

## Letter Bombs?—Unpretty Picture of Avon

By ROBIN GOLDWYN BLUMENTHAL

*A ranking of CEO letters to shareholders puts the direct-selling company in its bottom candor quartile. Among the cited woes are obfuscation and confusion.*

If only the shareholder letters of [Avon Products'](#) CEO, Andrea Jung, were as translucent as the company's makeup.

Investors in the direct-selling company have been trying to put on a happy face despite a string of ugly disclosures and developments over the past months.

Avon said in late October that the Securities and Exchange Commission was starting a formal investigation of Avon's foreign operations, amid the company's own bribery probe in China. Avon also disclosed that the agency was looking into the company's communications with financial analysts. Too, Avon posted worse-than-expected results, and withdrew its full-year revenue guidance. That day, the shares fell nearly 17%. They have since fallen further, to a recent \$16.94.

In May, four executives were fired in connection with the Chinese probe.



William Waitzman for *Barron's*

Blemished? A reading of some Avon shareholder letters from one year to another shows some inconsistencies.

Although the particulars of Avon's problems may not have been visible, Jung's shareholder letters contained a wealth of information that told a not-so-pretty tale. "Every investor says I'm not going to read these [letters], I'm going to go to the numbers," says Laura Rittenhouse, who each year ranks 100 CEO letters to shareholders, for such things as candor and consistency, and pens a blog. But had investors looked at Rittenhouse's Rankings, they would have realized that the Avon letters have averaged a rank of 85 from 2001 to 2010, "solidly in the bottom candor quartile."

Moreover, Rittenhouse, an author and consultant, says her analyses have revealed "a consistent pattern of management obfuscation and confusion" in Jung's letters, with numbers of representatives and their percentage growth not adding up from year to year. Avon declined to comment.