

ANALYSIS OF MARKETING MIX ON COSMETICS PRODUCTS CASE STUDY: AVON COMPANY

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ABSTRACT: *This paper contains an analysis of the marketing mix followed by a Swot analysis of company Avon. It continues with a market research conducted among women in Brasov highlighting the attitudes, opinions and behaviour of women in Brasov on the acquisition and use of cosmetics product. The present paper analyzes the cosmetics market, the company Avon position in Brasov's market, identifying the company's main competitors, population segmentation. After analyzing data from market research shows that most women acquires cosmetic products from Avon company, the representatives role being extremely important. Most women buy products through the catalogue, 77% of them using the products every day, often buying the personal care products.*

KEY WORDS: *marketing mix; personal sale; market research.*

JEL CLASSIFICATION: *M31; L10; D40.*

1. INTRODUCTION

This paper is making the analysis of the marketing mix of the company which is active on the cosmetics market. I have realized the case study about the company Avon Cosmetics Romania. I chose this company because it is one of the largest and well known cosmetics producers in the world, operating in direct sales system.

It is therefore, extremely important the role of the representatives, the way they act and persuade potential customers. Also the rapid growth and company's image on the market impressed me and made me tackle this topic.

In this paper I want to determine the position of the company in the Brasov market, to show the influence of the brand over the buying decision of the local women and to show the importance of the company's representatives. These are some of the objectives that I want to reach by realizing this scientific project.

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Avon Company is present in whole world, in over 143 countries and it has over 3.7 millions of representatives. The company respects the international standards for the environment, so that its activity is not harmful for the environment. It was the first company that eliminated from its product's composition the CFC gases (chlorofluorocarbons) – gases which are harmful for ozone blanket. Almost all packaging is recyclable.

The market target for Avon Company is situated in urban area and is represented by persons aged between 35 and 45 years old, with higher education, who are interested in cosmetics and who have medium and big incomes. They are strong, professional women, educated, independent, and interested in the way they look. These are persons who can appreciate better the products and are attentive to every detail. Another aim of this paper is to reveal the main competitors and to point out the clients' satisfaction degree regarding product range complexity and product distribution process.

2. THEORETICAL ASPECTS REGARDING MARKETING MIX

2.1. Marketing concept

Marketing concept was founded in 1957 by Jhon B. Mc. Kitterick (CEO General Electric): „marketing concept is the philosophy of consumer orientation, philosophy which implies integral and coordinated actions and reaching a certain goal (Lefter, et al., 2006, p. 25)”. The most basic concept underlying marketing is that of human needs.

Human needs are states of felt deprivation. Wants are the form human needs take as they are shaped by culture and individual personality. When wants are backed by buying power they become demands.

Marketing definition is based on the following concepts: needs, wants, demands, markets, change, transaction and relations, satisfaction and value, products, services and experiences (Kotler & Armstrong, 2004, p.8).

2.2. Marketing mix

Marketing is the art and science of selling. Ingredients for a good marketing (according to Philip Kotler) are the 4P's: product, price, promotion and placement. An effective marketing program combines harmoniously all elements of the marketing mix. Marketing mix is the main instrument of the company for obtaining strong positioning on the concerned markets.

Product policy. The authors of the paper: “Marketing. Explanatory Dictionary” (Florescu, et al., 2003, p.537) define product policy as a decision adopted by manufacturing or commercial companies regarding the size, structure and evolution of the range of goods and services (Lefter, et al., 2006, p.375, 405). Product policy is often compared with “the heart of marketing”. It has a direct connection with the other elements of the marketing mix.

Price policy. Price is a market instrument and an index of the economic and social reality (Lefter, et al., 2006, p.449). Price is the only marketing mix variable which leads to profits, the others are generating only expenses and investments. Price is a very flexible element of the mix and it can be changed rapidly, unlike the product characteristics and the placement activity.

Placement policy. Placement's role is to assure the necessary balance in the market primarily between demand and supply and between producers and consumers. Another role of the distribution is to streamline the buying – selling processes.

The advantages of custom sales are:

- ✘ it allows maintaining control over the entire marketing process;
- ✘ it reduces distribution expenses;
- ✘ direct contact of the manufacturer with the consumer, it facilitates market knowing;
- ✘ supporting the factory brand;
- ✘ controlling the price;
- ✘ guaranteeing the quality of the sold products;
- ✘ quality services.

The disadvantages of this type of sale are: usage of many financial resources for trainings, human resources.

Promotion policy. Promotion should be seen as a key tool of the marketing mix. The way how the company combines the various promotion components in order to achieve goals, rises the promotional mix.

Personal promotion is a form of communication. This is defined as being: “a form of communication from one person to another, in which the seller persuades the potential buyer to buy the products and services of the company” (Lefter, et al., 2006, p.562).

3. ABOUT AVON COSMETICS COMPANY

3.1. Presenting the company

Avon Cosmetics is one of the largest and well known companies producing cosmetics in the world and operating in direct sales system. The company was founded in America in 1886, by David McConnell, a book seller who was offering samples of perfume with his books.

Avon Cosmetics Romania SRL was founded in 1997 and then were registered the first 6 Avon representatives, who were the first sales directors in Romania.

Avon is the largest company of cosmetics, operating in direct sales system and its achievements in the world are:

- Over 3.7 million representatives in entire world
- Over 143 countries in which is operating

3.2 Avon Cosmetics – market

Avon Cosmetics is a company whose activity involves producing and selling cosmetic products. The company operates in direct sales system. Thus, the market in which consumers demand is expressed, in their capacity as individuals, is known as the consumer market.

Avon Cosmetics is a company that operates in direct sales system and it has attributions of a producing and commercial company.

Besides the importance of the supply structure, logistics and organization of storage areas, the company must pay attention to sales, particularly to train the representatives. They are very important for Avon Cosmetics Company because they are the ones through which the company sells its products through the work they perform, they assure the creation of a good image of the company, they present the products to actual and potential consumers, they offer new information about the company and its products and they are recruiting the new representatives.

From the point of view of economic- geographic space, Avon Cosmetics Romania is operating on the entire Romanian territory, but mostly in urban areas. The actual space where demand meets the supply is created and covered by the company representatives and the distance between producer and consumer is minimal in direct sales.

3.3. Avon Cosmetics Competition

In Romania, Avon Cosmetics is operating in a market economy. A basic characteristic of market economy is the competition, reason for which this is also known as competitive economy. In market economy, the success or failure of a company's actions is not determined only by strategies, methods and tools that the company owns, or by the professionalism with which they are handled, but also by the moves of the competitors. In decision making process regarding market actions, should be given importance to the activities of the other participants with which the company is in direct or indirect competition.

For Avon Cosmetics Romania, any cosmetic product existent on Romanian market represents a competitive product. Of course there are some criteria that differentiate the competitors. The most important competitors of the company are those who operate on the same target market and utilize the same strategy. The process of identifying the competitors is very important for the company. The main competitors of Avon Cosmetics Company are: Oriflame, Nivea, L'Oreal and Maybelline.

3.4. Avon Cosmetics' clients

Avon Cosmetics addresses its products to all Romanian women, but not exclusively, the assortment range offers cosmetic products designed for satisfying hygiene needs of men.

Avon Cosmetics Romania attempt to cover cosmetic satisfaction (which might have specific requirements for each age), so necessary cosmetics are offered for sale to

consumers who may be either children over 3 years old but also teenagers, young women, mature women or elderly women.

In addition to the consumer's differentiation based on age and sex, Avon Cosmetics Romania has in mind the criterion of financial resources that each consumer has for purchasing cosmetics. According to consumer's incomes, Avon Cosmetics addresses to the following categories: clients with low budget (budget), clients with medium incomes (mass), clients with high incomes (mass premium), and luxury clients (prestige). The main characteristics of various consumer categories are presented in table 1.

Table 1. Main characteristics of consumer categories

Clients with low budget	Clients with medium and high income	Luxury clients
-price is important in buying decision; -easy use; -less experienced consumers; -buying decision is taken according to volume and prices	-quality package; -values and aspirations; -image; -price is still important; -more sophisticated consumers	-image; -aspirations; -sophisticated packaging; -innovation.

4. MARKETING MIX OF AVON COSMETICS ROMANIA COMPANY

4.1. Avon Cosmetics Romania – product policy

Avon Cosmetics Company adopts the following strategies for product policy: size growth of product range, quality differentiation strategy and assortment renewal strategy.

For a permanent satisfaction of consumers needs, Avon Cosmetics has **to continue the horizontal assortment range diversification strategy**. Avon Cosmetics is a company which produces and sells a complex and modern range of cosmetic products, even for the most demanding tastes. That's why the company should adapt constantly to the market requirements regarding the product novelty, make-up colors diversification, packaging methods, product manufacturing technology.

The **quality differentiation strategy should be maintained**. It is very important to offer superior products that will satisfy all consumers' categories, from those who want to use qualitative products at affordable prices to those who would spend anything for purchasing a prestigious product that will satisfy the most demanding wishes.

The assortment renewal strategy is the most complex and dynamic strategy. The renewal assortment leads to the creation of new product lines within the existing range, for offering products that meet new demands of fashion and technology.

4.2. Price policy of Avon Cosmetics Company

The company Avon Cosmetics Romania approaches three aspects: the prices level, the degree of the prices diversification and the of prices mobility.

Based on each product category, their characteristics and targeted consumer category, the company may adopt a strategy of moderate prices. Thus, prices can vary depending on the criterion that was the basis for its establishment.

For price policy it is beneficial the maintaining of practices prices. From this point of view Avon is situated over the medium price of cosmetics manufactured and commercialized in Romania. This price level is justified by the quality of the products. Prices applied by the company for its products reflect the quality and the position on the market.

4.3. Placement policy of Avon Cosmetics Romania

The main criteria underlying the distribution strategies are: the dimensions of the distribution channel, the size of the distribution, the degree of company's participation, control degree, elasticity degree and the logistics of goods. Avon applies the following strategies: direct distribution, distribution through personal device and high level of control.

An advantage for Avon Company is the reduced time that passes since the order was placed by the representative until the ordered products are delivered to the representative's residence.

4.4. Promotion policy adopted by Avon Cosmetics Company



The suggestions regarding promotion policy of Avon Cosmetics are: promotion of the global image – image expansion strategy, conducting ongoing promotional activities, offensive promotional strategy, undifferentiated strategy, organizing promotional activities with the help of specialized institutions.

Image expansion strategy could be adopted by Avon because is not only the case of promoting the image of the company, consumers being already aware of its existence from the promotional activities carried out previously.

Undifferentiated strategy permits Avon to address to entire market, to all potential consumers.

Organizing promotional activities by appealing at specialized institutions is advantageous for the company because of the professionalism and high solutions which are guaranteed by these institutions.

A promotional mean used by Avon is the catalogue. On the cover of these catalogues is used an association of the company's image with various personalities.

For example, on the cover of Christmas edition catalogue we find Andreea Raicu. This type of associations is used also for products. For the launching of Eternal Magic Perfume, Andreea Raicu declares that: “Eternal Magic perfume speaks about the feminine delicacy, about the magic that every women bears in her”. Avon Company is involving in various programs and campaigns. The most known campaign realized By Avon is the one against breast cancer. This was founded in 2002. In every catalogue you can find products with the well known pink ribbon. The funds raised are donated for the purchase of medical equipment and for women education.

5. SWOT ANALYSIS OF AVON COMPANY

One of the highlighted **strengths** of the company is the fact that Avon is the most popular brand of beauty. This thing offers the necessary notoriety and confidence to the company. Also the expanded number of representatives is an important strength. Avon has over 3.7 million representatives in the entire world and over 100000 in Romania. With such a big number of representatives it is a certainty that the company reaches the ears of every woman. The intense promotion realized by the company can't pass unobserved. In the last year the TV advertising and the internet promotion increased considerably. Client's loyalty is achieved through a variety of successful promotional campaigns realized by Avon Cosmetics Company. Also a strength is the promptly response of the company to its orders and the reliability of the delivery in best conditions.

I consider that the **main weak point** is represented by the differences between the nuances of the products shown in catalogs and the product itself. Also Avon Cosmetics Romania doesn't update the brochures in the same time with those from outside the country. The possibility to return the products is a weakness because the procedure is very complicated. You have to wait an extended period of time, and instead of returning the money, they are deducted from the next order of the representative.

Among the **opportunities** of the company we mention: convenient quality – price ratio, all Avon products presenting the benefit of: “100% guarantee”. Also there is the chance to develop your own business and to earn extra incomes. An extremely important opportunity is to support various social campaigns: breast cancer, violence in family etc. Also the company can improve its knowledge in beauty domain and not only. Another opportunity is to launch on the market qualitative products with an advanced technology.

The threats of the company are firstly connected with the competition, with the increased number of suppliers. The technology used by the competitors may represent a threat, the company being in a continuous development.

6. MARKETING RESEARCH REGARDING THE USE OF AVON PRODUCTS

6.1. Research methodology

For this chapter I have realized a marketing research with the theme: attitudes, opinions and behaviors of Brasov women regarding the purchase and use of cosmetic products. The objectives of this research include:

1. Identifying the main behaviors of Brasov women regarding the purchase of cosmetic products
2. Identifying the attitudes of Brasov women regarding the used products
3. Identifying the opinions about used cosmetic products

In this research I used the random sampling method, according to which, all individuals that are part of the studied population have the same probability to be sampled. Because it is very difficult to obtain a list with the entire female population I chose to make a stratified sampling. The researched population for this marketing research is Brasov female population aged 18 and over. From the 15 districts of Brasov I randomly picked up 3. At this level I have created a list with all buildings and households. The research was realized on a sample of 100 persons and it has a maximum error of 9.8%. The questioner includes 26 questions from which 5 serve for identification.

6.2. Research results

Firstly I used a filter question to split up the sample in 2 groups and to focus on the researched segment. At the question "Do you use cosmetic products?" 100% of the respondents answered with yes.

For the next question "how often do you use cosmetic products?" 77% of respondents use cosmetic products daily, 12% weekly and the other 4% only few times per year. We can reach the conclusion that the majority of Brasov women use cosmetic products daily.

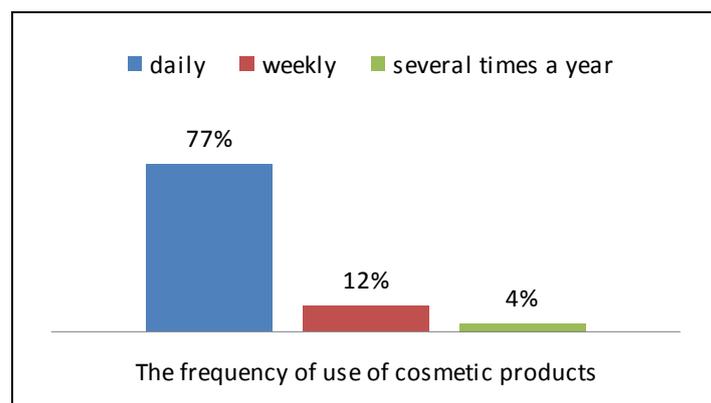


Figure 1. The frequency of use of cosmetic products

At the question “what range of products do you buy more often?” – 57% from the respondents purchase personal care products, 23% makeup, 17% perfumes and 3% accessories. It results that the respondents buy mostly personal care products and cosmetics. Perfumes and accessories can’t be neglected. This result was expected because personal care products are use daily, cosmetics are indispensable to any women and the accessories and perfumes have a extended usage.

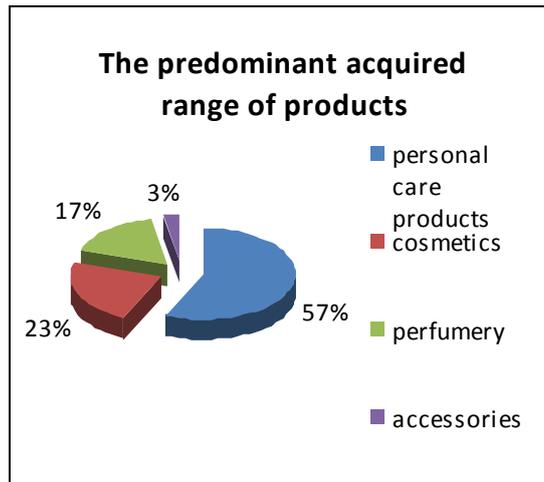


Figure 2. The predominant acquired range of products

After analyzing the answer of the question “classify the following 5 cosmetic brands in your preference order”, we noticed that on the first place in the consumer’s preferences is Avon Company followed by Nivea. Next on top are: L’Oreal, Oriflame, Maybelline. These brands were classified with a medium score. Is a well known fact that Avon is in direct competition with these companies. That’s why the differentiation on the market is very important. I consider that Avon has the advantages: the existence of the catalogs, direct sales which give confidence to the consumer and the most important characteristic is the quality of the offered products.

Brands classification according to preferes:

	N	Minimum	Maximum	Mean
AVON	100	1.00	5.00	2.4300
NIVEA	100	1.00	5.00	2.6000
L'OREAL	100	1.00	5.00	2.8200
ORIFLAME	100	1.00	5.00	3.2100
MAYBELLINE	100	1.00	5.00	3.9400

Figure 3. Brands classification according to preferences

It is important to know how Avon clients acquire the products. That's why we introduced the question: "how you purchase products from Avon?" 73% said that they buy the products with the help of the catalog, 10% online and 2 % from company office. As expected the majority of women purchase the products with the help of representatives after seeing a brochure. However, I consider that the existence of more purchasing modalities it would be a strong point for the company. I consider that soon the online order will increase in Romania due to the internet development. Anyway, the company representatives are and will remain the pillars of the company.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	CATALOG	73	73.0	85.9	85.9
	ON-LINE	10	10.0	11.8	97.6
	OFFICE	2	2.0	2.4	100.0
	Total	85	85.0	100.0	
Missing	System	15	15.0		
Total		100	100.0		

Figure 4. Modalities of purchasing Avon products

Starting from the fact that more than half of women buy products with the help of representatives we considered that is extremely important to know the clients opinion regarding the role of the representatives. At this question have been 13 non answers and 87 valid answers. From these 45% consider that the role of the representatives is very important when buying a product and only 4% considered that he is unimportant.

For establishing the connection between the age and the most often purchased products we considered the following hypotheses:

H₀: There is no connection between the purchased product range of Avon Company and the age category in which respondent falls

H₁: There is connection between the purchased product range of Avon Company and the age category in which respondent falls

In figure 6 we can observe that 87% from answers were valid and 13% from the respondents didn't responded at this question. This thing happened because before this question it was a filter question that would let the company's clients to answer.

By applying the chi-square test and comparing calculated significance level 0.02 with the theoretical one of 0.05 we can observe that the first significance level is lower; so the hypotheses H₁ (according to which it is a connection between purchased range of products and the respondents age) is accepted. This thing is possible because products are intended for a certain age. So the personal care products are purchased by approximately all persons, but the perfumes and accessories are intended especially to young women.

For establishing if exists any connection between the purchase modality and the occupation of the respondents we considered the hypotheses:

- H_0 : Is no connection between the purchase modality and the respondent's occupation
- H_1 : There is connection between the purchase modality and the respondent's occupation

If we compare the calculated significance level (0.33) with the theoretical one (0.05) we observe that the calculated level is higher than the theoretical one; it results that we take into consideration hypothesis H_0 .

We can conclude that there is no connection between the modality of purchasing the products and the respondent's occupation. This is because any person, whether it is an employee with secondary or higher education, student or unemployed can order products from the representatives, from the company offices or from internet. The company is available to everybody and is not important the occupation of the clients.

7. CONCLUSIONS AND PROPOSALS

Company's position on the market must always be improved, Avon being currently considered a strong and modern company, concerned to improve itself. It must be maintained the quality differentiation strategy in order to offer superior products and to thank all consumers' categories.

The renewal assortment strategy is beneficial for Avon, which is a modern company and wishes to correspond to the new requirements of the fashion and technology. From the prices point of view, Avon is above the medium price of cosmetic products from Romania, but the level of price is justified by the quality of sold products.

From the marketing research we noticed that the majority of Brasov women purchase products from Avon Company. The frequency of use is important, 77% of the respondents use cosmetic products daily and 12% weekly. Another important element is the competition. After analyzing data about Avon Company and its competitors we observed that the first company in consumer preferences is Avon, followed by Nivea Company.

For seeing if it exist any connection between the purchasing modality and respondent occupation we used the Chi Square test. Following this test it was concluded that there is no link between these two variables. This is because Avon addresses its products to all women.

To establish the link between age category of the respondents and the range of products they buy most often, by using Chi-square test we determined that there is connection between the range of products bought from Avon and the age of respondents. It is known that perfumes and accessories specifically are addressed to young women.

As a suggestion for Avon Company I consider that it would be an advantage if the time between the moment when the order was launched and the moment when the product was delivered would be diminished. Also I consider that there should run more advertising spots on television channels at times with high ratings.

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