



By Professor
Dominique Turpin

How did Avon's CEO save the livelihoods of 6 million brand ambassadors by simplifying, capturing value and staying close to workers on the ground? **At a glance**

Think of Avon and you probably think of “the Avon lady” knocking on the door. But it goes deeper. Empowering women has always been at the heart of Avon’s business, founded in 1886. In the 21st century, this was particularly relevant in Avon’s emerging and developing markets.

THE BROADER ISSUE

By the early 2000s, Avon had lost its way. Global expansion had disguised difficulties in its core developed markets. Avon’s model was direct selling to consumers. Every three weeks, a 200-page brochure was printed in many different languages and distributed to representatives around the world with featured products across the different categories of cosmetics, skincare, fashion and home. Reps sold door-to-door to mainly, family, friends and neighbors.

In 2004, Avon’s share price had hit a high of US\$46. Yet, despite its development into an iconic brand, the company started to face major problems. An allegation of improper expenses in China between 2004-2008, resulted in a “Foreign Corrupt Practices Act” investigation that the company was not prepared to handle. Fines and fees cost Avon dearly.

- » In 2018, Avon’s board appointed Jan Zijdeveld as CEO to turn around Avon.
- » Within 20 months, the incoming leader had implemented a series of radical measures, quick enough to induce major changes in the company culture but not so rushed that they induced panic.
- » After two years, Zijdeveld’s last move before leaving the company was to successfully negotiate and close a merger agreement.
- » Zijdeveld’s actions illustrate the value of a few basic strategies such as opening up and simplifying an organization, rejuvenating its global relevance, injecting new talent, and the merits to leaving on a high.

together. It was a very siloed organization. He created cross-functional and started encouraging people to think, 'really how can we make the organization move?' He also kept challenging people."

Next up was the launch of the Open Up Avon strategy, or "How Avon could win as a Social Selling Beauty Company," publicly launched at a New York investor. Some investors were skeptical of Avon's future, but it was important to attract new stockholders and also to give employees fresh hope.

Open Up Avon would focus on five strategic value creation levers: restore value and pricing power; reboot direct selling; increase access; dramatically simplify and reset the leadership, talent and capability.



Come 2019, improving the supply chain became a key focus, which involved reducing suppliers from 22,000 to 12,000. Headcount was cut first through redundancies and then by "variabilizing" headcount – ensuring that, for example, of 900 people in a factory, 400 were permanently retained and the others moved to agency contracts and used when there was demand for additional headcount.

How to execute in the markets? In Brazil, José Vicente Marino, recruited in Q2 as Executive Vice President and General Manager of Brazil (Avon's biggest market), had developed a six-pillar strategy enabling Brazil to produce products valued by local consumers. The brochure was improved and turned into a more user-friendly document.

Marco Brandolini, in charge of the Southern European Markets of Italy, Spain, Portugal and Greece, spent nine months resetting the business. In Russia, Goran Petrovic and his team created design principles to create a simplified decision-making process, increased a sense of ownership



for employees by encouraging them to contribute ideas to the turnaround process, and supporting digitization with a training program called "The School of Bloggers," where reps were trained how to moderate and use social media as part of their sales approach.

Indeed, one of the most dramatic changes globally occurred in IT. Significant downsizing of headcount occurred; a new website would allow consumers to purchase direct from Avon; and country-bespoke apps were replaced with apps which were then localized with countries.



It's about restoring the brand value and getting pricing right. Reinvesting in the reps, improving earnings and training.

Jan Zijerveld | CEO, Avon (2018-2020)

DID IT WORK?

Within two years, Jan and his team had managed to move Avon away from the precipice. That said, the situation was still fragile. The portfolio was being cleaned up, the rep population was being streamlined and segmented, importantly, cash and profitability were improving, and pricing power was being restored. Reflecting back on his nearly two-year journey, Jan commented: “We did a lot but had little choice. They all interrelate and connect with each other. It’s really creating an agenda of opening up across four points. It’s about restoring the brand value and getting pricing right. Reinvesting in the reps, improving earnings and training. Driving new access [...] distribution access. [...] Finally, dramatically simplifying the business by reducing SKUs and inventory.”

Avon’s 2019 stock performance was better than any in among the S&P 500 index was stellar. One employee said: “The whole organization is now re-energized, moral is up. Hope and pride are back!”

Since the second half of 2018, Jan and the board had considered there to be strong synergy

opportunities between Avon and — Natura & Co of Brazil. Combined, the company would create the fourth-largest pure play beauty group and be a leader in direct-to-consumer sales with potential gross revenues of \$10+ billion. On January 3, 2020, Jan wrote to all associates to let them know that with the closing of the deal, he would be stepping down as CEO. His email reads:

“We are only at the beginning of the Avon transformative journey and we are still fragile, hence the combination with Natura will give Avon a better platform to develop this great and very special business. I truly believe the world needs Avon. By joining forces with Natura, Avon can have an even bigger social and environmental impact.”

“I believe that when combined, the companies can truly unlock the power of women around the world and take more responsibility for our precious and beautiful planet. This is the moment when Avon needs growth, energy and optimism.”

And so, Avon’s transformation was all set to go on.

THIS ARTICLE IS BASED ON IMD CASES IMD-7-2165 AND IMD-7-2166, AVAILABLE FROM THE CASE CENTRE AT WWW.THECASECENTRE.ORG



IMD is an independent business school, with Swiss roots and global reach, expert in developing leaders and transforming organizations to create ongoing impact.

IMD is based in Lausanne, Switzerland and Singapore.

www.imd.org

Lausanne
Chemin de Bellerive 23
P.O. Box 915
CH-1001 Lausanne
Switzerland

Central tel: +41 21 618 01 11
Central fax: +41 21 618 07 07
info@imd.org

Singapore
IMD SE Asia Pte. Ltd
South Beach Tower
38 Beach Road
#17-11
Singapore 189767

Tel: +65 6715 9988
Fax: +65 6715 9999