

# **Analysis of customers' satisfaction with Avon Ladies services**

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## **ABSTRAKT**

Tato bakalářská práce nazvaná Analýza spokojenosti zákazníků se službami Avon Ladies zkoumá, zda jsou zákazníci spokojeni, co se týče této oblasti a do jaké míry jsou jejich požadavky naplněny. Závěrem navrhuje zlepšení a inovace na základě výzkumu provedeného autorem. Teoretická část práce sestává z kapitol tematicky věnovaných službám, přímému prodeji, zákazníkům a marketingovému výzkumu. V praktické části jsou analyzovány výsledky provedeného dotazníkového šetření a na jeho základě jsou v další kapitole navrženy doporučení.

Klíčová slova: spokojenost zákazníků, přímý prodej, prodejce, dotazníkové šetření, marketingový výzkum, Avon Ladies, společnost Avon

## **ABSTRACT**

This bachelor thesis called the Analysis of customer's satisfaction with the Avon Ladies services observes how the customers are satisfied regarding this area and how their requests are fulfilled. Finally suggests the improvements and innovations on the basis of the results of the author's own research. The theoretical part of this work consists of chapters dedicated to the services, direct selling, customers and marketing research. In the practical part outcomes of the questionnaire investigation are analyzed and the recommendations are proposed.

Keywords: satisfaction of customers, direct selling, sales representative, questionnaire investigation, marketing research, Avon Ladies, Avon company

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I hereby declare that the print version of my Bachelor's/Master's thesis and the electronic version of my thesis deposited in the IS/STAG system are identical.

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## INTRODUCTION

Customers are essential component of every kind of business. It is very important to keep them satisfied and in positive mood is very important and their satisfaction should be checked systematically. Customers need to be treated carefully for the purpose of running a successful trade. Their needs and requirements should be automatically examined and analyzed in every conscious marketing department of a company. It is an effective investment for each enterprise to make and it can generate many valuable findings.

Especially in the field of direct selling, customers are the object to which an attention should be paid primarily. The sales representatives of a company are significant and stipulating factor of the corporation's profit. Their activities are not just about selling the products, although it can appear so. They include many operations which start with connecting to a customer, end by a successful business deal and all of them contribute to a satisfied consumer. To manage all this procedures effectively a salesperson needs to have a variety of skills and qualities.

In my bachelor thesis I am focusing on direct selling in the cosmetic company Avon, specifically on the satisfaction of their customers with the services which Avon Ladies (or Gentlemen) are providing in the area of Zlín region.

In the first part of my work a theoretical knowledge regarding satisfaction of customers is discussed. It consists of chapters dedicated to services, direct selling, customers and marketing research. To make it clear for a reader there is also a brief summary at the end of theoretical part.

The second section is aimed very practically and it deals with marketing research of customers' satisfaction. Firstly the Avon company is introduced, secondly, the objectives and methods of research are stated. Then the analysis of results of my questionnaire investigation follows. Finally, in the last chapter I suggest the enhancements which can be implemented to improve the level of customers' satisfaction in the Zlín region.

## **I. THEORY**

## 1 SERVICES

Kotler at al. (1999, 11) define service as an action which is not of tangible essence, is provided by a supplier to a customer and no property can originate in this kind of operation. According to Vašítková (2008, 20) the purpose of providing services is to satisfy customers' needs by performing an activity of intangible character. Services can be afforded either individual or accompanied with the usage of tangible goods.

### 1.1 Characteristics of services

There are five main characteristics of providing services – intangibility, inseparability, variability, perishability and ownership right. “Intangibility means that the product in the form of service cannot be seen, tasted, felt, heard or smelled before it is bought, thus the customer cannot evaluate it. This causes an increase in the level of uncertainty. To reduce this factor, customers look for signals of the service quality.” (Kotler 2000, 200)

Inseparability, according to the Businessdictionary Web site, is “a characteristic of services that makes them inseparable from their means of production and from the customer's experience of them. Inseparability requires that a consumer of a service interacts (sometimes physically) with the producer to receive a benefit.”

Variability regarding services is characterized as an attribute causing that each service provided is unique and in some aspect different. No service can be offered totally equally more times as the main and necessary factor of providing service are people. (Marketing Teacher Web site)

Citeman Web site writing about perishability claims that “services are deeds, performances or acts whose consumption take place simultaneously; they tend to perish in the absence of consumption. The services cannot be stored and they go waste if they are not consumed simultaneously, i.e. value of a service exists at the point when it is required.”

The last characteristic in case of services is that there is no right to own it. Any goods can be bought and later sold, however if some service is provided, there are only results which can be owned, but it is impossible to own the action itself.

### 1.2 General and customers' service

According to theory described by Glanz (1996, 35) a service can be divided into general and customers'. General service is the main service or goods on which a company's business is based. The three main factors of general services are quality of products, their

price and delivery. These services should be automatically precise. Without their high standard it is pointless to do the business.

Glanz (1996, 36) claims that customers' service involves all services connected to the business deal. It means that customers are treated with respect and care, that the company is flexible to individual needs of each customer and that the possible mistaken is improved without delays and seriously. Thompson (2002, 2) says that in case of having an issue to discuss there should be a person which customers can contact, otherwise they can become upset.

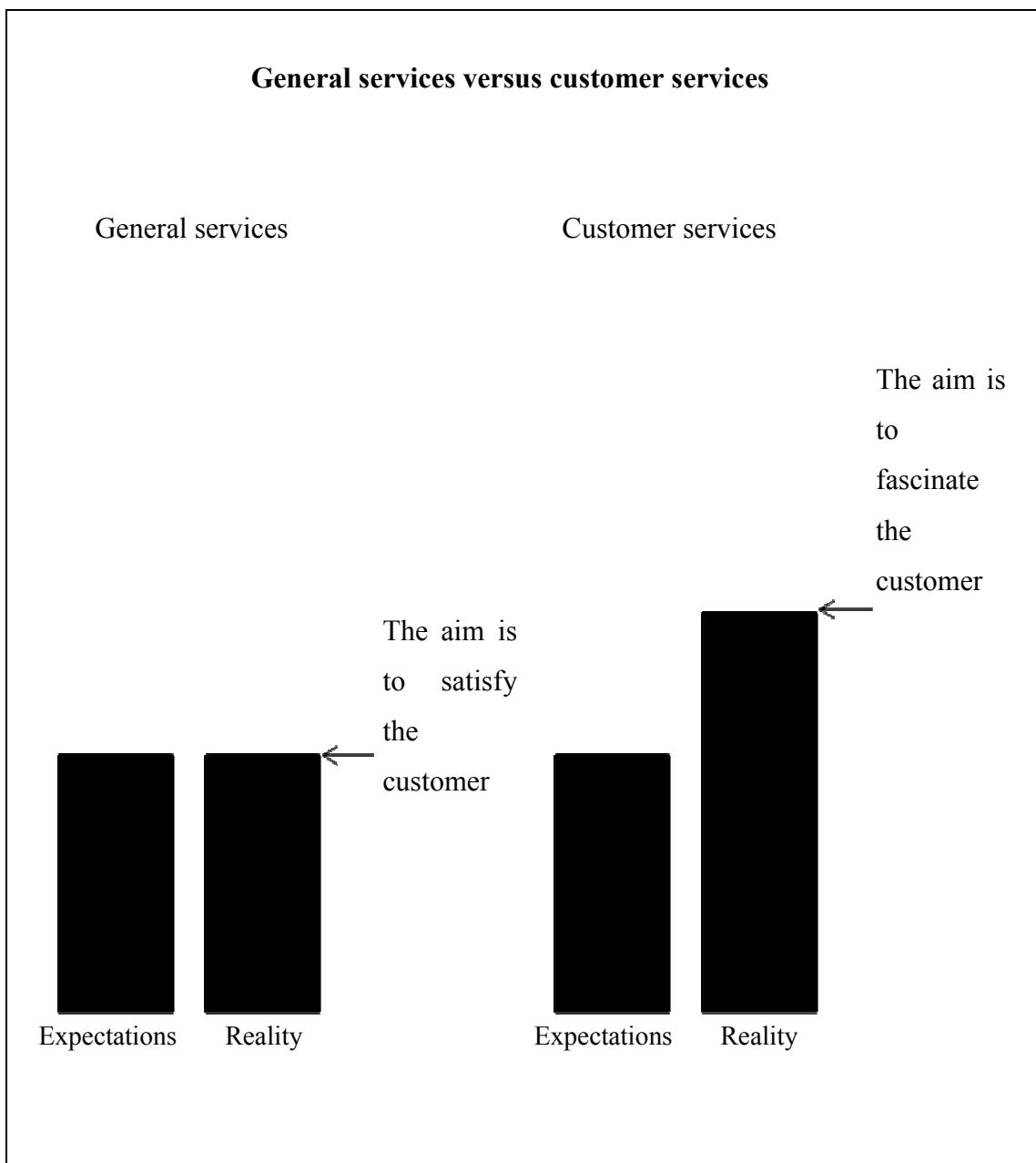


Fig. 1: General services and customer services (Glanz 1996, 36)

The relationship between general and customers' services is illustrated in the table above produced by Kaset International from the United States, which is a company specializing in customers' service training programs.

### **1.3 Service marketing mix**

Kotler et al. (1999, 109) claims that marketing mix is applied to gain information about and to motivate the company's potential, however also current, customers to purchase. It consists of all noted marketing strategies and means.

The classical well-known marketing mix consisting of four aspects (product, price, place and promotion) was extended in connection with services. With the development of services three more P's, which are the key aspects for providing services, were added. These are people, physical evidence and process.

#### **1.3.1 Product**

"A product is a good, idea, method, information, object, or service that is the end result of a process and serves as a need or want satisfier. It is usually a bundle of tangible and intangible attributes (benefits, features, functions, uses) that a seller offers to a buyer for purchase." (BusinessDictionary.com)

Kotler et al. (1999, 110) characterizes a product as both tangible and intangible objects of purchase which are utilized in any way by a consumers for the purpose of satisfying their urges.

Product is never just one simple good etc. There are lots of other features which together create the term product. This phenomenon is called levels of product. According to Foret (2003, 129) these are the core product, actual product and extended product. Core product represents its main benefit. Actual product consists of quality, realization, style and its superior design, brand and packing.

As indicated on the Marketing Teacher Web site the extended product is a part of a product which consists any extra feature or quality and its substantiality is not material.

#### **1.3.2 Price**

Kotler et al. (1999, 110) claims that price is "the amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service."

### **1.3.3 Place**

Place describes a manner by which products get to its consumers. The terminology also contains words like “channel, distribution or intermediary”. (Marketing Teacher)

### **1.3.4 Promotion**

Promotion contains all kinds of motivation of target consumers which make them be interested in and buy the products of a company. (Kotler et al. 1999, 110)

### **1.3.5 People**

Marketing Teacher Web site describes people as ”the most important element of any service or experience. Services tend to be produced and consumed at the same moment, and aspects of the customer experience are altered to meet the individual needs of the person consuming it.”

### **1.3.6 Physical evidence**

As indicated above, service is primary of an intangible essence, but in some cases it is accompanied by a material part or the consequences of a service which was provided can be of physical character. (Marketing MiMi)

### **1.3.7 Process**

The last on the list is defined as “the manner of handling sales, order processing and after-sale service, canals of essential elements in the overall marketing strategy. It defines the way or the procedure the product is prepared and all other processes, which are involved in the preparation of that product.” (Say Economy)

## 2 DIRECT SELLING

Jobber and Lancaster (2009, 27) claims that “the simplest way to think of the nature and role of selling (traditionally called salesmanship) is that its function is to make a sale. This seemingly obvious statement disguises what is often a very complex process, involving the use of a whole set of principles, techniques and substantial personal skills, and covering a wide range of different types of selling task.”

There are many forms of selling. According to Čichovský (1994, 167) the main forms by which the sale can be implemented are the direct selling without the selling space, direct selling with the selling space, retail trade, wholesale trade or commodity exchange.

The World Federation of Direct Selling Associations (WFDSA) defines direct selling as “a process involving the marketing of products and services directly to consumers in a face-to-face manner, away from permanent retail locations.” (The World Federation of Direct Selling Associations Web site)

### 2.1 Salesperson

In case of direct selling, salesperson is a key factor for successful business. According to Tracy (1996, 127) a seller is a significant part of business. His job is to sell products to the customers and to make a profit. However, with sales not only profit of a company is created, also work for other company’s employers is emerged and the market is enhanced.

Jobber and Lancaster (2009, 5) claim that as the direct selling develops the personality requirements on salesperson expand too. Nowadays there is a great amount of qualities and skills which the sales representatives should have to prosper.

The most important skills of direct sellers are listed in the table below.

| Sequence | Factor  |
|----------|---|
| 1.       | Listening skills  |
| 2.       | Follow-up skills  |
| 3.       | Ability to adapt sales style from situation to situation                    |
| 4.       | Tenacity - sticking to the task   |
| 5.       | Organisational skills   |
| 6.       | Verbal communication skills   |
| 7.       | Proficiency in interacting with people at all levels within an organisation |



|     |  |
|-----|--|
| 8.  | Demonstrated ability to overcome objections  |
| 9.  | Closing skills                               |
| 10. | Personal planning and time management skills |

Table 1: Top ten success factors in selling (Jobber and Lancaster 2009, 7)

Čichovský (1994, 175) claims that the salesperson has to understand the main idea of selling. It is the fact that seller should offer not just the goods sold, but also an excellent customer service which was mentioned in chapter No. 1.2. Customer should also be oriented on well and solely the best product adequate to his needs should be offered to him. As indicated on the More Business Web site direct selling is an art - you have to master it with a lot of dedication. If you want to be successful in this art, you must be humble, sincere, outgoing, persistent and honest, as these are the keys of a successful salesperson. A good sales person should not be afraid to talk to anyone to get him or her interested in the product.

Filipová (2006, 3) claims that beside the motivation of the salesperson, their abilities and knowledge, there are also personal assumptions which every successful dealer should have. According to her it means mainly to be active and initiative, creative person, self-confident and self-aware, people focused extrovert, ambitious, flexible and last, but not least, to be calm, patient and resistant to stress.

## 2.2 Multi-level and single-level direct selling

Direct selling companies include two type: using single level marketing (SLM) or multilevel marketing (MLM).

A salesperson's amount of earnings in single level marketing company depends only on his or her own sales performances. In the other strategy, called multi level marketing, as the title indicates there is a number of levels of salesperson. According to this fact, the earnings contain not only commissions from their own sales however also from the sales of the salesperson located on the lower level of an imaginary list. (More Business)

Grayson and Berry (1999, 226) claim that "the organisational structure of the single-level direct selling organisations is reciprocal to the standard selling organisations. There are only few levels of management which care about great group of salespeople. Meanwhile in the multi-level marketing organisations can be found many salespeople in various management positions on a local basis."

According to Wotruba (2002, 3) “the salesperson in the multi-level organization has more management and administrative responsibilities for those recruited into his or her downline, while the salesperson in the single-level organization has no organization or downline and is focused entirely on selling.”

### 3 CUSTOMERS

Customers pay for the goods or services, which they independently choose, a certain price or exchange them for anything of certain value and have the right to use them. (Business Dictionary). They are the main factor for doing business successfully in any field. Without customers it is impossible to make our business effective.

However there is one more essential circumstance to achieve success in a business. It is the satisfaction of customers. The satisfied customer, whose needs are fulfilled, is effective. Unsatisfied customers not only cease to buy our products, but also give us a negative reference by telling to others. This kind of customer is dangerous for the company according to the rule 4/10. This rule means that a satisfied customer tells about his positive opinion approximately four other people, meanwhile an unsatisfied customer shares the acquired negative experience with approximately ten other people.

In this chapter I am going to focus at the satisfaction of customers based on their needs, behavior and types.

#### 3.1 Customers' satisfaction and loyalty

It is a well known fact that a satisfied customer buys the products of certain company on regular basis and tells other people about his or her experience. Not satisfied customer finds some another supplier and of course also tells others, which is negative publicity for a company. To have loyal customers it is necessary to satisfy their needs and expectations. Then the loyal customers use the service or buy the product of a company even if they have many other choices where to go and whose service or product to choose in order to satisfy their needs.

Every customer's experience with a company can increase his loyalty or, on contrary, reduce. According to Glanz (1996, 25) every such experience is called the moment of truth. Jan Carlson, from the company Scandinavian Airlines, claims that every situation in which the client comes in touch with a company means an opportunity to evaluate its services.

The moment of truth is a more complex term. It refers not only to a direct contact of the customer with i.e. the sales representative, but also, in case of direct selling, the moment of truth can be customer browsing through the catalogue or through a web site, calling to the company to ask for more information, receiving the ordered goods, using the goods, claiming the orders and much more.

Every single moment of truth is very important because all moments together experienced by a customer create his summary perspective of the quality of a company. According to this, each ordinary employee should manage these situations well in order to make the customer's loyalty grow. (Glanz 1996, 26)

### **3.2 Customers' needs**

A need of a client is some demand which customer wants to satisfy with the cooperation of buying some product or service. According to Kotler et al. (1999, 10) "human needs are states of felt deprivation. They include basic physical needs for food, clothing, warmth, and safety; social needs for belonging and affection; and individual needs for knowledge and self-expression. These needs were not created by marketers; they are a basic part of a human makeup."

Kotler et al. (1999, 10) claims that these needs can be influenced by cultural and social features and in this case they are called wants. Customer's wants in connection with the competence to buy goods and services become customer's demand.

### **3.3 Kinds of customers**

The customers within the framework of all the organization can be divided into two groups – internal and external.

#### **3.3.1 External customers**

Glanz (1996, 22) claims that the external customers are the greatest source of the company's profits. They buy the goods or services of our company and it is very important to make them satisfied so they will come again. Also the basic feature of external customers is that they are from the outside of the corporation.

#### **3.3.2 Internal customers**

Customers called internal are from the inside of the company. Glanz (1996, 22) indicates that for example the sales representative working with the clients has to make everyday reports and bills to the accounting department. In this case people from a accounting department are the internal customers of a sale representative.

## 4 MARKETING RESEARCH

Marketing research is a connection of a company and its target customers of a great importance. Data which are gained using any of the research methods enable a company to flexibly react to and conform to changes in a market. (Hair, Jr., Bush and Ortinau 2000, 4) American Marketing Association defines marketing research as “the systematic gathering, recording and analysing of data about problems relating to the marketing of goods and services.”

As indicated on the Business Dictionary Web site “identification of the preferences, motivations, and buying behavior of the targeted customer is called consumer research.”

To make customers satisfied, we need to know how to achieve this. Recognition of their requests, needs and problems is the most significant data. To discover this information the marketing research, which is important component of every phase of marketing management, is frequently applied in many forms.

There are many subjects of marketing research and therefore many kinds of it. As the main of them can be listed overall market analysis, survey on the final consumer, competition research, product study and sales analysis. (Příbová et al.,14)

### 4.1 Kinds of research data

There are basically two kinds of data which can be observed, primary and secondary.

#### 4.1.1 Primary data

Primary data is usually a result of some survey which the company or entrepreneur makes on their own or through some specialized marketing institution. This is applied in cases when the secondary data do not provide enough information. The main disadvantage of the primary data is the cost. According to Kozel (2006, 35) there are three main methods used to gain primary data – observation, questioning and experiment.

#### 4.1.2 Secondary data

Secondary data was already published and used for some another purpose. It can be very diverse and in some cases outdated. Positive aspect is that this data is free and immediately available.

According to Hair, Jr., Bush and Ortinau (2000, 39) secondary data can be bought from a specialized company or they can be obtained for free. These not expensive ways are provided by public sources of information or directly by own company. Sources of the secondary data are divided into internal and external. According to Příbová (1996, 36)

internal sources, how the title suggests, are accumulated inside of the company and they usually register data regarding the company's own activity, for example sales or financial data. External sources are gained by institutions for various reasons. The main groups are classical statistical overviews, agency research, databases and other sources.

## **4.2 Kinds of research**

### **4.2.1 Quantitative research**

Quantitative research is executed on an extensive sample. This kind of research uses methods whose results can be statistically compiled and serve as a reliable source for the decision making process. (Business Dictionary)

Hair, Jr., Bush and Ortinau (2000, 216) claims that "researchers in quantitative research practices are well trained in construct development, scale measurement, questionnaire design, sampling and statistical data analysis skills. They must have a solid ability to translate numerical data structures into meaningful narrative information."

The most common form of quantitative surveying is questioning. It can be implemented personally, in a written form, telephonically or electronically. (Příbová 1996, 76)

### **4.2.2 Qualitative research**

According to Příbová (1996, 53) qualitative research focuses mainly on relations, dependencies and causations of the surveyed unit and then generalizes the discovered knowledge. This research uses psychological techniques and its methods have to be carefully chosen. As a consequence, it is possible to use this kind of research on a minor sample.

"Researchers well trained in interpersonal communication and interpretive skills use either open-ended questions that allow for in-depth probing of the subjects' initial responses or specific observational techniques that allow for analysis of behavior." (Hair, Jr., Bush and Ortinau 2000, 216)

The following table produced by Hair, Jr., Bush and Ortinau (2000, 215) illustrates the differences between qualitative and quantitative methods of research.

| <b>Factors / characteristics</b> | <b>Qualitative methods</b>  | <b>Quantitative methods</b>   |
|----------------------------------|---|---|
| Research goals/objectives        | Discovery and identification of new ideas, thoughts, feelings; preliminary insights on and understanding of ideas and objects | Validation of facts, estimates, relationship, predictions   |
| Type of research                 | Normally exploratory designs  | Descriptive and causal designs  |
| Type of questions                | Open-ended, semistructured, unstructured, deep probing  | Mostly structured   |
| Time of execution                | Relatively short time frames  | Usually significantly longer time frames  |
| Representativeness               | Small samples, limited to the sampled respondents   | Large samples, normally good representation of target populations                                 |
| Type of analyses                 | Debriefing, subjective, content, interpretive, semiotic analyses  | Statistical, descriptive, causal predictions and relationships                                    |
| Researcher skills                | Interpersonal communications, observations, interpretive skills   | Scientific, statistical procedure and translation skills; and some subjective interpretive skills |
| Generalizability of results      | Very limited; only preliminary insights and understanding   | Usually very good; inferences about facts, estimates of relationships                             |

Table 2: Differences between qualitative and quantitative methods of research

### 4.3 Marketing research process

According to Příbová et al. (1996, 25) all kinds of marketing research, less or more broad, consist of certain stages which are ranged in a logical sequence. These stages altogether create the marketing research process.

There are several descriptions of this process, I have chosen the one produced by Příbová et al. (1996, 25).

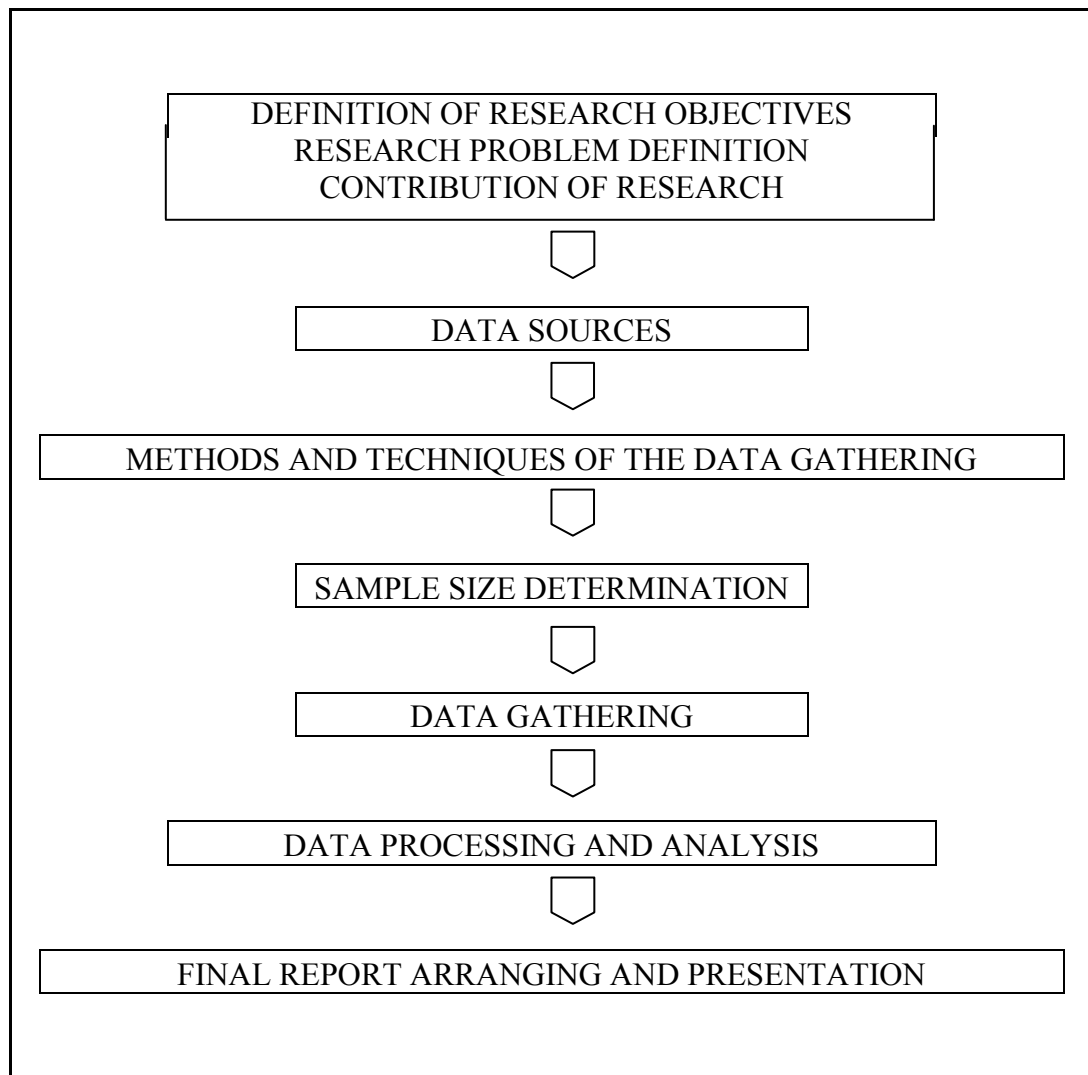


Table 3: Marketing research process

Kozel (2006, 37) claims that definition of the research problem explains its purpose and specifies its objectives. This stage is probably the most important and challenging and it can last more than fifty percent of the total time spent on the research. According to Hair, Jr., Bush and Ortinau (2000, 35) definition of a research problem and type of information



searched have to be clearly stated so no confusion can happen and the results have an informative value. The next phase is determining the data sources when a researcher have to decide between already mentioned primary and secondary data and their sources.

The third stage is called methods and techniques of data gathering. Hair, Jr., Bush and Ortinau (2000, 37) claim that “the researcher must consider the design technique (survey, observation, experiment etc.), the sampling methodology and procedures, the schedule and the budget. Although every research problem is unique, most research objectives can be met by using one of three types of research designs: exploratory, descriptive, causal.”

When the methods and techniques are decided, it is also notable to determine the size of sample. This stage depends on the kind of research the researcher is making. In the case of qualitative research minor sample is chosen. If a large sample is used, it is the case of quantitative research. Both of them are described in the previous chapter.

In the next period the research is practically realized by collecting the requested data. According to Hair, Jr., Bush and Ortinau (2000, 41) “there are two fundamental approaches to gathering raw data. The one is to ask questions about variables and market phenomena using trained interviewers or questionnaires. The other is to observe variables and market phenomena using professional observers or high-tech devices.”

After the data are gathered they need to be processed and analyzed. This stage contains control and correction of the gained data, its classification and transfer from words to symbols so that it can be technically processed and analyzed. (Kozel 2006, 48)

In the final stage the discovered knowledge is presented to others. This stage may look as a detail however the way how the conclusion of research is communicated is not insignificant. Although the survey was made right and is beneficial, if the report of results fails all the research was a wasteful investment.

## **5 THEORETICAL PART SUMMARY**

### **5.1 Services**

The first chapter dealing with services was focusing on five main characteristics of providing services– intangibility, inseparability, variability, perishability and ownership right.

There are two stages of services, called general and customer. General service is the main service or goods on which our business is based. These services should be automatically precise. Customer service means how the customers are treated, it involves services connected to the main business deal. (Glanz 1996, 22)

Kotler et al. (1999, 109) claims that marketing mix is applied to gain information about and to motivate the company's potential, however also current, customers to purchase. It consists of all noted marketing strategies and means. Basic 4Ps cover the product itself, its price, promotion and place (which represents distribution channel). The so called extended marketing mix joins three more Ps typical for providing services. These are people, physical evidence and process.

### **5.2 Direct selling**

The next chapter was focused on direct selling which is defined as “a process involving the marketing of products and services directly to consumers in a face-to-face manner, away from permanent retail locations.” (The World Federation of Direct Selling Associations Web site)

The key factor of direct selling is a salesperson itself. Jobber and Lancaster (2009, 5) claim that as the direct selling develops the personality requirements on salesperson expand too. Nowadays there is a great amount of qualities and skills which the sales representatives should have to prosper.

There are two types of direct selling companies - using single level marketing (SLM) or multilevel marketing (MLM). In the first type there is usually one extensive group of salespersons on one level, in the second there is a plenty of sellers on various management levels.

### **5.3 Customers**

The third topic discussed in the theoretical part was Customers. They are a significant element of business. Satisfaction of the customers is crucial. Satisfied loyal buyers come

back and make the company positive promotion by telling others. Customers which are not satisfied are dangerous for the company and should be avoided. To make them pleased, it is important to recognize their needs and adapt to their demand.

According to Glanz (1996, 22) customers are internal and external. The title indicates that internal customers are from the inside of the company, whereas external customers are from the outside, they form a much bigger group and create the company's profit.

#### **5.4 Marketing research**

In the fourth chapter the marketing research is discussed. Marketing research is a connection of a company and its target customers of a great importance. Data which is gained using any of the research methods enable a company to flexibly react to and conform to changes in a market. (Hair, Jr., Bush and Ortinau 2000, 4)

Two kinds of data are examined, primary and secondary. Primary data is a result of a survey which the company makes by itself for their own purpose. Secondary data was already gathered for another purpose and used more times.

Quantitative research is executed on an extensive sample. This kind of research uses methods whose results can be statistically compiled and serve as a reliable source for the decision making process. (Business Dictionary)

According to Příbová et al. (1996, 53) qualitative research uses psychological methods and investigates the relations, dependencies and causations of the surveyed unit and generalizes them.

Marketing research process has several phases. In the beginning it is a definition of research objectives, research problem and its contribution. Next phases are the identification of data sources, methods and techniques of data gathering, sample size determination and data gathering. Finally there is data processing, analysis and arranging of a final report. (Příbová et al. 1996, 25)

## II. ANALYSIS

## 6 AVON COMPANY

Avon Products, Inc. is an international well-known cosmetic company especially for women, however, men are not forgotten. According to EHow Web site the company was established by David H. McConnell in 1886 for the purpose of selling perfumes. Nowadays, in 2011, Avon has a great range of products being sold in over 100 countries by more than 5 million independent sales representatives and it has affiliates in all continents of the world. It has cooperated with many world-famous celebrities, namely for example an actress Reese Witherspoon or Salma Hayek, a singer Fergie, a topmodel Daniela Peštová or a sportswomen Venus and Serena Williams. Avon company is also devoted to a help for women afflicted by a breast cancer and suffering from domestic violence.

Avon's advertising slogan says: "This is the company that puts mascara on lashes and food on tables, that fights wrinkles with one hand and breast cancer with the other. That knows the value of a perfect lip, but still opens its mouth and speaks out against domestic violence and for women's financial independence. This is the company that not only brings beauty to doors, but also opens them. The company that supports 6 million representatives in over 100 countries. This is Avon. The company, that for 125 years, has stood for beauty, innovation, optimism and above all for women." (AvonCompany.com)

As indicated on the Avon Cosmetics Web site the company in the Czech Republic nowadays has more than 4.5 million customers per year which are served by 90,000 Avon representatives. Avon operates in the Czech Republic since 1991.

### 6.1 History of company

As indicated on the EHow Web site the beginning of the company is connected with David McConnell, a book salesman, who occasionally gave the woman a sample of his home made perfume and he realized that women are interested in cosmetic, however they do not have access to it. He founded the company with his wife for the purpose to directly sell his perfumes under the name the California Perfume Company. The company was achieving success and McConnell with his wife have soon realized that they need more hands. They employed the first Avon Lady in history, Mrs. P. F. E. Albee. Later one representative was still not enough, therefore they hired 12 other representatives in 1887 and the enterprise was still expanding.

EHow Web site indicates that the first Avon catalogue was released in 1896 and the customers could find there only information of the products without any pictures. The first catalogue with pictures was issued in 1905.

According to Klepacki (2005,14) by 1898 the company has recruited 5,000 agents and this number was still increasing. At that time, sales were attaining 200 000 dollars per year. As the sales representatives amount and working space size was increasing also the quantity of products was heightening, by 1960 it was 117 various cosmetic articles.

Klepacki (2005, 21) claims that David H. McConnell was so interesting in a famous playwright William Shakespeare that he renamed the California Perfume Company after Shakespeare's home Stratford-Upon-Avon to a today's trade name Avon Company. Klepacki (2005, 24) wrote: "Recalling his father's affection for Avon, and believing the name exotic, two years later (after the McConnell Sr. death), the younger McConnell formally changed the company's name. On October 6, 1939, Avon Products, Inc. was born."

When McConnell Jr. died in 1944 and none of his survivors was interested in Avon, two years later the company turned into a public corporation. With the sales around 17,2 million dollars the profit amounted to 1 million dollars. (Klepacki 2005, 24)

The Avon Company still continued in its rapid development. Approximately ten years later Avon established its first foundation for the purpose to help women, by 1957 the company exceeded the 100 million sales and two years later it subjugated the west Europe market.

It is stated on The Avon Company Web site: "The post-war economic machine, in overdrive during the 1950s and 1960s, slows down and then stagnates in the 1970s. Avon powers through, recording 1 billion dollars in sales in 1972 and entering a major new product category. The number of representatives continues to grow, with 600 000 Avon representatives in business for themselves by the early 1970s".

According to Klepacki (2005, 32) there was a try to start selling the Avon products through retail markets as the leaders observed that 80% of beauty products are sold in shops successfully. However the chief president was changed in 1988, and the new one stopped this attempts. Regardless, the company was in 1.2 billion dollars debt with not much favourable cash flow and in 1990 the shortage was 140 million dollars. Klepacki (2005, 35) has written: "A favorite sport of corporate raiders was to buy up struggling firms, break the company into bits and pieces, and sell each division off. Avon had been bleeding for quite some time, and the sharks were starting to circle."

By 1990 Avon penetrated to China market, to Central and Eastern Europe market just one year later and the crisis is still being gradually warded. (AvonCompany.com)

## 6.2 Product range

Avon has a wide range of products not just of cosmetic character. According to the Avon annual report (2010, 6) 71% of Avon products at all are beauty products, 19% forms fashion goods and the last 10% belongs to home decorative products.

Regarding the particular lines of products the most extensive offer can be presumably found in skin care cosmetic for women, however the other kinds of products also cannot be neglected. There is an overview of Avon products which are offered in the Czech republic below.

The skin care cosmetic contains a wide range of products. For the mature skin with the exposures of weakening there is a high quality and more expensive line of skin care called Anew. The line called Solutions covers a great amount of creams, emulsions, lotions, cleansing gels, masks and peelings for every skin type differentiating products by colors. Clearskin is a product line specialized to care of young problematic skin. Planet Spa products are inspired by spa care and contain lavender with jasmine, minerals from the Dead Sea, essences from rice and Japanese sake, Thai lotus blossom or the shea butter with ginger. Another line called Avon Care is designed for not demanding customers and contains face creams, lip care and hand care. Finally, Naturals line, how the title indicates, is based on natural components and is also designed according to particular skin types.

The product line in the case of decorative cosmetic consists of high quality Anew decorative cosmetic for mature skin, Avon Color for mature and young skin and Color Trend for the youngest customers at very pleasant prices. Decorative products of each line are available in various colors and shades so every woman can choose the best.

Regarding the hair care products the main line is called Advance Techniques and promises a solution for each kind of problem with hair. The other hair care products can be found in Planet Spa and Naturals lines, which are supposed to be more natural and fine, than the first mentioned Advance Techniques.

Product designers also have not forgot about the summer time and produced special line of sun care cosmetic with protection factor for consumers who like having perfect suntan without any harm.

Fashion fans can appreciate accessories which are included in every catalogue. Their range contains home decorations, bags, purses, watches, sunglasses and jewellery of various styles.

Men can also find products designed especially for them. There is a wide For Men skin care line and a range of men’s perfumes accompanied by after shave balms of the same fragrance. The company offers two lines for children, the first one determined for girls is called Elle Ballerina and the second one, Arnie the Adventurer, is specified for boys.

As suggested above, Avon company is also devoted to non profitable activity. In each catalogue customers can buy goods, for example a writing set, purse, cup, protective case for cell phone or brooch – all of them provided with a special logo, and give some part of money paid to one of the two foundations. The first one is helping to women with breast cancer and the second one is fighting against home violence.

### 6.3 Selected financial data

The main income data, balance sheet data, total revenue and operating profit by each reportable segment of Avon company are illustrated below.

|  | 2010     | 2009     | 2008     | 2007    |
|--|----------|----------|----------|---------|
| <b>Income data:</b>                                  |          |          |          |         |
| Total revenue  | 10 862.8 | 10 205.2 | 10 507.5 | 9 759.3 |
| Operating profit                                     | 1 073.2  | 1 005.6  | 1 324.5  | 874.7   |
| Income from continuing operations, net of tax        | 595.2    | 619.2    | 882.5    | 533.2   |
| Diluted earnings per share from continuing operators | 1.36     | 1.43     | 2.03     | 1.21    |
| Cash dividends per share                             | 0.88     | 0.84     | 0.80     | 0.74    |
|  |          |          |          |         |
| <b>Balance sheet data:</b>                           |          |          |          |         |
| Total assets   | 7 873.7  | 6 823.4  | 6 074.0  | 5 716.2 |
| Debt maturing within one year                        | 727.6    | 137.8    | 1 030.7  | 929.4   |
| Long-term debt                                       | 2 408.6  | 2 307.2  | 1 456.0  | 1 167.7 |
| Total debt   | 3 136.2  | 2 445.0  | 2 486.7  | 2 097.1 |
| Total shareholders’ equity                           | 1 672.6  | 1 312.6  | 712.3    | 749.8   |

Table 4: Selected income and balance sheet data (Annual Report 2010, 30-42)

The table above shows that total annual revenue is increasing which is a positive phenomenon. The operating profit grew mainly in year 2008 where is a growth of more than 40 million and now it is still over one billion. The evidence that the company is in progress are also the total assets which are steadily increasing. A negative issue is the debt



which was in 2010 more than three billion and has increased within a year by 700 million. In comparison with the debt maturing within one year in 2009 it is a great accrual.

|                                   | 2010          |                  | 2009          |                  | 2008          |                  |
|-----------------------------------|---------------|------------------|---------------|------------------|---------------|------------------|
|                                   | Total Revenue | Operating Profit | Total Revenue | Operating Profit | Total Revenue | Operating Profit |
| Latin America                     | 4 589.5       | 604.7            | 4 103.2       | 647.9            | 3 884.1       | 690.3            |
| North America                     | 2 244.0       | 155.9            | 2 293.4       | 110.4            | 2 522.0       | 213.9            |
| Central and Eastern Europe        | 1 585.8       | 297.8            | 1 500.1       | 244.9            | 1 719.5       | 346.2            |
| W. Europe, Middle East and Africa | 1 462.1       | 176.5            | 1 277.8       | 84.2             | 1 351.7       | 121.0            |
| Asia Pacific                      | 752.4         | 93.4             | 677.3         | 61.6             | 679.3         | 87.7             |
| China                             | 229.0         | (10.8)           | 353.4         | 20,10            | 350.9         | 17,70            |
| Total from operations             | 10 862.8      | 1 320.5          | 10 205.2      | 1 169.1          | 10 507.5      | 1 476.8          |
| Global and other expenses         | X             | (244.4)          | X             | (163.5)          | X             | (152.3)          |
| Total from operations             | 10 862.8      | 1 073.1          | 10 205.2      | 1 005.6          | 10 507.5      | 1 324.5          |

Table 5: Total revenue and operating profit by reportable segment  
(Annual Report 2010, 30-42)

In the table above the total revenue and operating profit in particular areas are compared. It is obvious that the highest proportion in both economic indicators has the Latin America. The other two following areas are North America with Central and Eastern Europe. On the other side, the lowest revenue and operating profit assigns the area of China.

#### 6.4 SWOT analysis

In this subchapter an overview of company's strengths, weaknesses, opportunities and threats is indicated in the form of a SWOT analysis.

| Strengths                     | Weaknesses   |
|-------------------------------|--|
| Strong position on the market | Diversification of product range according to the area |
| Growing revenue               | Not enough distinguished brand                         |
| Powerful management           | Negative reputation                                    |

|                                     |   |
|-------------------------------------|---|
| Unique formulas and technologies    | Not much flexible supply chain                    |
| Effective communication             | Absence of shops                                  |
|                                     |   |
| <b>Opportunities</b>                | <b>Threats</b>                                    |
| Extending of the group of customers | Reinforcement of competition                      |
| Broadening of the product range     | Enter of new lower-cost competition to the market |
| Expansion to new foreign markets    | Dependence on a supplier                          |
|                                     | Economic crisis                                   |
|                                     | Political changes                                 |
|                                     | Negative demographic changes                      |

Table 6: Avon company SWOT analysis (own research)

## 7 RESEARCH RESULTS ANALYSIS

The questionnaire was filled by 89 people of various age and gender from the Zlín region. At the beginning there are two questions which play a key role: “Are you familiar with the Avon cosmetic company?” and “Have you ever bought any Avon product through the AL?” The answers to them divided the customers into two groups: people who answered positively were then questioned further, and the rest was excluded. According to the answers three interviewees were excluded from the results, as they gave the negative answer to one of them and therefore they have no statement value for this research.

### 7.1 Analysis of particular areas of AL services

In this chapter I am going to analyze how the particular areas of the Avon Ladies services were evaluated by the respondents with the usage of basic statistical methods. These are an arithmetic average, mode and median, used to measure central tendencies. The average is a value that symbolizes a central amount of many different values. The mode is the value that occurs in a data set most frequently, and the median is described as the numeric value separating the higher half of a sample.

For the purpose of the analysis the given grades from the questionnaire (1, 2, 3, 4, 5) are translated as excellent, very good, good, sufficient and insufficient.

The following table compares particular areas of ALs’ services according to the average satisfaction, called index of satisfaction, which they achieved.

| <b>Area of AL services</b>                              | <b>Index of satisfaction</b> |
|---|------------------------------|
| The distance of AL from their customers                 | 1.88                         |
| Frequency of providing samples                          | 3.27                         |
| Customers’ awareness regarding the Avon products        | 2.81                         |
| Frequency of providing new catalogues                   | 2.14                         |
| Quickness of the delivery of the products               | 2.27                         |
| AL awareness of the products, discounts and innovations | 2.46                         |
| Cosmetic consultancy and help                           | 2.98                         |
| Quality of services in general                          | 2.36                         |

Table 7: Comparison of average satisfaction in particular areas (own research)

It is evident that the areas which have the lowest evaluation of satisfaction are frequency of providing samples (3.27), cosmetic consultancy and help (2.98) and customers' awareness regarding the Avon products (2.81).

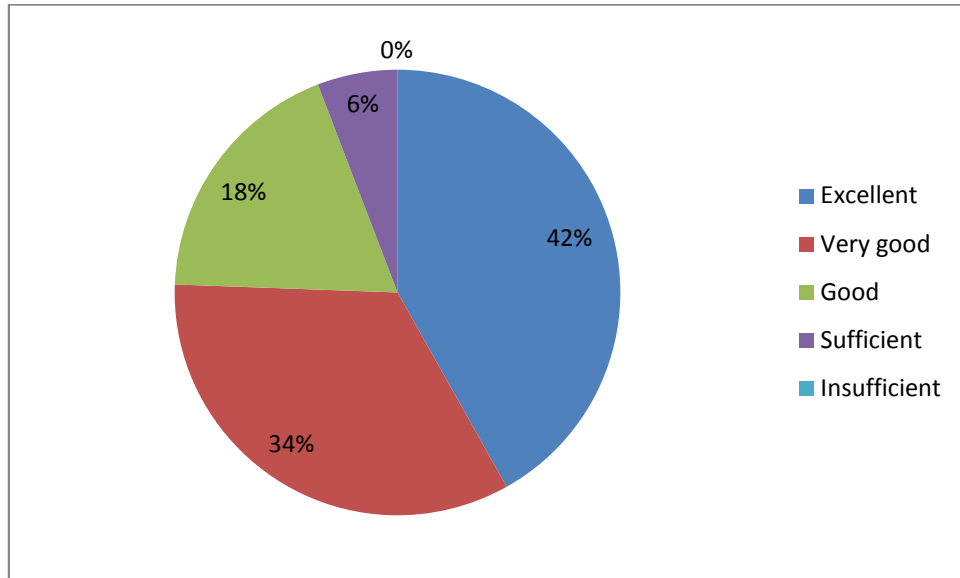


Fig. 2: The distance of ALs from their customers (own research)

The area asked in the fourth question was evaluated by grade 1.88 in average, which is quite a positive figure. This phenomenon indicates that there is sufficient number of Avon Ladies in Zlín region and they are presumably available for the majority of people in this region.

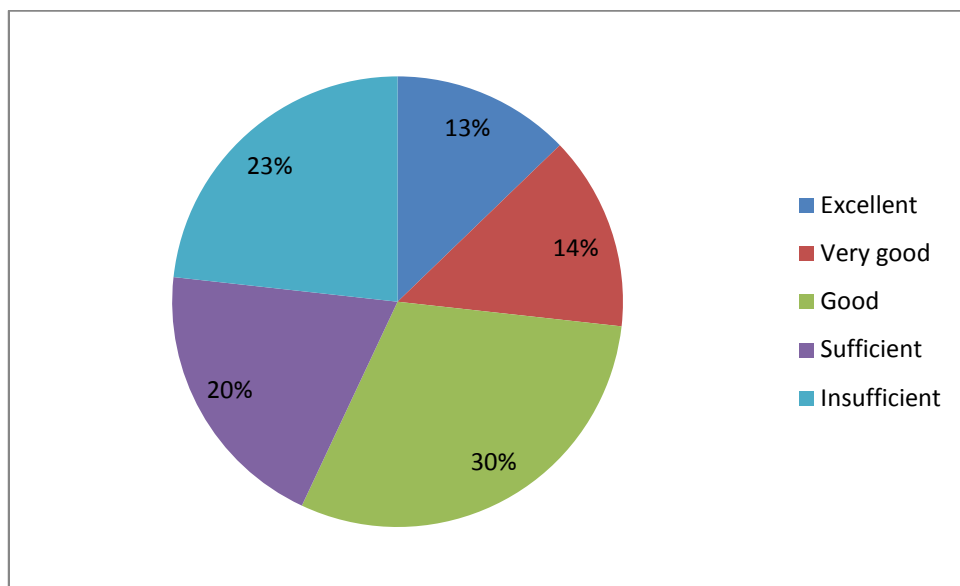


Fig. 3: The frequency of providing samples (own research)

The question number five asked the respondents how they are satisfied with the frequency of providing samples to them by their Avon Lady. As can be seen in the graph, only eleven people (13%) were totally satisfied. Mode in this case is number 3 and the average grade is 3.27, therefore the general evaluation of providing samples can be titled as sufficient according to already mentioned evaluation scale.

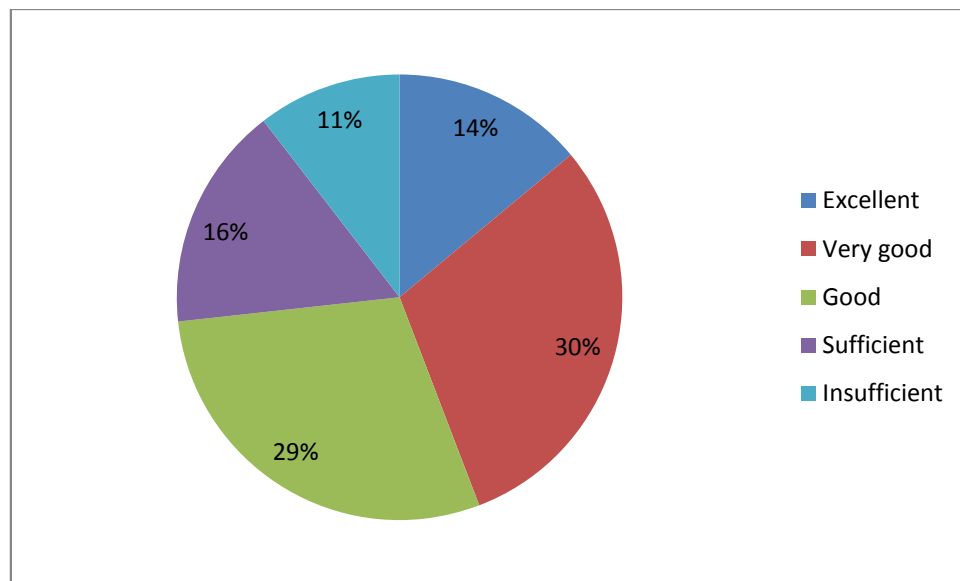


Fig. 4: Customers' awareness of Avon products (own research)

As the graph illustrates, most of the respondents rated their own awareness regarding Avon products and its way of usage by the grade 2 (30%) and, closely following, the grade 3 (29%). Alarming is that eleven people, which is a quite large number, gave the mark 5. It means they are not satisfied at all with information they get from their AL. It can be assumed that they do not get enough information or information they get is inappropriate and of poor quality.

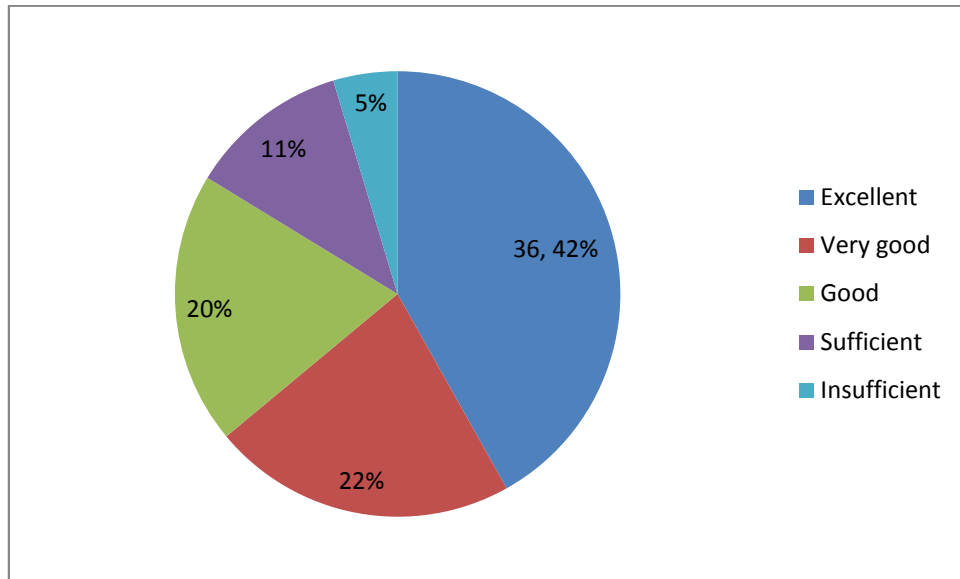


Fig. 5: The frequency of providing new catalogues (own research)

According to the results, this area of Avon Ladies services seems to be on a solid level. As the graph below shows, the mode lies at number 1, as most of the respondents evaluated the frequency of getting catalogues as excellent. Another indicator, median, has value of number 2. Only 5% of the respondents think the frequency is insufficient. It signifies that catalogues are quite accessible to the customers and those are generally satisfied.

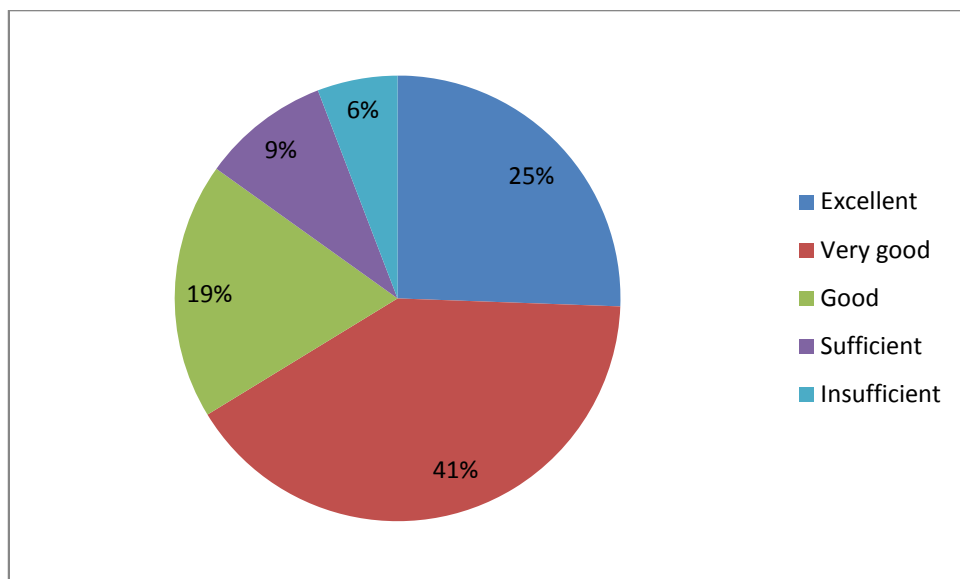


Fig. 6: The quickness of the delivery of the products (own research)

66% of people judged the quickness of the delivery as excellent or very good. Mode and median in this question are both at number 2 and the total average is 2.27. It can be deduced that this area was also evaluated quite positively. Only 6% of respondents evaluated the time they spend by waiting for the ordered goods by the grade which is translated as insufficient.

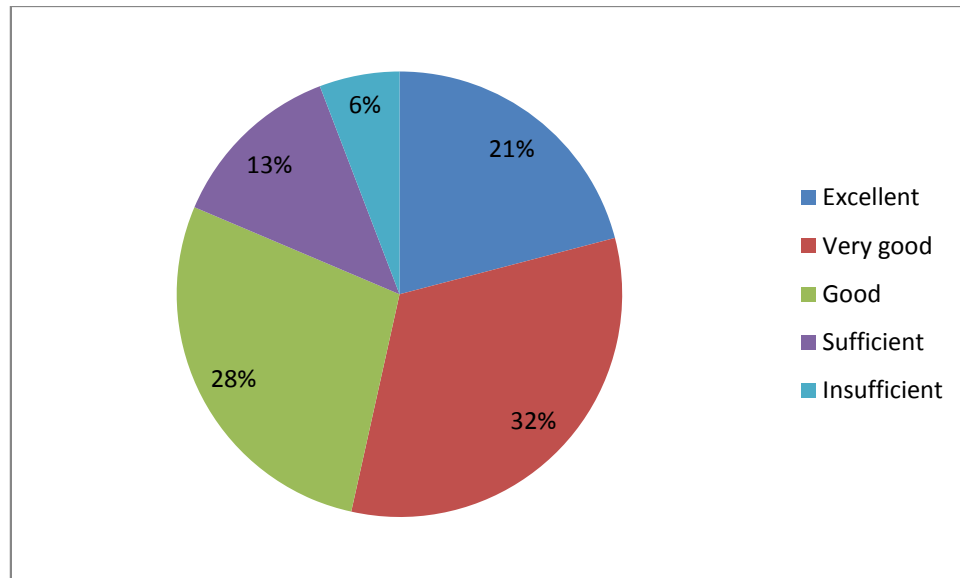


Fig. 7: The AL's awareness (own research)

Median and mode in this case is also at number 2, however the arithmetic average is nearly 2.5. 28% of respondents evaluated this area by number 3. There is only 4% difference between the group of the modus and this group. It can be presupposed that there is some space for improvement in the knowledge of ALs.

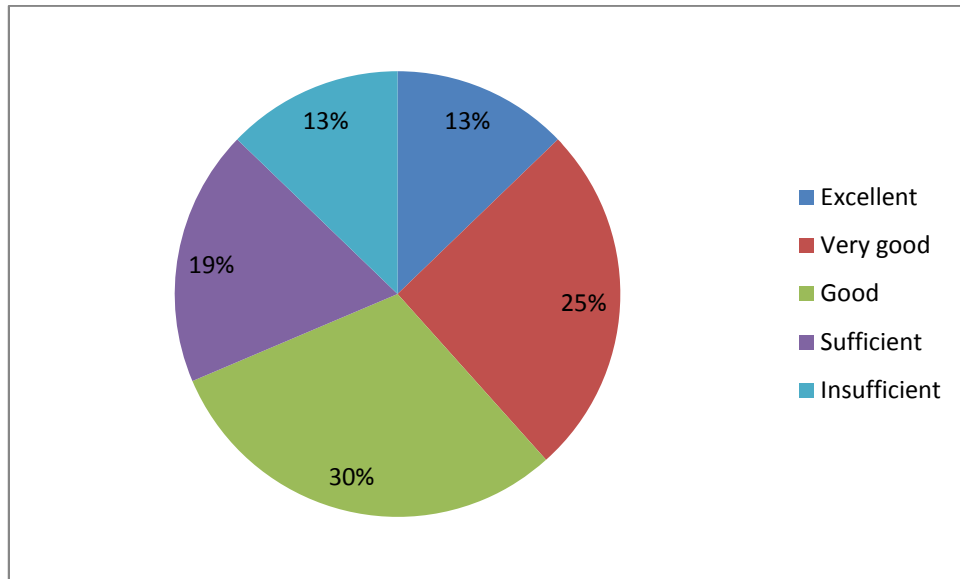


Fig. 8: The provision of the cosmetic advice and help (own research)

With the median and the mode both at number 3 and the average grade 2.98 this area is seen by the customers as one of the worst. Eleven people (13%) think that the cosmetic consultancy which they get is insufficient or substandard.

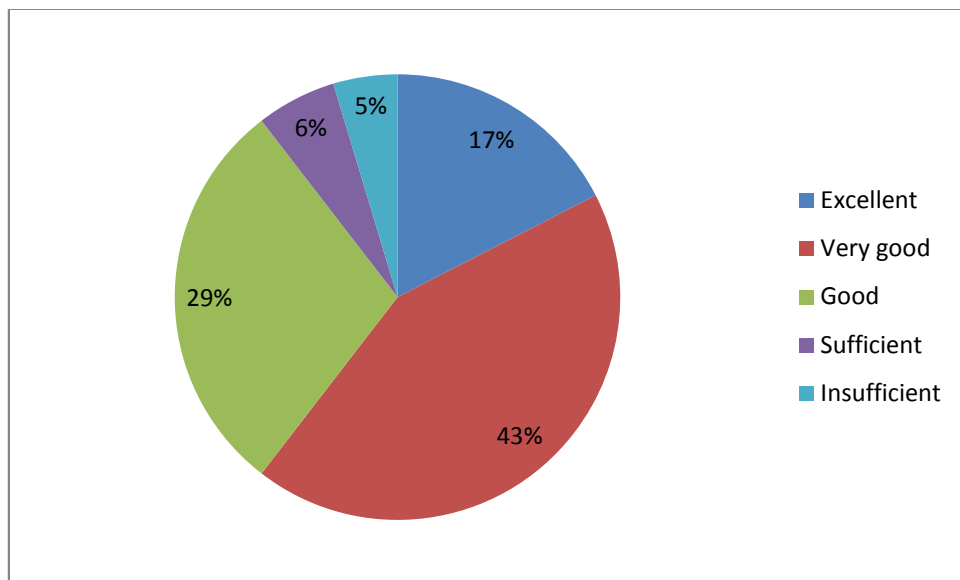


Fig. 9: The quality of services in general (own research)

The last area which the respondents were asked to evaluate were services of Avon Ladies in general. The mode in this case lies on number 2 and the average is 2.36. It means that



most of the customers (43%) think that the services they get are very good, which is grade 2. The second greatest group is respondents which assess it by grade 3 (29%). It is obvious that there are some improvements which should be done.

## 7.2 Division of customers according to frequency of buying

Question No. 3 divided the interviewees into three groups according to how often they buy Avon products using the ALs distribution services. Strong relationship can be seen in the first group – people who make a purchase every campaign seem to be very satisfied. Their total satisfaction is 1.75 in average. In the second and third group of respondents (frequency of buying every 2<sup>nd</sup> – 4<sup>th</sup> campaign and every 5<sup>th</sup> campaign and less often) the average total satisfactions are 2.26 and 2.76. It is a logical phenomenon and it confirms the theoretical knowledge stated in the previous chapters. Satisfied customers are faithful to the company, they buy its products regularly and usually frequently. The customers from the second group of samples appear to be quite satisfied and buy the products regularly, but not in every campaign. The third group which buys the products rather irregularly has the satisfaction number nearly in the middle of the scale. It proves the dependence of customers' satisfaction on the frequency of their shopping, which can be seen in the following graph.

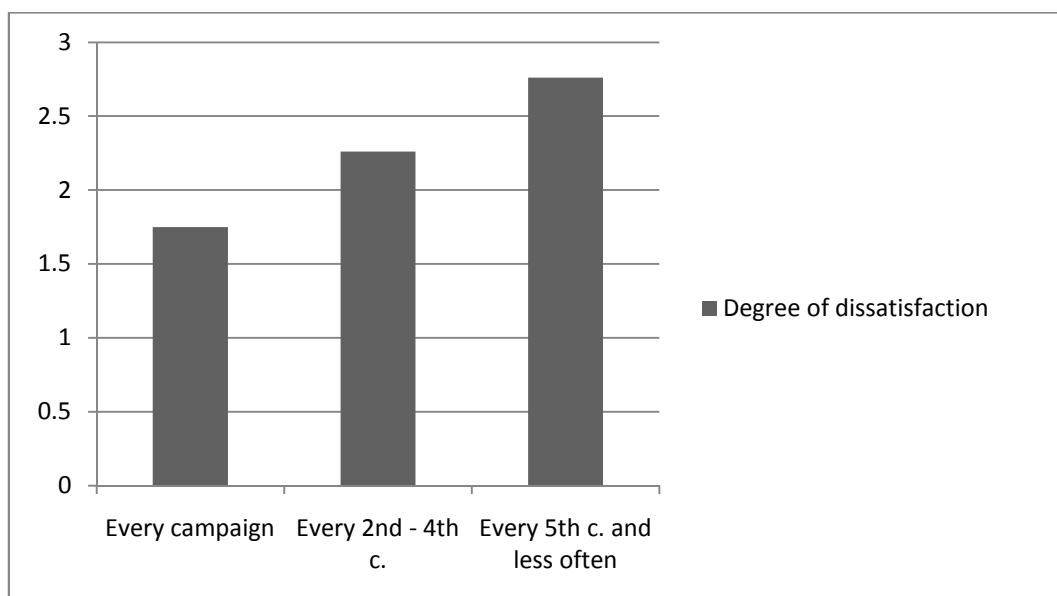


Fig. 10: Average index of dissatisfaction according to frequency of buying (own research)

### **7.3 Relation of qualification and ability to advice of AL**

A strong dependence between the questions 9 and 10 can be found. There is 83% probability that the group of people that values the awareness of AL of the products by number 3 and worse evaluates also the cosmetic consultancy as good or even worse. This phenomenon reflects logical connection between qualification of cosmetic dealers and their ability to provide cosmetic advice.

### **7.4 Customers' own suggestions**

Question No. 12 in the questionnaire asked respondents what they would like to improve in their AL services. As this question was optional, not each respondent answered, but some of them gave the relevant observations.

Most of the comments are on the ALs awareness of the Avon products, mainly regarding composition of the products and expert advice. The second in order is offering free samples and professional behavior of dealers. Additional suggestions were more prompt deliveries and establishment of discounts for regular customers.

The comments of the respondents correspond with the results of analysis which are specified in chapter No. 7.1.

### **7.5 Summary of the results**

According to the respondents' evaluations, the winning area of ALs services is their distance from customers. The frequency of providing catalogues is also seen as quite satisfying. On the other side, as was stated above, the areas which have the worst evaluation of satisfaction are the frequency of providing samples, cosmetic advice and help and customers' awareness regarding the Avon products.

On the basis of these results, it can be assumed that there is great number of ALs in the Zlín region. They give the catalogues to the customers regularly and the time of delivery of the products is quite efficient. However they presumably do not give enough samples to the customers to try the products and the standard of their expert knowledge and advice is poor and not adequate. Briefly recapitulated, there should be less cosmetic dealers, however they should be more qualified and have more developed professional skills.

## **8 SUGGESTIONS AND RECOMMENDATIONS**

In this chapter suggestions based on the results of analysis are given. As was briefly indicated above, I suggest complex improvement consisting of several phases which are described below.

### **8.1 Providing samples**

The problem with the worst assessment seems to be the absence of providing enough samples to the customers. As they play an important role in motivating the customer to buy the products, ALs should pay attention to this part of their job. They should know in which kind of products the customer is interested and provide him with the certain kind of samples so he can try them and later make a purchase. Samples are investment which can return back if provided with consideration. ALs should understand the importance of samples not only for them but also for the customers.

### **8.2 Qualification of ALs**

The second most important issue is ALs' qualification. One way of improvement I recommend is to organize more trainings where they can learn not only what are the products made of, how they should be used and what kind of customers they are made for, but also how to treat the customers right, how to be professional and sell the products at the same time.

### **8.3 Cosmetic advice**

The competence to provide the customers with qualified and suitable advice regarding cosmetics is closely connected with the previous point. If the cosmetic dealers are trained and qualified they are able to offer first-rate advice.

### **8.4 Reduction of amount of ALs**

In my opinion there are unnecessarily too many ALs and some of them are not enough qualified. I suggest reducing of their number in a way that the qualified and efficient ones will stay.

## CONCLUSION

The purpose of this work was to examine the satisfaction of customers with the Avon Ladies services. This research provided valuable information practically for all ALs assuming that the accommodation of their customers' needs and requests should be their primary goal. The discovered data can be used to improve the level of customers' satisfaction in the Zlín region.

At the beginning of this bachelor thesis the theoretical knowledge base was built, regarding services, customers, direct selling and marketing research. Continuing with the practical part, the marketing research itself was realized. The questionnaire in the Czech language version was filled by 89 respondents, who provided their evaluation of each of the ALs' services and some of them also offered the practical comments to this issue.

The analysis of the gathered data was executed in chapter No. 7. Briefly recapitulated, the areas which have the worst evaluation of satisfaction are the frequency of providing samples (3.27), cosmetic consultancy and help (2.98) and customers' awareness regarding the Avon products (2.81). On the contrary, the distance of ALs from their customers was rated highly positively (1.88) and the frequency of providing new catalogues had also favorable evaluation (2.14).

On the basis of the analyzed results the suggestions and recommendations to improve the current situation were proposed. These were provision of more samples to customers, increase of the ALs' qualification and reduction of their number.

In conclusion of this work, as was stated in chapter No. 7.5, it can be assumed that there is a great number of ALs in the Zlín region. The main difficulty is that they lack expert knowledge, qualification and professional skills. However, they give catalogues to their customers on regular basis and they take care of the quickness of the delivery. These findings which can be directly implemented to improve the level of customers' satisfaction in the Zlín region are the most important result of the presented study.

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## APPENDICES

- P I Czech language version of questionnaire
- P II English language version of questionnaire

## APPENDIX P I: CZECH VERSION OF QUESTIONNAIRE

### Dotazník na téma Spokojenost se službami Avon Ladies

Vážený respondente,

v mé bakalářské práci se zabývám spokojeností s distribučními službami Avon Ladies mezinárodní kosmetické společnosti Avon ve Zlínském kraji. Tímto Vás prosím o vyplnění krátkého dotazníku k dané problematice, jelikož jedině s Vaší pomocí mohu tuto oblast prozkoumat. Dotazník by neměl zabrat více než deset minut Vašeho času, je anonymní a žádné údaje nebudou zneužity. Děkuji za Vaši spolupráci.

Korduliaková Martina, studentka 3. ročníku UTB ve Zlíně

1. Znáte kosmetickou společnost Avon ?
  - a) Ano
  - b) Ne
2. Koupil(a) jste si někdy výrobek společnosti Avon od Avon Lady?
  - a) Ano
  - b) Ne (dále nevyplňujte)
3. Jak často nakupujete výrobky od Avon Lady ?
  - a) Každou kampaň
  - b) Každou 2. – 4. kampaň
  - c) Každou 5. kampaň a méně

V následující části dotazníku prosím ohodnoťte Vaší spokojenost s jednotlivými oblastmi služeb Vaší Avon Lady na škále od 1 do 5 jako ve škole.

4. Vzdálenost AL od Vašeho bydliště:

1       -       2       -       3       -       4       -       5

5. Frekvence poskytování vzorků zdarma ze strany AL: (1=pravidelně, 5=nikdy)

1       -       2       -       3       -       4       -       5

6. Vaše informovanost o výrobcích a jejich použití:

1 - 2 - 3 - 4 - 5

7. Frekvence poskytování katalogů: (1=pravidelně, 5=nikdy)

1 - 2 - 3 - 4 - 5

8. Rychlost dodání objednaných výrobků:

1 - 2 - 3 - 4 - 5

9. Informovanost AL o výrobcích, slevových akcích a novinkách v katalogu:

1 - 2 - 3 - 4 - 5

10. Kosmetické poradenství a pomoc při výběru správné kosmetiky:

1 - 2 - 3 - 4 - 5

11. Kvalita služeb AL obecně:

1 - 2 - 3 - 4 - 5

12. Uveďte prosím, co byste chtěl(a) na službách Vaší AL zlepšit (maximálně 3):

.....

.....

.....

.....

13. Jste žena / muž?

14. Kolik je Vám let?

- a) Do 17      b) 18 – 30      c) 31 – 50      d) 51 a více

## APPENDIX P II: ENGLISH VERSION OF QUESTIONNAIRE

### Questionnaire on a customers' satisfaction with an Avon Ladies services

Dear respondent,

in my bachelor thesis I am focusing on the satisfaction with the Avon Ladies (AL) distribution services of an international cosmetic company called Avon within the Zlín region. I would like to ask you to fill a short questionnaire on this issue, as I can examine it only with your gracious help. The questionnaire should not take more than ten minutes of your time, it is anonymous and no data will be abused. Thank you for your cooperation.

Korduliaková Martina, 3rd year student, UTB Zlín

1. Are you familiar with the Avon cosmetic company?
  - a) Yes
  - b) No
  
2. Have you ever bought any Avon product through the AL?
  - a) Yes
  - b) No (do not fill more, thank you)
  
3. How often do you buy the Avon products?
  - a) Every campaign
  - b) Every 2nd – 4th campaign
  - c) Every fifth campaign and less

In the following part of the questionnaire evaluate your satisfaction with the particular areas of AL services please (from 1 to 5 similar as at school).

4. The distance of your AL from your home:

1     -     2     -     3     -     4     -     5

5. Frequency of providing you a samples by your AL:

1     -     2     -     3     -     4     -     5

6. Your awareness regarding the Avon products and its way of application:

1 - 2 - 3 - 4 - 5

7. Frequency of providing you a new catalogues by your AL:

1 - 2 - 3 - 4 - 5

8. Quickness of a delivery of an ordered products:

1 - 2 - 3 - 4 - 5

9. Your AL awareness of the products, discounts and innovations:

1 - 2 - 3 - 4 - 5

10. The cosmetic consultancy and help with choosing the right kind of cosmetic:

1 - 2 - 3 - 4 - 5

11. Quality of services in general:

1 - 2 - 3 - 4 - 5

12. List what would you like to improve on your AL services below please (3 at maximum):

.....

.....

.....

13. Are you a woman / men?

14. How old are you?

- a) Less than 17      b) 18 – 30      c) 31 – 50      d) 51 and more