

Avon case essay sample

[Economics](#), [Trade](#)



I. Problem Statement

When Jung took over, there was no definite strategic vision for Avon. Avon reps had no common goal to work towards, and this was translated in their work, which led to the brand having no evident personality even for the consumers. Along with the lack of strategy came the inability to cope with the changing times. A company that was set on their old business model, Avon found it hard to integrate technology into their daily operations. And lastly, proper leadership was lacking even in their management. This made it even harder to remain competitive in the industry. With all the internal and external factors coming into play, will Jung's strategic management be able to save Avon and ensure the company's sustainability in the long run?

II. Assumptions

* It is currently the year 2003 – just after the conclusion of Andrea Jung's initial strategic plan. (Any other specific activities after said year are still just plans and haven't been implemented yet) * The CFT industry continues to thrive as a strong and profitable industry and the skin care product category is the fastest growing segment within the said industry and globally.

III. Point of View

The group wishes to take the point of view of a third party consultant.

IV. SWOT & PESTLE

SWOT Analysis

STRENGTHS| WEAKNESSES|

- Avon was one of the key players in the industry
- Vast arsenal of sales people| - Lacks definite strategic vision & strategy -
- Brand has weak equity- Sales force are not driven to sell, but to recruit|

OPPORTUNITIES| THREATS|

- Innovative industry
- New distribution channels that the company can tap
- Underserved market segments (teens, mens etc.)- Growth opportunity in other countries| - Tough Competition - Changing consumer preferences
- Continuous innovation of competitors- Increased preference in retail|

PESTLE Analysis

Andrea Jung's vision for Avon was a bold one. She wanted it to be the "ultimate relationship marketer of products and services for women." With this statement, it is clear that she envisions Avon to be the provider of all the needs of every woman.

However, the needs of a woman vary under different conditions; the market for the global CFT industry is segmented by consumer demographics and by geography. Those belonging to the baby boomer age group are primarily looking for anti-aging properties in the beauty products that they purchase. On the other hand, teenagers are more concerned with distinguishing themselves and setting themselves apart from others which is why they tend to buy beauty products that match their personality as they know it. And in between these two age groups are those women in ages 20-30 who are concerned with the oncoming effects of aging; they are those that are still

not ready to use anti-aging products like anti-wrinkle creams but wish to take a proactive approach to delaying the first signs of aging.

Women's preferences of beauty products also vary across different regions. The typical European women are the ones who are mostly attracted to purchasing products that have anti-aging properties. While those of African American descent have concerns that are focused mainly on the availability of cosmetics pigments suitable for darker skin, skin oiliness, and hyperpigmentation. Asian women also have different concerns from those of European women; they, in turn, are more concerned with maintaining their natural or pale skin tones.

Aside from the different needs of women from different countries, political constraints should also be considered. Take for instance China, wherein the government has implemented a ban on direct selling which was primarily the source of income of Avon.

Besides the different market segments, there are still a lot of things that Avon needs to consider in order to fulfill its vision. With the influx in internet usage all over the world, almost all things are being done in the web now. Online order placement and other transactions have become a considerable source of income for the largest players in the CFT industry globally.

Continuous product innovations have also become a great deciding factor in the CFT industry. As the market's concern for wellness and youthfulness grows, new products are introduced that are designed to cater to these concerns.

V. Framework Analyses

A. Stool Framework

The three-legged stool framework is used to analyze Avon's business strategy. In order for Avon's strategy stool to stand up successfully, its three elements which are market opportunities, Resources/ Capabilities, and Execution, must be firmly in place.

Market Opportunities Resources/ Capabilities Execution

Since Jung wants the company to be the ultimate relationship marketer of products and services for women, she therefore constructed strategic priorities in order to live by Avon's vision. First is to incessantly invest in R&D and advertising so as to be able to launch new innovative products.

Moreover, Jung implemented Sales Leadership Program to its Sales Representatives to have a better idea on how to recruit and to give better chances to gain commission from direct selling. Also since technology has been rapidly growing, Avon catches up as the company innovatively make use of the internet system by efficiently using Avon. com website and making their sales reps as e-representatives as well. Utilization of process engineering is clearly evaluated to be able to get rid of irrelevant costs.

Avon wellness line has been successfully launched and therefore increased Avon's brand image as it promotes women's wellness and health. This would be another grand opportunity for the representatives to increase sales and revenues. Avon's wellness line shows that the company is deeply concerned to the well-being of women consumers which then refined their brand image.

Avon also sees the opportunity of venturing into retail business around the world. The company sees that the retail business will stimulate growth in the future. Its retail businesses, popularly called as Avon Beauty Centers are small kiosks located at shopping malls. These kiosks help expand Avon's network by tapping new customers and let them have a free trial of Avon's products. In line with the opportunity to expand globally, Avon enters the Eastern Europe and China markets to serve new segments despite cultural differences, risks of legal restrictions and adverse foreign exchange, and the like.

Jung is able to see the market opportunity for women who wants department store brand cosmetics yet cannot afford to buy one. Since Avon would be selling products cheaper than department store brands, it would be an immense opportunity for them to attract more customers. In line with this, Jung transformed Avon's image by having new packaging, stylish catalogues, celebrity endorsements and new ad campaigns.

B. Point A Point B

Before anything else, it would be best to first evaluate Avon's current position. (Please see SWOT and PESTLE). After careful analysis of where the company is now, it is now time to clearly define where the company wants to go. Andrea Jung envisioned an Avon that would be the ultimate relationship marketer of products and services for women. This vision served as her destination point wherein all her strategic efforts are geared towards. Our analysis would cover the duration starting from Perrin's leadership up to that of Jung's in 2007. We have decided to segment this into three subdivisions,

each of which has various specific activities which were implemented under a particular time period.

Our evaluation started with Perrin's initial strategic plan which brought about considerable improvement to the company. However, it didn't suffice. There are still a lot of debacles that remained unsolved for Avon. Therefore, when Jung assumed the position of CEO, she has introduced such bold moves that she believed would bring necessary improvement to the company. Jung has outlined her goal and what she plans to do in order to get there. And all her efforts were rewarded as Avon was able to combat its possible downfall under her leadership.

VI. Alternatives

- * Avon should consider venturing in an inexpensive teen line to tap young ladies wearing make-up.
- * Consider tri-media product placements esp. in non-traditional advertisements
- * Having male sales representatives to increase Avon's revenue and also launching Avon products specifically for men.
- * Promote the wellness product line by sponsoring sports events such as fun run
- * Enter new countries that would most likely generate profits
- * To lower costs, Avon must share its advertising costs among the countries they operate in
- * Expand and tap new distribution channels to prevent decrease sales in the future. With this, Avon should educate its sales representatives and elaborate the need for expanding its distribution channels

VII. Recommendation

The group highly recommends continuous product innovation, catering to the needs of underserved market segments by coming up with product lines for men and teens. In addition, possible market penetration and in other countries, which have strong growth potential, is encouraged. This is to establish a strong market presence all over the world and to be able to capture a global perspective needed to ensure sustainability.

Utilization of retail distribution channels should be approached with utmost caution, this is so as not to lose the “ core” business of AVON and demotivate the dealers of the company. These people fuel the business, they should be taken into consideration in every strategy that'd be implemented by Avon.