

Analyze the avon product inc



**ASSIGN
BUSTER**

The report has been designed to analyse the Avon Product Inc that has been undergone by major strategic change. Furthermore this report has been divided into two parts, first part of the report will explain the organisation back ground and the strategic change that has been adopted, further second part of the report will discuss the influence of external environmental forces, how they affect on the organisation performance.

Avon Vision Statement

: “ To be the company that best understands and satisfies the product service and self-fulfillment needs of women – globally

Organisation Background

Avon is the largest seller, marketer and manufacturer of beauty related products around the world. Avon generates 98% of its revenue from cosmetics products. The company markets to women in more than 110 countries through more than Five millions independent sale representatives. Products categories are for instance skincare, fragrances, cosmetics, toiletries and also jewellery, watches, home products candles and toys. Moreover, 98% of the company sales are generated via direct sales. This sales approach had also been successful in the Asian and Latin America market. However, could not be for the American market.

Strategic change

According to Lynch (2006), define “ Strategic change is the pro-active management of change in organisations to achieve clearly identified strategic objectives. It may be undertaken using either prescriptive or emergent strategic approaches”.

Avon's strategic change

According to Johnson (2008) define in orders to diagnose the strategic change within organisation, it is important to consider the type of change that is required and also identify the type of change that has been adopted

For over the last 124 years, being a global manufacturer and marketer of beauty related products, Avon has been adopted several changes and devoted to empower women by helping them to look beautiful.

Avon major strategic changes are:

Avon has invested the millions on research & development to bring the innovative products and also focused on the increases advertisement for the sustainability of brand competitiveness.

Avon eliminated the layers of Hierarchal management and redesigned the organisational structure to take the full advantage of Global sale

Avon helped million of women across the world to build a better future for instance, provide the opportunities to become, entrepreneurs, representative or their own business owner. [www. avon. com](http://www.avon.com)

Organisational structure

According to Carnall, (2007) ideal organisational structure is based on the right balance of information, resources and power to support the organisation objective.

On geographically Avon operates business in six regions and has sales operation in 63 countries also products are distributed more than 52

countries in the world. Primarily Avon conducts business through direct selling and marketing by millions of Avon independent representative. Generally distributor purchased products directly from Avon on discounted price also Avon provide an opportunity to their representative to manage their business online including two way communication with Avon. Moreover in some countries for instance in USA, representatives can build their own web page for the sales of Avon Products.

ORGANISATIONAL CULTURE

According to Cameron, (2004), if current organisational culture does not support to achieve the organisation objectives or goals then organisation should involves themselves to change organisational cultural in order to achieve the organisational goals. However, since 1866 Avon organisational cultural is the most recognisable and considered the pioneered to sell the cosmetics products via using direct selling model and continue to maintain the same sales model since its foundation. Furthermore, 98% of revenue of the cosmetics product which is 6 billion dollar is come from direct selling model which impressed the other cosmetic companies to follow the direct sale model.

Appendix 3 illustrates Avon’s organizational culture by using the cultural web model from Johnson and Scholes (2005).

Stakeholder analysis

According to Spicker (2008) state the stakeholder analysis will explain, how external and internal stakeholder influence on the organisation, and what’s

there needs and expectations, also what organisation need from each of them.

Stakeholder analysis for Avon

Stakeholder

Interest

Power

Attitude

Expectations/Needs

Government

Worldwide

High

High

Mixed

The acceptance to meet the all local, national and environmental laws of the country where they operate.

Shareholders

High

High

Positive

Always take interest on maximization of shares value and dividend.

Customers

High

Low

Positive

Take active interest in products and appearance.

Communities

Low

Low

Mixed

Take interest in the respect of using natural resources, environmental issues and minimization of recycling and reuse practices.

Suppliers

Low

Low

Neutral

Surety of contracts and payment.

Take interest to add value to produce the products.

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Media

Medium

Medium

Negative

Always take interest to publish negative factors regarding harmful ingredients of cosmetics products.

Executive team

High

High

Positive

Need to appreciate the whole organisation effort and give reward and reorganize the effort of representatives and employees worldwide.

Employees

High

Low

Positive

Expect to achieve financial need and economical independence and support their happiness.

The key environmental influences

The PEST framework categories environmental influences into four main types: political, economic, social, technological.

Political factors

Avon's products Inc business ranges cover many countries and it offers approaches to women who work in those countries to attained financial independence and good performance. In some countries, this move is regard as a way to advance the economic growth and create personal wealth. However, owing to the political differences among countries, it causes different influences on Avon's corporate strategy. For instance, there is a Data Protection Act within the European Union which is aimed at protecting the privacy and safety of personal information. Different implementation dynamics of this policy in Europe countries will have different effects on Avon's representatives calling door to door.

Economic factors

The key dominant factors that influence on customers for buying Avon products are their economical condition, inflation and interest rates. Simultaneously, Avon is also affected by currency fluctuations rates. Avon has employed about 5.3 million representatives and this leads to the free and actively cosmetics market to sell and buy Avon's products.

Social factors

Consumers' preferences and buying powers has changed by time to time and they are related to the local culture and personal working conditions. Countries in different climates and environmental circumstances would

commend different cosmetic products for their citizens and this is a big concern for Avon to reach the goal that not only value and contain the similarities among different customers but also respect and create the differences of their needs. The top objective of Avon is to serve women all over the world with its products to reach their identical aspiration — look their best at all places at all time.

Technological factors

The revolution and innovation of technology can influence the behavior of peoples. In the process of researching and product developing, cosmetic industry always put new products into a position of consequence. Avon's strategy is to enhance the brand competitiveness through investing millions on the research and development of its products and increasing the advertisement of its products on media.

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Managing change

According to Mullins (2010) External environment can affect the organisational performance and organisation effective performance will depends on the interaction of its external environment.

SWOT analysis

Strength - Avon products are sold in 110 countries around the world by five millions representatives. The products are sold in comparatively moderate prices. Additionally, features of personalization in customer service, creation in products design and satisfaction guarantee are the key factors which provide Avon a competitive advantage among the cosmetic industry.

Furthermore Avon uses variety of electronic order systems to help representatives to increase the accuracy of business process and efficient business operations. The cost-effective sales strategies and the diversity of business model give Avon the ability to be the superior in cosmetic market.

-Revenue growth stable

From the company's record, it shows there was a stable and forceful growth in recent years which successful outstripped its key competitors. " Avon's revenue grew at a compounded annual growth " rate (GAGR) of 10% during " FY2006-2008 and this result a stable operation of the company.

– Dominant position provides more opportunities to attract new consumers

Avon is one of four top brand leaders in cosmetic industry with brand value about \$5, 264 million in the top 100 global customer companies. The pioneered anti-aging skincare and perfume category induced Avon with wide business presence and leading position to attract new Opportunities

Weakness

Declining North American operation

The declining trend of Avon's North America business has slowed down in FY2008, but compared with FY2007, the total revenue of North America has still decreased 4. 9 %, and Avon's North America operation has contributed 23. 3% to the total revenue of the company at last. Obviously, the top line was affected by the weak performance of this geographic segment.

Opportunity

Emerging markets

The importance of emerging market such as Brazil with an annual growth of 20%, china which has valued approx \$10, 200 million with the enormous increase of population in future and the sudden growth of economy will offer a huge potential market for cosmetic industry . Furthermore The increasingly fierce competitions among cosmetic market, in order to capture the Brazilian market Avon has announced its plan to build the new distribution centre in brazil.

Threats,

In order to achieve the global recommendation in cosmetics business and gain the market share from emerging market, Avon has faced strong competition from its competitors for instance, L'Oreal, Unilever and Estee Lauder, Revlon and Procter & Gamble.

Conclusion

This report offers an attempt to understand the major strategic change undergone by Avon Cosmetics Limited. Furthermore, report evaluated the effectiveness of the change in relation to Avon's structure, culture. Being a global manufacturer and marketer of beauty and related products and a direct selling organisation, Avon was faced with several challenges in the external environment. The factors were: fierce competitions from multinational companies, consumer behaviour worldwide, government rules and regulations, technological and social background. It was found that the major strategic change does relate to the objectives of the organization and

matches the organisation's capability, including its structure, culture and politics.

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