

price, though its market share appears to have stabilized since. In 2005, Nokia announced a new device called the 770 Internet Tablet—not a phone, but a book-sized web browser you could use in Wi-Fi hot spots instead of a full-blown laptop, for around \$350 (or less as part of a phone-style connection deal).

Nokia argues that as the dominant brand, with the highest volumes in the industry, it is in the best position to exploit the new technology, wherever it leads. “We can jump on it and adapt,” says Ollila. “Finns live in a cold climate: we have to be adaptable to survive.”

NOTES

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Avon

Reinvention can happen to even the oldest brands

MRS. P.F.E. ALBEE OF WINCHESTER, NEW HAMPSHIRE, sold her neighbor some perfumes in 1886 and has gone down in history as the very first Avon lady. David McConnell established the California Perfume Company with a view to sell fragrance through a network of representatives rather than through a store. He kept himself busy developing affordable new cosmetic luxuries, and Mrs. Albee kept selling. In just twenty

years, McConnell had 10,000 women around the country selling 117 different products. The company became Avon in 1928, and today there are 4.9 million Avon representatives in 143 countries, generating 98 percent of Avon's global sales of \$7.7 billion. In Brazil, there are more women in Avon than in the country's army and navy.

When McConnell died in 1937, he left the business to his eldest son. The company enjoyed steady growth, expanding into international markets and developing new product ranges, but the business never reached its potential. Fast forward to 1990 when the company was not in good shape. The "ding dong" Avon lady and her catalog (introduced in 1906) needed a serious makeover. Avon was being run by former mailroom clerk Dave Mitchell. It was fighting off hostile takeovers, sales were down, there had been some disastrous acquisitions, and the company clearly had an image problem.

Around the same time, a young Andrea Jung was learning the ropes of retailing. Andrea was born in Canada in 1959 and raised in Wellesley, Massachusetts by a Shanghai-born mother and Hong Kong-born father who wanted the best for their daughter, a Mandarin speaking, Princeton University graduate and accomplished pianist.

Andrea surprised her parents by taking a job in a management training program at the department store Bloomingdale's, while still planning to go back to study law. She never returned, as she loved retail and the psychology of inspiring customers to spend. She worked for several major department stores before beginning consulting work with Avon in 1993. Jung instantly became enamored with the company, its culture, and its opportunities. She officially joined the marketing team in 1994, became CEO in 1999, and was elected chairman in 2001.

When Jung and her signature double-strand pearl chokers arrived at Avon, no one, she says, believed that the company was capable of growing.

Jung's makeover strategy involved rethinking the entire organization, from suppliers to the way products were distributed, ordered,

and delivered, product development time cycles, and slashing costs. There needed to be new product lines, more glamorous, glossy advertising campaigns, and definitely no more “ding dong, Avon calling” catchphrases. Jung had to lead the company’s total change of heart. “You have to be bold, thoughtful, and calculated so the financial markets remain calm. But I think you have got to drive enough change to unleash that kind of growth,” she says. Ironically, Jung was raised, she says, “to be submissive, caring, and averse to conflict,” but she says she has learned how to be empathetic and make tough decisions.

Jung’s plans to transform the brand and deliver double-digit growth were deadly serious. She was in a hurry, too. The original revitalization plan was scheduled to take three years, but Jung did it in eighteen months, earning her the title “the mistress of the turnaround.”

“The beauty model that will dominate is the one that reinvents itself first. Brand reinvention can happen to even the oldest brands with the greatest image issues. And if we can do it, you can do it, anybody can do it,” she says.

Avon introduced a new range of skincare called Anew that is selling well, particularly in the U.S., a new range for teenagers, sold by teenagers, called Mark, and there is a Fifth Avenue flagship spa in New York City.

Avon is also focused on expansion in China. After a 1998 ruling banning door-to-door sales in China, Avon began selling in beauty salons. The network has now expanded to more than 6,300 outlets throughout the country. It has even cleverly set up franchise shops with China Post. Avon is also targeting such far-flung frontiers as Tibet and Kazakhstan. Although, in late 2005 the company has faced, for the first time in Jung’s tenure, a lowering of earnings expectations following slower-than-expected growth in its emerging markets such as China.

Meanwhile, the Avon share price is at an all-time high, up 165 percent since she took over, with the market acknowledging

that Jung and her team know how to chase future markets and future revenue. She regularly calls her top twenty sales performers in each region together and grills them on ways she can improve the product and its delivery. “Tell us the good, the bad, and the ugly,” she says. This is a phrase she repeats to a CEO advisory council that helps keep her connected to the company. Jung has also introduced serious succession planning. Two years ago, 15 percent of the top 100 jobs could be filled from within if someone left; now it’s 87 percent. The top 400 staff also receive individual coaching and emotional intelligence training (pioneered by Daniel Goleman, it argues that people have an emotional as well as an intelligence quotient). “The good news is that all of this can be done; the bad news is that it all has to be done at once,” she likes to say.

Jung is now one of just eight female chief executives heading Fortune 500 companies, and she joined the board of the New York Stock Exchange. She keeps a cushion in her Manhattan office that reads: “If you are not the lead dog, the view never changes.”

NOTES

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