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Louis V. Consiglio

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by

Louis V. Consiglio
Vice President of Avon Products, Inc.

Institute for Global Business Strategy
Pace University
Dr. Warren J. Keegan, Director

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Introduction

In order to relate Avon's experience to the subject of global strategy and competitive advantage, it is necessary to discuss a portion of Avon's history as a corporate entity.

Avon was founded in New York City in 1886 and up until the 1950s, it was a domestic company. It did enter Canada in 1914, but that was because Canada was close and was perceived as an extension of the U.S. rather than a foreign market. In the 1950s, Avon went international in a big way: Avon's principles were written by the founder of the company 106 years ago and have been a guiding light of values and heritage throughout its existence. The first principle, "to provide individuals an opportunity to develop and to earn in support of their betterment and happiness"; second principle, "to serve families throughout the world"; third principle, "to provide products of the highest quality backed by a guarantee of satisfaction," were written way before Avon became international.

Over the years, Avon has acquired a reputation of providing a service to representatives and customers that is outstanding in its helpfulness and courtesy. It relies with full confidence on employees and representatives recognizing that its corporate success depends upon their individual contributions and achievements. Another principle of the founders was to share with them the rewards of growth and success. And finally, to honor the responsibilities of corporate citizenship in each society.

In 1886, D.H. McConnell, a book salesman, used perfume as an incentive for people to buy his books. In doing so, he discovered that they wanted the perfume more than the books. He adapted to the demands of the market 100 years ago and chucked the books and started selling perfume. From that little acorn, as he expressed it in one of his writings, grew this great oak. The corporate culture that he founded were those principles which he wrote about and practiced and preached daily throughout his business life.

From Regional to National Through Marketing

There was slow growth originally from a little regional company based in downtown New York, to ultimately, a national company. It took about three or four decades to develop an effective marketing company. McConnell was customer-oriented and kept responding to what he felt people wanted, and in his laboratories in New York he developed those products. He had an early competitive advantage in that he went directly to the customers with quality products. He did not open stores and wait for customers to come to him. As already stated, in 1914, Avon branched into Canada.

In the 1930s, a major step forward was taken by upgrading the sales structure in which geographic territories were devised and assigned to salespeople, so that they had their own turf or their own franchise. At the same time, a cycle was created in which every three weeks a new campaign promoting different products and prices was initiated. This caused another phase of growth because it created sales energy, motivation, and appeal for customers to look at something new and see what they needed. Those two steps were quite significant in adding to the growth and development of Avon's system.

Postwar Avon saw dramatic expansion and growth both because of consumer demand and because of the earning opportunity becoming an Avon sales representative provided to women looking for part-time work and/or individual fulfillment.

Going International

In 1954, with profits and reserves building up due to a very strong cash flow, management considered diversifying into other areas to continue the growth cycle. They took a strategic decision to enter the international market, not to diversify domestically, and to, in effect, extend Avon's institutional skills and culture on a worldwide basis. Avon learned to operate successfully in a variety of economic, consumer, competitive, and cultural environments and, therefore, increase its market share and competitive advantage on a global basis. The stage was thus actually set in 1954 for this evolution from a domestic company to a transnational one.

A typical example of Avon's evolution is its expansion into Japan. Its market entry in 1968 was the result of a keen awareness on the part of Avon management of Japan as a very large potential market. After the Olympics in the mid-sixties, Japan's economic growth took off and attracted a lot of attention worldwide. Avon started off by establishing a branch office, which was all that the Japanese government would allow at the time, and pursued the strategy it had followed successfully in the U.S. and elsewhere. It imported its U.S. and Australian cosmetic line, relied on the four "P's" of marketing, (Product, Price, Promotion, Place), and practiced its standard system of discounting periodically in sales brochures. It was generally able to price under the local competition, which was a significant factor. The promotion campaign was on a three-week cycle, and the products were sold through representatives in assigned territories on a "door-to-door" basis.

It was the classic Avon international expansion practice of relying on a good corporate brand image, quality mass market products, the female earning opportunity, a proven sales structure and system, and a consumer awareness that expanded through product distribution by the sales staff, not by massive advertising.

Eventually, in 1973, Avon was allowed to establish a corporation called Avon Products Company, Ltd., in Tokyo. It also received permission to invest and proceed to local manufacturing, and ultimately, Avon bought a facility from Colgate Palmolive to do that. By 1974, the business indicators were unsatisfactory, however. Avon Japan was experiencing slow growth compared to other markets it had entered and had very limited consumer awareness in a very competitive environment. It was not yet turning a profit after five years, when usually it was able to do that after two or three years. Also, it only had 25,000 sales representatives, a very small number for a market that size. Its appointment of new representatives was low, their activity rate and frequency of ordering was low, and it had high turnover or low retention. Overall, it wasn't making the kind of progress in that dynamic market that it had made around the rest of the world. There were a few positive points though. Its products were generally well accepted and consumers existed who liked direct and catalog sales. In fact, today Japan is the largest overall direct selling market in the world, even larger than the U.S., considering all the different types and sizes of companies which sell on a direct basis.

Avon commissioned a local consultant, George Fields of ASI Research, to study its business and to find out what adjustments were needed to be made in its approach to reach the potential of the Japanese market. Fields conducted an attitude study which helped Avon identify the reasons for slow sales and lack of consumer awareness about its products. What Fields' study concluded was the following:

- The normal extension approach from the U.S. domestic to the target country was not working. There was a cultural barrier to the idea of strangers calling door-to-door.
- Territories with their own geography of a couple of hundred homes were meaningless since representatives didn't canvass them, and that restricted the company's growth in number of salespeople.
- Awareness of the products through word of mouth was ineffective because of the Japanese craving for image and the fact that Avon wasn't advertising.
- The products needed specific refinements for the market as they didn't address the local requirements of higher quality, and, in particular, the efficacy required in such products as skin care.
- The net result was that Avon needed to become more market driven and adapt its basic procedures and advantage to the local environment. So the four P's of marketing, and therefore its strategy, needed reworking.

Avon went into an adaptation stage for the next five years and created a new strategy for localization and expansion. It was given the title "The Natural Way," with the intent of developing a process that would be more appropriate for the Japanese consumers, sales representatives and competitive environment. Assigned territories were eliminated and networking was emphasized. The proposition of becoming an "Avon lady" was altered. Rather than trying to find people who would "qualify" to be good salespeople, it was opened up wide and said, "Why don't you join this wonderful world of Avon and cosmetics. Buy the products, buy them for yourselves, buy them with your friends, enjor a discount or earn up to 50 percent commission, do it your way, go for the gold ring, or just be a nice friendly saleslady."

Awareness was enhanced through the rapid growth in the number of salespeople and penetration was supported by image advertising. The product line was redesigned, repackaged, and enhanced in quality to meet the demands of the Japanese consumers. In order to improve its image Avon increased its prices appropriately.

By 1979, Avon had 100,000 sales ladies on file, pricing and gross margins had increased substantially, unit volume was growing, awareness had increased, its sales were growing at the rate of 15 percent over the level of the previous five years. The stage was set, therefore, for the next phase of adaptation and growth, which started in 1980 and lasted until 1985.

During this period, Avon expanded its sales organization and increased the number of orders, but it did so at the expense of productivity. The average order of its salespeople was stagnant as it had more and more people who really weren't aggressively selling. While Avon Japan certainly had the ability to handle these small orders, it wasn't maximizing them on a profitability basis. Besides, the Avon salesforce turnover was costly. People who perhaps didn't like the process or who were only satisfied with buying some of the products decided to leave. Although turnover was normal in the direct selling industry worldwide, it became excessive at Avon in Japan.

The traditional expansion of the sales organization by adding more numbers was becoming counterproductive by itself. The organization discovered that "Avon ladies" fell into different segmented patterns of: productivity, activity, and retention. Some were really salespeople, some evolved into salespeople, and some were mostly customers. Avon realized that it had an opportunity to differentially manage these different segments, and therefore, manage not only marketing resources on a more profitable basis but also to boost productivity in the same process. At this point in time, Avon's product line -- cosmetics, fragrances, and toiletries -- was essentially upgraded and completed as far as the base line was concerned.

New Distribution Channel Developed

Avon thus went from an adaptation phase to a creation phase with the recognition that the traditional sales organization that it had employed so successfully in the U.S. and around the world really wasn't necessary, and it could depart from it and use a different approach. It decided to retain every salesperson it had ever appointed and, consequently, built up a substantial computer database of names and addresses of people who had sold its products. It then started to differentially manage this database. The lower producers were handled differently in training, type of sales material provided, frequency of ordering, incentives, and commissions. This helped increase productivity because it could focus on those who were interested in being salespersons. As for those who were not interested in this type of conversion, Avon made them its direct mail customers! In effect, without consciously trying to do so, Avon established another distribution channel, and thus gained another competitive advantage.

Avon's transition over the next couple of years stabilized with segmentation of its large and growing sales organization and a separate, expanding direct mail business. Its sales growth stabilized between 5 to 6 percent on sales of $240 million, and it had about 2½ to 3 percent of the cosmetic market, which, while small by Japanese standards, was significant by a foreign company's standards. Avon's operating margin increased to about 15 percent of sales.

The local management next turned its attention to the vitamins and health foods market. It identified this market as a specific opportunity for the company. Avon had no prior experience in selling vitamins and health foods anywhere in the world and management's first reaction, naturally, was skeptical. But as a savvy multinational management wanting to penetrate this consumer market, Avon decided to go ahead. It also commissioned McKinsey to conduct a major consumer research study for Avon in Japan. A new aggressive strategic approach was adopted. The company's worldwide experience and growing strengths in channel and product development were shared with Japan and matched to its consumer needs and interests. Thus, while the Japanese were starting to look at what they should be selling, Avon was beginning to diversify beyond cosmetics worldwide and using that experience to match its needs and situation in Japan. It's fair to say that "transnationalism" was at work in Avon without management really using that word and, perhaps, even before that word had been coined.

This new strategic plan emphasized a multiproduct, multichannel approach to the Japanese business. Avon Japan targeted other product lines which had been directly sold elsewhere and which it felt fit the Japanese customer, such as fashion jewelry, lingerie, and children's items. Avon's existing competitive advantage, therefore, provided a fertile ground for creativity, and the direct mail channel was in the process of becoming a more stand alone business unit. It had at its command the company's in-house skills, its computer database analysis capabilities, its countrywide distribution operation in which it could process very small orders, and its promotion and marketing skills. From 1987 to the present, Avon's sales increased by about 9 percent and operating margins went up to 22 percent. The company thus maximized its competitive advantage by adapting to the realities of that local market.

Avon Japan's direct mail pioneering has since been adopted by the U.S., Canada, Germany, the U.K., and other mature markets, thus providing those markets with the opportunity to pursue the dual approach between direct selling and direct mail, depending on the local situation. Avon's competitive advantage, which was clarified with the McKinsey study, lay in its direct selling distribution system, in comparison to which the much larger systems of retail and other direct selling organizations in Japan were expensive. The Japanese products were high priced to cover their costly distribution system, whereas Avon offered quality products at lower prices than the competition. Moreover, certain consumers liked catalog and personal shopping as opposed to retail shopping because of the convenience.

Avon, thus, ended up being known as a low cost distributer, its main competitive advantage. In addition to being a low cost supplier of cosmetics, the relatively high prices gave it high margins. Thus it had a combination of two things working very well together. The additional factors included such things as opportunities for women, a majority of whom were still housewives in Japan but many of whom were also looking for a way to get out of the home part time, to do something once the children had gone back to school. Whether they wanted it for affiliation, fun, or actually to earn a living on their own, Avon provided an option for them.

Avon's advantage in Japan was further enhanced by its global and international image as the largest cosmetics company in the world; by its low-cost centralized product research and development, which was done in Suffern, New York; by its shared technology, distribution, and computer skills; by its corporate culture and values, which were very well adapted by the Japanese company; and by Avon Japan's active ten-year support for the recognition and development of women throughout the country. This is an excellent example of the evolution of multinational and transnational concepts in a very challenging and competitive market.

Over the past couple of years, Avon Japan gradually has become a distinguished member of the Avon group, a global conglomeration of companies committed to providing superior value products, not just beauty, makeup, or cosmetics, but various products. This definition of the company's business has allowed Avon to diversify somewhat, and to sell personalized direct service itself as a product, which simply means that it offered customers a choice among a variety of convenient ways to shop. Customers could buy from an Avon representative; through the mail, at the office, or at home; or become representatives themselves. Its channels and methodology supported all these options.

Avon's Adaptibility to Local Environments Touted

Recently the American Chamber of Commerce ran an advertising supplement in the *Japan Economic Journal* in which they focused on a number of foreign companies. They did an article on Avon, among others, on how companies with determination and staying power and the ability to adapt to the local environment have been very successful in Japan, contrary, of course, to what one often hears about how difficult it is to do business in Japan. As the article reports, after Avon made the decision to go international in 1954, their expansion was a very simple extension of the way the business operated in the U.S.; Puerto Rico, was nearby, and so it opened a branch there. It shipped the orders out of its Suffern laboratory, using the same product line, and the same sales brochure, albeit in Spanish, and Avon went international overnight.

From its experience in Puerto Rico, Avon realized that there were a lot of neighboring countries where it could do the same, and it did just that all over Latin America. An international division was formed to take the manufacturing skills, the marketing, the sales, particularly the sales philosophy, and its distribution knowhow, and to implement them wherever it was going. The training, the procedures, and the guidance came from a staff of experts at the New York headquarters. In addition, many country locals were brought to the U.S. for extensive training. It had a minimal U.S. capital investment because it started up on a small scale, importing the products wherever it could before it began to manufacture them. What Avon really aimed to do was to get the products into people's hands, spread the word-of-mouth, and let the reputation take care of itself from there. The U.S. product line was transferred virtually complete, with little localization, except for language. As in a typical startup situation, the emphasis was to expand as rapidly as possible without spending too much money, get penetration, reach a point of profitability, and ensure that the corporate business culture and philosophy were well established in the local subsidiary companies and in the marketplace. This was very important for a company with a unique system such as Avon's.

Wholly-Owned Subsidiaries and Local Manufacturing

Avon's strategy was quite universal. The four P's of marketing were the same -- except for language and perhaps the pricing policy, which tended to be mostly cost/margin driven to protect its profitability — and due to its product skills and superior technology, it was also able to be competitive. Avon learned, of course, during this expansion process in Latin America, how to handle hyperinflation in Brazil and Argentina and a few other places. It survived in spite of the occasional pleas from some people in management to get out of there because it just wasn't worth it. In fact, about four years ago Avon was able to withdraw substantial retained capital out of Brazil in one fell swoop as a result of its staying power. Local marketing planning was accomplished in each country with a review and approval process, on a quarterly basis, by the experts from headquarters, to be sure people were staying on track.

Avon had rapid and successful expansion. It had wholly-owned subsidiaries established with local manufacturing. They were mostly self-funding and were repatriating dividends and royalties that varied, of course, by country. In some cases they were somewhat restricted. The company had a policy of not entering a country unless it could own it as a wholly-owned subsidiary. However, it determined that it certainly had the ability to extend its business into any culture or environment. By 1972, Avon was in 14 major operating entities in the Triad, (Western Europe, North America, and Japan) as well as other selected countries around the world. The countries included the U.S., Canada, Puerto Rico, Mexico, Venezuela, Brazil, Argentina, the United Kingdom, Germany, France, Italy, Spain, Australia, and Japan. The product line, quality, and promotion cycle were universally accepted. The earning opportunity for women and the salesforce structure were effective, and the implementation of Avon's image, culture, and its system were also successful. During those 18 years, corporate sales went from $80 million to $500 million, with international sales contributing about 40 percent at that point in time.

Reorganization Along the Road to Multinationalism

Next came the move from an international to more of a multinational company in the 1970s. What Avon discovered with all its success was that this growing empire, so to speak, was difficult to maintain in the sense of its philosophy and policies and expertise in the unique marketing and sales system which it had created. The large centralized organization in New York was a kind of top down group of enforcers. The company discovered that the further extension from domestic into other countries would not necessarily require so much help from New York, because now it had the basis of expertise and skills all around the world. A decision was made, in the early 1970s, to both decentralize and centralize into a new configuration. Avon went from decentralizing away from the headquarters to centralizing away from the independent entities scattered all around the world into what became regional marketing centers. What this did was to maximize the learning, the sharing, and the training, as well as the cost efficiencies by eliminating a lot of duplication from varied size and profitability ranges of countries. Three regional marketing and planning centers were established: one in New York for Latin America; one in London for Europe; and one in Australia for the Pacific countries; which were about to emerge in large numbers.

Avon also found, in reflecting on its product line during this juncture, that the characteristics overlapped in international or global business. There were attempts to rationalize product lines regionally. In London, for example, it continued to identify its products the same way, deodorant remained deodorant and powder was called powder. Here and there it allowed a unique product or two to slip in when someone pleaded for it. Strategies were somewhat regionalized but they were adapted to either product preferences, or, in some cases, to local practices which had to be altered because of local labor conditions or personnel practices. Avon went into a period of allocating manufacturing and sourcing. It looked at those facilities and those countries which were either very good at a particular product line, from a cost and an efficiency standpoint, or where perhaps a product line had sold substantially in that country. So the U.K. produced all the talcs and Germany produced all the skin care products. By following this policy, Avon obtained some economies of scale and rationalization.

Avon staffed the marketing centers with many home country nationals, who were first brought from the home countries to London for training. Many liked it and many did not. Avon thought it was getting people who would know their home markets, which was important in a marketing planning function. Corporate priorities and resources tended to focus on the regions as entities, while they looked at their individual countries as part of a portfolio. The early years produced many of the desired benefits. Avon became focused, increased coordination, and shared learning. The training became much simpler. The indications certainly implied that Avon could be truly a global company in its operation and this transition phase involved greater cross fertilization and standardization of policies and programs.

Need for Interdependence of Markets and Regional Centers in 1980s

And then the 1980s arrived: a new and competitive consumer era. Avon was by then semimultinational and semiglobal. The regional structures proved actually to be neither fish nor fowl. They became entities unto themselves. Similarities and differences in the markets were seen and addressed, however, regional centers were not close to the markets nor close to the customers. Added to this, the local nationals who were working there had all started to go home, or, in fact, were not bringing enough of the local feeling into the business, or had to travel every other week to find out what was going on in Frankfort. The national and local needs and views caused strategic, preferential, and organizational conflicts. Turf and authority conflicts ensued. The lines of accountability for plans and results started to weaken. People could say, "They told us to do it in Sydney or in London." Regions, as such, were not homogeneous. Overhead in the regional centers grew as people added to their empires, and sales and profit growth stalled. So the need became apparent to achieve the benefits of true decentralization but to maintain the benefits of commonalities and sharing, while being able to ensure that corporate direction and priorities could be met.

The solution, once again, in the mid to late 1980s, was not to be regionalized as such, not to really decentralize, but to decentralize with added definitions. Decentralization would not mean autonomy and the countries would not be expected to totally go it alone. Avon tried to keep the good elements of a centralized regionalized concept and foster the benefits of decentralization. The regional centers were disbanded in favor of local planning, responsibility, accountability, and empowerment. It pursued local opportunities with strategies specific to each country, maximizing the competitive strengths in each location, but recognizing, at the same time, each country as a place in Avon's portfolio, so that it didn't mean that everyone could do just what they wanted to do. Avon wanted to unleash creativity and entrepreneurship and develop new attitudes of interdependence among the markets and regions.

The management concept here, in the last three or four years, has been one of interdependence. Prioritization for plans, timetables, and resources can take place, but sharing of ideas and results and the learning experiences can be fostered with less formal structural relationships and assignments of people. Instead of someone being responsible for the area known as "Latin America," one might have Brazil, Canada, and perhaps Australia. The rationale for this was that the state of development of those markets or the expertise that they required was embodied in some individual irrespective of geography or protocol. And, in fact, if someone had a problem with manufacturing and didn't have that skill, then he or she could get an expert from the London region, let's say, to go over to Australia to solve the problem.

Based on this thinking, Avon created a small regional staff which exists even now. There are regional staffs in London, New York, and Hong Kong for portfolio management, strategy approval, resource allocation, support expertise, and to facilitate sharing. There is a lot of networking and handholding through councils which are either functional or perhaps geographic, through executive committees which meet every month or every other month, and through a corporate operating committee to which those who have area responsibility report every month on results, progress, issues, and in general share any information of mutual concern. The fabric for this interdependence first of all is a deeply imbued corporate culture whose principles and shared values are lived, not preached, a shared international vision universally applicable, a recognition that no one entity has all the answers or all the skills, that the whole has to prosper or the parts won't. This has led to an awareness that sometimes there are sacrifices by the parts. At the same time, there is a desire and a need to become consumer-driven, strategy-driven, entrepreneurial, experimental, and risk takers. No one gets spanked for goofing up a little while trying to learn.

The creation of transnationalism at Avon since 1986 has taken this direction. The product line has been expanded in many different directions. Brazil has introduced lingerie very successfully, maximizing its direct selling reach, and has become teachers for a number of other countries that now sell lingerie. The U.K. developed a highly successful toy line and they now are being imitated elsewhere. The U.S. introduced videos, starting with an exercise tape, and has rapidly expanded that into a variety of hobby, skill, and training tapes that are suitable for direct selling into the home, and other countries are picking that up. Japan's vitamins have stimulated others. The Philippines are selling household cleaning products, and most markets have now expanded into fashion jewelry.

On the cosmetic side, the U.S., with the help of dermatologists at the University of Pennsylvania, has developed a product called Bioadvance. Although Avon wasn't able to promote the fact that it is a modified, low dose Retin A and works similarily to the one that the

USFDA has authorized, it has taken that product, transferred the technology, and is selling it in other mature countries as well. So Avon is functioning within the framework of consumer preferences and competitive environment opportunities, portfolio positioning, resource availability, and the corporate image, which has to be beauty and beauty related. The business units can test new ideas, develop and share the learning for others to evaluate and to adopt or not to adopt. Risk is encouraged, provided it's not reckless.

On the systems and channels side, Japan, as discussed earlier, pioneered direct mail; Germany, the U.K., the U.S. and others are now following suit. The Philippines uses a service center approach, where the sales representatives come to the center, making them the most profitable Avon subsidiary in the world because they've taken distribution down to an even lower threshold. Taiwan's use of FAX machines for ordering by their representatives to cut turnaround time and Spain's revamped three-week campaign brochure system have made them more consumer driven and cost effective; now the U. S. and a variety of other markets are testing this approach. In fact, more learning and innovation is now emanating from the international markets than from the U. S. because Avon now has 25 organizations doing what they know how to do and trying to meet the consumer needs in their specific markets.

Hong Kong, a base for Avon's buying office in East Asia, supplies a variety of gift related items and components. Puerto Rico produces many of Avon's jewelry items along with Ireland which supplies Europe's soap. In addition, its market entries and asset redeployments are occurring in different ways. Gone is the "100 percent subsidiary" philosophy. Avon Japan, for example, sold 40 percent of its equity to the public three years ago, after being there 20 years, not only to raise capital, but to get more localized and have local investors. Avon has a 50-50 joint venture in Indonesia, has just started a joint venture with China, and is looking to enter the Soviet Union. There are many smaller markets that are distributorships. In addition Avon has increased its satellite relationships and is very actively looking for strategic alliance partners throughout the world.

Global Strategy: Portfolio Membership

Avon has used a kind of classic strategic planning methodology and a portfolio type of approach to assess its markets, to put them on grids relative to market attractiveness and its own competitive position (the size of the grids represents the profitability), and then to decide based on that kind of analysis, where to put its emphasis and its investments. This is one example of the ways in which Avon has looked at countries as members of a portfolio.

The lessons learned by Avon from these experiences are generic. Obviously, there have been thousands of lessons over the years. Foremost is the idea of global strategy, and that the timeframe and the stages can be consciously shortened if companies look critically at the opportunities and at their strengths and weaknesses. The domestic company or the headquarters is probably a good mother, but at some point she ought to let the children go. A considerable interrelationship exists, of course, in the state of development, the objectives, strategic plans, skills, corporate culture, human resource capabilities, and management relationships. They all have to be considered when approaching a global structure and policies. More importantly, renewal will be necessary as competitors evolve and the business develops. For example, currently, Avon U.S. is being given a very critical look. Management is considering a different sales organization structure, probably more multi-leveled, which actually gives people greater opportunity to become what they want to be, and probably will save Avon a lot of money. Management is also looking at the brochure cycle, which is very costly, and perhaps not consumer driven enough.

A critical issue to consider is the management of change as companies start reaching out into different countries and different cultures. Other critical issues include careful strategic portfolio analysis, clearly shared corporate identity, business vision and value system, competitive awareness at all times, and investment prioritization.

One can't do everything everywhere in any one year or any five years. One must have adequate human resources or fail. An honest assessment of business strengths and consumer interest is important, and so is perfecting the basics first before diversifying. In other words, getting established, getting one's identity set, reaching some scale, and being sure each advance is incremental and not just trading. A careful application of some of these thoughts can lead to a global competitive advantage.

These stages of development of a transnational corporation are not exactly pure in all cases. Scanning the global business environment, Avon's strategic objective is certainly to have its global competitive advantage entrenched wherever it can. Avon's market scope is the triad plus selected developing and less developed markets. Its management operating style is very integrated and interdependent. Its R & D focus is integrated for the world market and a central R&D group develops products for all countries. Knowledge is jointly developed and shared by all operating units.

In terms of new product development, Avon's product mix contains products which are global and local. Its world view is to manage resources globally — the Hong Kong example, the jewelry example. The overseas operation contributes to the national units, or rather, the national units contribute to the company worldwide. That's a kind of portfolio concept. The hubs are very small, very regional. Avon's marketing strategy is one of extension, adaptation, and creation.

Avon's human resource policy is to prefer home country nationals to run each of these businesses, since they know the culture. However, Avon doesn't hesitate at any time to have the best person in any job. It has two Britons, for example, in New York, running U.S. marketing, and there are other examples.

Financially, Avon tries to rely on the host country for resources, but also does global financing when appropriate. The configuration of its assets is very dispersed. Manufacturing and investment policy is very much global. It has gone from the 100 percent owned to joint ventures to licensing and is now looking for strategic alliances. The strategy, overall, is transnational.

In conclusion, Avon is now in its second century of success. The company is an example of an organization that has focused on creating value for its stockholders: Customers, sales representatives, stockholders, and employees. The world of Avon in 1886 bore little resemblance to the world of the 1990s. And yet, the Avon principles, which were formulated in 1886, have not changed. The principles are constant, but, clearly, the practice is constantly evolving. The key to Avon's success is its focus on value for its stockholders and its ability to constantly change and adapt to changing needs and wants.

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