

International marketing assignment

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The company was named Avon in 1939, as a tribute to his favorite writer, William Shakespeare. As the first “ Avon Lady”, Mrs... P. F. E. Label initiated the company’s famous direct-selling method, and her name is still honored today in the company. Avon established itself as a household name in the Fifties and Sixties with a worldwide network of door-to-door sales-ladies. Today, Avon remains the world’s largest direct seller of cosmetic products with operations in 143 countries through 4. 4 million independent sales representatives.

Since its beginnings, the firm has evolved enormously due to the influence of various micromanagement actors and nongovernmental forces. Not only do these factors shape Van’s domestic marketing strategy, but these environments also have a great importance in the firm’s international activities. Furthermore, the company still has to improve specific aspects of its strategy if it wants to maintain its position on the American market and in its international activities. I. Van’s marketing strategy in the U. S. A. Since it’s creation in 1886, Avon has gone through many changes in its marketing treated.

Throughout the years, Avon has tried to adjust its strategy in order to maintain/increase its market share within the ASSAI. To do so, the firm had to take into consideration all the actors and forces of the American market. A. The actors in the micromanagement For Avon, the micromanagement is somewhat different than for a traditional firm. Indeed, since it sells its products through direct selling, there are no marketing intermediaries. This aspect gives the firm more freedom in putting its strategy in action.

However, like all other companies, Avon must take into consideration the 4

there actors of their micromanagement. The company: For more than a century, the Avon company has been known for the direct-selling approach it uses to sell its cosmetics and toiletry products. In short, Avon employed women, called “ Avon Ladies”, to demonstrate products to customers in their own homes. Avon started out as the California Perfume Company, when the company was founded in 1886 by David McConnell (1858-1937). By 2001, Avon was the world’s Avon Case Study- International marketing By landfall countries around the world (2 percent of whom are male), and with total sales revenues of \$5. 7 billion.

Marketing Intermediaries: Until the arrival of the internet and changes in customer needs, Avon never used marketing intermediaries. Its distribution strategy, direct selling, didn’t require the use of intermediaries. However, 15% of the American population did not want to buy products through this channel, but also more women were working outside of their home. These factors led Avon to rethink its strategy and consider selling its products through retail outlets. – Suppliers: Suppliers play in important role in Van’s strategy. They must be able distribute the firm’s products all over the United States.

Considering the size of Van’s pool of customers, the firm should make sure that they can deal with excessive demands for products. The only solution to this risk is to have very reactive suppliers that are flexible in their distribution capacities. Consequently, Avon needs to be very close to its suppliers and maintain a good relationship with them. – Customers: When Avon started its activity, its customers were mainly women who were 45 and had an average household income of under \$30, 000. However, in the sass’s, <https://assignbuster.com/international-marketing-assignment/>

Avon tried to go for a different market segment by using a catalog and a toll free number.

By using this technique, Avon was aiming at a younger target market whose average age would be 38 years old and a household income of over \$30,000. Instead of looking for expansion in the fast growing market of beauty products for men, like many of its competitors, Avon has chosen to focus only on women and keeping the slogan “the company for women”. Also, instead of distributing in department stores, Avon has increased the number of its independent sales representatives because women appreciate having advice on beauty products.

B. The forces in the micromanagement –
Demographic Forces

Demography has played an important role in Avon's marketing strategy. In fact, they have sometimes forced the firm to make some changes in its approach of the market. Two players have been influenced by these changes in demography: the sales force and the customers. When Avon first began its direct selling strategy, its sales force was composed of women who were generally homemakers who needed extra money, but didn't want a full-time job. However, in the 1960s and 1970s, Avon ladies desired more than just a part time job, due to the liberalizing of women.

Furthermore, the increasing mobility of the American population made it difficult for Avon to keep a steady sales force and lead to sales force turnovers close to 200%. Consequently, over 10 million customers were marooned because they didn't have any sales person to contact to place orders. The customers as they did for the sales force, the 1960s and 1970s

created many changes in the customer's lifestyle. Women no longer wanted to stay home; they wanted to work outside of their residence. Consequently, when Avon ladies came to ring the doorbell, nobody answered.

In addition, 15% of women in the US did not want to buy products from a sales representative. For a direct sales firm, this was a great problem, so the company had to react in consequence. Avon decided to create a catalog as well as a toll-free number, which was named " Avon Select", to reach these customers. -Economic Forces The economic forces are what define a population's purchasing power, but also the way it spends its income. Through out the century, these aspects of the American population have evolved dramatically.

Indeed, the American population is a consumer population, which does not hesitate to get into debt in order to fulfill its instruments desires.

Consequently, this leaves more room for companies like Avon to promote and sell their products to men and women all over the country. Since the sass's the average American has seen his income increase considerably. As Ernest Engel has proven, as income augments, the percentage of income spent of food diminishes and shifts to consumption categories such as entertainment, clothing, etc. For a company that sells cosmetics and toiletry such as Avon, this evolution has been truly beneficial.

It is important to notice that one of the reasons that women wanted to work in the g's and the ass's was due to the oil crises of '72 and '79. Indeed, these crises had dramatic effects on the global economy and the United States were not an exception to the rule. This economic force played as significant

in shaping the firm's strategy during that period because women had to work to counter the downfall of the global economy. -Political Forces Republicans have a tendency to promote business and try to give firms the possibility to develop quickly.

It can be guessed that this one of the reasons why Avon developed to the extent of becoming one of the largest direct selling firms in the world. - Natural Forces For a company such as Avon, natural resources have not yet played an important role in defining its marketing strategy. -Technological Forces The technology has had a dramatic effect on companies using a sales force for direct selling. Indeed, the internet has revived direct selling and changed the structure of the market. Due to disintermediation, Avon saw the number its competitors increase drastically.

Furthermore, companies who opted for a direct sales force became less competitive because they had to pay their salaries whereas companies who only used the internet as a means of distribution saw their fixed costs reduce inconsiderably. Avon needs to consider finding a way to cut its fixed costs if it wants to remain competitive in a market where the internet penetration rate is relatively high. -Cultural Forces Considering that Avon is an American company, it seems obvious that this aspect of the micromanagement should not cause many problems for the firm.

With the experience the company has in the country, it is unlikely that Avon will make cultural faux pas in its home market. II. Van's international marketing strategy The firm has the advantage of being a well established company throughout the United States. It has chosen direct selling as its

means of distribution, however, in certain countries such as China, this strategy may be confronted with some problems. Indeed, the Chinese government banned direct selling in the country. When the Chinese government allowed the firm to sell its products on the Chinese market again, Avon had to become a wholesaler instead of a direct seller.

As a result, longer had to manage a team of sales representatives that sold products directly to the consumer, but a team that had to seduce retailers as well as customers. As mentioned above, the fact the Chinese government banned direct selling obliged Avon to deal with marketing intermediaries: retailers. Though Avon excels in the art of direct sales, working with intermediaries will be a real challenge for the company. It was already surprising that when Avon first entered the Chinese market, it had not done so with the help of a local firm.

As we know, when a foreign company enters the Chinese market it “ has” to do so through a local intermediary. It can be discussed whether it is still interesting for Matter to sell its Barbie dolls through Avon in China. In fact, this would just add another intermediary between Matter and its customers. It would be interesting to investigate on this point before collaborating with Avon in China. This aspect is not different than in the United States. The fact that Avon is trying to penetrate a foreign market won’t necessarily mean that it has to change suppliers.

However, its suppliers need to increase their output to respond to Van’s needs. This micromanagement actor is one of the elements that Avon needs to take into consideration. It is obvious that Avon can’t approach the Chinese

market as it would in the United States. Two thirds of the Chinese population live in rural regions of the neutron and therefore are not concerned by the products offered by Avon. They have little money, no credit cards, no telephones and no direct way of getting their merchandise through direct marketing.

However, the 400 million people who are directly targeted by Van's products are willing to buy foreign brands as long as it bring an added value that a local product doesn't have. Though the Chinese are fond of American products, especially in cosmetics, they do not like aggressive promotions. These consumers are not extroverted and do not appreciate the "loudness" of aggressive marketing. Avon must legalize that there are many cultural differences between the American and Chinese populations and adapt it strategy in regards to these divergences. Competitors: Van's competition in China does not have the "glamorous" image that American products have. All Avon needs to do is get a celebrity to promote its products in as it has been said previously, the products must supply a greater value and satisfaction than a local product would. – Publics: In order to be successful in China, there are 3 main types of publics that Avon needs to target: – Media publics, not get coverage and articles promoting its products Government publics, in order to get the government to remove the ban on direct selling. – General public, which is the core public of Avon.

Market entry barriers are critical factors that influence entry decisions and a firm's performance. On the path to international expansion, a firm is opposed to new factors such as new government regulations, new legal and financial systems, new cultures, new languages, greater distances, new modes of

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transportation, and of course, various currency exchange rates. These factors have obviously had an impact on Van's international strategy. We will use Van's approach of the Chinese market as an example to analyze how the micromanagement shaped the firm's strategy. Demographic Forces: The Chinese population is of around 1.3 billion of people. The past decade has seen an extraordinary rate of growth in China. It represents an important potential of customers for a firm. However, the Chinese population that Avon could target with its offer is mainly located on in the urban centers on the East Coast of the country. – Economic Forces: Thanks to foreign direct investments, China's economy has begun to dominate the Asian economic environment. China's economy is growing at a rate of about 8 percent, which shows that this country is certainly profitable.

But Avon must ask itself if the market demand is important and if it will be competitive. Indeed, China is an emerging economy but a dual economy too, with a wealthy urban population of about 400 million people and a poor country population. The gap between rich and poor has grown almost as fast as overall income, meaning that inequality is increasing in correlation with the country's development. The Chinese market has attracted foreign Some analysts predict that China will become the world's largest economy but that could be jeopardized by the political circumstances in the country. Political Forces: China has just begun its transition to become a democratic country. China's new leadership has come to power facing enormous economic, environmental, political and social challenges at home. So, Mamma faces the challenge to interpret the very different cultural and political implications of their presence in a changing communist country. In China, direct-selling

operations function as a base for criminal activity. Indeed, the rake is filled with corrupt operators who sell poor quality goods with poor services, but declaring to be legal direct marketers.

So, Van's direct-selling techniques scared the Chinese government and all direct selling was banned in 1998. This situation was so tense that the American government pressured the Chinese government to allow Avon to sell its products on the Chinese market. After months of negotiation and sales people rioting in the streets, Avon was allowed to sell its products in China, but acting as a wholesaler, selling its products to retail stores. –

Natural Resources Technological Forces: China has become a major competitor for the high-tech industries.

The internet and the access gained to the World Wide Web are revolutionize international marketing approaches. This explosion of international marketing activity and the appearance of the global information technologies will have a big impact on all businesses in China. On the other hand, the Chinese government blocks access to certain internet websites. Though Avon is not directly concerned by this ban, it shows that the population does not have access to all the information that other industrialized countries do. He poor country people probably don't have a computer and internet, since some don't even have electricity at home. Cultural Forces: The consumer buying process is consistent across most cultures, however the Chinese are seen as having a low level of involvement when purchases are for their own consumption. Considering the products that Avon sells, this aspect is very important. Indeed, cosmetics and toiletries are personal products, so Avon must keep The level of risk that consumers associate with a purchase varies <https://assignbuster.com/international-marketing-assignment/>

enormously throughout each culture, which is an important element in consumer behavior. This level will determine whether a consumer will go for security in her purchase or if she is willing to try new products and services.

The Chinese are sensitive to social risk and the loss of social status if a wrong buying decision is made. In China, consumers are loyal, not really brand conscious and not really used to product comparisons; except the urban consumers, who have a wide selection of foreign brand names. Indeed, there are apparent differences between rural and urban attitudes. On a national level, Chinese consumers prefer to buy domestically manufactured products rather than comparable foreign-made goods. Conversely, consumers in big cities are less likely to prefer domestic products than the rest of the population.

We must also keep in mind that Chinese consumers will not buy foreign products if they do not perceive an added-value compared to national products. Also, typical Chinese consumers do not want to be the first to try a new product. They do not want to be, especially for an expensive, foreign product of an unknown brand. Finally, Avon produces standard products to meet consumer needs in countries such as Japan, but their product range may not be appropriate to China. Indeed, even if Avon has considerable experience in Asia, the Chinese market is not the same as other Asian markets.

Then, door-to-door selling and “meetings” are not part of the Chinese culture. All these aspects need to be examined to understand the consumer in any international market. If a company is to fully understand a culture,

they must pose a series of questions about buyer behavior, culture and the suitability of various marketing communications approaches for that culture. The local distributor must understand the culture of its market. Conclusion As we have seen through this analysis, there are many factors and actors that form Van's marketing strategy in the United States and abroad.

Whenever a company approaches a market, foreign or not, it must take into consideration all micromanagement and nongovernmental aspects. Though Avon seems to know and understand its domestic market, it still needs to improve some aspects of its strategy in China. The barriers to market entry make China a challenging market for foreign enterprises. The possible modes of entry into the Chinese market include equity joint ventures, contractual joint ventures, joint exploration projects and wholly foreign owned enterprises.

But, Avon must consider the environmental influences on international marketing, especially cultural, political and legal factors. It means that Avon must follow the culture rather than imposing regulations and adapting the products to local needs. Furthermore, concerning Mantel's entry in the Chinese market by piggy backing Avon may have to be reconsidered. Indeed, Matter used Van's know how in the American market, but since Avon cannot use direct selling in China, Matter is taking a risk by associating its products to a company that will have to act as a wholesaler; a role that it doesn't usually play.