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Petra Leonora Cvitanović

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# Possibilities for socially responsible entrepreneurship at Croatian natural and organic cosmetics market

Petra Leonora Cvitanović, mag. oec.  
[petraleonora@gmail.com](mailto:petraleonora@gmail.com)

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### **Abstract**

This paper focuses on somewhat underused window of opportunity and unrecognized entrepreneurial possibilities at Croatian natural and organic cosmetics market. There is a unique opportunity for starting a company in Croatia which will produce and sell cosmetic products of natural and organic origin. The aim of this research is to analyse the existing market situation and entrepreneurial climate for starting such a business, and to define general business goals and correct positioning of the new brand. The global natural and organic cosmetics market will grow up to 22 billion USD in 2024. The attractiveness of this industry in Croatia is influenced by barriers to entry such as consumers' price sensitivity and strong competitive brands. By choosing the optimal sales and communication channels, the company will be able to reach the consumers, achieve greater brand awareness and larger market share. Marketing and financial goals should be related to social goals, such as opening of job vacancies, rising of awareness with Croatian citizens on the importance of conscientious treatment of nature, and educating them on toxic substances in regular cosmetic products. The main risks which the entrepreneur can expect include unwillingness of consumers in Croatia to accept the new brand and a general incomprehension of ecological business focus. If the company implements new technologies and integrates in its business environmentally friendly actions along with ethics in branding, advertising and marketing activities, it will be able to develop competitive advantage through recognizable reputation which will affect consumers' attitudes and purchase intentions. Developing a socially responsible business strategy should include a list of social projects that will be supported by the company and most appreciated by the community. In this research, online sources covering natural and organic cosmetics were used, together with books and scientific articles on social responsibility, marketing ethics, entrepreneurship and branding.

### **Key words**

entrepreneurship possibilities; socially responsible business strategy; environmentally friendly business; relationship marketing; marketing ethics; brand awareness; ethical brand positioning

### **JEL classification**

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## 1. INTRODUCTION

At this moment there is a unique chance for starting a business in Croatia which will produce and sell cosmetic products of natural and organic origin. The research problem is underused “window of opportunity” and still unexplored entrepreneurial possibilities at natural and organic cosmetics market in Croatia. The main goal of this paper is to analyse market conditions and entrepreneurial climate in Croatia for starting a business which will produce and sell cosmetic products of natural and organic origin. The objective of the secondary market research was to collect the valuable data needed to gain a general insight into the most important factors regarding the entrepreneurial opportunity which the future entrepreneur has to take into account in the beginning phases in order to be able to determine the optimal way to position the new product brand at this market. The ultimate goal of this paper is to motivate the readers to start noticing promising entrepreneurial opportunities at Croatian market, which are perhaps not apparent but which can suggest a possible business direction to interested future entrepreneurs for development of their entrepreneurial idea.

The main research hypotheses are:

H1: If the new company chooses optimal sales and communication channels, it can more easily reach the new target consumers, generate greater brand awareness and a greater market share.

H2: If the company decides to position its brand as a socially responsible brand, it will be able to affect consumers' attitudes, create primary demand and develop competitive advantage.

H3: Socially responsible business will have a positive influence on financial results by promising longer lasting support from the society because of company's commitment to solve the existing problems of the local community.

H4: Matters such as opening of new job positions in Croatia, reducing environmental pollution, participating in education of Croatian society on noxiousness of cosmetic products and the importance of conscientious treatment of nature, have the greatest potential for developing a sustainable socially responsible business in Croatia.

H5: Consumers in Croatia are not particularly open to another brand of natural and organic cosmetics and not ready to accept it easily due to scepticism and fear of the unknown.

H6: Systematic education of Croatian citizens will improve their understanding of ecological business orientation.

### 1.1. Understanding the basic terms

Natural and organic cosmetic products are also known as eco cosmetics and/or bio cosmetics. Unlike regular cosmetic products which contain colours, fragrances, mineral oils, silicones, paraffin and other petrolatums; natural and organic cosmetic products contain very little of these substances or they do not contain them at all. Even in case of many cosmetic products which are considered to be natural, there is a chance that they actually contain genetically modified ingredients, they have been irradiated in the labs and during cultivation, and pesticides have been used on them. (WellBeing, 2015) All of the above is extremely harmful for consumers' health, and by using such products on their skin, they input toxins in their bodies as well as other bad matters which can have a negative impact on health in the long term if they are used frequently. Out of this understanding came the need for organic / bio / ecological cosmetic products which are not unhealthy for consumers, which had not been tested on animals, which do not contain genetically modified ingredients, and which had not been irradiated. Today's consumers are more aware of the importance of purchasing products for which manufacturers own certificates of product origin. Additionally, each cosmetic product which is placed on the market of European Union has to be healthy safe and its manufacturer has to obtain a corresponding product safety report, i.e. „Safety Assessment” for it. (Borić, 2015) Product ingredients used by manufacturers such as The Body Shop, are entirely organic because they derive from ecologically preserved and controlled natural environment. For an example, the ingredients used by The Body Shop are: essential oils, peppermint oil, olive oil, almond oil, camomile oil, tea tree oil, hibiscus oil, coconut oil, sesame oil, hemp oil, soya oil, lemon grass oil, argan oil, lavender oil, organic alcohol, honey, cocoa, mint, green tea, aloe vera, bees' wax, etc. (The Body Shop, 2018)

## **1.2. Global natural and organic cosmetics market**

According to market research conducted by Grand View Research (Formula Botanica, 2017), the global natural and organic cosmetic products market is expected to expand by 2024. Considering the fact that today's consumers are starting to increasingly purchase skin care products, hair care products and make-up products of natural or organic origin, the global natural cosmetics market is expected to expand to 16 billion USD by 2020. Based on the research conducted by Persistence Market Research (Formula Botanica, 2017) and when compared year on year to natural cosmetics market growth (average growth 8-10% per year), it can be concluded that the global market will grow up to 22 billion USD in 2024. The largest share of global natural cosmetic products market (33,50%) refers to the market of North America, followed by European and Asian markets, with special emphasis on Japan, India and China (Formula Botanica, 2017). Natural and organic cosmetics market growth is influenced by the expansion of distribution channels, more successful online reach of consumers, as well as sorting of natural and organic products into premium product category, intensive advertising and a continuous development of new products. Natural and organic cosmetics market is in different life cycle phases in different countries, depending on the level of economic development of a particular country. In poorer countries, the awareness on the importance of consuming natural and organic cosmetic products has not yet reached the required level due to weak education systems and low purchasing power of consumers.

## **1.3. Development of demand for natural and organic products**

More consumers around the world are more aware of the importance of maintaining their health so today they are making more conscious decisions to consume healthy ingredients through food and cosmetic products which they put on their skin and hair. Thanking to publicly available information online, consumers today have more knowledge on the origin of products and possible noxiousness of ingredients of the products so they are able to choose better products. Due to increased number of persons suffering from incurable diseases caused by continuous intake of toxic ingredients during a longer period of time, consumers today, more than ever before, pay more attention to the contexture and origin of ingredients of the cosmetic products. When natural and organic cosmetic products first appeared, the interest in them was weaker than today. At that time, consumers had not yet been affected by negative changes in nature caused by the greenhouse effect, and they had not yet witnessed the ecological catastrophes which followed soon after. Today's level of environmental pollution is a result of increasing number of corporations which only have profit in mind and which are, therefore, completely neglecting the importance of doing responsible business towards the environment as well as the community.

## **1.4. Analysis of natural and organic cosmetics market in Croatia**

Due to average consumers' purchasing power and high price sensitivity, many customers believe that natural and organic cosmetic products are overly expensive so they lean towards the other types of cosmetic products, often low or average in quality and price. Many consumers will rather choose substitute products from lower price categories available at drugstores such as DM, Douglas, Bipa or Müller. These are cosmetic products which are not of natural origin and which will be competitive products to the new brand at the wider cosmetic products market. However, some users only lack information and courage to try out the product brands which are not known to them so they generally stay loyal to brands they are familiar with. Only more open-minded consumers in Croatia are less sceptical towards novelties and are therefore more ready to try out new brands and channels. Many consumers still do not have enough trust in the online sales channel or they are not accustomed to buying natural and organic cosmetic products in specialized stores.

There are around thirty very competitive brands at Croatian natural and organic cosmetics market due to similar business philosophy and similar product range. Improvement of the level of awareness with Croatian consumers concerning the need for nature preservation is visible in the increasing number of shops where organic groceries can be found. Also, a progress of society's understanding of ecological

issues is evident in the initiatives of various associations and organizations, whose work is getting recognized and supported by Croatian citizens.

Some international natural and organic cosmetics brands such as L'Occitane, Lush, Kiehl's or Yves Rocher can be found in specialized brand stores across Croatia, while brands such as Oshadi, Dr. Organic, Green People, Aromatični kutak, Kemig etc. can only be found in Terra Organica shop in Zagreb. Additionally, in Croatian natural and eco cosmetics shop Kantarion it is possible to find products manufactured by a number of Croatian manufacturers. In Müller drugstore it is possible to buy local and foreign product brands named Nikel, Dr. Scheller, Annemarie Borlind, Weleda, Sante, Terra Naturi and Le Couvent des Minimes. In DM and Bipa drugstores one can find brands such as Ulola, Nikel, Adria Spa, Olival, Mala od lavande, Tinktura and Biobaza, and in Douglas drugstore brands such as Douglas Naturals and Hej Organic. Some product brands can be bought only online via web shops at webpages, for an example:

- Terra Organica: brands Biovitalis, Nutrimedica, Pranarom, Soul Food (Terra Organica, 2018)
- Prirodna kozmetika: brands Argital, Alva, Madara, Dr. Stribor (Prirodna kozmetika, 2018)
- Ecco Verde: brands Kneipp, Organic Surge, Eco Cosmetics, MaterNatura (Ecco Verde, 2018)

In direct sales channel the dominant offerer is Oriflame because it offers cosmetic products of natural origin, unlike Avon. Also, many small entrepreneurs produce natural cosmetics by using natural ingredients and with their quality products they have developed trust in consumers' minds and by doing so, they established their market positions. Out of many Croatian home manufacturers of natural and organic cosmetics, the one which should be singled out is Helena delirium prirodna kozmetika. Some natural and organic product brands which are still not present at Croatian market, are "Sephora", "Boots" or "Bath and Body Works". It is estimated that the increase of attractiveness of Croatia as a tourist destination in the upcoming years, will result in the rise of interest of large international companies for entering Croatian market. Also, it is expected that competition will be stronger and that more international manufacturers of natural and organic cosmetics will want to place their products at Croatian market. Conclusively, while such brands still have not entered the Croatian market there is at this moment there is a „window of opportunity” that represents a unique chance, which the entrepreneurs should seize while it lasts because it provides a great deal of promises.

The attractiveness of natural cosmetics industry in Croatia is influenced by barriers to entry such as price sensitivity of the consumers as well as strong competitive brands. This market is still not that large (when compared to a regular cosmetics market). This industry is also attractive because of positive growth rate. At Croatian natural and organic cosmetics market every new company will be in the introduction phase until it starts making profit. It is not possible to predict how the market will react to a new brand and because of this, it will be necessary to implement marketing strategy appropriate for penetration into the new market. It is highly recommended to take into account that the new company will be entering the market rather late, when all the dangers and disadvantages of doing business are already known to existing players, when the competition is firmly holding its established positions and when market possibilities for new entrants are scarce. The new company will be able to weaken the impact of competitors by using penetration pricing strategy.

## **2. SETTING THE BASIS FOR THE NEW COMPANY AT CROATIAN NATURAL AND ORGANIC COSMETICS MARKET**

### **2.1. Defining business goals**

The entrepreneur, who decides to start business at Croatian natural and organic cosmetics market, will have to define social business goals which will have to include company's contribution to:

- a) decreasing the number of unemployed persons in Croatia in the official records of Croatian Employment Service,
- b) increasing the number of employed persons – be it sales personnel in shops, sales representatives in direct sales channel, students, promoters, evangelists / ambassadors of the new brand and new company's business philosophy, activists for animal protection and environment protection, etc.

Also, some of social business goals should be:

- raising awareness with Croatian society about the importance of conscientious treatment of the nature;
- contributing to reduction of environmental pollution by recycling plastic product packaging; by education of the society on harmfulness of the chemicals in cosmetic products (both for people and for animals), etc.

Except for identifying the financial goals, the entrepreneur will have to decide on specific marketing goals such as influencing the generation of primary demand (motivating consumers to purchase products for the first time). Influencing consumers' attitudes and purchase intentions can be done through promotion of a unique reputation of the company and by informing the public about the benefits of natural ingredients and the quality of products. Other marketing goal can be creating strong brand awareness and taking a monopoly position in the perception of consumers; also increasing the number of brand followers and forming a basis of loyal consumers, which will prove as essential down the line.

## **2.2. Developing of marketing plan and program**

After completing the analysis of the existing market situation (by taking into account all external and internal factors), the company should design the marketing plan for the upcoming fiscal year. After conducting a detailed market research and market segmentation, it will be easier to choose the target segments of consumers. Economic, demographic, psychographic and behaviouristic variables will help the company understand its consumers and help direct the marketing strategy. Apart from end consumers, the company should not forget to reach the business consumers as well.

After defining a yearly sales plan, the company should set up the yearly marketing plan. Marketing activities should be specified by monthly timetable, by sales and communication channels, by consumer type, by markets, in alignment with the marketing plan and program, approved by top management, which will serve as the main guideline throughout the year.

In the case of this company, all the elements of marketing mix will have to be adapted to local market requirements. The company should make sure that the prices of its products are low because of weak purchasing power of Croatian consumers. The products should often be at discount, customers should get price reduction coupons for online purchases and also loyalty points for each purchase. Monthly promotional activities should be regularly organized, and at holiday season and special occasions special prices should be defined. Products should regularly be made available in the form of testers and miniature versions so that consumers can try them and gradually gain trust in the quality of the products and in the brand in general. The company should also pay attention to the choice of optimal distribution channels and marketing communication options for a specific consumer segment.

In the first phase of business, while a noticeable level of new brand recognition has still not been formed in the minds of the consumers, the most appropriate solution is to utilize online marketing channel as main sales and communication channel. In digital marketing an official company website and a web shop are essential, as well as company profiles at Facebook, Twitter, Instagram social networks. It is highly recommended to regularly publish interesting posts and news online, together with product photos, articles on company activities, short surveys, prize game contests, and signing of petitions against testing of cosmetic products on animals. The company's original business concept should be presented to Croatian market via YouTube, as the most important video platform. Videos are an excellent way to attract the attention of prospective consumers and to reach them in a simple way. The company should record a series of videos with different ideas for up-cycling of product packaging after the products have been used, with the goal of reducing negative impact of plastic waste on the environment. Customers will be able to subscribe to newsletter via official website, through which they will receive information on current promotion.

Additionally, through interaction at social networks consumers will be given answers to all the questions not covered in the FAQ section, and which have to do with product availability, upcoming special offers, clarification of certain issues, etc. Through maintaining relationships with the consumers and by conducting continuous activities to retain acquired consumers, their loyalty towards the brand will grow. It is always a good idea to organize online prize winning games and contests or bundle promotions such as „Pay one, get two” promotion, as well as various bundle promotions.

At a later business stage, the company will be able to open shops at several locations and with time they will become the primary sales and distribution channel. As for special in-store promotions, consumers should be given discount for buying a new product if they bring a used product packaging back to the shop and request a content re-fill of the same packaging. Considering that this form of purchase is not a regular purchase of a new product, in this case consumers should be given a 5%-10% discount. This form of recycling is designed in order to motivate consumers by including them in conscientious treatment of the nature and by positively impacting their awareness and understanding of their own role in the process of environmental protection and pollution reduction.

It is a good idea to give quarterly public presentations in larger cities (for example, in the ZOO, at the squares in city centre or inside shopping malls). During such events, engaged activists can promote ecological business concept and educate Croatian citizens on harmfulness of chemicals in cosmetic products, and on managing and taking care of plastic waste. The new company could organize such educational and activist events in cooperation with Croatian associations for animal and environment protection, e.g. Ministry of environmental protection and energetics, Ministry of agriculture, State Environmental Protection Bureau, Environmental protection agencies, Croatian agencies for environment and nature, „Šapica” Association for animal and nature protection, etc. It is expected that individuals who follow activities of these societies, as well as most of the people who work there, will become consumers and followers of the new brand, who will act as brand evangelists / brand ambassadors. Moreover, it is recommended to engage famous persons who are protectors of animals, ambassadors of healthy lifestyle, vegetarians, influencers and bloggers, who will influence other consumers by discussing online their own experiences with the products which they had tried out and which they are satisfied with. Additionally, the brand will be supported by people who had witnessed that the company is doing well to others by participating in humanitarian activities, e.g. helping the local community.

The company could create a network of users through direct sales channel and engage them to promote its brand, products and business philosophy from the comfort of their own home. In this way the citizens will be given the opportunity to earn money, which will be another socially conscious act that will improve both personal economic situation of Croatian citizens, brand recognition in their perception and willingness to recommend. Also, it would be useful to sometimes run ads in traditional media such as print ads in certain magazines, covering topics of health, beauty, ecology, animals, and similar. Readers of such magazines would presumably be excellent candidates for prospective consumers considering they are genuinely interested in taking care of their health, they use natural and organic products (food and food supplements, beauty products), they love nature and animals and are against animal testing.

### **2.3. Company and product brand positioning options**

Positioning is the goal which a company aims to achieve with respect to its reputation (i.e. its long-term impression). The company will find out its existing reputation after having assessed public's opinion in terms of its product range, efficiency, social responsibility and sustainability, when compared to competitors'. Reputation management begins with listening to the people. (ReputationToday, 2016) Brand identity, brand personality and brand communication are fundamental input variables of brand positioning, while brand awareness and brand image are standard output variables. (Sagar et al., 2011, 126) In the process of brand positioning, the company should not forget to respect ethics, which can be used as product differentiator and a strategic competitive advantage generator. (Sagar et al., 2011, 124) Ethical brand positioning is sensitive to consumer satisfaction, environmental protection and price sensitivity. (Sagar et al., 2011, 128)

In the process of creating brand awareness, a way of doing business differently than what the competitors do is the most important aspect of business strategy so it should be continuously communicated to everyone involved. Croatian consumers should get the impression that the new brand is special, yet not too expensive and still worthy of their money because it is the most socially conscious brand at Croatian market and because it will offer optimal ration between values / quality and money / cost for the consumers, as well as the greatest benefits for animals and the nature. The new company brand should be presented as a company which does business in accordance with nature and applies socially responsible business in all aspects. In this way, the company will be able to differentiate itself from the competition and maximise consumer loyalty due to their comprehension that the company aims to achieve some higher goals and not just the profit. New brand should clearly communicate that it wishes to improve the quality of life of the consumers and that it will do so by manufacturing products in environmentally friendly way, by placing the products on the market which are in line with nature.

By promoting socially responsible business through participating in campaigns for protection of animal rights, human rights or local community rights, the brand will gain a unique position in the minds of consumers and in their perception it will be a clear, a special and a desirable position when compared to competitors'. Brand management activities and activities of brand positioning in consumers' perception will have to be systematically upgraded. Apart from communicating prices lower than those of the market leader (brand L'Occitane) for products of approximately the same quality, the company should highlight the ecological component of its business and the goal to contribute to well-being of animals, people and local communities. The new product brand should be positioned in the minds of consumers as a special, worthy, and the most affordable brand (because it offers the optimal ratio of values / quality and money), which will provide them the greatest benefits.

### **3. SETTING UP A STRONG INTERNAL INFRASTRUCTURE FOR THE BUSINESS**

#### **3.1. The importance of relationship marketing with regards to customer loyalty**

In the goal of achieving great business results, the best place to start is by setting up a strong internal infrastructure of the company, which should be done by choosing the right employees, and by implementing company culture which will keep the morale high and leverage the business at dark times. Additionally, it should implement strong relationship marketing activities with the consumers from the start. If it approaches the relationship with the consumers as one of the main business goals, then the employees will be oriented towards recognizing consumers' needs and finding ways to fulfil them successfully and proactively. The company should aim to do exactly that but in a faster and a more efficient way than the competition, by using high technology and IT equipment, and by continuous efforts and professionalism. Owing to a systematic maintenance of high quality consumer relationship, the company will achieve profitability with time and perhaps even become the market leader who will be able to fight the rivalry on the market for a longer period of time.

Loyal consumers belong to the most valuable category of consumers because of their current and potential future value for the company. With time, loyal consumers cause a stable influx of future consumers and by doing so, they directly affect the profit. „Loyal consumers choose a particular company as their only, main or first choice because of permanent superior value which the company can provide to them at low cost. Then the consumers are the ones who keep the competition away and not the product / service nor the technology“. (Vandermerwe, 2000) Authors Palmatier and Gopalakrishna proved in their research that „social programs which create strong relationships with the consumers through personalized approach, have a significant effect on business profitability. Next, structural programs which create solutions for the consumers and build a structural relationship with them, have a positive impact on profitability only when it comes to regular consumers. Finally, financial programs through which the company offers tangible financial awards to consumers, do not impact success of the company in a direct way“. (Mermelstein and Abu-Schalback, 2005, according to Palmatier and Gopalakrishna).

In addition to essential identity values and its business vision, the company should recognize the key sources of value in the company and outline the skills and the quality of human capital as the most important values. By carefully choosing employees with high individual values which are in alignment with cultural values of the company, by employing them on key positions and by educating them regularly, the company will be able to build a strong team of professionals who will lead the business in the right direction. Team spirit and the feeling of togetherness will strengthen the synergic power of the teams. By using its most valuable asset – its people – the company will achieve significant results in a short period, which will provide a unique and sustainable competitive advantage. The company will have to regularly find new possibilities for establishing cooperation with the new consumers, such as new channels, locations and places where it will improve its presence. These activities should be treated as investment in the future. The company should make sure that all employees understand that intentional and consistent development of quality relationships with the consumers can result with a strong competitive advantage.

Final aspect of internal infrastructure refers to quality IT infrastructure which will support internal operational tasks because it is essential for successful completion of work assignments on time and according to expectations of everyone involved. The company should form a database in which all consumer data will be stored, along with the history of all orders and realized purchases. Similarly, the entrepreneur should obtain a financial database software / program in which it will keep all the budgets, calculations, invoices for marketing and sales activities performed at the entire local market. Based on this data, it will be possible to make reports and forecast future sales trends and dynamics, make estimations and other calculations. Marketing activities imply shorter and repeated local product promotions in the shops and at public places, or national campaigns which take place two or three times a year, but essential last longer.

### **3.2. Developing a socially responsible business strategy**

In business practice, a marketing program is often integrated with a social responsibility program. If the company wishes to design a correct socially responsible business strategy, it would have to pay attention to how other (similar) companies help the local communities. Analysis of competitors' social activities will help entrepreneurs decide which projects they should support and to recognize which endeavours will be most appreciated by the community, even if these activities will not result with significant financial results. By taking part in such activities, the company will attract consumers' attention and even take over some consumers from its competitors. When public's attention is focused at the company for its participation in dealing with social problems, the opportunity for introducing new products into the market will present itself. After assessing the situation, the company will have to make a comparison of its own activities with best practices of other companies. After the analysis and the evaluation of alternatives, designing of the action plan for future activities can take place. (Price, 2012)

The entrepreneur will at one period want to gain better insight into strategic social marketing mix and at other times will wish to direct focus at socially responsible activities or implementing of ethics in marketing. Apart from these areas which should be supervised by the responsible persons in the company, it should not be forgotten to conduct also the analysis of the importance of social responsibility within marketing strategy. By doing so, the company will achieve better publicity and gain a position in the perception of the public as a desirable entity that cares about the society and community in which it operates, and that adjusts its business to the needs and expectations of the society and local community. (Kerin, Hartley, Rudelius, 2009, 109) Within the analysis of its socially responsible activities, the company should list all areas in which it can take an active role and with its contribution improve the quality of the social environment. After identifying all the stakeholders and other interest groups (such as churches, schools, local companies and institutions), the company should determine which social needs affect them and make continuous effort to resolve them, which will add to better perceived company credibility. The entrepreneur should act fair and transparent at every point of its business, especially when it comes to marketing activities.

### **3.3. Possibilities for socially and environmentally responsible business**

Treating the society in a responsible way includes taking care of economic well-being of the most vulnerable citizens, including unemployed persons. By opening new job positions and by hiring local work force, the quality of life of a number of people will be improved. Except for employees who will work in production (manufacturing and product packaging) or salesmen in shops, job positions which will also be opened are the ones for office staff, warehouse workers, workers in distribution and delivery, sales representatives, promoters, activists, etc. Advantage should be given to experienced unemployed people and to young people without work experience who will in this way get the opportunity to gain work experience. Involvement in the local community, donations or supporting some aspects of social prosperity in operational activities can be a source of opportunity, innovation and competitive advantage. (Swiatkiewicz, 2017, 307, according to Porter, Kramer, 2006, 80)

The new company can learn from the best by implementation of benchmarking. Some of the business goals which contain ecological business orientation could be: making sure that every source of ingredients can be traced, protecting forests and habitats, reducing year on year ecological imprint, reducing electrical energy consumption in the shops, making sure that product packaging does not contain fossil fuels, etc. Ideas which combine ecological and socially responsible business activities are vast; and they require just a little imagination and internal organization. For an example, the company can donate 1 kuna from each purchase transaction and direct this money into humanitarian causes, with the goal of raising the level of awareness concerning a particular social problem. The company can contribute to preservation of forests if it will use paper bags instead of plastic ones and if it will not print out the receipts and hand them out to consumers in the shops but instead, send them to their email addresses. Such innovative approach will not only reduce paper spend in general but it will also upgrade consumer experience to a new level and also improve their loyalty to the brand.

## **4. ETHICS IN MARKETING OF NATURAL AND ORGANIC COSMETIC PRODUCTS AT CROATIAN MARKET**

When analysing marketing ethics in business, it is important to consider economic, social and technological challenges of modern marketing. It should be used to improve well-being of individuals and/or the society by helping them find optimal solutions for specific problems they are faced with. Wrong decisions can have long-term unwanted and unpredictable consequences – for an example, negative impact on consumers' health. When promoting its products, the company should not entice consumers to buy products if it knows they could harm the consumers. If the company intentionally uses faulty or insecure food production technology, it should be ready to face possible consequences which can result out of that kind of behaviour (judicial appeals, consumer complaints and reclamations, etc.). If the company intentionally withholds information about the harmfulness of its products, it will cause direct damage to consumers and it will involve itself in a dangerous game of information manipulation. Misleading advertising in Croatia is regulated by Misleading advertising law (Narodne novine, 2009) and Consumer protection law (Narodne novine, 2014), which among other information also cover fines for the companies that use misleading advertising.

Ethical matters in marketing include intentional misrepresenting of the company, manipulation or misuse of data, exploitation of groups which are in unfavourable positions, invasion of consumers' privacy etc. The entrepreneur should be aware of its acting in every moment and make sure that it does not hide product deficiencies (accidentally or knowingly), that it does not reduce content of the product without reducing the size of product packaging, that it does not arrange prices with the competitors, that it does not deceive consumers regarding money refund possibilities, that it does not withhold information on product availability, that its sales personnel do not put pressure on consumers, that it does not practice misleading sales techniques, etc. (Ferrell, Hartline, 2008, 61-65)

Companies are often in an ethical dilemma. The first option being orientation to own well-being and achieving profit at any cost, without having in mind the needs of others and connected possible consequences. Systematically finding of easier and faster ways for reaching company's objectives can be a short-term successful strategy. However, in the long term a more obvious and a more profitable option is to do business in a „clean and fair” manner by doing good to others and itself. The new

company will have to continuously conduct marketing activities whose goal is not only achieving impressive sales results, promotion of the brand, making profit, and similar. It should, on the contrary, set more altruistic objectives, such as: ensuring a long-term prosperity of socially-disadvantaged individuals, protecting nature and preservation of the environment, protecting animal well-being and promoting actions and activities which will attract attention of masses to certain problems in the society.

In today's business environment all the business partners, end consumers, distributors, vendors inside a certain industry are a part of one network and are always connected due to electronic nature of work and new media which enable prompt communication, interaction and making information available to public. Because of that every suspicious or immoral act is usually quickly discovered, which harms the reputation of a company. Consequences of unfair business, violations of laws, misreporting, misapplication of privileged information etc. regularly cause a decrease in sales and future revenue, loss of consumers' trust and them fast heading in the direction of the competitors. The entrepreneur will achieve success with its business sooner and more effectively than the competition, if it makes conscious decisions about using its marketing in a way which will not interfere with legal and ethical issues. Irresponsible deeds or advertising mishaps will have negative effects on business, slow the progress of the business and soon all the previous efforts of the company will be easily forgotten.

According to Kotler (1997, 783), the entrepreneur should pay special attention to the decisions which have to do with ethics in marketing, such as: decisions related to sales (e.g. stealing trade secrets, bribery, underestimating or discriminating of the consumers, disclosing consumer rights), decisions on relationships with the competition (e.g. uncompetitive takeover, barriers to entry, predator competition), decisions on the product (e.g. product accessories and withdrawal of products from the market, patent protection, product quality and safety, product warranty), decisions on advertising (e.g. fake advertising, traps and frauds in advertising), decisions on sales channels (e.g. exclusive representation, exclusive distribution for an area, binding arrangements), decisions on the packaging (e.g. fair product packaging and labelling, excessive costs), as well as decisions on the price (e.g. defining fixed prices, price maintenance, price discrimination or a misleading pricing strategy).

Table 1. Decisions on ethics in marketing

Type of decisions	Most often ethical issues in marketing
Decisions related to sales	Stealing trade secrets, bribery, underestimating or discriminating of the consumers, disclosing consumer rights.
Decisions on relationships with the competition	Uncompetitive takeover, barriers to entry, predator competition.
Decisions on the product	Product accessories and withdrawal of products from the market, patent protection, product quality and safety, product warranty.
Decisions on advertising	Fake advertising, traps and frauds in advertising.
Decisions on sales channels	Exclusive representation, exclusive distribution for an area, binding arrangements.
Decisions on the packaging	Fair product packaging and labelling, excessive costs.
Decisions on the price	Defining fixed prices, price maintenance, price discrimination or a misleading pricing strategy.

Source: Kotler, P. (1997), "Upravljanje marketingom – Analiza, planiranje, primjena i kontrola, deveto izdanje". Prentice-Hall Inc. A Simon i Schuster Company p. 783.

## 5. CONCLUSION

The main conclusion of this paper is that entrepreneurs, who decide to start a company at Croatian natural and organic cosmetics market, will have to include social responsibility in their business strategy. Due to unfavourable economic situation in Croatia, citizens will welcome opening of new job

vacancies, and subsequently be more open to accepting the new brand in the market, which would not be the case otherwise. Competitors already hold established positions and the consumers are sceptical towards new brands because they fear the unknown and are therefore slow to change their purchasing habits. In order to create brand recognition in the shortest period of time, the new company should promote its reputation as a „green company” which will become its differential advantage. The entrepreneur should position its business as a brand which does business in accordance with nature and which applies socially responsible advertising. In this way, it will be able to differentiate itself from the competition and maximise consumer loyalty due to their perception that the company aims to achieve higher goals and not just the profit. The new company should actively participate in the problems of the local society and give its contribution to the community by educating citizens on the importance of conscientious treatment of the nature and harmfulness of chemicals in regular cosmetic products. This will affect the incomprehension of ecological way of doing business, which is currently present with many Croatian citizens. Ethics should be applied in all marketing activities, especially in branding and advertising. Manipulation with consumers’ perception by distorting information presented in the ads, is considered intentional misleading and misrepresenting of the company and its products, and fines are regulated by local laws. The entrepreneur will achieve success of its business faster and more effectively than the competition if he/she makes sure that marketing activities do not interfere with legal and ethical issues. The entrepreneur should set up a strong internal infrastructure by choosing the right employees and by implementing company culture and strong relationship marketing activities with the consumers. After gaining consumers’ trust and influencing their attitudes and purchase intentions, primary demand will be generated, sales volume increased, and with time also sales revenue and market share. Achieved success should be a motivator for altruistic deeds such as protecting rights of socially-vulnerable citizens, protecting nature, ensuring well-being of animals and improving ecological awareness of the citizens. The mentioned business model displays a general framework for sustainable and socially responsible entrepreneurship.

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