

MARKETING

Why Avon Is Going Hollywood

The cosmetics giant is tackling its brand identity problem by investing in celebrity tieups

By Pallavi Gogoi

BW 50

For a sense of how far Avon Products has strayed from its homey image in the U.S., just look at who's now filling the role of Avon Lady: actress Reese Witherspoon, MTV star Lauren Conrad, Bond Girl Gemma Arterton, and Patrick Dempsey of the hit TV drama *Grey's Anatomy*. Having featured unknown women in its ads until a few years ago, Avon is increasingly turning to Hollywood for a glamour makeover.

The push is part of an effort to raise the cool quotient of New York-based Avon, the direct-sales company that consumers associate more with suburban housewives than urban trendsetters. While revenues in many parts of the world grew in the first quarter—with sales up 60% in Brazil and 29% in China—North American sales fell. The challenge, according to global brand President Geralyn R. Breig, comes down to generating buzz. "In market after market, we found that we were meeting women's needs in quality, variety, and innovation," says Breig. "Where we fell short was in the image of the brand."

The Hollywood route is the culmination of a strategy forged three years ago when CEO Andrea Jung faced sales declines and a stock price that had dropped 45% over a six-month period.



Avon chief Jung (above left) hopes celebs such as Patrick Dempsey and Reese Witherspoon will glam up the brand

She cut costs, focused on improving products, and ramped up advertising to turn the company around.

Building a better brand image doesn't come cheap. Avon's ad spending has escalated from \$136 million in 2005 to \$249 million in 2006 and \$368 million in 2007. Its ad budget in the first quarter of 2008 was 14% higher than a year earlier. While Avon won't disclose how much it spends on celebrity contracts, with three new celebrity perfumes in the works this year, built around Dempsey, Arterton ("Bond Girl"), and fashion house Emanuel Ungaro Maison, the costs of marketing are bound to rise.

While Avon hired stars such as Salma Hayek a few years ago, the

company is relying even more heavily on Hollywood these days. Nowhere is this more obvious than in the extensive relationship it forged over the past year with Oscar-winner Witherspoon. Along with appearing in ads for Avon makeup, skin care products, and fragrance, the 32-year-old single working mother is traveling worldwide as the Avon Foundation's first-ever global ambassador and honorary chairwoman. Breig says Avon wanted someone who "had the glitz of Hollywood but had approachable beauty." Moreover, Witherspoon's wholesome lifestyle

makes her unlikely to succumb to the kind of Britney Spears-style slip that can bring a brand down. "We chose her very carefully," says Breig.

FACE FACTS

Even so, Avon has some work to do. In a study of mass-market cosmetic brands, research firm Brand Keys found that Avon lagged behind seven others in terms of customer loyalty. Mary Kay topped the list. "Avon's problem is that it isn't associated with anything in particular," says Robert Passikoff, CEO of Brand Keys in New York. "It's almost like a commodity."

But the sizzle that Avon hopes to generate might not help the brand. Los Angeles brand expert Rob Frankel estimates that more than 90% of the time, "people pay attention to the celebrity, not the brand."

That doesn't bother Avon. While Breig says it's too early to share results from the Witherspoon ad campaign, she does note that sales for the products linked to the actress are already increasing. Since Witherspoon was announced as Avon's brand ambassador last August, its stock price is up about 10%, to \$36. Much of the enthusiasm is a result of Avon's growing strength in markets such as China, where its sponsorship of the Olympic diving team could signal an interest in one day recruiting some celebrities there.