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MAINTAINING THE BODY SHOP'S CURRENT GENERATION Y CUSTOMER IN BANDUNG

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Abstract-The Body Shop is facing a fierce competitive market in C&T industry along with face shop and local brand such as Mustika Ayu Martha Tilaar. Generation Y (people who was born between 1988-1994) become very attractive due to its large market size and high spending power. Ignore this segment will be a huge lost for The Body Shop. The purpose of this study is to analyze marketing strategy that can lead to maintain "Generation Y" customer's The Body Shop in Indonesia. Basic understanding of the marketing strategy, consumer behavior, marketing mix, service quality, customer satisfaction &loyalty used as basic theories. Marketing mix and service quality linked with customer satisfaction & loyalty indicators to get the results of the research. The methodology contains of research framework and determining sampling method. There are descriptive and regression analysis presented in data analysis. Finally, conclusion and recommendation were written based on data analysis and several necessary facts from interview and observation.

Keywords: Generation Y, The Body Shop, Marketing Mix, Service Quality, Customer Loyalty.

Introduction

Generation Y (people born between late 1980's to 1994) is considered as highly attractive segment for maketers due to their large market size and also huge amounts of spending power. In US alone, their annual spending is estimated to be over USD 2.45 trillion, and in Asia their population reach 660 million people. (Harris Interactive, 2011) Choosing to ignore this segment could be risky for companies considering that they are the future dominating segment of the market.

The Body Shop as one of leading brand in C&T industry in Indonesia, acknowledge the importance of penetrating to generation Y. They face a fierce competition from Face Shop and Mustika Ayu Martha Tilaar which also uses natural ingredients in their products. This situation has forcing them to attract new market segment to increase their competitive advantage. The Body Shop also stated the importance of maintaining generation Y despite focusing only to attract them because the tendency of changing brands in C&T industry is most likely to happen.

This phenomenon appears in all business industry including C&T (Cosmetic and Toiletries) industry. C&T industry has an increasing demand from year-to-year because people is putting more attention in appearance and self-recognition. According to Nielsen Service Research Center in 2010, personal care products such as cosmetics, body wash, and skin protection has an increase in customer level by 13,3%. This data is supported by household spending percentage, with 19,3% increase in total spending of households, 20% is contributed by personal care products (vivanews.com,2011). Personal care products manufacturer usually provides a high-tech and glamorous perception among its products, therefore their customers will have a better and simple results. However, these factors are not The Body Shop main factors in producing their products, because they more concern about natural ingredients and pure beauty.

The Body Shop as one of retail business brand in cosmetic industry was established by Dame Anita Roddick in 26 March 1976 in Littlehampton, West Sussex, UK. They position themselves as an ethical, natural yet beautiful cosmetic products. For over 35 years they have been doing their business with this core values and currently has over than 2100 stores in 55 countries worldwide with 1200 products. The Body Shop is said to be ethical because they care their society and environment.

Marketing strategy describe how to attract and maintain new and old customer as well. From marketing strategy, a company can define what factors can influence their attractiveness level among customer. Marketing strategy consist of many structures, such as marketing mix, service quality and consumer behavior. In this study, marketing mix and service quality linked with customer satisfaction & brand loyalty used as the basic concept to answer how The Body Shop can maintain generation Y customer. Qualitative and quantitative data will be gathered to find the solution.

Marketing Strategy Definition

According to Cravens and Piercy (2012), marketing strategy is an ongoing process of making decisions, implementing them and tracking their effectiveness over time. Marketing strategy consists of the analysis, strategy development, and implementation of activities in developing a vision about the market of interest to the organization, selecting target market strategies, setting objectives, and developing, implementing, and managing the marketing program positioning strategies designed to meet the value requirements of the customers in each target market. Market, segments, and customer value consider market and competitor analysis, market segmentation, strategic customer relationship management, and continuous learning about markets. Designing market-driven strategy examines customer targeting and positioning strategies, marketing relationship strategies, innovation, and new product strategy. Market-driven program development consists of brand, value-chain, pricing, and promotion and selling strategies designed and implemented to meet the value requirements of targeted buyers. Implementing and managing market-driven strategy considers organizational design and marketing strategy implementation and control.



Ideally, a firm's positioning can be maintained over a long period of time because the company possesses, or can develop, some form of sustainable competitive advantage The positioning should also be sufficiently relevant to the target segment such that it will drive the purchasing behavior of target customers. To sum up, the marketing branch of a company is to deal with the selling and popularity of its products among people and its customer, as the central and eventual goal of a company is customer satisfaction and the return of revenue

Marketing Mix

Changing consumer behavior is not easy, but the marketing stimuli from a supplier / company through the marketing mix which includes product, price, distribution access, and promotion go through the consumers' awareness and affect the process of consumers' process decision.Lamb et

al. (2010:55) states that: "The marketing mix refers to the blend of product strategy, distribution, promotion and pricing that is uniquely designed to produce a satisfying exchange with a targeted market".

The difference in marketing mix does not happen by chance, marketing manager plans the marketing strategy to gain bigger advantages towards competitors and provide good service. By changing elements of the marketing mix, marketing manager can customize the advice given by the consumers. This is in line with the opinion of Cravens (2008:18), he explains that: "Marketing mix variable is combined to design the positioning of product strategy in each targeted market" The explanation as pictured below:



Marketing mix components consist of 4 components; product, price, promotion, and place but then added 3 more which are; people, process, and physical evidence or often called as 7P. These 7 components stands equal and describe the marketing process and indicator for marketing activity.

Service Quality

Service quality has been conceptualized as the difference between customer expectations regarding a service to be received and perceptions of the service being received (Grönroos, 2001). In some earlier studies, service quality has been referred as the extent to which a service meets customers' needs or expectations. It is also conceptualized as the consumer's overall impression of the relative inferiority or superiority of the services (Zeithaml, Berry, & Parasuraman, 2009). Zeithaml et al. (2009) identified five dimensions of service quality (reliability, responsiveness, assurance, empathy, and tangibles) that link specific service characteristics to consumers' expectations. (a) Tangibles - physical facilities, equipment and appearance of personnel; (b) Empathy - caring, individualized attention; (c) Assurance - knowledge and court test of employees and their ability to convey trust and confidence; (d) Reliability - ability to perform the promised service dependably and accurately. (e) Responsiveness - willingness to help customers and provide prompt service.

Consumer Behavior

Consumer behavior concerns with a decision problem taken by someone in his competition and determination to get and use the goods and services. According to Solomon et al. (2002:6); Consumer behavior is the study of the processes involved when individuals or groups select, purchase use or dispose of products, services, ideas, or experiences to satisfy needs and desires. consumer behavior is an action and social relation done by individual consumers, groups, and organizations to assess, get, and use of goods and services through the exchange or buying process started with the decision-making process that will determine the action. In understanding the consumer behavior, it is necessary to understand who the consumer is, because different environment will have different research, need, opinion, attitude, and desire. According to Kotler (2001:144); "Factors that influence consumer behavior are cultural, social, personal, and psychological. Most of these factors are not considered by marketers, but in fact it should be considered to determine how far the factors of consumer behavior affect consumer purchase.

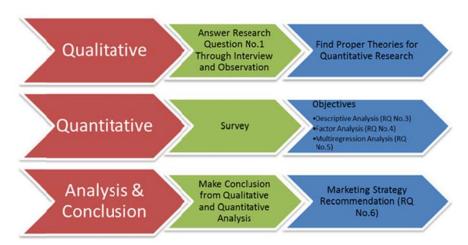
Customer Loyality & Satisfaction

Customer satisfaction is a well-known and established concept in several areas like marketing, consumer research, economic psychology, welfare-economics, and economics. According to Kotler and Keller (2009), satisfaction is a feeling which results from a process of evaluating what has been received against what was expected, including the purchase decision itself and the needs and wants associated with the purchase. If the performance below the expectations, the customer is dissatisfied. If the performance matches the expectations, the customer is satisfied. If the performance exceeds expectations, the customer is highly satisfied or delighted. Customer assessments of product performance depend on many factors, especially the type of loyalty relationship the customer has with the brand. Consumers often form more favorable perceptions of a product with a brand they already feel positive about. Bitner & Zeithaml (2009) stated that satisfaction is the customers' evaluation and fulfillment response of a product or service in terms of whether that product or service has met their needs and expectations.

Customer Loyalty To build long-term relationship it means that the product from producer has to have a strong bond with its customer, which is called loyalty. To build customer loyalty, companies can develop loyalty programs, such as frequency program and club membership programs.

Methodology

Framework and Sampling



The research framework on the above figure shows how it's done in sequence. The first thing the researcher would do is to gather data through qualitative method. This step is done through interview and direct observations to The Body Shop's stores. The interview will be done with the CEO of The Body Shop itself and customers of The Body Shop in Bandung. The results of the interview and observation are expected to be able to answer the first research question about current The Body Shop's marketing strategies. From the results also, the researcher will find the proper theories as a based model for qualitative method and also answer the second research question. In this study also gained information about previous research done by The Body Shop's management.

The quantitative method are the second step of this research. This method will be conduct through spreading survey to samples of Bandung's population. From this questionnaire, the results are expected to be able to reach the research objective. descriptive analysis results of the questionnaire will be shown to see how is current level of The Body Shop performance. The research question

about the loyalty of younger customer will be explained with multi regression analysis to find out whether the based theory has a significant impact to customer's satisfaction and loyalty.

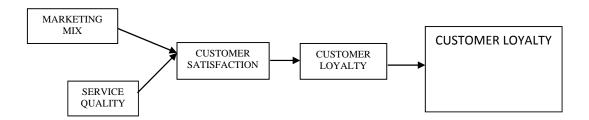
The last step of this research is the conclusion and recommendation for The Body Shop's management based on the analysis of research. In this section. The sixth research question will be answered. To obtain an expected result, it is needed data and information that will support this research; thus the research instruments used to collect the data are as follows:

Qualitative Research

In this study, the writer tried to obtain some information that can be used as research sources by studying many literatures of marketing mix, service quality, customer satisfaction, loyalty, and others concerned with the problems examined. In this study also include the observations and interviews with customer and interns of The Body Shop's management.

Quantitative Research

The writer used quantitative method to analyze questionnaire results from samples of Bandung's population. In this study will be more focusing on statistical analysis to gain information about respondent's responses. There are descriptive analysis to dram conclusion on current level of marketing mix and service quality. Later, will be doing multiple regression to see whether there is influence of marketing mix and service quality to customer loyalty.



Sampling and Hyphothesis

Sample is a small part of population members taken which is based on the specific procedure so that it can represent the entire population. In this study, the sampling technique used was simple random sampling that is a sampling process done in such a way, so every sampling unit in the population has the same opportunity to be selected as the sample by using the following formula: (Ating Somantri and Sambas Ali Muhidin, 2006:87):

$$n = \frac{N}{1 + Ne^2}$$

Where:

e = Critical value / the accuracy limit (8% = 0.8)

$$n = \frac{246859}{1 + 246859 \, x \, 0.8^2}$$

Based on the calculation above, there were 156 respondents as the sample of the study. The sample are people who already used the body shop products.

Analysis Methodology

There are two types of data analysis; they are (1) descriptive qualitative analysis, (2) quantitative analysis to test the hypothesis by using parametric statistical test. In the descriptive analysis, table is used in the percentage form with certain scoring system which has been determined before. Thus, it can be seen the classification of each research variable. To test the research hypothesis proposed, it used the simple linear regression analysis.

Assessment Method

In giving the score or assessment, the writer used a Likert scale which was one of ways in determining the score. The assessment criteria are classified into five levels, for example:

- a. Strongly Agree (SA) given 5 score
- b. Agree (A) given 4 score
- c. Neutral (N) given 3 score
- d. Disagree (DA) given 2 score
- e. Strongly Disagree (SDA) given 1 score

The result of the descriptive data will analyze through mean analysis.

Multiple Regression Analysis

There are 3 regression in this research:

- Effects of Product (X1), Price (X2), Place (X3), Promotion (X4), Human Resource (X5), Physical Evidence (X6) dan Process (X7) Toward Customer Satisfaction (Y)
- Effects of Tangibility (X1), Reliability (X2), Responsiveness (X3), Assurance (X4), Empathy (X5) Toward Customer Satisfaction (Y)
- Customer Satiscation (X) Towards Customer Loyalty (Y)

Results

From 7 marketing mix variable (price, products, place, promotion, process, people, physical evidence) all of them are categorized as high level scores in continuum line and as a whole, marketing mix variable make the percentage scores of 3,57 (medium level performance category). Here are the partial results of the 7 components of the marketing mix:

No	Sub Variables	Score
1	Price (X 1)	3,78
2	Product (X 2)	3,25
3	Place / Distribution Channels (X 3)	3,92
4	Promotion (X ₄₎	3,73
5	Process (X ₅)	3,45
6	People (X ₆₎	3,53
7	Physical Evidence (X ₇₎	3,38
Number		3,57

The yellow marked shows the indicator which below the average scoring.

Therefore it can be concluded from overall performance score that marketing mix variable is still need to be improved. Product, Process People and Physical Evidence which are still below the average need to be focused on. Fail to improve in this indicator can lead into lower customer satisfaction and loyalty. Place or location of the body shop is the main attraction for the customer, probably because it placed in downtown mall. The price and promotion of The Body Shop also make a good indicator that attract this target age segment.

Based on the descriptive data of service quality variable, all of the 5 variables are in high category scoring continuum line. As a whole the service quality made the total percentage scores 3,85 (high level category). Here are the partial results of the 5 components of the service quality:

Nο	Sub Variables	Score
1	Aspects of tangibility	3,74
2	Reliability Aspects	٦ <i>.</i> 87
2	Aspects of Responsiveness	٦.٩٨
/	Aspects Assurance	ર.66
5	Aspects of Empathy	۵.05
Number		2.85

The yellow marked shows the indicator that below the average scoring.

Therefore it can be concluded that service quality of The Body Shop already has high level scoring and need to be maintain. Tangibility and Assurance need to be focused more because placed below the average scoring. The Body Shop can rely on the entire 5 element (Tangibility, Reliability, Empathy, Assurance, Responsiveness) because all of the five components prove to be affecting their tendency to buy The Body Shop's products.

From those two results, the researcher concludes that both marketing mix and service quality as a whole or partially, are a proper way to attract young customer segment. The Body Shop also can focus on top 3 components that can attract young customer segment which are; place/distribution channel, Empathy, and responsiveness of service quality.

From the respondent data, the proportions of men and women are almost equally balances with 55% are women and 45% are men. It can be found that most of the respondent are in undergraduate studies which contributed 85.26% of total respondent with 57.7% respondents has main income in range of 2 to 5 million a month. It also shown that most of the respondents have a hobby of watching movies with 43, 6% from total respondents. From the respondent data we can see also that 86, 5% of them are spending Rp500.000 to Rp750.000 a month for beauty and body care products. Most of the respondents know about The Body Shop from their friends at school/college. An interesting finding are most of them (84, 6%) are spending more than Rp 200.000 each visit to The Body Shop. In terms of favorite products, fragrance lead by 38,5% then followed by make-up products (22.4%) then the body care products (16.7%). Most of them are visiting The Body Shop store with their friends and colleague (35.3%) and 33.3% of them are visiting The Body Shop with family.

Based on the overall exposure of the statistical analysis on the correlation test, the coefficient of determination, and hypothesis testing, it can be concluded that, statistically, the effect of variable dimensions Marketing Mix (X-1) has been shown to have a strong correlation and significant effect on Customer Satisfaction (Y 1) It is proved that 71.20% customer satisfaction is affected by marketing mix variables, while the remaining 28.8% is influenced by other factors outside of the marketing mix that are not observed by the researcher.

The researcher then can conclude that to increase the satisfaction level of the customers, The Body Shop can increase their marketing mix strategy performance as a whole or partial, because all of the 7 components shows positive correlation with the customer satisfaction.

Based on the overall exposure of the statistical analysis on the correlation test, the coefficient of determination, and hypothesis testing, it can be concluded that, statistically, the effect of variable dimensions of service quality (X 2) has been shown to have a strong and relationship correlation and also significant effect on Customer Satisfaction (Y 1) It is proved that 64.10% customer satisfaction is affected by service quality variables, while the remaining 35.9% is influenced by other factors outside of the marketing mix that are not observed by the researcher.

The researcher concluded that to increase the satisfaction level of the customers, The Body Shop can increase their service quality strategy performance as a whole or partial, because all of the 5 components show positive correlation with the customer satisfaction.

Based on the overall exposure of the statistical analysis on the correlation test, the coefficient of determination, and hypothesis testing, it can be concluded that, statistically, the effect of variable dimension Customer Satisfaction (Y 1) has been shown to have a strong correlation and significant effect on Customer Loyalty (Y 2) with a contribution of 58.2% effect, while the remaining contribution of 41.8% is influenced by other factors that are not observed by the researcher.

The researcher then can conclude that to increase the loyalty level of the customers, The Body Shop can increase their customer's satisfaction level. Because there are a positive correlation between marketing mix and service quality variable with the customer satisfaction therefore there are indirect connections also to customer loyalty. The Body Shop can manage and made a marketing strategy based on marketing mix and service quality basis to increase the customer loyalty in this age segment target market.

Discussion

The Body Shop can start by making a marketing strategy based on 7 components of marketing mix and combine with 5 components of service quality. Marketing mix aspects however, still need to be improve because still has medium score. On the other hand service quality is already has high level score, and just need to be maintain. The finding from questionnaire says product of The Body Shop's product quality has a very good review although sometimes occur defects. And due to The Body Shop's international policy, they cannot change the product range or improve product quality, but they can have an innovation in a more attractive packaging for this age segment as well as they must improve in supply chain system and product's stock so the customer can get the same product range and variant in all The Body Shop's stores.

In terms of price, The Body Shop can provide special offering and discounts for college students, because these age segments is dominated with people from these category, The Body Shop can make a special packaging that has a not very expensive price that can make these age segments to try The Body Shop's products and change their C&T usual products to The Body Shop. It may cause a word of mouth among these age segments and it's very good and efficient to increase the brand. Although, there is are no specific problems in terms of place and distribution channel, the researcher feels The Body Shop should try to initiate online shopping method through website or mobile apps due to technology and innovation advances. It may result in higher sales proportion, because younger age segments tend to use internet and like simplicity.

The promotion of The Body Shop's so far is not very much to do, if there is a limited fund for marketing campaign, The Body Shop can start with the penetrations to Social media like Facebook or Twitter and made a quiz or an online activity that can make these age segments participate with. Then The Body Shop can start by having a brand ambassador for their products and appear in TV's

commercials or Cinema Ad's before watching movies in theatre (most of the respondents has the hobby of watching movies). The human resource aspect that relate with the service quality aspect, The Body Shop's may have to have their manager ready in all time so if there is complain or questions that cannot be answered by the employee, the manager can handle it, it increase the responsiveness level and empathy aspects. The Body Shop may also have to have a customer service call center, so if there is a question available or there are any inquiries, it really increases efficiency.

The next is for process aspect, sometimes in weekend there is a long queue going on inside the stores, and due to limited space inside the store, the situation is not very nice, the researcher suggests once the customer has reach its decision what products to buy, they can bring their products to the employee and the employee itself that process the transaction, it will much faster and easier without having to wait and queue.

The physical evidence aspect or also has the influence in tangibility aspects from the service quality, although there is no concern and even there is a pretty good review of the interior design and ambience inside the store, but in weekends, sometimes a crowded situation happened, and many customers complaining and urge The Body Shop to have more space available, if it because the mall only provided such a small space, The Body Shop can put products only for showcase and ask to the employees for products they wants, it will decrease the space usage and can have more customers inside, and even to put a waiting sofa or bench, because waiting while standing is not very nice according to customer's comment.

By having a marketing strategy that focusing on increasing the 7 components of marketing mix and 5 components of service quality may have increase the probability of increase in customer satisfaction and loyalty as well.

Based on respondents' proportion on the questionnaire. The Body Shop can also start targeting men's products more seriously because the proportion is not very far. College students prove to be their main target and also having a very interesting target market because most of them spend up to Rp 200.000 each visit to the Body Shop and spent up to Rp750.000 a month for C&T products. The Body Shop should consider open their next stores near several big university and college such as ITB, UNPAR, UNPAD, UPI, and many others because it's a very good opportunity to learn about their behavior to make the right move for marketing campaign that can stay for a long time inside their brain. It's a good way also to bring them closer and familiar to The Body Shop's brand. College students also prove to be a very social people and like to persuade their friend to use the same products. Most of the respondents are using The Body Shop's products for first time by having a recommendation from other The Body Shop's customers.

The Body Shop should try to initiate online shopping method through website or mobile apps due to technology and innovation advances. It may result in higher sales proportion, because younger age segments tend to use internet and like simplicity.

The promotion of The Body Shop's should be improve, if there is a limited fund for marketing campaign, The Body Shop can start with the penetrations to Social media like Facebook or Twitter and made a quiz or an online activity that can make these age segments participate with. Then The Body Shop can start by having a brand ambassador for their products and appear in TV's commercials or Cinema Ad's before watching movies in theatre (most of the respondents has the hobby of watching movies).

For further research, the researcher is recommending to have the research methodology that may describe if there is a direct correlation or relationship between The Marketing Mix and Service Quality on Customer Loyalty. The researcher also urge to having a further research for The Body Shop men's product..

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