories range from hair care, skincare, bath & spa, body lotions, deodorants, fragrance, makeup, lip balms, baby, men's, sun/outdoors, pets, and households	Organic Product Beauty Products for Men, Women, Adolescents, and Babies Natural skincare, cosmetics, fragrances, hair care, shaving products, baby bath products
Target Market	Women age range 20-35 years old	Broad market ranging all ages	Broad market ranging all ages Broad market ranging all ages
Positioning Strategy	“ Happy People Making Happy Soap”	“ Protect the earth .. Promote the well being of people... Nourish the Spirit”	“ The Body Shop believes that there is only one way to be beautiful - Nature's Way”

Product Benefits	<ul style="list-style-type: none"> -Organic, fresh, handmade products that are unique -No testing on animals - Products are developed in house - Involved in recycling old products for future use - Company creates new products annually and discontinues previous products to keep Lush innovative and interesting 	<ul style="list-style-type: none"> -All products are organic - There is absolutely no testing on animals - Products are created by the founder himself - Products cover every demographic - Books that are written by the founder himself explaining benefits of organic beauty care - Products are handmade and made in 50 gallons batches to ensure quality control - shipped directly from manufacturer to consumer or retailers 	<p>Eco- friendly, natural beauty care products</p> <ul style="list-style-type: none"> -Not tested on animals - Offer organic products for every demographic
Distribution	Globally distributed, online availability	<p>Globally distributed, products are found in virtually every organic grocery store such as Whole Foods and the Vitamin Shoppe</p> <ul style="list-style-type: none"> -Online availability and catalog request 	Globally distributed stores , online availability as well
Pricing	Pricing of each product differs the range of pricing is from 5.00 – 75.00 dollars	Prices range from 3.00 to 40.00 dollars	Prices range from 5.00 -60.00 dollars

Promotion	<ul style="list-style-type: none"> -Lush has very limited advertisements or marketing promotions - Rely on awareness of CSR campaigns , Green Initiative, No Animal Testing- Highly informative website -Relies heavily on hands on experience in store experience 	<ul style="list-style-type: none"> -Have highly informative websites- Catalogs , free shipping with purchase over 75 dollars - Books that are tailored to instruction and information of organic beauty products written by the founder - Aubrey (the founder) is highly recognized for pioneering the organic cosmetic field - Print ads are printed on 100% recyclable paper- CSR programs that aide with development of organic agriculture in Honduras, Japan, and Ghana - Supporting charities such as Aids hostel in Vancouver 	<ul style="list-style-type: none"> -Have highly informative websites - Advertisements - CSR campaigns that involve all demographics - “Love your body” member cards that allows for ten percent discount for the year - Locations are placed in more convenient areas such as local shopping malls
Competitive Classification	Challenger	Leader	Leader

	Lush	Aubrey Organics	The Body Shop
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<p>Rating Against Industry Key Success Factors</p>	<ul style="list-style-type: none"> -Lush posses great CSR initiatives - Have great handmade Organic Products - Relates to consumers in letting them know who actually makes the Products - Employees are Involved in creating an experience which is reflected in the website - Deficiencies include lack of proper promotion (advertisements , member cards, discounts) - Products for Men are lacking - Prices could be perceived as too expensive in slumping economy - Distribution , US locations only on east coast 	<ul style="list-style-type: none"> -Aubrey creates all products himself - Products are handmade in controlled measures - No animal testing - Founder is the pioneer of the organic field and has been in the business for over 40 years - CSR initiatives that correspond to Organic farming globally - Distribution leads to easy accessibility nationwide and world wide - Product is fresh sent straight from manufacturer - Wide variety of products - Demographic spans all ages - Discounts aren't available online - Priced moderately - Company might lose interest of younger consumer – not seen as contemporary - Needs more advertisements and awareness of products 	<ul style="list-style-type: none"> -The Body Shop has a variety of products that cover all demographics - Products are natural - CSR initiatives are highly effected and stated on website - Main purpose is to let consumer know that they want to improve society - Member discounts , advertisements - No animal testing - Distribution is spread out across the world as well evenly dispersed across the US - Deficiencies include high prices - Out of house contributors more expensive trade prices
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Table 3: SWOT Analysis

Internal Factors	Strengths	Weaknesses
Product Quality	<p>Product Quality: Handmade for Freshness Every week they make products in small batches, by hand. LUSH makes products as needed to ensure that everything delivered to the local shop or your front door is as freshly made as possible. You may be purchasing product that is only days, or even hours old.</p>	N/A
Means of Testing Products	<p>Means of Testing Products: No Animal Testing LUSH never tests their products and ingredients on animals, or engage with third-party suppliers to test on our behalf. LUSH also will not buy any ingredient from any supplier that tests its materials on animals for any purpose. While some companies only preclude the use of ingredients tested on animals for use in cosmetics, the LUSH policy states that they will not do business with any supplier that is engaged in animal testing for any purpose.</p>	N/A
Ingredient Quality	<p>Ingredient Quality: Fresh Ingredients LUSH specializes in making highly effective, 100% vegetarian products for bath, hair and body that are loaded with fresh, natural ingredients and minimal preservatives. Coconuts, strawberries, ginger, lemons, wheatgrass, avocados, fresh mint, sea salt are just a few of the fresh ingredients they use.</p>	N/A

Corporate Social Responsibility	<p>Corporate Social Responsibility: The Charity Pot</p> <p>100% of the retail price of “The Charity Pot” hand and body cream goes directly to worthy causes. With the proceeds, LUSH donates to carefully selected charities around the world that support animal rights, environmental protection, and humanitarian concerns. They have sold 18,647 pots so far in North America.</p>	N/A
Product Life	N/A	<p>Product Life: Discontinued and Expired Products</p> <p>After each year, LUSH discontinues countless products in order to prevent their cosmetic line from seeming dull. The LUSH team needs at least one hundred new products each year to replace the discontinued products from the year before. This can waste a substantial amount of resources and cost the company a large amount of money. Since the products are made from fresh handmade ingredients, there is an expiration date for each item. Customers seemed to dislike the fact that they were paying a decent amount of money for a product that didn’t last very long.</p>

Survey Analysis

In analyzing Lush’s popularity and marketing we surveyed twenty-seven individuals, twenty-one females and six males ranging from the age of 18- 55. 67% of the customers surveyed were between the ages of 18- 21. Please see Exhibit #1 for a sample survey. The survey showed that although many people know about Lush, it is it from

word of mouth or stumbling upon the store, not through Lush's advertisements and marketing. Of the 27 surveyed only 5, or 19%, were not familiar with Lush. 50% of these "yes" were a result of seeing the store on the street and the other 50% as a result of hearing about it from family member or friend. No one had first heard of Lush from online or another media source. Of the few who knew about Lush only have 5 customers had seen advertisements in local newspapers, online, and in a magazine.

Since Lush's products are made from organic and natural materials we asked the public if they were familiar with organic products, how inclined they were to buy organic and if buying organic products were important to them. Over 50% were familiar with organic products all others were indifferent. Over 80% were more inclined to buy organic products and the majority was willing to spend more on beauty products.

The customers who already shopped at Lush felt that Lush's products compared better than other beauty products. Of the 82% voted better and 18% were indifferent and no one thought Lush's products were worse than their competitors. Those who did not shop at Lush shopped for their beauty supplies at other stores including, CVS, Sephora, Macy's, and Origins.

Key Issues for Lush

Creating a marketing plan that can better expand the company's demographics and geographic locations. Lush has the potential to attract many more customers and appeal to customers who are not satisfied with the beauty products they are currently using or who are looking for products that do not contain any harmful chemicals and colorings. In addition to marketing, products from Lush are often a little pricier than most products. It is understandable that organic cost more, but how are people who want

organic products pay for them? In our opinion, it is best for Lush to have a wide range of prices that are able to meet consumers' budgets.

Exhibit #1: Lush Survey For In-store Customers

Age: _____

Sex: Male Female

1. When/how did you first hear about Lush?
 - A. Online
 - B. Friend or Family Member
 - C. Saw store on the Street
 - D. Other source: Please specify

2. How do Lush products compare to other body products you have previously tried?
 - A. Better
 - B. Worse
 - C. Same
 - D. No opinion

3. Are you more inclined to buy organic products?
 - A. Yes
 - B. No
 - C. Doesn't matter either way

4. Would you be willing to spend more for organic, handmade products?
 - A. Yes
 - B. No
 - C. I'm indifferent

5. Have you seen any of their advertisements? If so, where?
 - A. Yes, I saw the advertisement in _____.
 - B. No, I have never seen a Lush Inc. advertisement

THANK YOU FOR TAKING THE TIME TO FILL OUT THIS SURVEY!

Lush Survey For the General Public

Age: _____

Sex: Male Female

1. Are you familiar with Lush Inc.?
 - A. Yes
 - B. No

2. If yes, how did you hear about Lush ?

- A. Online
- B. Friend or Family Member
- C. Walked into store
- E. Other media source : please specify

3. Are you familiar with organic products ?

- A. Yes, I use them all the time
- B. I'm indifferent
- C. No, I choose to use other products

4. Are organic products important to you?

- A. Yes
- B. No
- C. I don't care either way.

5. From which store are you most likely to buy your beauty supplies from?

- A. Wal-Mart
- B. Drug Stores (CVS/Walgreens)
- C. Origins
- D. Sephora
- E. Other : please specify

THANK YOU FOR TAKING THE TIME TO FILL OUT THIS SURVEY!

III. Marketing Goals

Marketing Goals:

There are two main goals that will help make Lush into well-known brand and increase their sales. These goals include:

- Increase Lush's advertisements
- Development a line of personal care items for men

Some factors that have oppressed Lush's growth are minimal advertisements and a narrow demographic. The advertisements will be placed strategically on billboards, at bus stop, magazines, and on the Internet. The purpose of starting a new men's line is to expand the demographic and to attract in more consumers. These two focuses will ultimately lead to a more well know brand identity and a more sustainable organization.

We hope to build Lush awareness and to increase the number of potential customers within one year. We will start with the Internet and print advertisements while simultaneously developing a strong men's line.

We will be able to measure the success of these goals by physically seeing more print ads, keeping track of online visits, and having an increase of sale. Drafting ideas for a new men's line will progress during a year and at minimum be on shelves by two years. Success of this new line will be directly measured by surveys, and an increase of male consumers in stores.

Marketing Strategy:

In order to achieve these goals Lush needs to understand their target markets and how to effectively communicate its point of difference and excellence. Currently, the target market for Lush are young professional women ages 20-35 years with a passion for eco-friendly products. Lush wants to expand its market to include the young professional male. The creation of the new men's line will be unique because all of the products are fresh and tailored specifically to the wants and needs of the male consumer. Lush will educate these consumers about the products and benefits of using organic products. Advertisements will also emphasize the value of Lush by being eco-friendly like the products. The strategy is to communicate Lush's value on educating and using recyclable and environmentally sound products to achieve their goals and reach out to a new target market.

Point of Difference

The point of difference for Lush is its commitment to the environment by using fresh and organic raw materials and no packaging. Lush is a creative organization that

educates their consumers as well as targets consumers who are conscious about the environment and their bodies.

Positioning Statement

For young professionals, Lush Cosmetics is an eco- friendly organization that provides fresh and innovative personal care products that are handmade and resourceful.

IV. Marketing Program

Product Strategy

“The fresher they are, the fizzier they are. We also use generous spoonfuls of essential oils to make the fragrances, something, which you come to expect from your daily dunk in the bath. Lush Bath Bombs were first to bring some luxury to boring baths: mood enhancing fragrances, flower petals, colors, moisturizing butters - all manner of surprises to make bath times worthy of spending your well earned relaxation in there.”⁶

Feature	Benefit
18 types of bath bombs	A lot of options
Variety of features	Anything from sparkles to rose petals, depending on the mood you are trying to set during your bath time
Skin care	Skin Moisturizer
Size of the bath bomb	Use one per bath or it is easy to break apart to have the bath bombs last longer
No package	Going green and so is the freshness of the product
Organic ingredients	Makes the consumer feel cleaner and fresher

⁶ Lush, “Bath Bombs,” Lush Fresh Handmade Costmeics, <http://www.lushusa.com/shop/products/bath-shower/bath-bombs> (accessed November 19, 2010).

All you have to do is place one of these bath bomb balls into the tub, and it starts fizzing like crazy. As it dissolves, essential oils and other goodies are released into the water.

There is only one thing that we would want to possibly change about the Bath Bomb and that is the after effect that certain Bath Bombs have on consumers' tubs. Some Bath Bombs are known to leave rings around the tub after use. Many consumers believe that the Bath Bombs are worth the extra clean up, but maybe we could look into changing the ingredients some how to improve the aftermath of using one.

Pricing Strategy

The ultimate goal of Lush Inc. is to create a new beauty care line for men. Lush's competitors already have established distinguished lines for men's skin, hair, body, bath, and fragrance. A challenge for Lush is to successfully create an organic line for men into an existing market of competitors. Initially Lush will have to price their product by using penetration pricing. The goal is not to orientate pricing to cost or profit. The main focus is pricing the new Lush line in a manner where consumers will not be drawn to potential cheaper substitutes or other pre-existing organic lines. A catch to this is also pricing the products in correlation to quality of Lush products which is of higher quality.

Competitors such as Origins and The Body Shop carry a multitude of natural men's products from bath, body, skin, fragrance, and hair. The body shop is relatively inexpensive for its natural products. The prices range of \$3.50 to \$28.00. Origins is much more expensive and exemplifies prestige pricing. Products for men start at \$12.50 and peak at \$33.50. Lush wants to ultimately create an expansive target market. The target market is now primarily women ages 20-35. Lush will have to price their products at a

lower price than desired then engage in higher prices when a demand from men for the products is needed.

Existing prices of the organic women's products at Lush start at \$4.00 and go all the way up to \$89.95. Lush now practices odd-even pricing as well as prestige pricing for their unique products. In order to create an expanded consumer base, it would be best for Lush to set lower prices for their men's line. A man who has not purchased organic beauty products before will be more likely to try the product if the price is set lower than the women's line. Once Lush builds the male consumer base then demand-orientated strategies can be practiced. The prices will be as follows:

Bath: soap and bath bombs (3.95 – 7.95)
Shower: bath jellies, emotibombs, shower scrubs (3.95 – 5.95)
Hair : shampoo, conditioner , and shaving gels (6.95-10.95)
Skin : moisturizers (10.95-14.95)
Fragrances: (10.95-14.95)

All of the men's products are reduced in their own specific category compared to the women's line. Prices range from 3.95 to 14.95, which is not an intimidating price scale for men at all .Lush is practicing three strategies of pricing . Odd-even pricing, which will make the consumer, believe that instead of spending four dollars they are spending three dollars. Secondly, penetration pricing which is setting a low initial price of the men's products easing the emergence into a new consumer base .Lastly , Lush is also practicing loss-leader pricing which showcases the special prices drawing attention to the new line of men's products. Also this plays into the fact that women will be more likely to buy products for themselves and add on what they perceive as an inexpensive gift for a male.

A new organic line for Lush is a genius idea and lower pricing will not be practiced for a long amount of time. Lush will set a one year period in which it will practice penetration pricing. Once a second consumer base is established Lush can considerably raise the prices of their products to the scale price of women's products. Lush changes its products each year, thus marking up the products will be easier to disguise because consumers will believe that there is additional benefits to the new type of product. Once a demand for the men product is placed skimming pricing can be practiced which would significantly raise sales revenue. Sales volume will increase in correlation to demand.

Distribution Strategy

For Lush to market effectively to a broad range of customers, they should expand their marketing coverage strategy. Since the company is primarily based overseas, Lush needs to work even harder to create a base for their company within the United States. As of now, there are a total of one hundred and five stores nationwide. Only twenty of those stores are located in the northeast, one of the wealthiest parts of the United States. Lush should focus on distributing their product more prevalently throughout the Northeast in order to take advantage of the higher income. Lush carries premium, organic products that target affluent consumers. Lush should take advantage of the richer states (Connecticut being the richest state in the U.S) by distributing their product more in the Northeast. They can do this by opening more shops themselves, or perhaps giving certain retail shops exclusive rights to selling their product. This would be an example of exclusive distribution. I think that exclusive distribution is the right step for Lush Inc. to take as far as making their product more attainable.

The best direct channel to reach our customers is the shops around the nation. Since Lush is a private company, they do not want to start selling their products in huge retail stores like Target or Wal-Mart. The best indirect channel for Lush to reach their customers is online. Since Lush does not have many shops across the nation, the Internet is their best bet for trying to increase sales. They should promote their product through print ads or commercials and encourage consumers to buy their products online. Below is a channel diagram in which it shows how Lush can distribute their products to best reach their customers.

CHANNEL DIAGRAM: Manufacturer \Rightarrow Lush Retail Shop \Rightarrow Consumer
 \Downarrow
(a) Consumer through Internet or (b) Upscale mass retailer (i.e. Macys)

Marketing Communications Strategy:

Communication objectives

The communication objectives for Lush are to continue to widen their consumer audience. Lush will target more towards the young professional male. In addition conveying the benefits of natural and fresh soaps and beauty products for yourself and the environment will hopefully increase potential environmentally cautious consumer.

Proposed budget

We propose that Lush use 15% of their total profit towards advertising. Currently they greatly lack in this area. Lush cannot rely 100% on word-of-mouth customers.

Really putting themselves out there in a way that does not go against their values could tremendously strengthen the company's loyalty and increase their profits.

Recommended media

The media sources that will be used to help increase the brand awareness of Lush are magazines, internet, public transportation, and their new partnership with Lululemon. The magazine ads will help them reach their largest target consumer, women between 20-35 years old. Lush will use magazines such as Cosmopolitan and Vogue. The internet will also provide attention to their consumers. Lush will publicize and provide links to their website, Facebook page, and Twitter on all of their pages. In addition Lush will place their ads on the ad strip of Facebook. This will help create more traffic and awareness of the brand.

Trade and sales promotion plans

In order to increase the amount of consumers who will visit their stores Lush will offer a few sales promotions. First they will have occasional special offers, such as a free mini bath bomb, available to visitors of their website to download and print off to use in-store. Second, is the promotion for if you and a friend visit the store you both receive 15% off your total purchase. Lastly, putting coupons in the bags of consumers who just made a purchase. This give them an incentive to return, it increases their awareness about a new high profiled item (such as men's products) as well as a discount of 15% on that item.

Public relations plan

The public relation plan for Lush will focus on local community awareness and benefits of Lush's products and what the company is doing for the environment. Actively showing consumer how Lush benefits everyone through graphs and charts outside their stores and in their ads could potentially help. Raising awareness of the Charity Pot

program and implementing it in their partner store Lululemon could also be a great resource for them.

Personal selling

Undoubtedly the strongest market strategy for Lush is their customer service. Continuing to encourage and thrive in this area of face-to-face interaction between the consumer and buyer will increase customer loyalty. Lush should continue with what they are brilliantly doing when it comes to personal selling.

V. Sales Forecast:

Based upon our recommendations we have made during our marketing plan with the increase of advertising we hope that sales will increase at least 5% of Lush's overall revenue.

Financial Statement:

Revenue: Bath bombs 50% of total revenue → $(\$6 \times 200) \times 30 = \$36,000$ a month
Total Revenue → 72,000
Variable Cost: \$3 for Bath Bombs
Fixed Cost: \$4,000 rent, \$2,000 bills, \$2,000 salaries, \$2,000 advertising
Projected Profits: \$60,000

With such a variety of products it was hard to select a variable cost and unit price, so we decided to focus on one product the bath bomb and work off the numbers we found from it. By doing this we had to make the assumption that Bath Bombs were probably half of Lush's revenue since they are the highest selling product by a huge margin.

A Month

Using the Price for Bath Bombs
Variable cost per unit (UVC): \$3
Fixed Cost: \$10,000
Expected unit Sales: 6,000
Unit Price: \$6

BEP units:
= fixed cost / (unit price - UVC)
= $\$10,000 / (\$6 - \$3)$
= $\$10,000 / \3
= 3,333 units must be sold to break even

BEPrevenue = BE units x Unit Price
= 3,333 x \$6
= \$19,998 a month for Bath Bombs

= \$39,996 total revenue per month
=\$479,953 a year

Increase Advertising by \$5,000

Using the Price for Bath Bombs
Variable cost per unit (UVC): \$3
Fixed Cost: \$15,000
Expected unit Sales: 6,000
Unit Price: \$6

BEUnits:
= fixed cost/(unit price-UVC)
= \$15,000/(\$6-\$3)
= \$15,000/\$3
= 5,000 units must be sold to break even

BEPrevenue = BE units x Unit Price
= 5,000 x \$6
= \$30,000 a month for Bath Bombs

= \$60,000 total revenue per month
=\$720,000 a year

VI. Monitoring and Controlling

Increase awareness of Lush as well as introducing a men's personal care line will not be an easy task. However with a relatively soon implementation and close monitoring of sales within the next four years it will be apparent whether or not this marketing program was a success. Within this year, with 15% of sales going into advertisements, we hope to see a direct increase in consumer's awareness of the brand as well as an increase in sales. With our men's line which will be on the shelves within two year we hope to gain a more visibly diverse consumer base. Solid sales of this line will also help indicate the success of the line. A customer survey at the end of the second and fourth year of the

increase in advertisement focus and the implementation of the men's line will help solidify who the consumers are, how they heard about Lush, why they shop at Lush, and if the advertisements and sales promotions have been effective.