

Accelerating the Avon Lady: Technology as an Engine for Growth

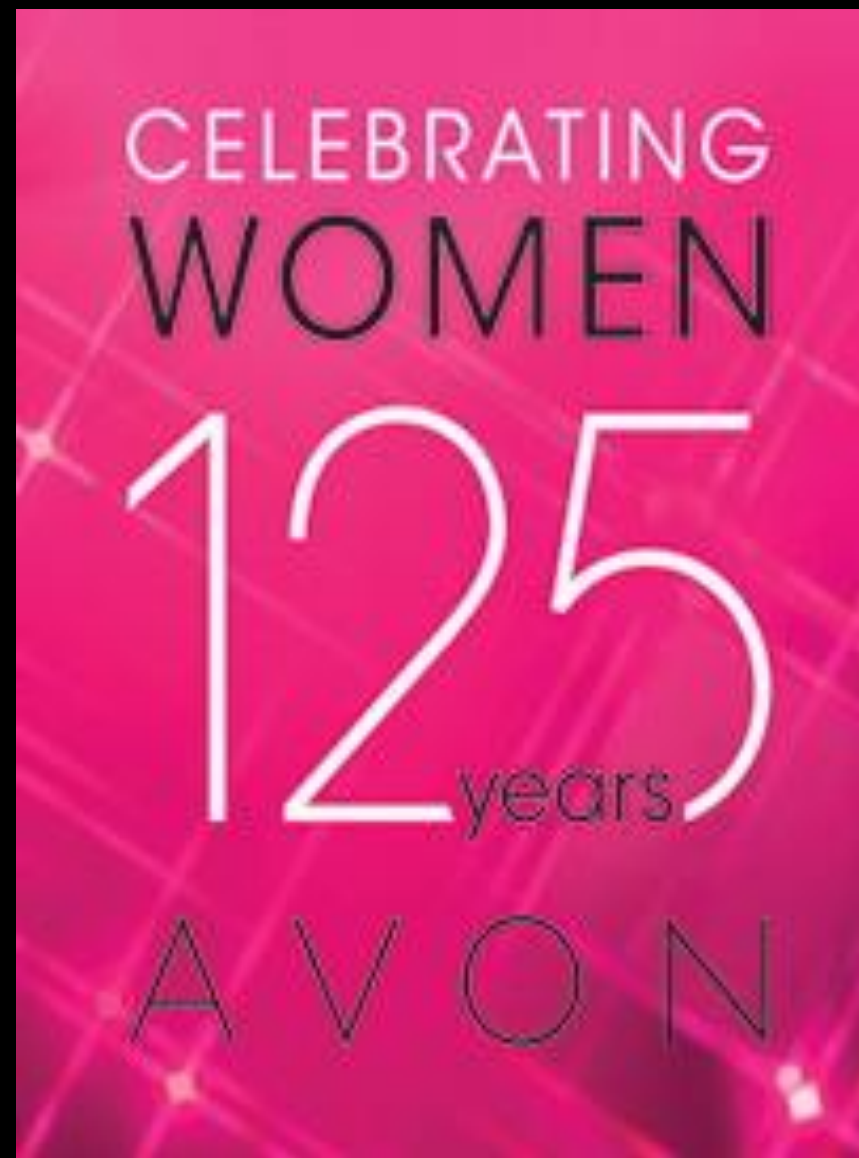
Donagh Herlihy

Senior Vice President, IT & CIO
Avon Products, Inc.

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the company for women

Avon Builds On A Robust Underlying Business Model, Now Celebrating Its 125th Anniversary



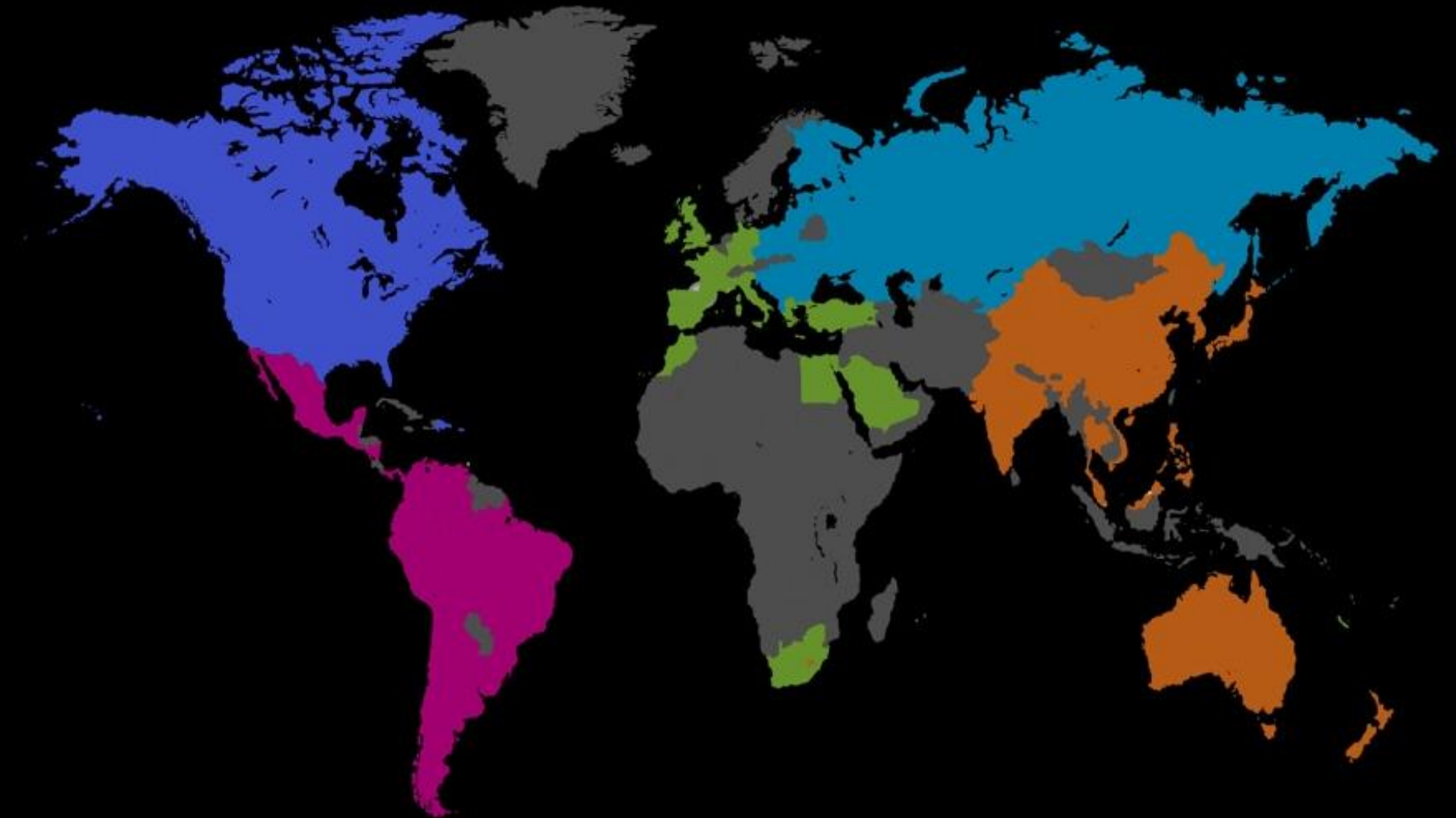
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Our Integrated Business Model Creates a Competitive Advantage



An \$11B Business Operating in Over 100 Countries

- World's largest Direct Seller
- Global Beauty company
- Sell 4 lipsticks every second
- Developing market powerhouse
- 40,000 employees



We are a Leading Global Beauty Brand



- 90% brand awareness
- A Business Week top 100 Global Brands

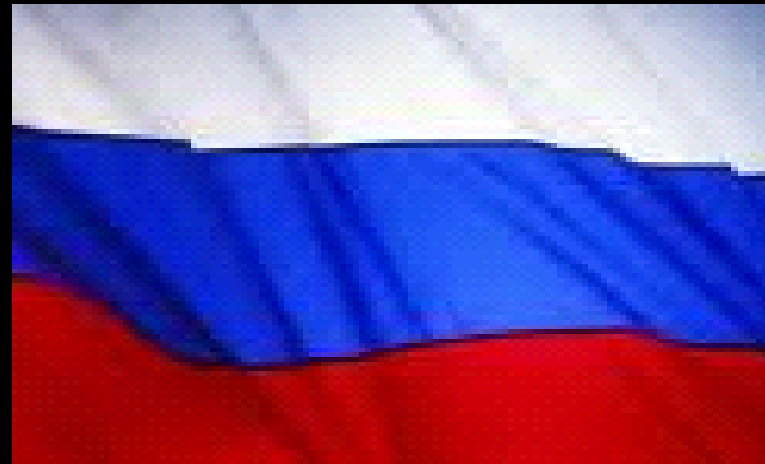


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We Have a Global Army of More than 6 Million Avon Representatives...



> 1 million



> 600K



> 500K

- All Representatives are independent entrepreneurs

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...Who Distribute One Billion Brochures Annually



- Largest global publication
- 100 million+ women readers
- New brochures distributed every 2-3 weeks

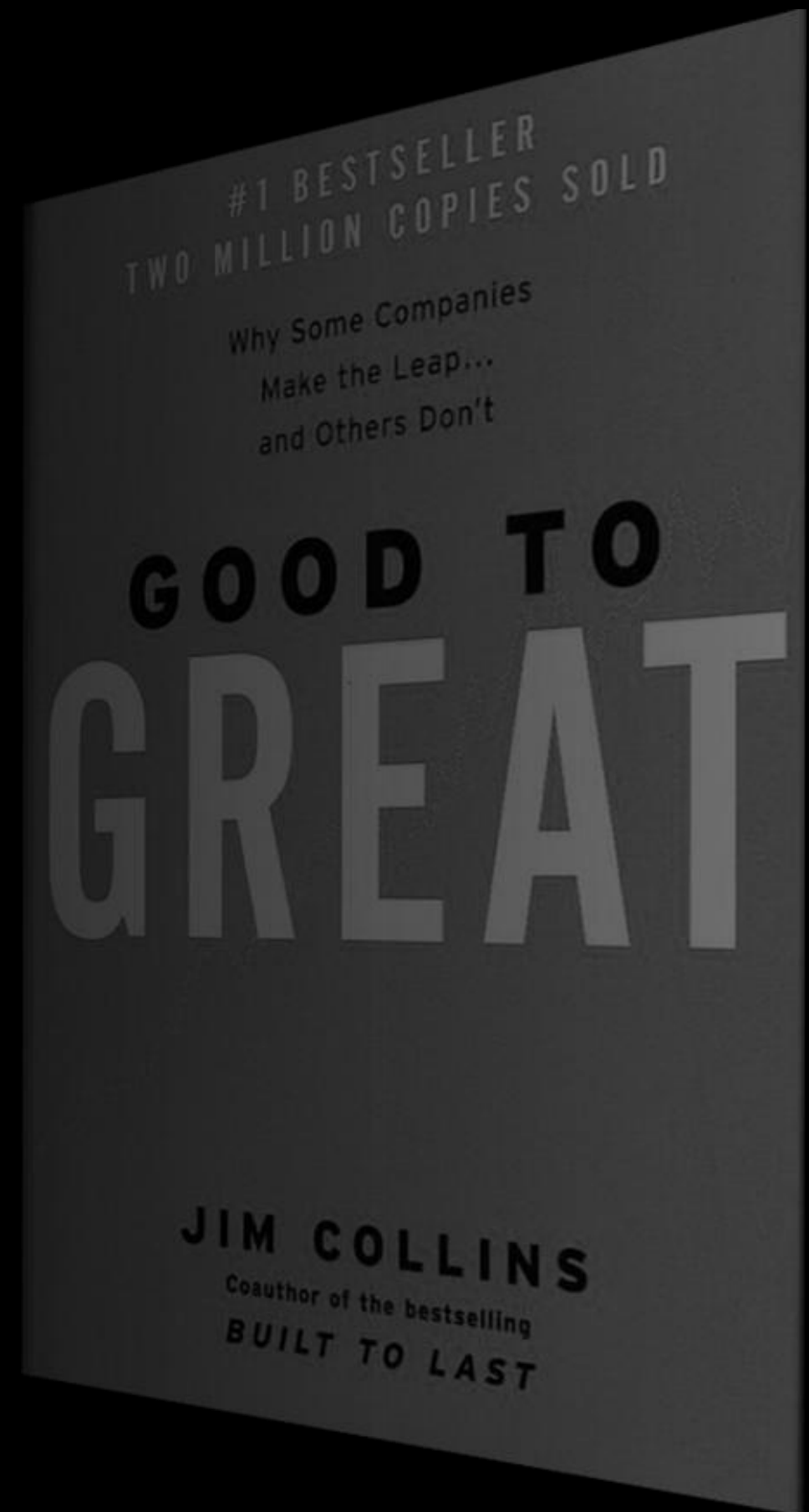
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The Selling Cycle is High-Frequency and High-Touch

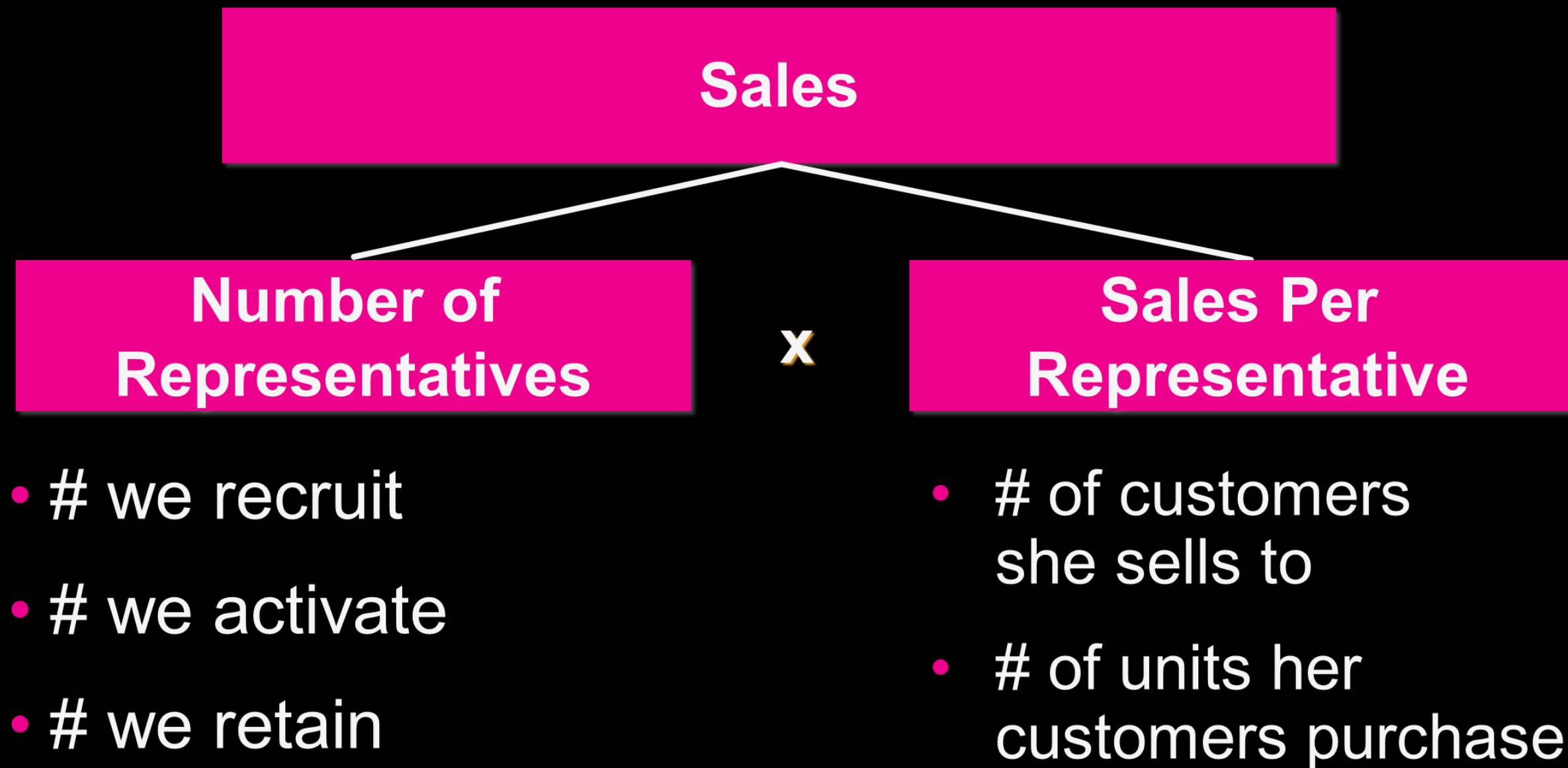


"Technology is an
accelerator of momentum,
not a creator of it"

- *Jim Collins*



Accelerating Growth Requires Understanding the Economic Drivers



Today **technology** is accelerating the
growth of Avon's business

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OIL 71.41 -1.69

DOW 10040.45 -133.96
GAS 1.8494 -0.0376

NAS 2123.76 -35.87

» EXCLUSIVE

CLOSING BELL ACCESS

JUNG: U.S. IS STILL THE LEADER
IN INNOVATION

DOW
-133.96 -1.32%
10,040.45

ZA) 100@40.13 ▲ 1.43 Ford (F) 900@11.24 ▼ 0.37 SPDR S&P (SPY)
s (LIFE) 100@44.09 ▼ 0.39 Apple (AAPL) 100@240.15 ▼ 5.65 Power5

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Avon is the Original Social Network...

Door to Door



Cube to Cube



and Now
Screen to Screen



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... and Online Social Networking can Step-Change Customer/Rep. Acquisition and Retention

**Customers want
to buy, but lack
access**

+

**Representatives want
help finding more
customers**

=

**More
Representatives
Selling to More
Customers**

**Technology offers a significant opportunity
to connect the dots**

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There are longstanding **strategic opportunities** that we can unlock through **technology**

1

Representative Retention

Reduce Representative turnover

which averages 100% in the Direct Selling industry

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2

Customer Acquisition

Help Representatives find more customers and sell more to them

3

Customer Retention

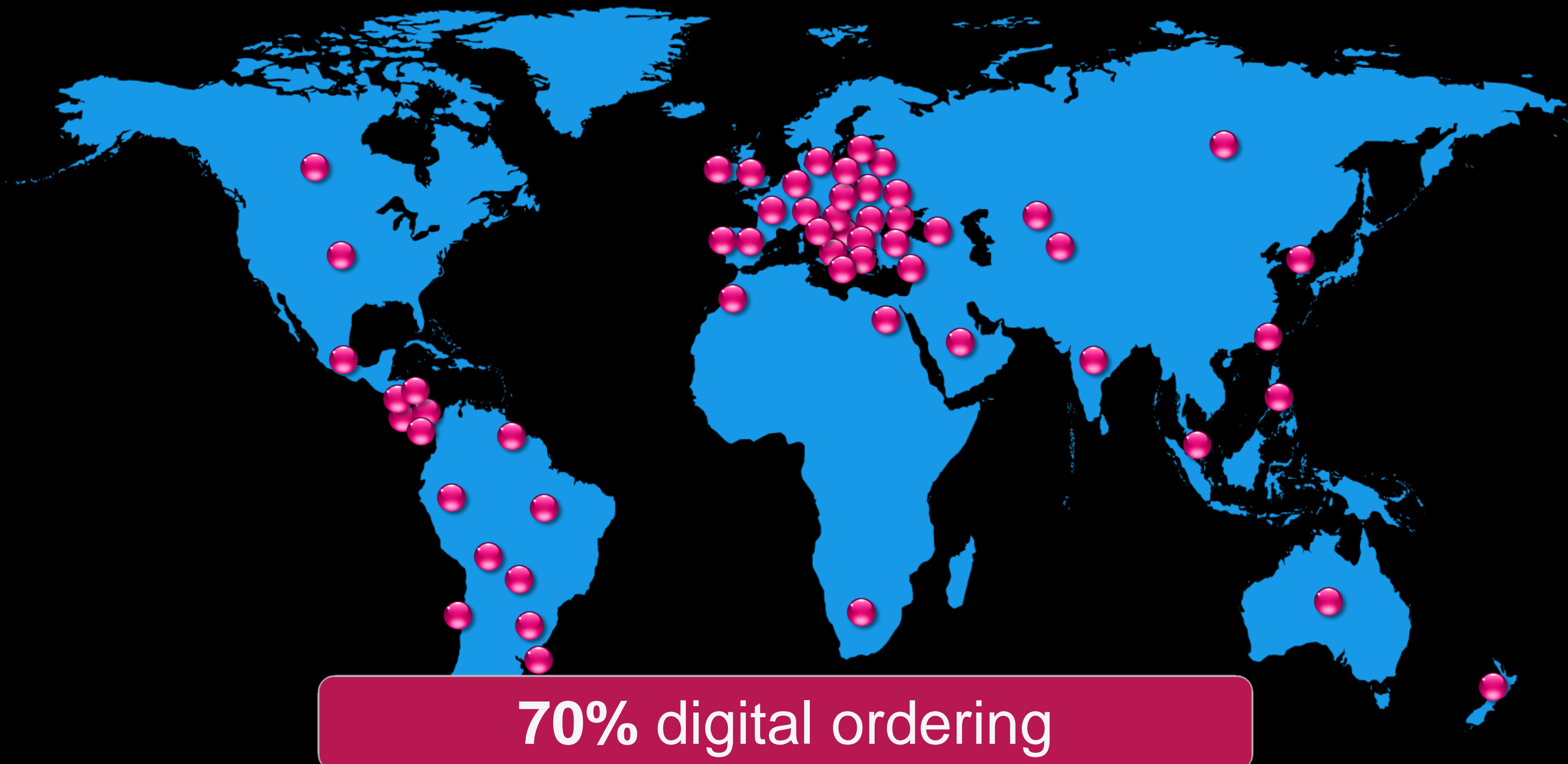
Retain **stranded customers** who want to buy from us but lose access to Avon when their Representative leaves

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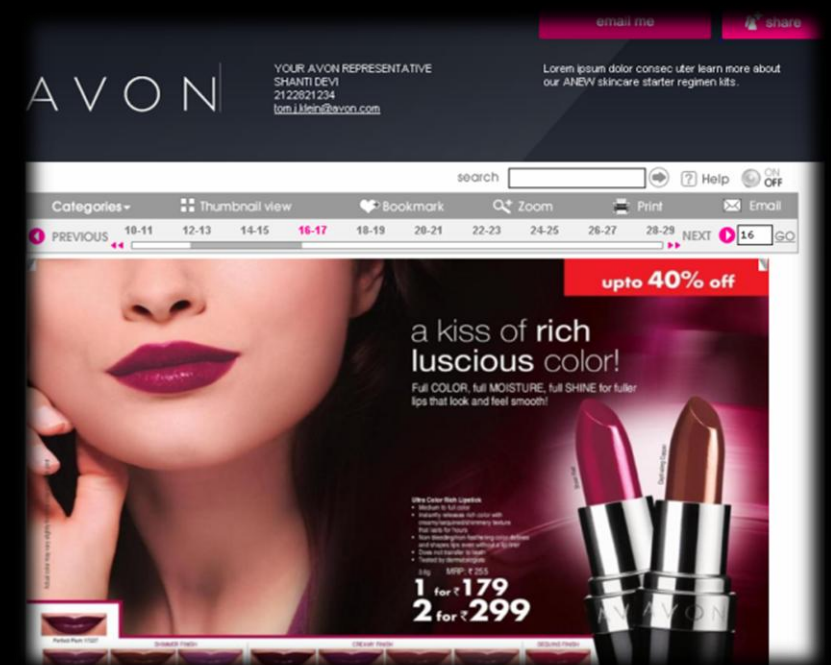
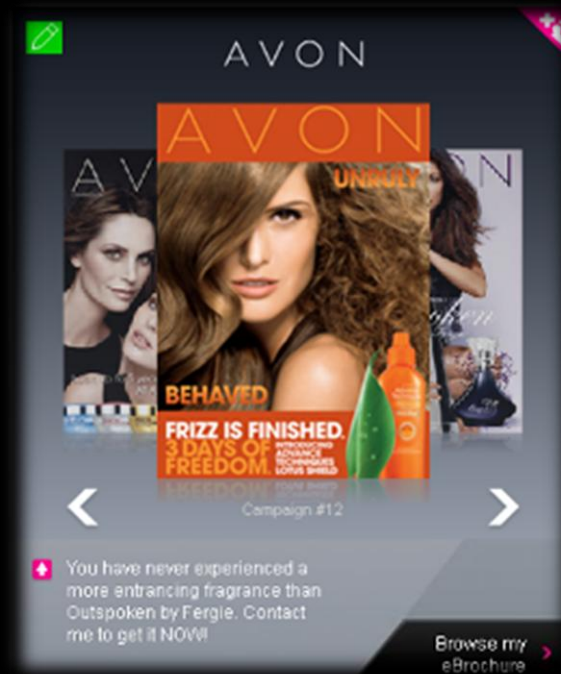
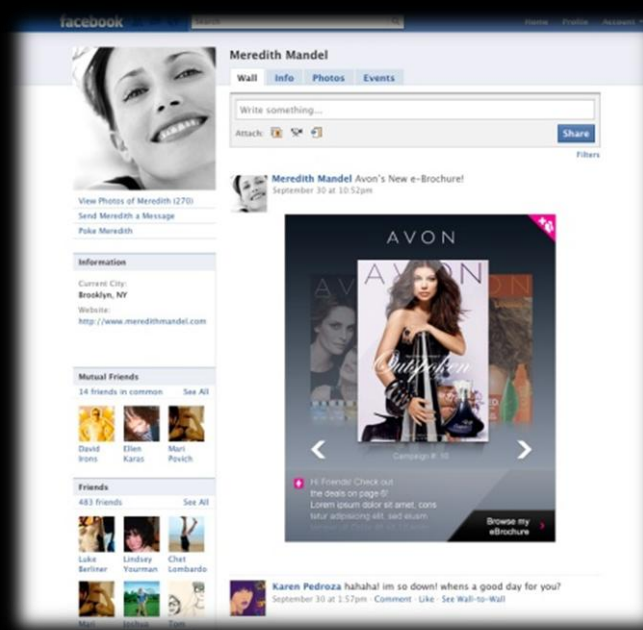
Technology is the key to address
these opportunities and enable
revenue growth

Today Representatives **Everywhere** Run their Business Online



70% digital ordering

We are Increasing Access to Avon Using eBrochures and Viral Distribution in Social Networks



- Representatives deploy the widget to a social network site

- > 37% click through to their personalized eBrochure

720,000 of our Representatives' friends have interacted with our eBrochures on a social network

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Share

your dreams, your differences, your goals

0 1 2

Avon Connects brings Representatives and customers together

Inter...
Connect with your
Representative today... »



Bye bye boring winter woollies... 5 ways to brighten your look

Pack dull jumpers and sombre colours away... OK, we're all a bit over our bulky jumpers at this point in the year... Cheer up your winter wardrobe with these five tips from fashion journalist Johanna Payton, Fashion Detective blogger.



How to make your haircut last

Get more good-hair days between appointments Tricks to looking salon-gorgeous every day Trade up your cut It's worth tracking down an experienced stylist to do your hair... a precise, expert cut looks better for longer. If you have short hair, which



What's in store for the week ahead? »

Join the Community



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The Café

Overview

All Content (988)

Discussions (982)

Documents (6)

Videos

Set as default tab



“Until [AvonConnects], my sales were hovering on average around the £500 mark but this month I’ve more than doubled that with the same amount of customers and a load of promotion ideas I’ve picked up on here.”

– Amanda Holroyd, UK Representative

CAFÉ TOPICS

- I am a Fashionista
- I Love Celebrities

WHAT'S POPULAR

christmas facebook
family money @avon_uk
birmingham home stars job
marriage month plucking factor
save twitter

THE LATEST CAFÉ CONTENT

- Sexier in a single step**
2 days ago in I am a Fashionista
by Tessa@A
- Bye bye boring winter woollies... 5 ways to brighten your look**
2 days ago in I am a Fashionista
by Tessa@A
- How to make your...**
2 days ago in I am a Fashionista
- Look slicker, quicker**
2 days ago in I am a Fashionista
by Tessa@A
- Get Karen Gillan's gorgeous red-carpet look**
1 week ago in I Love Celebrities
by Tessa@Avon

“Thank goodness for Avon Connects: I’m a new Rep and have to say that without Avon Connects I would probably have quit after my first campaign! HUGE THANKS to you all!”

– Kerrie Banks, Representative

Tools like Intelligent Ordering Provide our Representatives with Enhanced Earnings

① Add Items ② Order Demos ③ Your Offers ④ Complete Order

BOOST YOUR SALES WITH THESE GREAT DEALS!

YOUR DISCOUNT

25% 30% 35% 40% 45% 50%

Sell just \$35 more to qualify for 35% on full-earnings items!*

*Disclaimer here

CONTINUE

Don't Miss Out! You partially qualify for these great offers!

Buy One, Get One for \$10!
Save up to \$22.50 on Fragrances for Him or Her

Buy 1, Mix or Match 2 for \$5.99
Fragrance Sale - Save Up to 59%

Buy 1, get 1 for \$5.00!
Sterling Silver Genuine Birthstone Necklaces

Sell More! Take additional advantage of these great offers

Easter Gift Bag:
only \$2.99 with 2 select purchases!

Spring Essentials Collection
Only \$14.99 with any \$10.00 purchase!

Spring Fling Earrings
12-Pair Set: only \$7.99 with any \$10.00 purchase!

Qty 1 **ADD** Qty 1 **ADD** **SEE OFFER**

- 15% of On Line Reps add 2-3 additional items as a result of the personalized display of promotions within Intelligent Ordering

ALM is Providing Measurable Productivity Gains

AVON Persis Albee Senior Executive UL Campaign | Profile | Help
Last Updated: 2/7/2010 10:30 AM

My Business My Downline eTools

ACTION ITEMS

Orders

Orders Not Submitted: **123**

Orders Under Minimum: **56**

Sales

Return Sales: **456**

Balance Due: **23**

Current Business

Inactive: **123**

Birthdays & Anniversaries: **78**

YOUR OPPORTUNITY **136.45**

View Added Reports

Build your Own Report
2 of 10 Created

My Business

Prior Campaign	Prior Year	Performance Information	Current Campaign	Prior Campaign	Prior Year	Next Campaign
↓	↓	Award Sales	243.85	260.39	396.89	45.43
↑	↓	Average Award Sales	161.25	155.75	199.00	
↓	↓	Net Sales	195.25	303.98	268.83	25.17
↑		Orders Submitted	2	1	2	1
↑		Featured Avon Product	2	1		
↑		Past Due Amount	156.84	83.19	0.00	38.74
		Orders on Hold	4			
↓	↓	Additions	2	3	7	1
↑		Customers	2	1	2	3
		Return Net Value	17.94	0.00	0.00	
		Paid Sales	0.00			
↑	↑	Balance Due	230.96	518.59	470.02	
↑	↑	Selling Cycle	280.03	108.00	396.89	
		Paid Leadership Earnings		230.96		
		Year to Date Earnings		1280.53		
		Performance Points	4			

- 17 Markets are now using ALM – over 40,000 sales leaders
- 7 – 10% lift in order counts for ALM down-lines
- Experiencing up to **5% lift in total sales**
- **Independent verification** by Market Research and Analytics

Now That She's Online...

We are reducing the effort and increasing the reach for our Representatives



We are expanding the access to our Channel for Avon customers



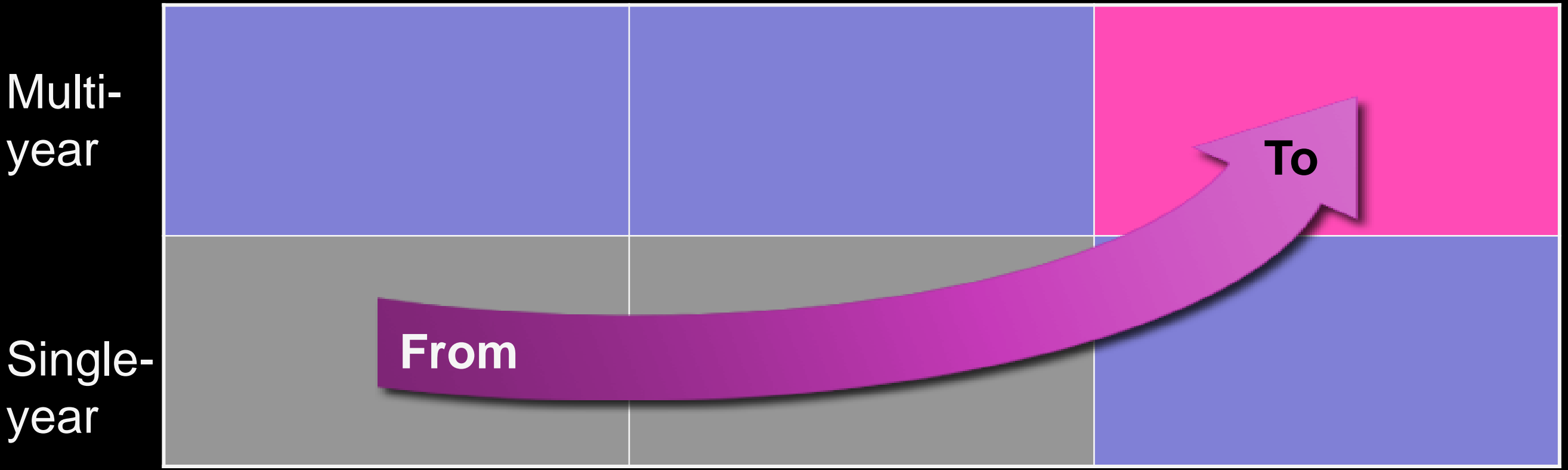
We are transforming the way we manage the Avon Sales organization



But in order to transform Avon, we had
to also transform ourselves

We Needed to Move From a **Service Provider** to a **Growth Driver**

**IT Strategy
Planning
Horizon**



**IT as Service
Provider**

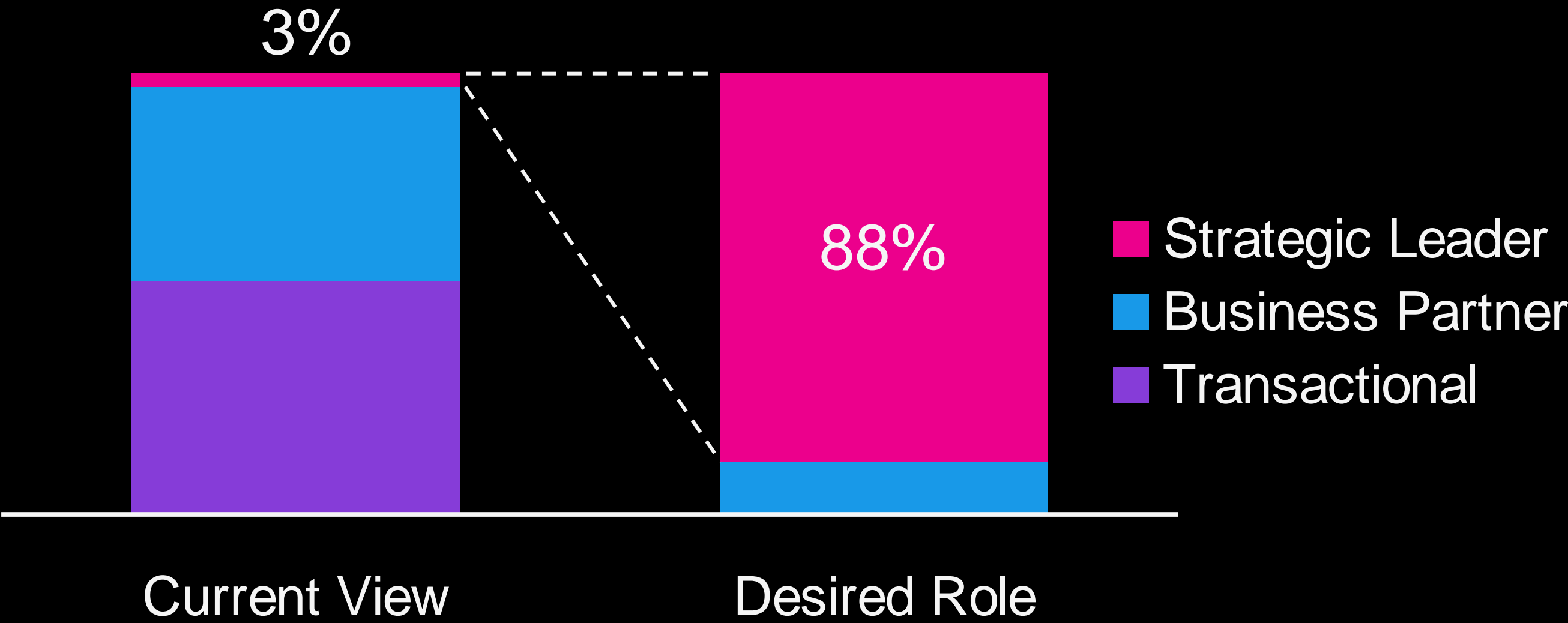
**IT Aligned with
Business**

**IT as a
Growth Driver**

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Business Partners Highlighted Our Need to Transform into a Strategic Leader



"How do you view the role of the IT organization today and what role would you like them to play in the future?"

So We Designed our Future – From the Future

- “Living” in 2015, what are we – and what did we do to get here
- Identified the key capabilities & outcomes needed
- Action plans chunked down to 3 years, 1 year, and 100 days

2010

2011

2012

2013

2014

2015



We Focused on Transforming Three Core Areas



Structure



Talent

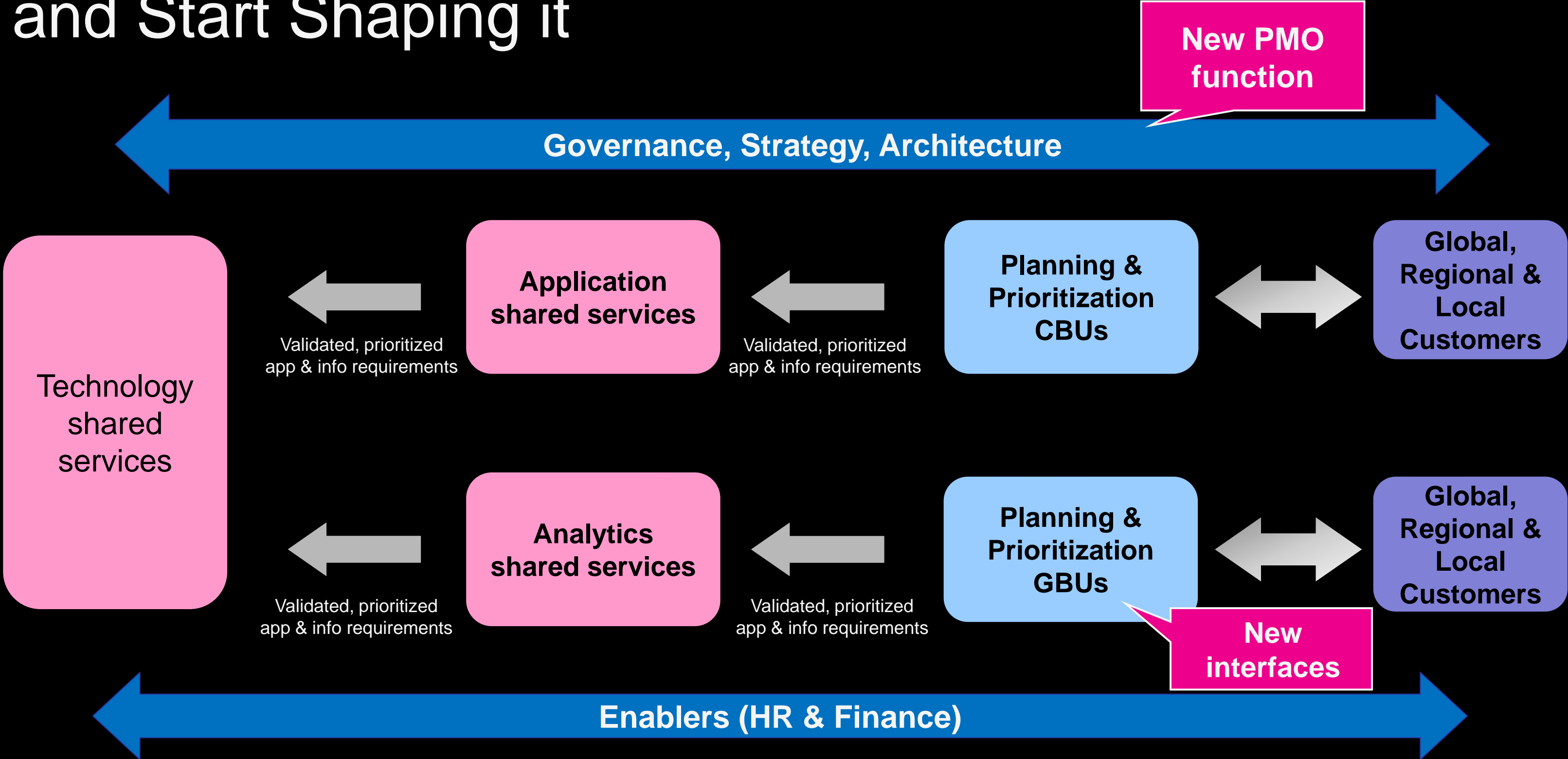


Management Process

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We Tackled Structure, to Stop Chasing the Agenda and Start Shaping it



Separating “Marketing” from “Production” Improved Both Execution and Strategic Leadership

“Marketing”

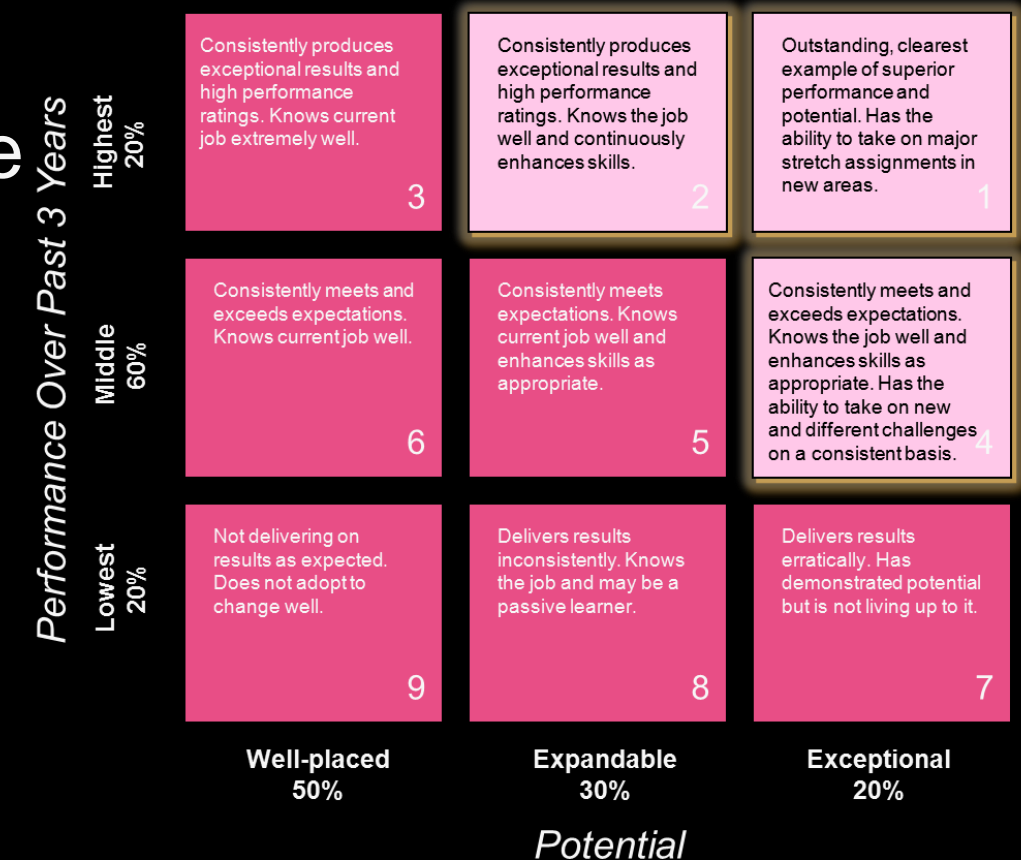
- Dedicated **interface roles** to **plan the technology roadmap** with the business
- Tasked with **shaping and leading demand**
- Business process experts
- Doing the right things

“Production”

- Center of excellence roles focused on **production and delivery**
- Responsible for **execution, support and maintenance**
- Technology delivery experts
- Doing things right

With the Right Structure in Place, We Brought the Right People onto the Bus, In the Right Seats

- Strengthened the **leadership bench**
 - 2/3 of top 40 IT leaders were new to Avon or new to role
- Matched **skill** and **will** to new roles
 - Interface and delivery roles require different skill sets
- Implemented robust **talent & performance management** processes
 - Increasing our discipline around people decisions



We Developed IT **Guiding Principles** to Steer Our Path Forward

Solution Delivery

- In defining a solution, think global before regional, regional before local
- Reuse a solution before buying; buy before building
- Fully leverage standard platforms
- Architect for integration of solutions

Collaboration Approach

- Business and IT share responsibility for IT strategy
- Foster a partnership between the end user and IT

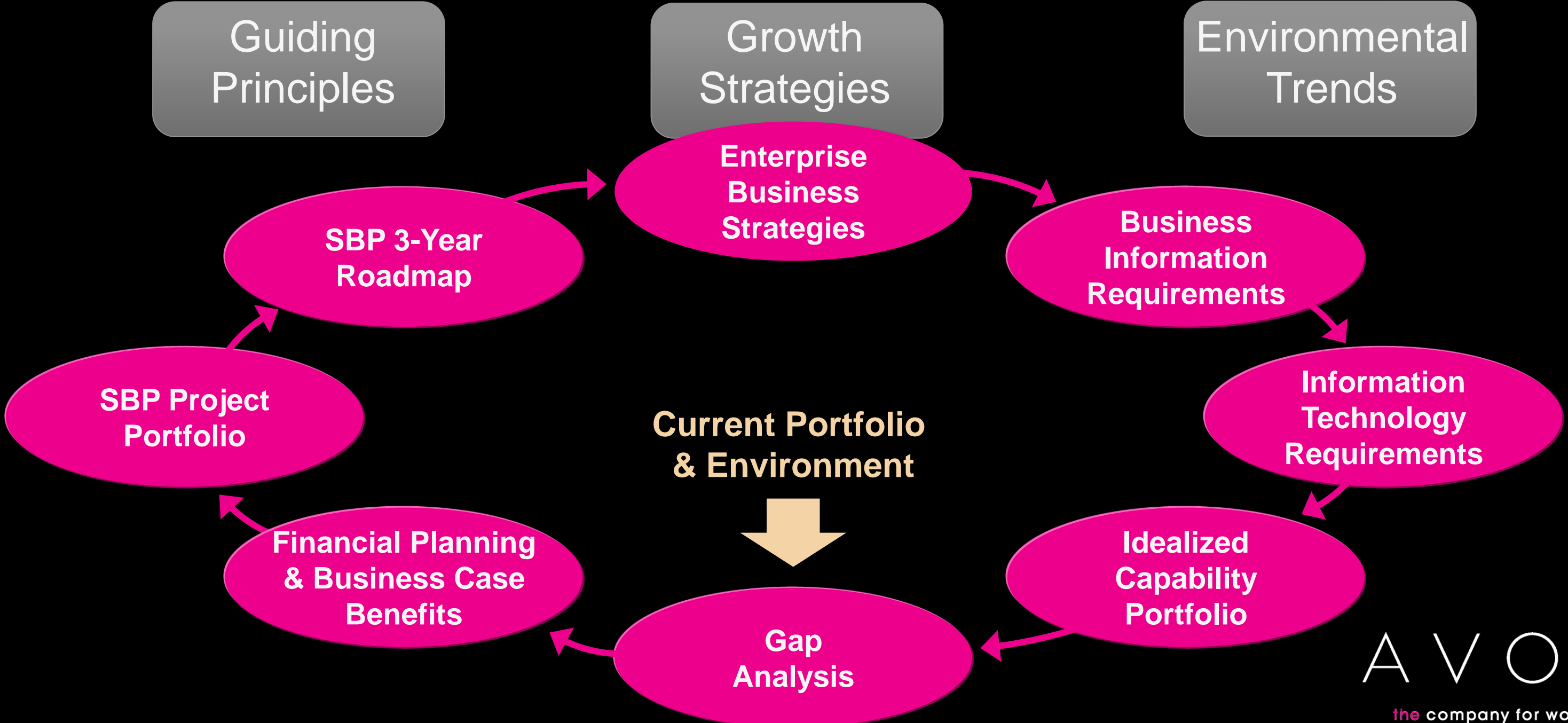
Business Focus

- Business strategies drive IT strategies
- Projects must have a committed business sponsor at the right level
- Projects must generate measurable value
- IT drives process and data standardization

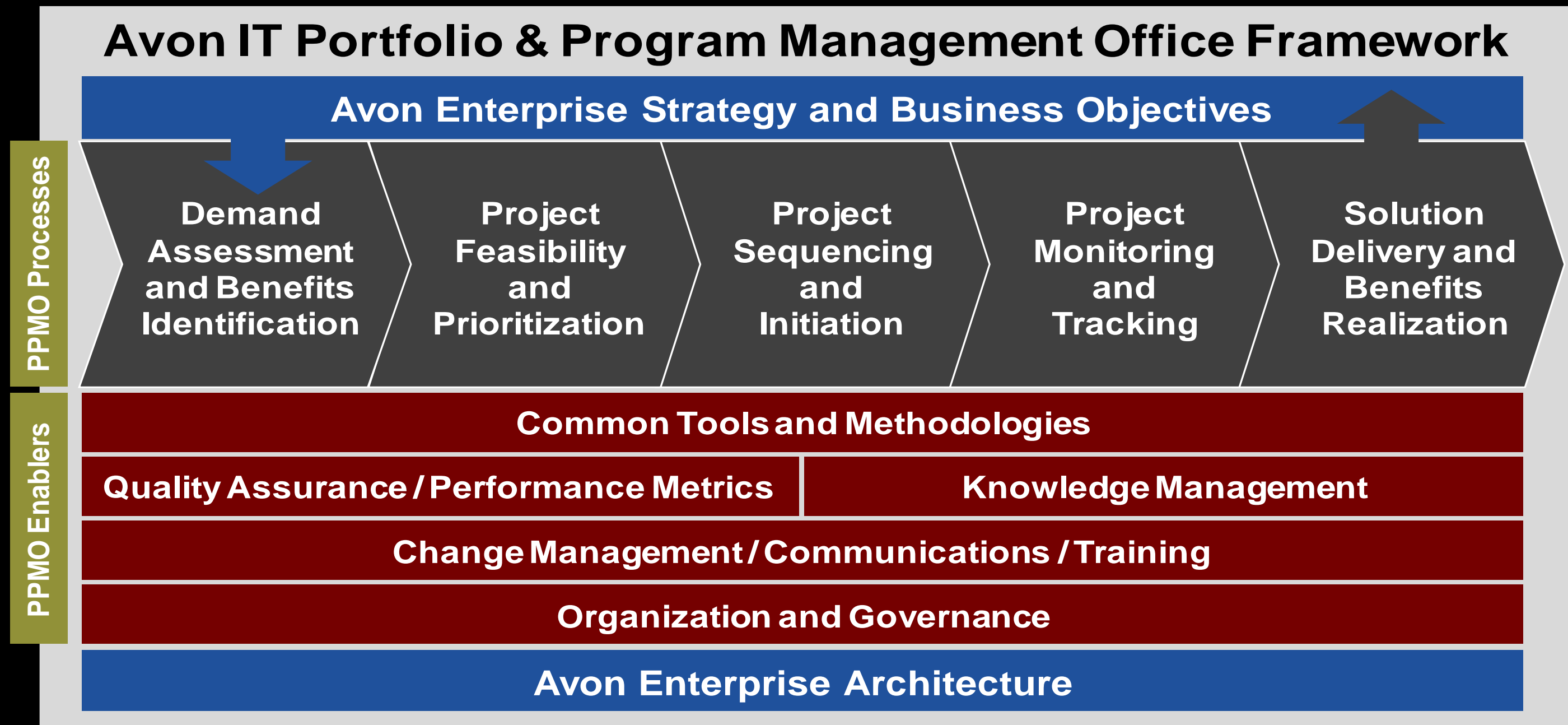
Resource Commitment

- Leverage IT resources and skills across the company
- Grow and develop our people

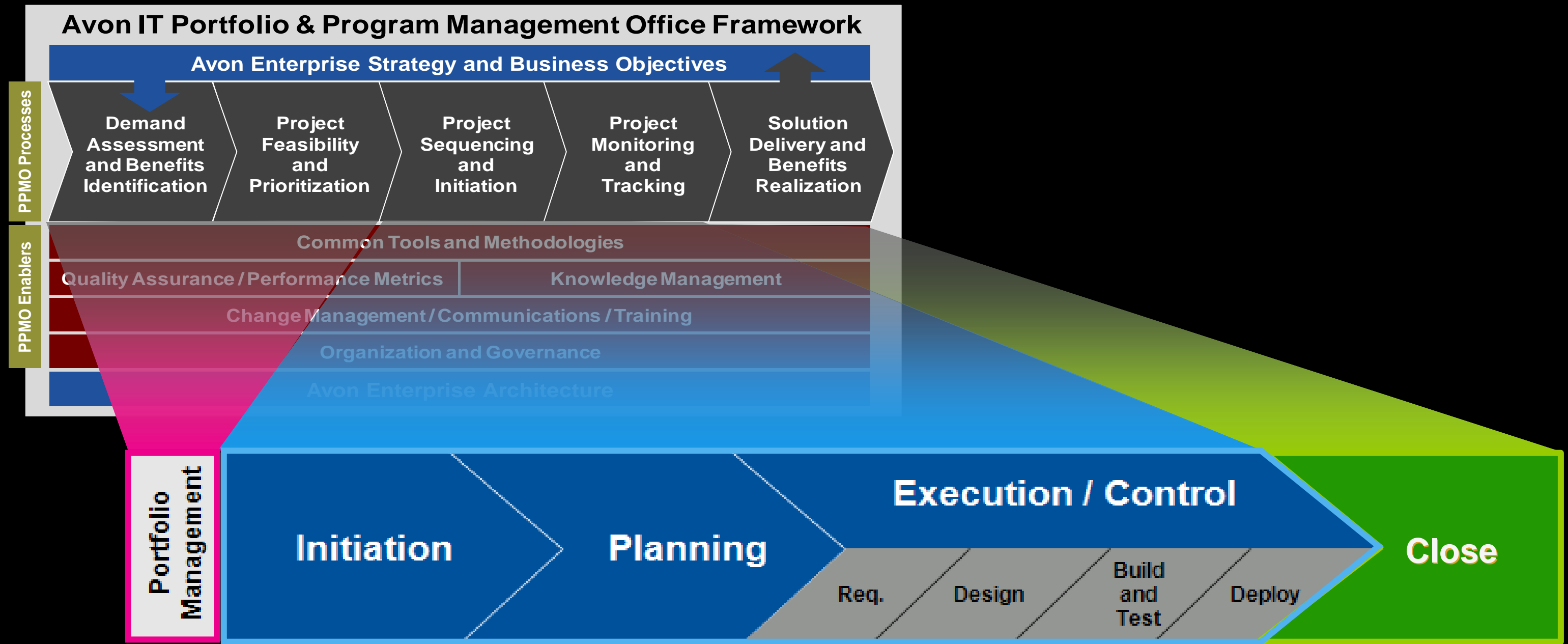
We Embedded a **Multi-Year** Strategic Planning Process to Align Priorities and Funding Choices



And Created a PMO Process to Embed Prioritization...



... With Tighter Governance to Oversee Execution



We are now undertaking the **largest transformation** in Avon's history,
driven by technology

Our 125 year old Service Model is being Reinvented

...sell with confidence



I can see we've got those in stock now, how many would you like?

We are out of that at the moment but I can see it will be in next Tuesday, shall I save you one?

We're out of that but what about the pink we have plenty of those?

I'll just check the ingredients for you right now...

If it's a gift I can have it wrapped and shipped straight to your mom

I won't take a second... I'll just type in your Zip code and all your details pop up

I can place your order right now...should I put it straight on your Avon Card?


I can get that to you tomorrow if you'd like?

The recommendations for my customers were spot on

The input I gave was actually used in developing new products

I can see you've not bought your moisturiser for a while...are you needing some more?

...run my business efficiently



Good to see those orders are on their way

Who have I not seen for a while?

This is real easy...

The new invoices are so simple...there's not been one mistake

Providing forecast information has helped reduce my stock-outs!

Let's have a look at the promotions and incentives

Quick check of my credit status...that's great they applied the uplift to help with holiday sales

That return I shipped yesterday has been credited already

I'll pay some of my balance on my card and send a check for the rest

I love my iPhone app!

No more dealing with those annoying line numbers!

...receive great service



I was notified that I was close to achieving my next incentive

The call center is like talking to my best friend

I was able to get support on my mobile phone late last night

I love all the new info available on the website

What's been happening at Avon? The service is so much better...

It didn't matter my zone manager was on vacation, I still received the answers I needed

It's so much easier to have Avon provide shipping updates directly to my customers

I'm so glad they speak my language

With Avon I can...

...choose my career path



I love all the different training options

I love that I can focus on what I'm passionate about


This new personalized catalog is so much easier to share

Switching my career path was a piece of cake!

I'm glad Avon allows me to stay connected as a Representative for life

I love that there's no pressure on me to recruit anyone

...delight my customer



That was quick!

I'm glad you got the extra orders I placed with my eRep

Thanks for taking the other one back, the replacement arrived the next day...

I love receiving free product samples personalized for my customers

I'll pay on my Avon card...I've earned almost a thousand points.

I just love the way you wrap and pack them

I'm working overtime next week...can you send my next order to my office like last time?

My mom loved the gift set...it arrived on her birthday just as you promised.

Avon seems to be a great company to work with, how do you become a Rep?

...maximize my earnings



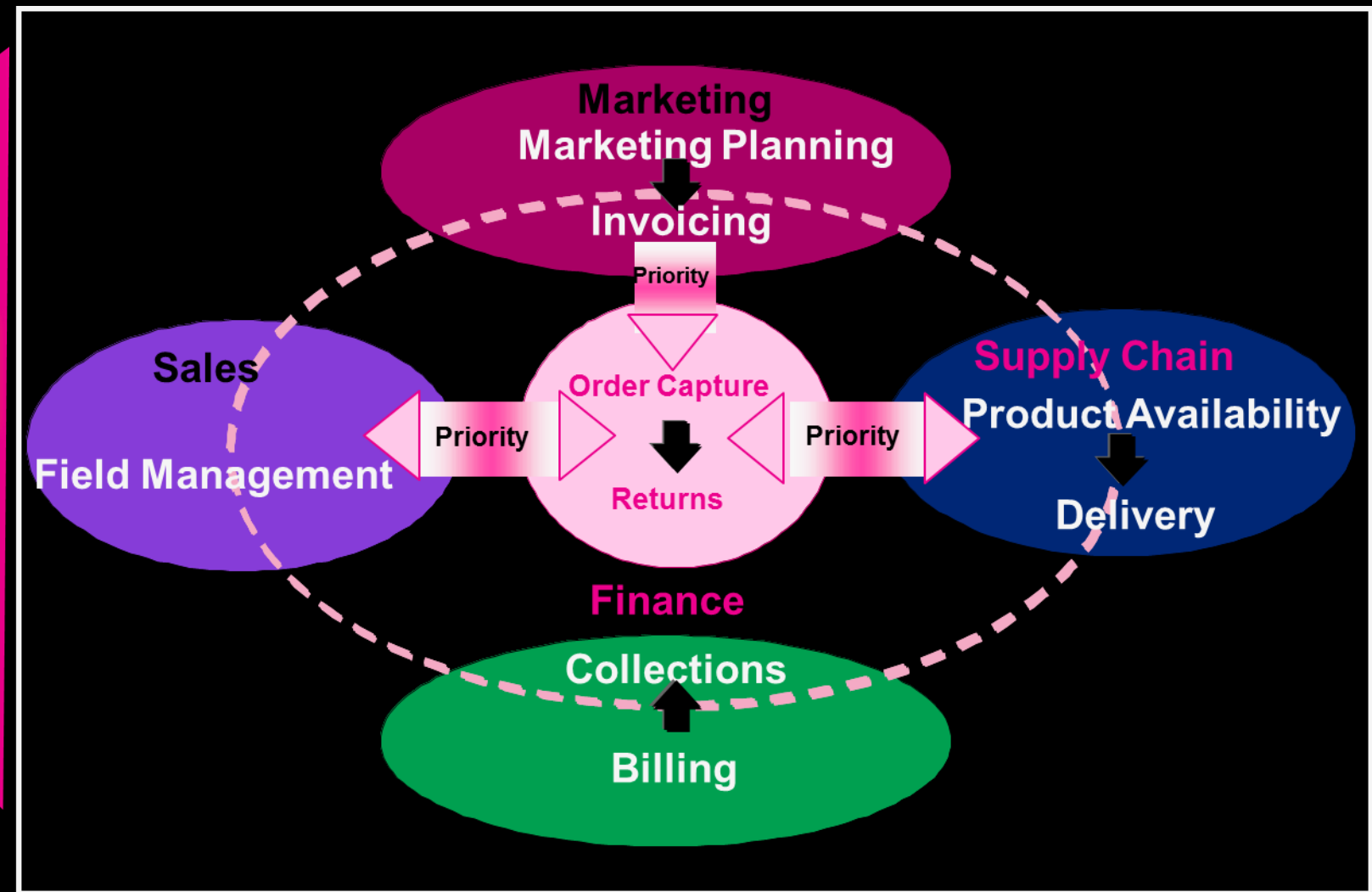
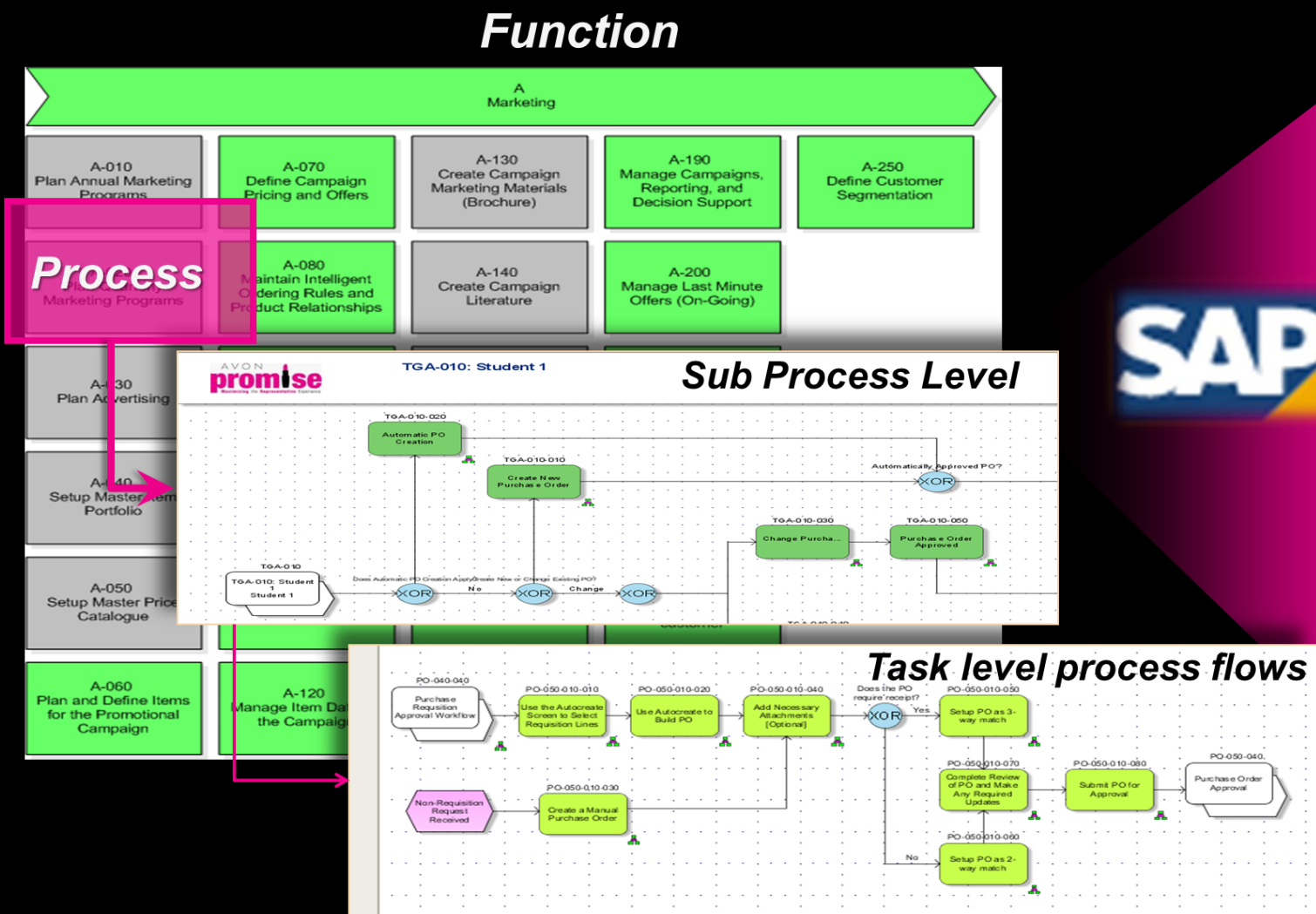
I love that I can order any product at anytime

Avon helped me put my training to use through customized offers

I'm proud of the service I can offer my friends, my family and my clients

Avon make it easy for me to make money.

We Have Developed a New Global Core Model



This model change will touch **all 6 million** of our Representatives

And so IT is enabling all aspects of
our business **today** – and
accelerating growth for **tomorrow**



It's a Great Time for IT

- Internet, Social & Mobile platforms enable IT to be an engine for growth
- Ensuring IT execution fundamentals are in place enables us to shift from Service Providers to Growth Drivers
- **Now is Our Time!**



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