

FUELING FUTURE GROWTH



Through a strategic reengineering program, Avon is redesigning its global operations to ensure long-term competitiveness and achieve higher sales and profit targets.

This redesign will streamline Avon's business procedures and unify operations in a more coordinated, efficient and customer-focused process. Importantly, it is intended to free up \$400 million in annual savings by the year 2000. Half of this – an incremental \$200 million a year – will be reinvested to fuel customer growth initiatives such as increased advertising and promotion, as well as new access options for consumers.

A Basic Approach

Avon Basics, the company's third global skin care line, is launching in 1998 as a line of vitamin-enriched skin care products for all skin types.



Edwina D. Woodbury
Executive Vice President,
Business Process Redesign



The leading priorities of the company's business process redesign (BPR) program are in the following areas:

- *Global marketing*, which is coordinating all CFT product development on a global basis, and taking the lead in directing expanded access, advertising, image-building, and other customer growth strategies;
- *Supply chain*, which leverages opportunities for global sourcing, accelerated cycle times, more accurate sales forecasting, and improved product availability;
- *Order management*, which streamlines how Avon delivers product orders to Representatives, including the order entry process, more efficient inventory management, and shipping logistics; and
- *Support functions*, which improve the processes that support core business activities. Components include more automation of transaction processing functions, upgrading management information systems, and reorganizing staff and administrative functions to cut costs and operate more efficiently.

Successful Beginnings. Some reengineering initiatives are well under way and are starting to deliver on their promise. Consider global marketing, where global brands have been driving stronger sales and improving margins. By shifting its beauty portfolio to fewer but more profitable global brands, Avon has decreased the size of the active CFT line by 15% since 1994. Additional reductions of 30% are expected by the year 2000. These reductions make possible a more streamlined product development process with lower costs for sourcing, manufacturing and distribution throughout the global supply chain. Global brands also will allow Avon to improve margins while still pricing its core beauty line 10- to-15% below those of leading mass competitors.

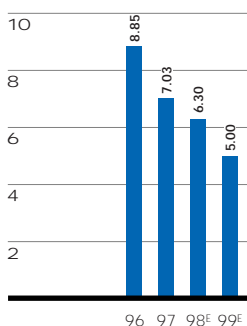
Another promising BPR initiative is *AvonOpinion.com*, an Internet research technology that aligns supply chain strategy with more accurate forecasting of consumer demand. In Fall 1997, some 7,000 Representatives in the U.S. went online to give feedback on upcoming products and pricing, mainly in the gift and decorative categories. Their responses greatly improved product availability in the fourth quarter by better aligning supply and demand in advance of the heaviest selling season of the year. Nearly 300 products are now being tested on *AvonOpinion.com* to help ensure 100% first-time order fulfillment rates.

These and other efficiencies will accelerate as Avon extends business process redesign across the global enterprise. Importantly, experienced line executives with both direct selling and reengineering expertise are implementing Avon's redesign initiatives. Each priority has a senior executive sponsor and a team charged with directing and coordinating implementation.

By reengineering and investing in customer growth initiatives today, Avon will ensure continuing market leadership in the years to come.

CFT Size-of-Line Reductions

Active SKUs in thousands
(E) Estimated



Avon Calling

Avon's new telephone call center in Springdale, Ohio began operations in Fall 1997. The state-of-the-art facility uses advanced technology to help Representatives place and track orders 24 hours a day, 7 days a week.