

Cosmetics and products

[Health & Medicine](#)



**ASSIGN
BUSTER**

AVON -STUDY CASE- Analiza contextului global al afacerilor prin prisma factorilor de impact asupra industriei cosmeticelor The cosmetic industry is one of which products tend to be countercyclical. Demand for such products normally remains constant and unaffected by economic distress. The color cosmetics are predicted to see a slowdown in volume demand. A growing trend in the cosmetic industry is the introduction of 'green' products. More than one in seven (16%) of global beauty products launched in 2008 were certified organic, ethical or natural.

There are concerns that the global economic climate will stifle new product development, innovation and sustainability programs in 2009. An economic slowdown usually curbs companies from investing in research and development and it is that research that has brought forth a wealth of green cosmetics. For example, retailers such as Wal-Mart are increasingly requiring more ecofriendly supply chain. There are forecasts that consumers are unlikely to give up their commitments to organic products just to save a few pennies. 8% of consumers will remain loyal to a company that has a social and environmental commitment. Many consumers are now 'voting with dollars' for organic products and supporting brands that support values similar to their own. Economic factors mainly affect the purchasing power of customers. The more customer demand for the product the more profit to the organization, at the same time if there is no customers demand it's going to affect the organization in a negative manner.

So economic factors are very important external factors and affect the cosmetic industry. Economic factors include: Unemployment rate, Economic growth rate, Interest rate. Other factors that influence the cosmetic industry

are the government and legal basis. Also for AVON some of the risk factors are: Success depends on our ability to execute fully our global business strategy, May experience financial and strategic difficulties and delays or unexpected costs in completing our multi-year restructuring programs or long-range business review, including achieving any anticipated savings and benefits of the initiatives thereunder, The key personnel, The business is conducted worldwide primarily in one channel, direct selling, The taxes, political issues, legal and regulatory risks are also to be taken into consideration on international markets, May be subjects to financial risks related to their international operators, including exposure to foreign currency fluctuations, Competition,

A general economic downturn, a recession globally or sudden disruption in business conditions, A disruption of a key information technology system, process or site could adversely affect their operations, The ability to anticipate and respond to market trends and changes in consumer preferences, Government reviews, inquiries, investigations, and actions could harm our business or reputation, Protection the intellectual property rights, specifically patents and trademarks, Involvement in future, in the legal proceedings. Analiza mediului ramurii Avon Production considers its two closest competitors to be Mary Kay and Revlon.

Avon is nearly 8 times larger than Revlon. In terms of channel of distribution, Mary Kay most closely resembles Avon because both use a direct marketing approach. Revlon in contrast sells its products through cosmetic counters in department stores and pharmacies. Avon has 42000 employees worldwide and Mary Kay has 5000 and Revlon has 5600. The large difference in

company representatives is attributable to the necessity of employing more people to sell directly to customers than selling products through a storefront. The revenues of Avon also far exceed those of its closest competitors, with Mary Kay selling \$2.0 billion and Revlon selling \$1.35 billion in 2008 as compared to Avon's \$10.37 billion. [pic] We face competition from competing products in each of our lines of business, in both the domestic and international markets. Worldwide, we compete against products sold to consumers by other direct-selling and direct-sales companies and through the Internet, and against products sold through the mass market and prestige retail channels. We also face increasing competition in our developing and emerging markets. Within the direct selling channel, we compete on a regional and often country-by-country basis, with our direct-selling competitors.

There are also a number of direct-selling companies that sell product lines similar to ours, some of which also have worldwide operations and compete with us globally. Unlike most other beauty companies, we compete within a distinct business model where providing a compelling earnings opportunity for our Representatives is as critical as developing and marketing new and innovative products. Therefore, in contrast to a typical consumer packaged goods ("CPG") company which operates within a broad-based consumer pool, we must first compete for a limited pool of Representatives before we reach the ultimate consumer.

Direct sellers compete for representative or entrepreneurial talent by providing a more competitive earnings opportunity or "better deal" than that offered by the competition. Representatives are attracted to a direct

seller by competitive earnings opportunities, often through what are commonly known as “field incentives” in the direct selling industry. Competitors devote substantial effort to finding out the effectiveness of such incentives so that they can invest in incentives that are the most cost effective or produce the better payback.

As the largest and oldest beauty direct seller, Avon’s business model and strategies are often highly sought after, particularly by smaller local and more nimble competitors who seek to capitalize on our investment and experience. As a result, we are subject to significant competition for the recruitment of Representatives from other direct selling or network marketing organizations. It is therefore continually necessary to innovate and enhance our direct selling and service model as well as to recruit and retain new Representatives.

If we are unable to do so our business will be adversely affected. Within the broader CPG industry, we compete against large and well-known cosmetics and fragrances companies that manufacture and sell broad product lines through various types of retail establishments. In addition, we compete against many other companies that manufacture and sell in more narrow Beauty product lines sold through retail establishments. This industry is highly competitive, and some of our principal competitors in the CPG industry are larger than we are and have greater resources than we do.

Competitive activities on their part could cause our sales to suffer. We have many competitors in the highly competitive gift and decorative products and apparel industries globally, including retail establishments, principally department stores, gift shops and specialty retailers, and direct-mail

companies specializing in these products. Our principal competition in the highly competitive fashion jewelry industry consists of a few large companies and many small companies that sell fashion jewelry through retail establishments.

The number of competitors and degree of competition that we face in this beauty and related products industry varies widely from country to country. If our advertising, promotional, merchandising or other marketing strategies are not successful, if we are unable to deliver new products that represent technological breakthroughs, if we do not successfully manage the timing of new product introductions or the profitability of these efforts, or if for other reasons our Representatives or end customers perceive competitors' products as having greater appeal, then our sales and financial results may suffer.

Global cosmetic and toiletries market is witnessing significant growth in terms of sales and technological advancements over the past few years because of increasing consumer awareness towards personal hygiene and health. Growing concerns regarding skin care is particularly fueling the robust growth across all market segments and geographies. Increasing demand for organic and natural cosmetic and toiletries products is creating new growth opportunities in this field which is encouraging the emergence of new market players in this arena.

One of the major reasons behind the considerable growth of global cosmetic and toiletries industry is the shifting of production units to cost effective Asian economies like India and China. Emergence of new distribution channels like online retailing is driving the growth of this market. Increasing

<https://assignbuster.com/cosmetics-and-products/>

consumer preferences towards the use of herbal and natural cosmetic products is forcing the cosmetic and toiletries manufacturers to change and adapt strategies according to consumer preferences.

Worldwide market for cosmetics and toiletries products was severely affected by economic downturn, but with the global economy recovering, this market is projected to witness a significant growth and reach the value of USD 19.2 billion by the year 2015. However, difficulty in obtaining credit and weakening consumer confidence are affecting consumer spending on cosmetics which is one of the major challenges faced by this industry. Presence of large domestic markets is helping emerging economies to recover from deepening economic crisis.

Cosmetics and toiletries market is still in its embryonic stage and holds strong growth potential in near future. Consumption of cosmetic and toiletries products is no more limited to female population alone. Male grooming products are emerging as an important segment of this market. Skin care products, hair care products, face cleansers, and premium shaving products are important offerings for male grooming products market. The US and Europe is the largest market for sun care and skin care products. Products with natural and organic ingredients are in increasing demand in European and North American markets despite of high cost.

Major reason behind this increased demand of organic products is better health benefits offered by these products. Rising environmental concerns, carcinogenic nature of synthetic cosmetic ingredients, and increasing awareness about sustaining resources are some of the major factors propelling the growth of organic and natural ingredients in cosmetic industry.

<https://assignbuster.com/cosmetics-and-products/>

Worldwide market for cosmetics and toiletries is categorized into skin care, hair care, fragrances, make-up, oral care, baby care, bath and shower, deodorants, color cosmetics, men's grooming, sun care, and others.

For the environmental analysis, it should be taken into consideration the five forces of Porter: 1 Threat of new entry This factor analyzes the ease with which firms may enter into an industry. Competitive industries are likely to attract many firms which will strive to capture a market share. This is likely to reduce the overall profitability of firms which are present in the industry. In order for firms to enjoy long term profitability, they should develop customer loyalty within their industry.

This will ensure that although new firms enter an industry, their market share is unaffected since customers have faith on their products. Development of customer loyalty is achieved through innovating new products which meet the unique market needs. The cosmetic industry has a low threat of new entrants. This is due to several factors. The first is the huge costs of entry. Developing unique cosmetic products requires a lot of resources both in terms of research and development and the actual manufacturing process. Few middle and small scale firms have access to the funds and expertise required to perform this effectively.

Another factor which discourages entry into this industry is the huge competition present in the industry. In addition to the huge competitors such as Avon, Revlon, Clinique, Estee Lauder, LR, Mac and Unilever, who have a large market share, there are many other small scale competitors who also have a small market share and who reduce the overall profitability of firms in the industry. 2 3 Bargaining power of customers The bargaining power of

customers analyzes the power which consumers have relating to price changes in the industry.

This factor analyzes the power which consumers have in manipulating price changes due to shifts in demand (Aaker, 2000: 102-120). When consumers have a high bargaining power, the manufacturers and sellers may not adequately predict future demand by the market. This may make them unable to achieve long term profitability due to unpredictable demand patterns. The cosmetic has a high bargaining power of customers. This is due to the increase competition and availability of cosmetic products from a variety of manufacturers.

Since these products have high substitutes, then it is possible for consumers to force manufacturers to reduce their product prices through purchasing those of their competitors. This is a challenge which manufacturers of cosmetic products face across the world. 4 Bargaining power of suppliers This factor analyzes the power which suppliers have regarding making price changes for their products. Suppliers who have a high bargaining power are able to influence price changes through using techniques such as market manipulation through hoarding and restraining supply.

Although some of these strategies are illegal in many countries, suppliers usually apply them when they want to effect price changes. The cosmetic industry has a low bargaining power of suppliers. This is due to the high number of market players and large supply of diverse products to the market. There are many cosmetic products which are developed by both large and small scale manufacturers. Due to the huge supply, consumers

have the power to influence the market prices as opposed to the suppliers. 1

Threat of substitutes

The threat of substitutes arises when there are similar products developed by competitors which satisfy the market needs. When consumers have access to substitute products which can satisfy their market needs, then manufacturers and suppliers lose their bargaining power. Consumers are able to purchase competitor's products if they are not satisfied with product price or quality. In order for suppliers to tackle the challenge of threat of substitutes, they have to innovate products which meet the needs of their target market segments. In the cosmetic industry, there are many competitors as has been discussed.

There is therefore a high threat of substitute products. If manufacturers sell their products at higher prices, or if the products are of low quality, then consumers are able to purchase substitutes from the many competitors who are present in the market environment. It is therefore essential for the market players in the cosmetic to be innovative if they are to tackle the challenge of the threat of substitute. 2

Barriers to entry and exit

Barriers to entry and exit refer to the challenges firms face when entering or leaving the industry respectively.

It has been discussed that there are huge costs which are associated with entry to the cosmetic industry. These costs include costs for developing the products as well as research costs. These are some of the barriers to entry in the cosmetic industry. In addition, there are many competitors who reduce the overall profitability of the industry, which makes it a barrier to entry. Finally, the many large scale cosmetic firms which enjoy economies of scale

make it a barrier to entry especially for middle and small scale firms. Barriers to exit include the high development and research costs.

Due to the high costs associated with developing cosmetic products, it is difficult for firms to leave the industry without achieving the costs for production. There are also many machines and equipment used in developing cosmetic products and disposing these at a fair market value is difficult hence making it an exit barrier. 3 4 Seller and buyer concentration

The cosmetic industry is appealing for people of all age groups and social backgrounds. There are many cosmetic products which are tailored to meeting the needs of different market segments. The buyer concentration can herefore be deemed as low since there are many buyers who cut across different market segments both in the developed countries and the developing countries. However, the seller concentration may be deemed as high in developed countries. Many large scale cosmetic producers are concentrated in developed countries such as the United States, France and Germany. For instance, the cosmetic industry is valued at \$6 billion in France and \$12 billion in Germany. In the US, it is valued at over \$20 billion. However, the seller concentration in developing countries and emerging markets is relatively low.

Few firms have ventured into developing products which meet the specific needs of this market segment. In order to achieve long term profitability, new market entrants should focus on this neglected population segment. The high seller concentration in the developed countries leads to high competition and an overall reduction in profitability for cosmetic firms in this industry. Analiza competentelor functionale Avon Distribution We presently

have sales operations in 65 countries and territories, including the U. S. and distribute our products in 42 other countries and territories. Unlike most of our competitors, which sell their products through third party retail establishments (e. g. drug stores, department stores), we primarily sell our products to the ultimate consumer through the direct-selling channel. In our case, sales of our products are made to the ultimate consumer principally through direct selling by approximately 6. 4 million active independent Representatives. Representatives are independent contractors and not our employees.

Representatives earn a profit by purchasing products directly from us at a discount from a published brochure price and selling them to their customers, the ultimate consumer of our products. We generally have no arrangements with end users of our products beyond the Representative, except as described below. No single Representative accounts for more than 10% of our net sales. A Representative contacts customers directly, selling primarily through our brochure, which highlights new products and special promotions for each sales campaign.

In this sense, the Representative, together with the brochure, are the “store” through which our products are sold. A brochure introducing a new sales campaign is usually generated every two weeks in the U. S. and every two to four weeks for most markets outside the U. S. Generally, the Representative forwards an order for a campaign to us using the Internet, mail, telephone, or fax. This order is processed and the products are assembled at a distribution center and delivered to the Representative usually through a combination of local and national delivery companies.

Generally, the Representative then delivers the merchandise and collects payment from the customer for his or her own account. A Representative generally receives a refund of the price the Representative paid for a product if the Representative chooses to return it. We employ certain web enabled systems to increase Representative support, which allow a Representative to run her or his business more efficiently and also allow us to improve our order-processing accuracy.

For example, in many countries, Representatives can utilize the Internet to manage their business electronically, including order submission, order tracking, payment and two-way communications with us. In addition Representatives can further build their own business through personalized web pages provided by us, enabling them to sell a complete line of our products online. Self-paced online training also is available in certain markets, as well as up-to-the-minute news about us. In some markets, we use decentralized branches, satellite stores and independent retail operations to serve Representatives and other customers.

Representatives come to a branch to place and pick up product orders for their customers. The branches also create visibility for us with consumers and help reinforce our beauty image. In certain markets, we provide opportunities to license our beauty centers and other retail-oriented and direct to consumer opportunities to reach new customers in complementary ways to direct selling. In the U. S. and selected other markets, we also market our products through consumer websites (www. avon. com in the U. S.). Promotion and Marketing

Sales promotion and sales development activities are directed at assisting Representatives, through sales aids such as brochures, product samples and demonstration products. In order to support the efforts of Representatives to reach new customers, specially designed sales aids, promotional pieces, customer flyers, television and print advertising are used. In addition, we seek to motivate our Representatives through the use of special incentive programs that reward superior sales performance. Periodic sales meetings with Representatives are conducted by the district sales or zone managers.

The meetings are designed to keep Representatives abreast of product line changes, explain sales techniques and provide recognition for sales performance. A number of merchandising techniques are used, including the introduction of new products, the use of combination offers, the use of trial sizes and samples, and the promotion of products packaged as gift items. In general, for each sales campaign, a distinctive brochure is published, in which new products are introduced and selected items are offered as special promotions or are given particular prominence in the brochure.

A key current priority for our merchandising is to continue the use of pricing and promotional models to enable a deeper, fact based understanding of the role and impact of pricing within our product portfolio. From time to time, various regulations or laws have been proposed or adopted that would, in general, restrict the frequency, duration or volume of sales resulting from new product introductions, special promotions or other special price offers. We expect our pricing flexibility and broad product lines to mitigate the effect of these regulations.

Competitive Conditions We face competition from various products and product lines both domestically and internationally. The beauty and beauty-related products industry is highly competitive and the number of competitors and degree of competition that we face in this industry varies widely from country to country. Worldwide, we compete against products sold to consumers by other direct-selling and direct-sales companies and through the Internet, and against products sold through the mass market and prestige retail channels.

Specifically, due to the nature of the direct-selling channel, we compete on a regional, often country-by-country basis, with our direct-selling competitors. Unlike most other beauty companies, we compete within a distinct business model where providing a compelling earnings opportunity for our Representatives is as critical as developing and marketing new and innovative products. As a result, in contrast to a typical CPG company which operates within a broad-based consumer pool, we must first compete for a limited pool of Representatives before we reach the ultimate consumer.

Within the broader CPG industry, we principally compete against large and well-known cosmetics and fragrances companies that manufacture and sell broad product lines through various types of retail establishments. In addition, we compete against many other companies that manufacture and sell more narrow beauty product lines sold through retail establishments and other channels. We also have many competitors in the gift and decorative products and apparel industries globally, including retail establishments, principally department stores, gift shops and specialty retailers, and direct-mail companies specializing in these products.

Our principal competition in the fashion jewelry industry consists of a few large companies and many small companies that sell fashion jewelry through retail establishments and direct-selling. We believe that the personalized customer service offered by our Representatives; the amount and type of field incentives we offer our Representatives on a market-by-market basis; the high quality, attractive designs and prices of our products; the high level of new and innovative products; our easily recognized brand name and our guarantee of product satisfaction are significant factors in helping to establish and maintain our competitive position.

International Operations Our international operations are conducted primarily through subsidiaries in 64 countries and territories outside of the U. S. In addition to these countries and territories, our products are distributed in 42 other countries and territories. Our international operations are subject to risks inherent in conducting business abroad, including, but not limited to, the risk of adverse currency fluctuations, currency remittance restrictions and unfavorable social, economic and political conditions.

See the sections “ Risk Factors - Our ability to conduct business, particularly in international markets, may be affected by political, legal, tax and regulatory risks” and “ Risk Factors - We are subject to financial risks related to our international operations, including exposure to foreign currency fluctuations” in Item 1A on pages 7 through 15 of our 2011 Annual Report.

Manufacturing We manufacture and package almost all of our Beauty products. Raw materials, consisting chiefly of essential oils, chemicals, containers and packaging components, are purchased for our Beauty products from various suppliers.

Most of our Fashion and Home products are purchased from various third-party suppliers. Additionally, we design the brochures that are used by the Representatives to sell our products. The loss of any one supplier would not have a material impact on our ability to source raw materials for our Beauty products or source products for our Fashion and Home categories or paper for the brochures. Trademarks and Patents Our business is not materially dependent on the existence of third-party patent, trademark or other third-party intellectual property rights, and we are not a party to any ongoing material licenses, franchises or concessions.

We do seek to protect our key proprietary technologies by aggressively pursuing comprehensive patent coverage in major markets. We protect our Avon name and other major proprietary trademarks through registration of these trademarks in the markets where we sell our products, monitoring the markets for infringement of such trademarks by others, and by taking appropriate steps to stop any infringing activities. Research and Product Development Activities New products are essential to growth in the highly competitive cosmetics industry.

Our research and development department's efforts are significant to developing new products, including formulating effective beauty treatments relevant to women's needs, and redesigning or reformulating existing products. To increase our brand competitiveness, we have sustained our focus on new technology and product innovation to deliver first-to-market products that provide visible consumer benefits. Our global research and development facility is located in Suffern, NY.

A team of researchers and technicians apply the disciplines of science to the practical aspects of bringing products to market around the world. Relationships with dermatologists and other specialists enhance our ability to deliver new formulas and ingredients to market. Additionally, we have satellite research facilities located in Argentina, Brazil, China, Mexico, Poland and South Africa. In 2010, we invested in our R&D facility in Shanghai, China to increase our ability to develop products to better meet Asian consumers' needs. In 2011, our most significant product launches included: SuperShock Max

Mascara. Moisture Seduction Lipstick, Outspoken Intense by Fergie Fragrance, Step Into Fragrance, Anew Genics Treatment Cream, Anew Solar Advance Sunscreen Face Lotion SPF 45, Solutions Youth Minerals Restorative Night Cream, Skin So Soft Perfecting Oil, Advance Techniques Damage Repair 3D Rescue Leave-in Treatment, Super Enchant Mascara, and ExtraLasting Makeup. The amounts incurred on research activities relating to the development of new products and the improvement of existing products were \$77.7 in 2011, \$72.6 in 2010 and \$65.4 in 2009.

This research included the activities of product research and development and package design and development. Most of these activities were related to the development of Beauty products. Environmental Matters In general, compliance with environmental regulations impacting our global operations has not had, and is not anticipated to have, any material adverse effect on our capital expenditures, financial position or competitive position. Employees At December 31, 2011, we employed approximately 40,600 employees. Of these, approximately 5,400 were employed in the U. S. and

35, 200 in other countries. Seasonal Nature of Business Our sales and earnings typically have a seasonal pattern characteristic of many companies selling Beauty, gift and decorative products, apparel, and fashion jewelry. Holiday sales generally cause a sales peak in the fourth quarter of the year; however, the sales volume of holiday gift items is, by its nature, difficult to forecast. Fourth quarter revenue and operating data was as follows: | | 2011 | 2010 | | Fourth quarter revenues as a % of total revenue | 27% | 29% | | Fourth quarter operating profit as a % of total operating profit | 2% | 33% | The fourth quarter operating profit comparison between 2011 and 2010 was unfavorably impacted by a \$263. 0 impairment charge, or 31% of full year operating profit, recognized in the fourth quarter of 2011. The fourth quarter operating profit comparison was partially offset by lower costs to implement our restructuring initiatives in 2011 compared to 2010.

The fourth quarter of 2011 included costs to implement our restructuring initiatives of \$8. 7, whereas the fourth quarter of 2010 included \$58. 3 of costs to implement our restructuring initiatives. FinanceThefinancial statementof the company in 2011 is: Internationalizare Avon [pic] As the world's largest direct seller, Avon markets leading beauty, fashion and home products to women in more than 100 countries through more than 6 million active independent Avon Sales Representatives. The countries are:

Albania, Anguilla, Antigua and Barbuda, Argentina, Armenia, Aruba, Australia, Bahamas, Barbados, Belarus, Belize, Bermuda, Bolivia, Bonaire, Bosnia and Herzegovina, Brazil, Bulgaria, Canada, Chile, China, Colombia, Costa Rica, Croatia, Curacao, Cyprus, Czech Republic, Dominica, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Finland, France, Georgia,

Germany, Grand Cayman Island, Greece, Grenada, Guatemala, Guyana, Honduras, Hong Kong, Hungary, Iceland, India, Ireland, Italy, Jamaica, Jordan, Kazakhstan, Kuwait, Kyrgyzstan, Latvia, Lebanon, Lithuania, Macedonia, Malaysia, Malta, Mauritius, Mexico, Moldova, Mongolia, Montenegro, Morocco, New Zealand,

Nicaragua, North Cyprus, Oman, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Puerto Rico, Reunion, Romania, Russia, Saint Vincent and the Grenadines, Saudi Arabia, Serbia, Slovakia, Slovenia, South Africa, South Africa, Spain, St. Croix, St. Kitts & Nevis, St. Lucia, St. Maarten, St. Thomas, Suriname, Taiwan, Thailand, Tortola, Trinidad & Tobago, Tunisia, Turkey, Turks & Caicos, United Arab Emirates, Ukraine, United Kingdom, United States, Uruguay, Venezuela. When the Avon lady comes knocking at the door, she'd better speak good Portuguese. Or Spanish. Or even Russian. Cosmetics giant Avon Products (AVP) is increasing its revenue these days, with sales outside of the United States really driving business. The company reports first quarter 2011 total revenue of \$2. billion, 7 percent higher than that of first-quarter 2010 and in line with company targets. Net income jumped 238 percent to \$143. 6 million, thanks to stronger sales and restructuring. " We are pleased with the early progress against our commitment to return the business to mid-single digit revenue growth," says Avon's Chairman and Chief Executive Officer Andrea Jung in an earnings statement. " We are squarely focused on restoring growth in Brazil and Russia in the second half, and ensuring execution in gross margin improvement and cost control. " Revenue in Latin America, which includes

Mexico, was up 16 percent during the quarter while North American revenue was down 2 percent.

Central and Eastern European sales were flat although Russia was up 3 percent, while Western Europe, Middle East & Africa's first-quarter revenue increased 16 percent and Asia Pacific, which includes China, reported a first quarter revenue decline of 6 percent. Analysts are pleased with the company's results, but some wonder if the company can keep the momentum going. Zacks Investment Research has assigned a short-term hold rating, although the long-term recommendation is currently underperform. Restructure, then compete Avon is currently in the middle of a multi-year restructuring program designed to accelerate investments toward growth opportunities, streamline manufacturing operations, and improve cost effectiveness and efficiency in general. Restructuring should save the company \$430 million a year when fully implemented by 2012. After that, keep an eye on the competitors. Avon faces competition from various products and product lines both domestically and internationally," Zack says. The internationalization of Avon must take into account some factors, such as: Political Factors † Tax policies † Employment laws † Trade restrictions and tariffs † Political stability Economic Factors † Economic growth † Interest rates † Exchange rates † Fluctuation in oil and gas prices Social Factors † Emphasis on safety † Noanimal testing† Green Environment † Philanthropic Issues † Technology Factors † Automation † Technology incentives † Rate of technological change † Technologies Adaption External Assessment: Avon Opportunities 1. A growing trend in the cosmetics industry is the introduction of ? green? products.

More than sixteen percent of beauty products launched in 2008 were certified organic, ethical, or all natural. 2. Eye makeup market 3. The cosmetics industry tends to be countercyclical. This means that those are industries for which the demand is either not correlated with the business cycle. The demand for their products is not much affected by availability of current income, but by other personal, social or economic factors. The recession also contributes to the industry being counter-cyclical. There is an upsurge in people joining the industry in the past six or eight months and there's absolutely no doubt that this is because of the recession and the effect on employment. 4.

Aveda cosmetics found that sixty eight percent of consumers will remain loyal to a company that has a social and environmental commitment. 5. Urban Trendsetters markets 6. Geographic growth ± enormous growth opportunities existed in countries with huge populations such as China, Indonesia and India. 7. Demand for cosmetic products normally remains constant and unaffected by economic distress 8. The baby boomers are aging and they are more conscious on their appearance, beauty and also improving their looks. Emphasize direct selling in emerging and developing markets External Assessment: Avon Threats 1. Competition such as Mary Kay and Revlon 2. Rejection of internet selling by sales representative 3.

Global economic climate stifled new product development, innovation and sustainability programs in 2009. 4. In terms of color cosmetics, environmental International Inc. predicted that many of these markets will see slowdown in volume demand. 5. Inflation rate and Rising cost of commodities 7. Direct-selling becoming more popular - Amid the financial

crisis Aussie mums are increasingly turning to direct selling and at-home product parties to supplement their household income. 8. They are a multilevel based company that sells inferior quality with a higher price tag than what it is worth 9. Avon products outpaced by 'jazzier' products to women who favored more exciting product lines 10. Decreased earning opportunities