

Can Avon Products use distribution for a makeover?

Avon Products, Inc., was founded in 1886, when David McConnell hired a housewife to sell perfume door to door in Winchester, New Hampshire. For the next 100 years the company's marketing formula remained essentially the same: Hire women who want flexible hours and extra income to sell cosmetics to their neighbours. The concept was successful, largely because of the personal contact in the sales process. With her regular visits to home-bound women, the "Avon lady" made friends who became loyal customers. Over time, Avon's sales force grew to more than 3 million reps around the world, and annual revenues were in the vicinity of \$6 billion.

As the number of working women has increased, fewer and fewer customers could be found at home. These same women have more disposable income to spend on beauty products, but less time to do so. Thus the challenge for the direct-selling firm has been to update its corporate image and reach the tens of millions of women in the U.S. who don't know an Avon rep and have never used one of the company's products. Of course, Avon has to do this without alienating its current sales force and customers.

At the same time, Avon is developing a separate product line that will be aimed at trend-motivated female teens.

To reach these groups, Avon adopted a more contemporary logo as well as classier product packaging and sales brochures. Next, it more than doubled the budget for advertising that used slogans like "Dare to change your mind about Avon". Large increases in research and development expenditures are intended to yield highly successful new products, such as Anew Retroactive. The skin cream, launched in 2000, became Avon's biggest-ever product launch with first-year sales of almost \$100 million.

But the company's boldest decision was to sell its products through new channels in addition to its independent sales reps. In 1995, Avon distributed a direct-mail catalog and started accepting mail, telephone, and fax orders directly from consumers. Soon after, it added a website had 3,00,000 registered users. Consumers who visit the website can also request a visit from an Avon sale person.

Avon also struck agreements to have an upscale cosmetics line, beComing, distributed through JCPenney and Sears stores. However, this new channel hasn't worked out well. Sales of the line of lipstick, nail polish and perfume have not met expectations. Sears soon dropped the beComing line, and Penney later did likewise.

To complete its facelift, Avon decided to open some company-owned stores around the country, including a glitzy showcase in the Trump Tower in New York City. Next, about 50 beauty center kiosks popped up in malls. The new outlets reach women who hadn't considered Avon for their cosmetic purchases. In fact, new customers account for over 90% of sales at the stores and kiosks. As one convert at a mall in Peabody, Massachusetts, explained, "I wouldn't take the time to order out of an Avon brochure, but I'll buy it if it's here". Avon can also recruit new reps at these outlets.

Results from the website and retail outlets have been encouraging to Avon's upper management and to at least some of the firm's reps. Numerous consumers visiting the kiosks and Avon.com requested visits from an Avon rep. In addition, market research

revealed that brand awareness increased and the company's image improved in areas in which an Avon Beauty Center was located. In the words of a rep in the state of New York, "We felt a pinch when Avon announced the retail venture. But now I look at Avon's becoming as an advertisement for the Avon line I carry".

However, Avon's additional channels were troubling to other reps. And considering that they still account for the lion's share of sales, the reps certainly cannot be ignored. According to a senior executive at the firm, "Managing channel conflict is probable our number one concern right now". To placate its sales force, Avon at first limited the number of products it sold online and at its kiosks to less than 10% of its 5000-item assortment and gave reps exclusive use of product discounts and promotions.

The head of Avon, Andrea Jung, is committed to the new channels and, in her words, "a far more significant move into retail". Thus while implementing the new distribution arrangements; Jung may also have to reassure the other Avon reps that she is looking out for their best interests.

Question

Q.1 Do you think shifting from direct marketing to multi distribution channel is a good decision.

Q.2 what are the advantages and disadvantages of Avon's using multiple ways to reach consumers?