



# The industry's pace of change has never been so intense

An interview with Jan Zijderveld, CEO of Avon Products Inc.

by Andreas von Specht

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*With net sales of US\$5.7 billion, Avon is the second-largest direct selling company in the world. Avon offers products in the beauty, household and personal care categories through its network of nearly 6m Avon Representatives. Direct selling companies such as Avon are facing significant challenges in the digital age; not only are consumers increasingly shifting their purchases online, but technology has enabled brands and retailers to offer more personalized services, a key competitive advantage previously owned by direct sellers. How is Avon going to react? TTA talked to CEO Jan Zijderveld about his mission of change.*

**What is special about Avon's business model and why do you hold on to the business model of direct selling?**

Unique to Avon is our woman-to-woman network of Representatives ("reps"), our belief in democratising beauty – making the latest trends and innovations accessible to all through value products – combined with our capacity to educate, engage and mobilize. I believe that the power of people selling to people is phenomenal. Our brands are known and appreciated worldwide – with virtually 100% brand recognition in major markets. From our earliest days we have been a business built on relationships of trust and care. Our network of beauty entrepreneurs gives us a direct and genuine relationship with consumers. So the Avon experience really is personal. Our six million reps know and love the products they sell because they use them every day and have a shared passion for innovative on-trend beauty. I have met hundreds of them and they believe in Avon. In a world where trust in companies is becoming a scarce commodity, our Rep's relationship with consumers gives us pricing power, communications power and gives our customers a richly personal brand experience.



### **What challenges is a direct seller like Avon facing and what do you plan to do about it?**

The industry's pace of change has never been so intense. The digital world is faster and networks are wider. But flexing with the times must be part of Avon's DNA. We need to modernize Avon and we need to be bolder and more dramatic – disrupting our ways of working. We need to open up, and start challenging and changing how we work and what we work on. That means rejuvenating the Avon brand, making our products and category portfolio work harder for us, and unlocking the power of digital for our beauty entrepreneurs across the world. Our geographic footprint positions us for growth: the majority of our business is in growing emerging and developing economies. Our main category – beauty – is high margin, high-involvement. And crucially, we are digitizing our business to make it easier for both beauty entrepreneurs and customers to do business with us. Borrowing a page from the playbook of fast-fashion brands, we are transforming Avon to become a high touch, high tech, high impact and fast beauty brand. We're taking a fresh look at everything, with the sense of urgency that you would expect.

### **How are you trying to maintain Avon's business model in the age of digitisation?**

Digitisation is at the heart of our strategy. Social selling is ripe for technology, digital and analytics. We are working intensely to build the right tools to support our 6 million strong network of reps to help them provide a personal service to their customers that is underpinned by strong digital capability. Having no intermediaries between the brand and the consumer and our beauty entrepreneurs is for me one of the biggest opportunities of the Avon business.

### **What are the individual steps that are being implemented in order to become a "digitized Avon"?**

The term 'digital' can be open to misinterpretation and confusion. For us, it means the digitisation of the whole business – from the front-end, backwards throughout the value chain. Avon is undergoing a period of significant change and customer-friendly digital interfaces, supported by an efficient technology infrastructure and rich data analytics, are a key strategic driver of our future progress. We have already launched a fully digitised, mobile-enabled e-interactive brochure, allowing our Reps to connect quickly and effectively with their customers by creating an e-enabled personalised shopping cart that can be shared via WhatsApp and Facebook Messenger – sending the latest trends and products directly to their mobile devices. This includes in-built and real-time analytics for future enhancement and customisation, making it easier to track best-selling products and individual preferences etc. On launch, it received more than 500,000 visitors, with positive feedback from across Avon's network of beauty entrepreneurs. Plans for My Avon Store are also underway. This will allow our e-reps to host their own store and run a fully digital business. Finally, we are very excited about the overwhelmingly positive response to the pilot of our new 'Personalised Beauty App'. This is a revolutionary digital tool that will empower Reps to deliver a whole new level of personalised service to customers – quickly, conveniently and with confidence. Early results suggest that this technology provides a benefit that really resonates. We're solving a problem and that's powerful.



**You are talking about a major shift of the Avon business model. Did you need to exchange your top management team to implement this soft digital revolution?**

We have continued to inject new talent and capabilities into the business. This includes the newly-created role of SVP, Chief Digital & Information Technology Officer. Benedetto Conversano is an outstanding talent and we will benefit from his consumer-focused digital, technological and operational skillset. He will be responsible for developing a new digital strategy as a foundational element of Avon's future plans, while building, developing and standardizing technology solutions and delivery across the global organization. We are committed to radically rethinking how we exploit digitalisation as a game changer – evolving to become a fast-beauty brand for the omnichannel world. So our new Global Sales Organisation is also key, made up of leading experts to be deployed directly to markets for immediate impact. Focusing on enhancing the Reps experience and service model evolution, Reps segmentation, field sales excellence, commercial optimisation and entry strategies for new territories, it will use data driven insights to tailor the training and incentives that fuel Avon's beauty entrepreneurs. We know that improving earnings potential, expanding learning opportunities and scaling best practice are fundamental to achieving our targets and sharpening Avon's competitiveness. We are building the right structure to institute a rigorous performance culture, one where we dramatically step up accountability for end-to-end execution and results.

**Did you create something like a 'digital advisory board' of external business leaders and/or experts with deep experience in digital organization and transformation – or are you managing the transformation process on your own?**

As part of our digitalisation ambitions, we are building a new "digital board" comprised of digital, commercial and other business leaders. Benedetto's role includes being Chair of Avon's new Digital Board, which is essentially accountable for Avon's digital transformation. The Digital Board will work closely with Avon's Board of Directors and Executive Committee, in order to boost growth and keep digital at the forefront throughout the business.

**Digital is transforming everything from consumer behaviour to employee engagement. What is the cultural change at Avon that you expect to see in the course of your transformation?**

Avon is a very strong brand with a sense of warmth and likability that is really, really powerful. But at times our culture has been too internally focused and siloed. Everything is up for grabs. We're going to be a simpler, faster, more agile business. And this starts with a different mindset, one that is open to re-assessing the assets, infrastructure, partnerships and alliances. So the transformation already underway marks a shift away from a cumbersome and quite closed business to a nimble and open company. In other words, we are going to open up this company.

**Many traditional companies are having to shift focus from top line to bottom line, further complicating the imperative of investing for the future. Further, they are at a stark disadvantage compared with start-ups, whose investors are willing to forego profit for growth. How do you resolve this conflict of aims?**



I know the start-up methodology inside out and it is key. Everything is done in 2-week sprints, with clear KPIs and a tight PMO. That is how we are working as we accelerate to become a fast-beauty brand. We are investing in commercial initiatives, digital and IT infrastructure, and we are on track to stabilize our financial results and achieve our goals of low-single digit revenue growth and low double-digit margins by 2021.

**Consumers are no longer isolated entities; instead, they move in self-organizing groups. The membership and subscription-driven business models tap into this desire to belong, even at the price of sharing personal data. Do you see this happening at Avon as well?**

Avon believes that it is hearing the stories of our consumers – the deeper stories, the ones that go beneath the surface as well as above it, will give us our biggest connections and our biggest breakthroughs. Today's consumers are stressed, busy, overwhelmed with information, and they are looking for brands to address their unique needs. The beauty consumer of tomorrow doesn't want to have to tell you how she wants a product to make her feel; she will expect you to already know. She will be buying into brands to facilitate meaningful connections to lifestyles and beliefs. She wants to feel as if her products have been made just for her. Connections and conversations are, and always have been, at the heart of Avon. That direct contact with consumers means rich data, analytics and the personal approach to beauty that enables self-expression and inspires confidence that is grounded in the everyday experience of millions of women.

**The rise of millennials is driving significant shifts in consumer expectations. They demand transparency and immediacy, and place little value on brands. How is Avon trying to embrace this segment?**

In today's market, authenticity is everything. Which makes it vital for us to innovate and tell our story better. We are proud to be empowering millions of micro entrepreneurs globally, giving them the tools to work in their own way and on their own terms. Avon is much more than a business – it's a movement of women. With major sweeping social change afoot, we believe the future is full of possibilities for women, and our beauty entrepreneurs are in turn helping to reinvigorate our core purpose as a business. Interestingly, in the last 12 months, 45% of the women who have joined us are under 30. Those front-line Reps are also vital to the insights that feed breakthrough innovation and we are now delivering the newest trends faster than ever. For us, it's about democratizing beauty, making it accessible by bringing our customers great products and the latest trends and technology at amazing value. Premium skincare is growing very, very fast so that's a key focus. Asian beauty, Korean beauty, Japanese beauty are all huge, particularly for the millennial audience. So we are going to really look at those growth segments and go after them. Beauty is becoming increasingly complex but it is interesting that the sometimes-fickle millennial market can actually be very loyal brand consumers, especially where a brand is grounded in strong values.

**You joined Avon from FMCG giant Unilever. What are your personal challenges to succeed in this mission (almost) impossible? Did you need to adjust your own style and modus operandi?**



After 30 years in Unilever, having lived in seven countries, many different parts of the world, seen many, many different businesses, many different challenges and cultures, I see Avon as a business with a potential which is difficult to overstate. I love a challenge and my modus operandi has always been to do what is worthwhile, not what is easy. Can we get this business back on the front foot and drive it to the next level? Absolutely. That has to start with a deep understanding of the root issues facing this business as well as the key strengths to leverage for the future. Avon needs a fundamental reset, and that will need time, but we're well on the way.

Jan, thank you for these insights!



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## Office Frankfurt

Untermainkai 31  
60329 Frankfurt  
Germany

[frankfurt@avs-advisors.com](mailto:frankfurt@avs-advisors.com)



## Office Geneva

Rue du Mont-Blanc 19  
1201 Genf  
Switzerland

[geneva@avs-advisors.com](mailto:geneva@avs-advisors.com)

## Office Zurich

Tödistrasse 36  
8002 Zürich  
Switzerland

[zurich@avs-advisors.com](mailto:zurich@avs-advisors.com)

## Office Hamburg

Neuer Wall 80  
20354 Hamburg  
Germany

[hamburg@avs-advisors.com](mailto:hamburg@avs-advisors.com)

## Office Paris

7, rue Georges Ville  
75116 Paris  
France

[paris@avs-advisors.com](mailto:paris@avs-advisors.com)

## Office London

9 New Square  
Lincoln's Inn  
London WC2A 3QN  
United Kingdom

[london@avs-advisors.com](mailto:london@avs-advisors.com)

## Office Bogotá

Edificio Bogotá Trade Center  
Cra. 10 No. 97A-13, Torre A,  
Oficina 701  
Bogotá, Colombia

[bogota@avs-advisors.com](mailto:bogota@avs-advisors.com)