

Avon and L'oreal: Keep young and beautiful!

When book salesman David McConnell began giving away small vials of perfume as sweeteners for his customers, he did not realise what a huge empire he was laying the foundations for. He soon realised that people were more interested in the perfumes than they were in the books – so he started the California Perfume Company in 1886, selling perfumes door-to-door. In 1939 the company became Avon.

In 1958 the first 'Avon ladies' appeared in Britain, immaculately dressed and made-up, and began knocking on the doors of suburban homes, selling cosmetics to housewives who were unable to get out to the shops, or whose villages and towns lacked shops with a reasonable selection of cosmetics. The Avon ladies sold cosmetics and also recruited new salespeople, so the company grew with all the power of a chain letter. Currently Avon sells over 7,500 products in 25 languages, throughout 143 countries. In 2002 the company turned over \$6bn (£2.3 billion/€3.3 billion) worldwide and made \$534.6m (£205.6 million/€296 million) in profits. The UK market share is second only to Boots, making the company a profit of £326 million (€469 million) in 2002. This is approaching the same level as competitor L'Oreal's entire UK turnover (£443 million/€638 million) in 2001).

The success of Avon is not based on the cosmetics themselves: the cosmetics are good, but nothing special, and the packaging ranges from the dowdy to the garish. The corporate image is not exactly upmarket either: firms such as L'Oreal and Olay regard Avon as something of a joke, perhaps because of its direct selling approach, which puts it in the same class as double-glazing and door-to-door brush salesmen in some people's eyes. However, Avon products end up in some surprising handbags: fashion writers and film stars use the products, just a few of the one in three women in Britain who use Avon. Avon has no presence on the High Street: the products are only sold through its 160,000 Avon ladies, who still travel round selling to customers in their own homes. For this is the real strength of Avon: it distributes its products directly to people's homes, which caters for the housebound, the housewives with small children, those who live too far from the shops, those who have too little time to go and shop. It is the distribution method which overcomes all the other drawbacks.

In Iceland, Avon ladies traverse glaciers with the products in backpacks: in South America, they kayak up the Amazon and barter the cosmetics for gold nuggets, food or wood (two dozen eggs buys a Bart Simpson deodorant). In Turkey, one woman who had lost everything in an earthquake rebuilt her family's wealth single-handed by selling Avon from tent to tent in the refugee camp. In Milton Keynes, Avon's top saleslady delivers the cosmetics from a specially-adapted bicycle.

Avon also runs a website for transsexuals and transvestites. For obvious reasons, these individuals have a desperate need for make-up experts who can advise them in their own homes. Alice, a transvestite who has become an Avon lady, says "Avon's services are priceless to those who are still too shy to buy make-up on the high street. Men just beginning to wear make-up have less idea of what to use than a young girl who might be just starting to use cosmetics."

The sales cycle for Avon is three weeks. At the beginning of the period, a new brochure is issued and is delivered by hand to each customer. The sales lady collects the orders, then posts or e-mails them to Avon. One week later the products are delivered, and the representative then delivers the products, collects the money, and sends Avon its cut. Top Avon sales ladies are rumoured to earn around £30,000 (€43,000) a year, but most earn less – frequently they are themselves limited in their career possibilities by location, by children, or by husbands' working patterns.. Avon offers them the flexibility to work around their other commitments. Having said that,

Avon is regularly included in “top 100 companies to work for” lists, and has many employees with 40 years’ service or more. Perhaps the greatest success story in the company is Sandy Mountford, who joined the company as a sales rep at age 34 and was UK president of the company 16 years later.

Avon’s competitor, L’Oreal, is another global company. Its main UK brands are Maybelline, L’Oreal of Paris, and Garnier. L’Oreal competes in the same market as Avon, but follows a more traditional distribution route. It has a main distribution centre for the UK in Manchester, from which 3,200 different products are shipped: in 2002, 38,000 tonnes of products were shipped from this one depot. The company also distributes direct from its factory near Llantrisant in South Wales: half the production of this factory is exported. The difference between L’Oreal and Avon could not be greater, however. L’Oreal distribute through retailers, mainly supermarkets and chemists, and distribute their professional hair care range through hairdressing salons.

Worldwide, L’Oreal is the larger of the two companies, with sales of €14m (£10 million) earning profits of €1.4 million (£1 million). L’Oreal is only present in 130 countries, however. The company’s distribution method requires strong advertising support: TV advertising is the mainstay of the company’s UK marketing communications, largely because of its appeal to retailers.

L’Oreal’s professional hairdressing products are distributed in two ways: direct to salons via a national network of sales representatives, and through specialist hairdressing cash-and-carry outlets such as Aston and Fincher. These cash-and-carries are strictly for professional hairdressers: the public are not permitted to buy L’Oreal professional hair care products because the strength of the chemicals used is much greater than that of home-hair-care products. Even more exclusive is the Kerastase brand, which is only distributed to salons which meet exacting technical standards and whose staff have been specially-trained in the use of the products. In return, L’Oreal guarantee that only a limited number of Kerastase salons will operate in a given area.

L’Oreal support their professional hairdressers by providing training courses both in-salon and at their own training school in London, and also by providing advice over the Internet. Colorweb is a software system enabling hairdresser to enter the colour of the client’s hair, the amount of grey hair, the amount of previous colouring remaining in the hair, and several other dimensions in order to be told exactly which mix of L’Oreal products to use. This has been a highly-successful approach to deskilling the previously-esoteric art of hair colouring, which relied heavily on the experience, judgement and training of the stylist.

Unlike Avon, L’Oreal has maintained an upmarket brand image which has been expensive to keep up. Its Garnier and Maybelline brands are frequently to be seen on TV, as is its “Because you’re worth it!” tag line. Support for its distributor network is clearly a major expense: Avon’s annual prizes of holidays for top salespeople cost peanuts by comparison. And yet Avon has achieved a much higher profit level, turnover level and even brand recognition in the UK. Perhaps distribution is more than just a way of getting goods to customers – perhaps there are strategic implications too.

Questions

- 1. How would you categorize Avon’s distribution strategy?**
- 2. Which company do you think has the most control over its distribution? Why?**

3. Why does L'Oreal have so many more distribution channels than Avon?
4. If Avon is so successful, why doesn't L'Oreal have their own door-to-door salesforce?
5. How would you categorise the Kerastase brand in terms of distribution?
6. What are the main advantages of Avon's distribution system over L'Oreal's?
7. What are the main advantages of L'Oreal's distribution system over Avon's?