

# CORPORATE BRAND MANAGEMENT AND REPUTATION

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## MASTER CASES

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### **Lush vs Social Media: It Can Cost to Stand by Your Values**

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## **Corporate Brand Management and Reputation: Master's Cases**

The "Corporate Brand Management and Reputation: Master's cases" is a case series for applying the case method of teaching and learning in higher education. The cases are relevant to brand strategists in private and public sector organizations, as well as academics and students at universities, business schools, and executive education.

The cases are written by groups of master's students as a course project. The specially developed case format is defined as: *"A management decision case describes a real business situation leading up to a question(s) that requires assessment, analysis, and a decision reached by discussion in class. The alternative approaches and recommendations from the class discussion are followed by a description of the choices made by the case company. This description is then discussed by the class."*

The student groups select the topics of their case providing updated and relevant insights into the corporate brand management. The cases can be used as "written cases" (handed out and read in advance, later to be discussed in class) and/or as "live case" (presented by the teacher following a discussion in class). Each case includes teaching notes, visuals with speaker's notes, learning objectives, board plans, and references.

The mission of the series is *"to develop cases for discussion providing insights into the theory and practice of corporate brand management and reputation, with the intent of bridging the gap between academic teaching and managerial practice."*

The series is a result of co-creation between students and teachers at the elective course Corporate Brand Management (BUSN35 – five-credit course/eight-week half-time studies), part of the master's program International Marketing and Brand Management at Lund School of Economics and Management, Sweden. The cases represent the result of the intellectual work of students under the supervision of the head of course.

Although based on real events and despite references to actual companies, the cases are solely intended to be a basis for class discussion, not as an endorsement, a source of primary data, or an illustration of effective or ineffective management. The cases are free to be used and are to be cited following international conventions.

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## **WRITTEN CASE**

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## Lush vs Social Media: It Can Cost to Stand by Your Values

The Head of Marketing at Lush, James Kirkland, is on his way to the Head Quarters in Poole, UK to attend the annual strategy meeting in November 2021. He has prepared the entire marketing plan for the social media accounts in the UK, which will be adopted in the rest of the EU, that will surprise the board as well as his colleagues. When thinking about the new strategy, he stumbled upon leaked Facebook files, in which former Facebook employees exposed internal research papers proving that Facebook knows the harm they cause on their platforms. Kirkland couldn't stop reading more about the statement and was shocked to find out that Facebook chose not to act. He knew immediately what to incorporate in his social media strategy proposal: it is the right time to find better ways to connect without putting their customers into a harmful situation.

He walks into the meeting room, sets up his Laptop and starts his presentation: "Good morning team. I have been working on our new social media strategy the last couple of weeks. We as Lush should not wait for a better world. We need to start making this place and especially the online platforms a safer environment and until then I propose to take all our social media accounts offline."

### Background and History of Lush Retail Ltd.

Lush is a British cosmetic company that was founded by six entrepreneurs in 1995. The foundation of Lush was based on a dissatisfaction of other cosmetic and beauty companies where the founders felt that most products on the market were not what they wanted. Instead they wanted to create more clean and natural products, free from animal testing and with ingredients that are not harmful for the body. They started to produce handmade creams and soaps, with a playful twist. Quickly they expanded their line to shower gels, body scrubs as well as a skincare line. Lush is most famous for their playful and colorful bath bombs - each of them creates a type of online 'hype' when being released. Their stores are framed with a "deli" approach: customers can try and sample their products before purchasing them and even buy products such as

soaps by weight. This also ties in with their approach to reduce packaging and produce products in a solid form which are free from preservatives. Almost 50% of Lush's products are 'naked' and do not need any packaging, even without the usage of any chemical additives and preservatives. This will keep the products fresher for a longer period of time, while keeping the costs down due to reduction in packaging. Their other products come in their unique recyclable black pots, which have detailed information about the ingredients, as well as the creator of the product. Due to the high quality, natural ingredients and handmade products, the company has adopted a premium pricing strategy.

Since Lush was launched the company has grown and today they are 9500 employees and they sell their products both online and in physical stores. In 2020, they had 937 stores and were operating in 47 different countries. The company is still to a majority privately owned by the founders but they have given 10% to an employee trust and the hope is to expand that to 35% in the future. However, even though Lush's business concept is in line with today's society in terms of environmentally consciousness, the company has operated with loss since 2018. The loss increased both in 2019 and in 2020 and according to one of their founders, Mark Constantine, the reason for the increased loss is mostly due to Brexit and COVID-19. Although the company's financial numbers have not been what they wanted them to be, Constantine is still confident that this will change and that the profits will return.

Lush has a strong presence in the major social media channels, generating around \$13 million in sales. They are currently present on YouTube, Twitter, Instagram, Facebook, Pinterest, TikTok, and Snapchat. They do have a social media presence in all countries they operate in and one of their largest accounts is their North American Instagram with four million US followers, emphasizing their impact and reach. Through their Instagram and Facebook accounts, Lush engages with their followers hosting, for example, #LushTalks and the #LushSummit.

The cosmetic business that Lush operates within is competitive with multiple companies competing for a share of the market. Four companies that could be seen as Lush's main competitors are: The Body Shop, L'Occitane, Sephora and Rituals. The former two companies have a similar concept in producing natural, clean products with an ethical awareness, whereas Sephora is a main competitor with its broad offer of different cosmetic brands. The Body Shop does not only have a similar business model as Lush but a similar store concept as well. This type of store concept is also adopted by Rituals.

Another company that could be seen as a competitor is L'Oréal as they own multiple different cosmetic brands operating all over the world. Lush themselves have stated that they do not see L'Oréal as a competitor. They instead want to start a cosmetic revolution. Although Lush has several competitors, some with similar business models and store concepts, they still manage to differentiate themselves by their core values, mission and vision that have steered the company since the beginning.

## Values

Lush has taken an activist approach in all aspects of their business that is further reflected in the products they sell. The company has six core values of which their products are based on; freshest cosmetics, vegetarian, ethical buying, handmade, naked, and fighting animal testing. All their products are handmade from ethically sourced ingredients that do not use any animal fats or animal by-products. Lush believes that the fresher the ingredient, the greater the benefit for your skin. Therefore, they hand make batches that are shipped as soon as possible to ensure the freshest products, with some even needing to be stored in the refrigerator, while others are self-preserving.

The value 'naked' involves taking an active stance against product packaging as Lush are aware that these materials end up in landfills and that consumers are prioritizing sustainability measures. Fighting animal testing is another value deeply rooted in their business, with Lush not sourcing any ingredients tested on animals. Lush has taken this value one step further and created a fund that awards researchers and scientists for their developments towards animal-free innovations. Through these six philosophies, they believe in making a difference.

Lush does not only ensure that their products are aligned with their philosophy, but they also channel a purpose-driven marketing strategy that involves activist actions and statements. The company is actively campaigning in the environmental, animal and human rights space. For example, Lush has published articles titled: "How to be an indoor activist", "How to be a trans ally", and "Why we campaign for the end of fossil fuel extraction". They also created a limited collection of 14,600 orangutan soaps, the same number of endangered orangutans left in the wild, to raise awareness and donate all proceeds to the cause. Lush sums up their approach as "a campaigning organization fronted by a soap shop. We are active and vocal about the issues that we care about, and use our shop windows and website as a way to highlight them" (Lush, 2020).

### **Making a Statement: "The Incident"**

Already in 2019, Lush UK decided to take their Facebook and Instagram accounts offline due to the control that these large platforms had on how many people and which people saw their post. The company was especially concerned that their interaction and communication with their customers was controlled by a third party. They were unwilling to pay to appear in the newsfeed of their followers and did not want to fight the algorithms. Lush took a 9 month break from Instagram and encouraged their customers to interact with the staff in stores, on their e-commerce page as well as on their Lush Lab App.

The emergence of the COVID-19 pandemic in 2020 meant that customers were forced to stay indoors, negatively impacting the sale of Lush products in physical stores. As the stores were closed, consumers turned to online platforms to stay connected to brands, make purchases, and therefore, Lush had a hard time reaching

out to their customers without the use of social media. This led to the subsequent decision to return to social media and use these channels again to engage with their customers. “Like so many teenagers have experienced before us, Lush has tried to come off social media, but our FOMO is vast and our compulsion to use the various platforms means we find ourselves back on there, despite our best intentions” (Faithfull, 2021).

In the autumn of 2021, the whistleblower Frances Haugen revealed Facebook files which stated that its platforms, such as Instagram, made mental health and body image issues worse, especially for young users and teenage girls, and did nothing to address those issues. The marketing department was about to conduct new ideas and strategies to create the new marketing plan for the upcoming year. After the reveal of the files, James Kirkland, head of marketing, emailed his entire marketing department and scheduled a “crisis” team meeting to discuss their plan. The entire marketing team agreed to the suggestions Kirkland made and helped him to create the pitch presentation for the rest of the board members.

A couple of days later it was time for the annual strategy meeting. Kirkland was confident and ready to give an update on the marketing plan. After he walked into the room and set up his laptop he took a deep breath and looked at his colleagues. Kirkland started his presentation and made a clear suggestion: taking all social media platforms offline. He explained his reasons behind the proposal:

- Lush could be seen as a pioneer by going against the mainstream and it would create a buzz for the company. Customers as well as other companies could follow them and it would cause a dramatic movement on those social media platforms.
- Lush as a company, with its core values, mission and vision, is trying everything to stay away from any harmful ingredients in their products. So why put any other harm to the body of the customers? By trying to reach out and stay in contact with the company, customers automatically go on social media platforms. As long as there are no clear regulations, Lush should not promote these platforms and encourage people to stay online.
- The decision is strengthened by the latest information that young people are exposed to harm due to loose regulations and algorithms. The first attempt of fighting the algorithms was unsuccessful due to the pandemic. But the problem still has not been solved. By making this move again it would undermine the authenticity as well as the urgency of the decision and strategy.

After the presentation by Kirkland, he asks you for your opinions. **Taking the role as the board of directors at Lush, consider the following question:**

*Should Lush take social media out of their marketing mix and how would this be done?*

## References

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