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Former Coty CIO Predicted Death of Bid for Avon

Just hours before Coty withdrew its \$10.7 billion bid for rival beauty products seller Avon Products Monday, former Coty CIO Dave Berry predicted to CIO Journal the companies wouldn't strike a deal. Berry said the companies' different business models might have made for a messy marriage.

At a glance, Coty and Avon have a lot in common. They're both over 100 years old and sell many popular perfumes, lipstick and other makeup. But Berry told CIO Journal the biggest challenge would be the difference in how Coty and Avon sell their products. Avon is known for its direct seller model, employing over 6 million sales representatives worldwide to sell beauty products door to door. Coty meanwhile sells its beauty products to distributors and in makeup counters in shopping malls all over the world.



Dave Berry

Though larger than Coty, Avon has suffered from weak sales in key markets such as Brazil, with no sign of stabilization there. Coty meanwhile has continued to add new distribution partners, which include Walmart, Bloomingdales and Metro in Europe. Both companies are fiercely proud of their sales cultures, which could have led to some clashes at the corporate level within the integrated company, Berry said. "I don't know that the two companies are compatible," Berry said. "You have to look at what are the synergies across the two companies."

One area where Berry said the companies ought to be compatible is in technology. Both Coty and Avon run SAP enterprise resource planning software. Berry, who led Coty's technology operations from 1998 to 2010, installed one version of SAP to make updates to future versions run more smoothly in 13 countries and five languages. He said Coty would have to pick an SAP version from one company and merge the data from the other company into it.

Similar SAP implementations aside, a Coty-Avon technology combination might not have been so cut and dry. Coty spokesperson Cysette Burset said current Coty CIO Jerry Flasz has made some other

changes and additional technology investments since he joined the company in October 2010. She declined to say what those changes were, or to make Flasz available for comment. Flasz worked at Avon as executive director of application development and other roles from June 2007 until March 2009, according to his LinkedIn profile.

Coty, which offered Avon \$24.75 a share last week, abandoned its pursuit of Avon, saying Avon failed to negotiate in a timely fashion. "It is time for Coty Inc. to move on and pursue other opportunities," Coty CEO Bart Becht wrote in a letter to Avon's board of directors. Those other opportunities could include going public in the U.S. Some analysts say the privately held company is worth about \$7 billion.

Avon, whose stock dropped 12.1% to \$18.22 in early trading Tuesday, has some significant challenges ahead. Though Avon's sales last year topped \$11 billion, the company's first-quarter profit plummeted 82% to \$26.5 million from \$143.6 million a year earlier. The company hired new CEO Sheri McCoy in April. She quickly set up a financial planning and analysis group, trimmed corporate functions and moved reporting lines for supply chain into finance.

And McCoy has had to deal with Coty's interest, which became public a week before she took the helm. Throughout, McCoy has been quiet on the company's overall strategy. "We like that the groundwork is being laid for structural change and improvement that is necessary no matter what Ms. McCoy's eventual strategic plan entails," Barclays Capital analyst Lauren Lieberman wrote in a research note.

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