

This is the author-created version of the following work:

McCarthy, Breda (2016) *Aromababy: Australia's first organic baby skincare range*. SAGE Business Cases, .

Access to this file is available from:

<https://researchonline.jcu.edu.au/39546/>

© Breda McCarthy 2015. In accordance with the publisher's policies, the Author Accepted Manuscript of this article is available Open Access from ResearchOnline@JCU.

Please refer to the original source for the final version of this work:

<https://doi.org/10.4135/9781473937512>

ResearchOnline@JCU

This is the **Accepted Version** of a case study to be published in SAGE Business Cases in 2016:

McCarthy, Breda *The Air Force is ready to respond. Anytime. Anywhere.*
Report. SAGE, London. (In Press)

<https://au.sagepub.com/en-gb/oce/sage-business-cases>

Aromababy – Australia’s first organic baby skincare range.

Abstract

Aromababy was the first organic baby skincare range launched in Australia. While the overall skincare market is a mature one, organic and natural products represent a rapidly growing niche. According to Euromonitor (2012), certified organic is witnessing rising interest across many sectors, but the largest consumer following, after food and drink, is in cosmetics and personal care. Consumer consciousness of the environmental and health effects of personal care products has grown steadily over several decades. The Body Shop helped create the market for natural products and today it is a mainstream sector, with leading retailers and department stores taking advantage of the demand for natural and organic products. Green marketing represents a huge commercial opportunity but those that succeed need to gain the trust of consumers and avoid greenwashing claims. Aromababy is one organisation that has captured the trust of consumer and it has successfully penetrated a global niche.

Learning outcomes

This case focuses on the organic and natural skincare industry and it discusses the strategy of a truly ‘green’ Australian company, Aromababy. It is intended for use in undergraduate courses in marketing, strategic marketing or business strategy. It prompts discussion and learning about greenwashing and the marketing of organic skincare products. The primary teaching objectives for this case are:

- To describe the concept of green-washing
- To describe general market trends in the green skincare sector
- To describe how a small Australian company targeted a global niche

- To critically evaluate and apply strategic business models and theories to organic skincare companies

Introduction

According to Lantz (2009), the average woman absorbs around 125 different chemicals as part of her daily beauty regime, ranging from shampoo, hair gel, moisturiser, skin toner, foundation, powder and perfume. Phthalates are just one class of chemicals that are widely used in skincare and cosmetics. They are used to give body lotions a creamy texture, to hold scent and give colour to cosmetics, but they are also 'plasticisers' and are used to make plastics flexible. Petroleum jelly is a chemical that is used in many products, such as baby oil, but it is a derivative of crude oil and coal, which worries some consumers. It may cause an allergic skin reaction and is alleged to coat the skin like plastic, clogging pores and decreasing the skin's ability to eliminate toxins. Manufacturers use it because it is cheap. Another chemical commonly used in personal care products is formaldehyde, which is used in soap, shampoo, bubble bath and cosmetics. However, some consumers believe that it causes allergic reactions and it is alleged to be a carcinogenic (Lantz, 2009). The revelation that these chemicals are used in skincare cosmetics is worrying consumers and has driven demand for more natural alternatives. Some consumers experience allergic reactions to common skincare products and many consumers are worried about the potentially harmful effects of chemicals. The fact that consumers put these products on their skin has also fuelled this concern. Today, organic and natural ranges are being marketed by multibillion dollar companies such as the L'Oreal Group, Procter & Gamble and Unilever. The demand for organic skincare has given rise to multiple certification systems. Today, some of the world's most respected organic certifying organisations are ACO (Australia), USDA (US) and IFOAM (Europe).

Greenwashing

There is no global standard in place for natural products, which makes it difficult for consumers to make informed purchasing decisions. Greenwashing is defined as making false or exaggerated claims to project a more sustainable image than is warranted by actual practice (Martin and Schouten, 2012). A 2009 Terra Choice report on 'green-washing' found that green claims were most common in children's products (toys and baby products), cosmetics and cleaning products. Parents are particularly vulnerable to greenwashing as they are concerned with the health and wellbeing of their children and conscious of their impact on future generations. TerraChoice (2009) found that organisations were guilty of the 'Sin of Vagueness', since the 'Natural' claim was poorly defined and so broad that its real meaning was likely to be misunderstood by the consumer. While most consumers would assume it to mean 'safe', 'good', or 'green', this was not the case. 'While the term 'natural' is open to interpretation and largely unregulated, organic ingredients are subject to stricter regulations and require certification from third party bodies, such as the Biological Farmers Association (BFA) in Australia. Organisations are guilty of the 'Sin of No Proof', when they make an environmental claim that cannot be substantiated by easily accessible, supporting information or by reliable third-party certification. In the Australian marketplace, there have been an increasing number of inquiries and complaints around 'green' marketing. This prompted the Australian Competition and Consumer Commission (ACCC) to remind the business sector of the *Trade Practices Act 1974*, which is designed to protect consumers, and all businesses need to ensure they are not misleading their customers with green claims (ACCC, 2007).

Aromababy®

Aromababy® was launched by Catherine Cervasio in the mid 1990's. It was when she was pregnant with her first child that she discovered all the baby-care products on the market had added colour, preservatives and petro-chemicals. She was aware that chemicals in baby-care products were potentially linked to eczema and skin irritations. Several years of research and development resulted in Australia's first organic baby skincare range. Cervasio describes her product range as "high quality, pure products that are kind to the skin as well as to the environment. They are made from natural ingredients, with a focus on organic content and are based on neonatal research". She eschews the use of 'senseless packaging' and relies on recyclable and/or recycled materials wherever possible, and encourages its customers to do the same. The product is sold at a premium price which reflects the products' certified organic ingredients. A high price is needed to cover the cost of rigorous testing before products can be released for sale. However, the high price tag of some of the products hasn't hindered sales - in fact, it has helped to position Aromababy® in the top end of the market.

The combination of a unique product and the marketing talents of the founder meant that Aromababy's sales grew rapidly. It is now the market leader in natural/organic skin-care for mothers-to-be and babies in Australia. The function of Public Relations was central to the company's success. Aromababy® was adopted by the rich and famous and is linked to celebrities with young children such as Princess Mary, Kate Moss, Jamie Oliver, John Travolta and Kelly Preston. Several celebrities provide a glowing testimonial for the brand on the company's website. Being endorsed by celebrities was a milestone for Cervasio and as a result the company received a good deal of media coverage. In the world of celebrity, pregnancy is a time when women pamper themselves and celebrate impending motherhood. Whether it's the pregnant model Adriana Lima posing naked on the cover of Pirelli, or Miranda Kerr looking her svelte self after the birth of her baby boy, being sexy and maternal

is in vogue. Cervasio has various qualifications that are ideally suited to her role as PR guru in area of health and well-being. As a former model and mother of two sons, she is comfortable being the 'face' of her brand. She is a well-respected speaker in both the 'women in business' and 'healthcare' circles. These engagements are a bonus for a company that deals with beauty products. She has honed her publicity skills from dealing with the media for around 20 years and these skills set her apart from her competitors.

Aromababy® is targeted at parents who have a 'nothing but the best' approach to baby skincare. The target market includes affluent, well groomed, assertive mothers, sometimes referred to as the 'yummie mummies' (Davies, 2012). The product also appeals to the LOHAS segment (lifestyles of health and sustainability) a subcultural group with common values and shared concerns for the environment, health, personal development, sustainable living and social justice. A key characteristic of the LOHAS segment is their tendency to make purchasing decisions based on their ethical values (LOHAS, 2008).

Since Aromababy's products meets global consumer demand for more chemical-free products, it was obvious from the beginning that an international marketing strategy would be beneficial. Today, the product is sold in export markets mostly across Asia including Hong Kong, South Korea, Taiwan, Singapore, and Malaysia. It sells well in markets with low birth-rates, such as Japan, where parents don't count the cost when it comes to obtaining the very best product for their child. The product can be found in health food stores, baby boutiques, department stores, hotels and resorts. Aromababy also uses eCommerce. Aromababy® has been endorsed by some health professionals and is used in hospitals across Australia and overseas, including those that deal with unwell/prematurely born babies. The healthcare sector is an exceptionally promising target market for Aromababy. The company has expanded its product range, and other brands include Pure Spa, LUXE and Abbi.

Cervasio is well known as the ‘pioneer’ of her industry. Today, she is faced with countless brands sold in more mass market channels such as Gaia Skin Naturals, Baby Eco-Store, Milk and Down to Earth Organics. As a well-established company with a loyal customer base, the founder is confident that her brand can withstand this competition.

Summary

This case describes the strategy of a pioneering company, Aromababy. The founder of Aromababy had a passion for health, and as a mother, was deeply concerned about the presence of chemicals in baby products. The revelation that chemicals have negative side effects has largely driven demand for more natural alternatives. The founder discovered a gap in the market and successfully penetrated a global niche in the area of organic baby-skincare. While green marketing represents a huge commercial opportunity, consumers are becoming more jaded and cynical of green claims. Organisations that succeed have to avoid greenwashing and earn the trust of consumers.

Discussion Questions

1. Why do you think Aromababy is successful? In your answer, conduct research, critically evaluate, and apply, strategic management theories to Aromababy (i.e., contingency theory, portfolio theory, core competence and management by values, etc.).
2. Find two examples of ‘green’ marketing (e.g., social media, television ad, magazine ad etc.). Explore the claims made in the ads and determine whether the companies are guilty of greenwashing.
3. What modifications to the marketing mix do you think Aromababy might have to make in order to perform well in overseas markets?

4. Apply Porter's five force model to the organic skincare market.

References

Lantz, S. (2009). *Chemical Free Kids: Raising Healthy Children in a Toxic World*. Buddina, Queensland: Joshua Books.

ACCC (2009). ACCC scrutinises 'green' marketing. Retrieved 4 September 2014 from: <http://www.accc.gov.au/media-release/accc-scrutinises-green-marketing>

Davies, R. (2012). What is people's problem with yummy mummies? *The Guardian*, 16 October 2012. Retrieved 4 September 2014 from:

<http://www.theguardian.com/commentisfree/2012/oct/16/yummy-mummies-primrose-hill>

Euromonitor (2012). *Desire for Greener Formulations: The Rise of Organic Cosmetics*. June 22, 2012. Retrieved 4 September, 2014 from: <http://blog.euromonitor.com/2012/06/desire-for-greener-formulations-the-rise-of-organic-cosmetics.html>

LOHAS (2008). The LOHAS Marketplace: \$209 Billion Strong (And Growing), *Lifestyles of Health and Sustainability*. Retrieved August 1, 2014 from: <http://www.lohas.com/>

Martin, D., and Schouten, J. (2012). *Sustainable Marketing*. Upper Saddle River, New Jersey: Pearson Prentice Hall.

TerraChoice (2009). *The seven sins of greenwashing – environmental claims in consumer markets*. April 2009, Terra Choice Group Inc. Retrieved 4 September, 2014, from: <http://sinsofgreenwashing.org/findings/greenwashing-report-2009/>