

AVON

BUILDING THE WORLD'S PREMIER
COMPANY FOR WOMEN

LAURA KLEPACKI

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AVON

FOREWORD

Every day, I am inspired in some small way by the story of Avon—by the company's rich history of empowering women and its belief in the importance of social responsibility to make the world a better place. These are core values that have been passed down and nurtured since the company's founding more than a century ago. We saw this book as a wonderful opportunity to share the story of this extraordinary company—"The Company for Women"—and the role it has played in improving women's lives.

It all started back in 1886 when the company's founder, an entrepreneur named David McConnell, recruited women to sell perfume door-to-door. This was considered quite revolutionary at the time because women virtually never worked outside the home and would not win the right to vote for another 34 years. Nonetheless, Avon's commitment to create economic opportunities for women took hold, not only in the United States, but all around the world.

Today Avon is a \$7.7 billion company with almost five million representatives in over 100 countries. Our Avon sales representatives remain the heart and soul of the company. These smart, savvy, thoughtful businesswomen are my role models. Their ambition and work ethic is unparalleled. It takes a special kind of courage to run your own business, and I am filled with admiration for their extraordinary accomplishments. Everything we do is about helping to make their job easier.

I am very privileged to lead Avon at this important moment in the company's history. We have transformed a brand that was always well respected, but now is recognized as truly world class. We have

improved the Avon selling experience and created greater earning opportunities for our representatives. We're proud that each year women earn close to \$3 billion selling Avon. We also run our business more efficiently and profitably than ever, increasing the value for Avon's shareholders.

But none of these accomplishments compare to the gratitude I feel knowing that Avon is changing women's lives for the better—not only through their earning opportunity, but also through the philanthropic efforts of the Avon Foundation to eradicate breast cancer and end domestic violence, two issues that concern women everywhere. And our corporate profile reflects our focus on equal opportunities for women. Today, we have more women managers than any other Fortune 500 company. Our president and chief operating officer is a woman, as are half the members of our board of directors.

Thanks to the original vision of our founder and to the power of the company's mission—which is fully embraced by our millions of representatives and associates around the world—Avon has emerged as a true force for good, forever changing the social and economic landscape for women and lighting the way for future generations. It is a legacy of which all of us at Avon are the proud stewards. And it is a legacy that guides us to see even greater possibilities for tomorrow.

Andrea Jung
Chairman and Chief Executive Officer
Avon Products, Inc.

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INTRODUCTION

Two hundred and sixty Avon sales representatives, with family members in tow, took their seats in the cordoned off VIP section at New York's Governors Island, a spot providing a clear view across New York Harbor to Liberty Island. They were seated in the grandstand near international dignitaries including First Lady Nancy Reagan and French President Francois Mitterrand. Among the glittering crowd were such entertainment legends as Elizabeth Taylor, Gregory Peck, Henry Winkler, Helen Hayes, and Mikhail Baryshnikov. Clearly, it was an event fit for royalty.

It was the evening of July 3, 1986, a date marked by unseasonably chilly temperatures and gusty winds. Nancy Reagan kept a red shawl around her shoulders; others shivered under blankets. All were gathered for the opening ceremony of a four-day festival to celebrate the magnificent centennial of the Statue of Liberty. The occasion also marked the completion of the landmark's \$87 million head-to-toe restoration. This was to be her official unveiling.

President Ronald Reagan wowed the crowd with the push of a button that tripped off a cascade of lights bathing the statue in red, white, and blue. There were speeches and musical performances, along with the presentation of the Medal of Liberty to 12 naturalized citizens for their contributions to the nation, including scientist Albert Sabin and architect I. M. Pei.

This Liberty Weekend extravaganza was staged by Hollywood producer David Wolper, known for his film epics *Roots* and *North and South*. It featured music by composer John Williams of *Star Wars* fame. The patriotic colored, nautical-style uniforms worn by

the hostesses guiding invited guests were designed and donated by Avon, which helped to sponsor Liberty Weekend and the restoration efforts leading up to it. Inviting some of its representatives to be a part of this awe-inspiring event was just one of many perks the company treated its top performers to that year in recognition of their efforts in going door-to-door, selling a variety of products, and making women around the world both more beautiful and financially independent.

In what would be a prophetic slogan for the company itself, in the months before the festivities, the company ran advertisements showing work being done on the Statue of Liberty with a banner reading: "A Monumental Makeover: Avon Helping to Keep the Face of America Beautiful." Indeed, just 15 years later, Avon would undergo a transformation of its own—one that would make it one of the biggest and most powerful global powerhouse companies in the world.

It was only natural that Avon should lend a hand to this event. After all, like the Statue, the company was commemorating its own 100th anniversary. What's more, as Lady Liberty herself, Avon had long heralded the independence of women.

It was in 1886, nearly three decades before women in the United States had the right to vote, that company founder David Hall McConnell first gave housewives a chance to earn a living at a time when few other options were available. Since then, the company famous for ringing customer doorbells and offering in-home service, has operated under the same founding principles originally set forth by McConnell—a man described by Avon's current chairman and chief executive officer, Andrea Jung, as being ahead of his time in fashioning a business with an exclusively female sales force. "What McConnell did was heretical" for the period, says Jung, who broke stereotypes herself when she became Avon's first female CEO in 1999.

Unusual, yes, but McConnell's formula was an instant hit from the start.

Avon's corporate philosophy called for providing "an earning opportunity in support of a person's well-being and happiness," to make only the "highest quality products," and to "render service that is outstanding."

Additionally, McConnell decreed that management always recognize its employees and representatives "on whom the company's

success depends,” and that they share the rewards of that success. Furthermore, the company must contribute to society and “maintain and cherish the friendly spirit” it conveyed.

A former door-to-door book salesman, McConnell started Avon from the ground up, almost by accident, with one sweet-natured, middle-aged saleswoman. He likened his company’s graceful expansion to that of an “acorn into an oak.”

The Avon of today is more robust than ever. Functioning in a world where competition for the sales of beauty products is anything but pretty, the company has, with a few trial-and-error exceptions, stuck to its original formula and flourished by leveraging its distinctive person-to-person selling system.

Avon is not only a giant in the beauty business, it is also the largest direct-selling company of any kind on the planet. Although the company is best known for its various cosmetics products—from lipstick to anti-aging cream—it now offers everything from vitamins to weight-control products to meet the growing needs of its customers. Avon’s time-tested methods of operation are the model to which other direct-selling companies aspire to emulate.

In the United States, where the majority of women no longer stay home during the day, the actual door-to-door approach is falling by the wayside in lieu of more productive avenues to connect with customers, such as workplace selling and the Internet. But the original high-touch model remains in full force in more than 143 countries around the globe. In fact, of Avon’s 4.9 million representatives, more than 75 percent now reside outside of America.

One of the crucial keys to Avon’s good fortune has been its ability to inspire and motivate its sales representatives. As McConnell recognized from the start, without their commitment and dedication, his operation would falter.

Avon: Building the World’s Premier Company for Women provides an “insider’s” view of the development and expansion of an incredible company. For the first time, you’ll be there through every step of its growth and discover how it greatly differs from almost every other traditional consumer products company. At Avon, the sales representatives (often referred to as simply the “reps”) run the show, and everything the company does centers around supporting them. This means providing reps with a nurturing and encouraging

environment, while working up slate after slate of new products designed to keep their customers coming back.

In the pages ahead, you'll get a colorful and nostalgic look at Avon's journey to the top, which hasn't been seamless. Over the years, the company has endured more than its share of management turnover and failed initiatives, though in each case it came back stronger than ever. You will learn how this empire was built, discover the management techniques that guide the company, and get the exclusive details on what the current management team, under CEO Andrea Jung, has done to reinvigorate the company to the delight of both Wall Street and Avon's ever-growing sales force.

What's more, you'll examine the company's unique and fast-paced business structure, which has been designed around meeting its two- to four-week selling cycles to keep products turning over on a regular basis. To sustain this repetitive system, Avon has developed one of the most prolific product development departments in the beauty industry. You'll learn exactly how Avon is able to meet the requirements imposed by this demanding arrangement, and how it has managed to replicate this winning formula in even the most remote areas of the world.

While Avon has a soft and warm exterior, science and technology have always played an important behind-the-scenes role in keeping the company running. In this book, you'll discover how the company is increasingly using computer technology and automated systems to make selling cosmetics—and virtually everything else—easier and more profitable.

Throughout its history, Avon has gone through multiple transitions, resulting in its metamorphosis from a one-man business to the global conglomerate it is today. By selling woman-to-woman, one small order at a time, Avon has evolved into one of the most widely known, respected, and ubiquitous brands in the world. It conducts 1.6 billion customer transactions each year, and is the largest fragrance manufacturer around the globe—selling another one of its famous lipsticks every three seconds.

Avon: Building the World's Premier Company for Women tells the story of one company's drive to provide women with an opportunity for financial independence. It also takes a closer look at the in-

novative selling techniques and recruitment methods used by those entrepreneurial Avon ladies who have been turning kitchen tables and basements into business offices for decades.

By the end of the story, you'll understand how one man's simple business idea blossomed into a powerhouse beauty company that, over the course of time, has provided limitless opportunities to millions of women around the world. You'll also benefit by uncovering the key tenets by which the company operates—lessons you can use to bolster your own business, regardless of what industry you're in. Avon serves as a model for how to run a great company, and its operating practices are applicable to any fledgling entrepreneur in every part of the world.

GIVE THEM WHAT THEY WANT

David Hall McConnell was a hard worker from the start. The second of six children, as a young boy he rolled up his sleeves and helped run the family farm in Southwest Oswego, New York, a rural locale on the north central border of the state where Lake Ontario separates the United States from Canada. It is a place noted for its severe winters, with average snowfalls of 141 inches per year.

His parents, James and Isabella Hall McConnell, had emigrated from County Cavan, Ireland, in 1856. Like so many others, they came to the United States hoping to find a better life for their family. The couple already had one son, William, who was born in 1855. David arrived three years later on July 18, 1858. In succession, Joseph, Margaret Ann, George, and Hattie followed.

David McConnell was a sturdy youth who didn't allow the heavy fieldwork to distract him from his education. He became a diligent student at the "little red school," as the town's public school was known. Afterward, he continued his studies at the Oswego Normal School, a training college for teachers.

Together, he felt the outdoor work and solid schooling had made him rugged. When he set out as a young man to seek his fortune, McConnell said that his hardy upbringing gave him a "positive advantage" over others with less life experience.

An intelligent lad, McConnell liked school. As he progressed through his grades, he even taught some classes as well. He had long imagined a career for himself as a mathematics instructor and the experience was considered good preparation.

SELLING BOOKS

But McConnell was a boy willing to try new things. One summer, during a brief recess from school, he stepped outside his familiar routine and took a temporary job as a book salesman with the New York office of Union Publishing House. Little did he know that this brief encounter with business would ultimately lure him away from academics and change his life forever.

It was through this experience, which required him to peddle goods door-to-door, that the onetime farm boy discovered he had an aptitude for selling—and was intrigued by the world of commerce. He immediately took to the challenges of it, and from the start wanted to continually find better ways to approach and engage potential customers.

After his first brief taste of this business, McConnell gladly returned to work with the publisher the following year. Once again, he found the experience to be rewarding. It didn't take much convincing after that for McConnell to throw himself into the venture full force. In 1878, he said goodbye to his studies and to his family in Oswego and set out to work full-time as a book canvasser.

McConnell's ascent was rapid and he soon became the firm's leading salesperson. He then moved into the publisher's Chicago headquarters where his successes continued to mount.

Within two years, he was promoted from canvasser to general traveling agent, a role that would take McConnell on trips to almost every state east of the Rocky Mountains. In this management position, he recruited and trained other agents. In the process, he honed his own selling skills and learned how to motivate others. For a time, he led the company's southern district headquartered in Atlanta.

The experiences with his customers and colleagues, he wrote, "gave me good insight into human nature."

So accomplished was McConnell at the book-selling trade that he swiftly proceeded to buy out the publishing firm from his boss. Soon after, he moved the operation to New York City.

THE SWEET SMELL OF SUCCESS

When he moved back East, McConnell wasn't alone. He had met his wife, Lucy Hays, while working in Chicago. The two were married in a quiet ceremony at the home of Lucy's sister on March 31, 1885. Lucy also helped McConnell with the business. In the ensuing years, the couple had three children: David Hall Jr., Edna, and Dorys.

It was now 1886 and McConnell had been selling books for some eight years. His enchantment with the book business was diminishing, and he was also anxious to expand his operation into new areas. But he wasn't quite sure how.

He and his employees steadily peddled the books and, as always, he continuously sought new and different ways to engage their customers. A chemist friend had mixed up some perfume samples, which McConnell handed out to housewives in order to win them over and then draw their attention to his books.

But it didn't take long for the savvy salesman to recognize that the small fragrance vials were delighting the women far more than his books were. It was a eureka moment for McConnell. By chance, he had stumbled on the new business opportunity he had been searching for—perfume!

Perfume may have caught McConnell's attention by happenstance, but from then on his venture was guided by strategic planning. Before stepping into the fragrance business, he first fully researched its potential. After evaluating the competition posed by other door-to-door enterprises, McConnell concluded that there was a high likelihood for success not only in perfumes, but also in expanding into various grooming items.

"The starting of the perfume business was the result of the most careful and thorough investigation, guided by the experience of several years' successful operation in the book business—that is, in selling goods direct to the consumer or purchaser," McConnell said. "In