The cosmetic companies Avon and L’Oréal: Introduction of Avon

- founded by book salesman David McConell
- started in 1886 as the ‘California Perfume Company’
- in 1939 the company became Avon
- 1958: first Avon ladies in UK
- strategy: selling cosmetics door to door
- ultimate consumers are housewives, unable to get out to the shops or whose villages and towns lacked shops with a reasonable selection of cosmetics
- today: 7500 products sold in 25 languages, in 143 countries
The success of Avon

- success is not based on products themselves, but on distribution
- direct selling approach
- support through 160.000 ‘Avon ladies’
- criticism from competitor L’Oréal: something of a joke, in the same class as double glazing and door-to-door brush salesmen
- however the distribution method of Avon overcomes all drawbacks

Sales Cycle of Avon

- the sales cycle is three weeks
- at the beginning of the period a new brochure is issued
  - delivery to customers
  - collection of orders by Avon lady
  - posting to the company
  - representative delivers products, collects the money and sends Avon its cut
Introduction of L’Oréal

- Avon's competitor, present in 130 countries
- main brands: Maybelline, L’Oréal Paris, Garnier
- competes in the same market as Avon
- more traditional distribution system
- upmarket brand image

Distribution of L’Oréal products

- main distribution centre for UK in Manchester: from here 3200 products are shipped
- direct distribution from factory in South Wales
- distribution through retailers (supermarkets, chemists)
- distribution through hairdressing salons (professional hair care range)

Distribution of professional hair care products:
1) direct to salons through a network of sales representatives
2) specialist hairdressing cash-and-carry outlets (e.g. Aston and Fincher)
Case Study Questions

1. How would you categorize Avon’s distribution strategy?

- Avon uses a direct selling approach (producer direct to consumer)
- products are distributed through Avon ladies, who travel around selling to customers in their own homes.
- no presence on the high street = no outlets
- also use of Internet to support distribution and to help individuals → website for transsexuals and transvestites
- distribution intensity: exclusive distribution – only one distributor = Avon itself

2. Which company do you think has the most control over its distribution? Why?

- The company, which has got the most control over the distribution is actually the Avon company itself because of its direct distribution strategy without the use of intermediaries (retailers and wholesalers)

  disadvantages of channel intermediaries
  - may be costly
  - may refuse to distribute the product
  - may demand exclusive dealing
  - loss of control over the distribution of products for the producer and prices charged to customers
3. Why does L’Oréal have so many more distribution channels than Avon?

L’Oréal’s distribution channels:
- direct distribution from the factory in South Wales
- distribution through retailers (supermarkets, chemists)
- direct distribution to hairdresser-salons through a network of sales-representatives
- distribution through specialist cash-and-carry outlets (profession. hairdresser products)
- distribution intensity: intensive distribution – attempt to achieve market coverage via multiple distribution channels (direct distribution vs. indirect through intermediaries)
- selective distribution for special brands (Kerastase)

Continuation of question 3.

market factors:
L’Oréal is distributing its products to:
- a large number of small customers (ultimate consumers → households) → better to use channel intermediaries
- fewer buyers who buy bigger amounts → service providers → professional hairdressers → better to use direct distribution
- local and clustered customer base = Kerastase brand distribution only in given geographic areas and specially chosen salons → better use direct distribution
Continuation of question 3.

**producer factors:**
- possible lack of resources to be able to distribute all products by oneself
- possible lack of customer-based skills (the intermediary may know the customer better)
- product mix → L’Oréal offers product range of home haircare products and special professional products
- desired degree of control → perhaps by home haircare products not so important as by products for professional hairdressers, which are being considered as exclusive brands (Kerastase)

Continuation of question 3.

**product factors:**
- differences between home-haircare and professional hairdresser products → strong content of chemicals → toxic products or products that demand a high degree of expertise and specialist knowledge are advised to be distributed directly

**competitive factors:**
- perhaps an attempt to be more competitive
- an failure in one branch (distr. channel) may be outweighed through success in another one
4. If Avon is so successful, why doesn’t L’Oréal have its own door-to-door sales force?

- problem of L’Oréal: it is positioned as an exclusive brand name ← undermined through intensive advertising expenditure (TV spots ‘Because you’re worth it’ - slogan
- up-market brand image of L’Oréal in comparison to Avon’s products
- this corporate philosophy doesn’t allow L’Oréal to conduct door-to-door selling, as this is being associated with “double glazing” and “brush salesmen”

5. How would you categorize the Kerastase brand in terms of distribution?

- distribution channel: direct distribution
- distribution intensity: very high degree of selective distribution with a tendency to a sort of exclusive dealing “The Kerastase brand is only distributed to salons that meet exacting technical standards and whose staff have been specially trained in the use of products. In return, L’Oréal guarantees that only a limited number of Kerastase salons will operate in a given area.”
6. What are the main advantages of Avon’s distribution system over L’Oréal?

- advantages for customers: convenience aspect → Avon distributes its products directly to people’s homes which caters for the housebound, housewives with small children, those who live too far from the shops and those who have little time to shop.
- no outlets are needed because of no presence on high streets
- not so much extensive advertising is needed
- cost savings
- better control over distribution
- advantages for employees (Avon ladies): Avon offers them flexibility to work around their other commitments

7. What are the main advantages of L’Oréal’s distribution system over Avon’s?

- it’s more competitive through serving several channels (ultimate consumers via retailers and chemists) with a mix of products (home haircare vs. professional-hairdresser products) → failure in one branch may be outweighed through success in another one
- ability to reach global audiences via intensive advertising → however disadvantage of being too costly
- superior distribution channel-management, especially “motivation” and “training”: offering territorial exclusivity (Kerastase); support of professional hairdressers → training courses; providing advice over Internet → using the newest technologies → ‘Colorweb’ software
Continuation of question 7.

- large quantities of products sold – financial resources coming from successful sales may be used for innovations to be more competitive
- products are more widely available – competitive advantage (availability aspect may be an important criterion for customers when choosing between products)
- distribution may appear more professional – possible competitive advantage (may appeal positively to potential customers, chance to widen customer base)

Thank you for your attention!


The End