



Toiletry Company

BUSINESS PLAN

VERDE

227 Parklane Ave.
Mission River, ID 57731

June 15, 1992

Verde is the manufacturer of a full line of men's-only toiletries. Because of its up and down history of financial success and failure, the new management has designed this plan to attract investors .

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- VERDE VS. THE COMPETITION
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COMPANY HISTORY

1984 Verde incorporated

1985 Bullock's and Macy's openings;
GQ article, *Cosmetic World* cover

1986 *Soap, Cosmetic & Chemical Specialties* cover; *New York Times* article; *Playboy* feature; *Esquire* catalog; ABC radio hour; NACD packaging award; joint venture with Wilkinson Sword; America's Cup exclusive supplier; Saks, Foley's, Gold water's, Kaufmann's, Bloomingdale's launches; private placement

1987 PBS feature; *Drug & Cosmetic Industry* reference; showcased in 98 department stores; preparation for IPO

1988 IPO; fragrance introduced; Revenues reach \$3 million

1989 Campeau bankruptcy; Verde goes into receivership; corporation dissolved

1990 Marcus VanDermeer buys out of receivership

1993 After two and a half years of decline, VanDermeer decides to sell

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POSITIONING

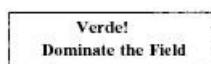
Verde sells a line of high performance skin and hair care products for men. The complete line contains twelve products for a man's basic daily skin and hair maintenance:

- Aloe Cream Shave
- Aloe After Shave
- Daily Face Scrub
- Moisture Formula
- Daily Body Wash
- Aloe Body Lotion
- Revitalizing Shampoo
- Revitalizing Conditioner
- Nutrient Complex For Hair
- Aloe Hair Gel
- Natural Deodorant
- Sunscreen (SPF6 Self Tan and SPF20 Block)

The line currently suffers from a weak identity. The original positioning of the product was "green" - Verde translates to "green" in Spanish; the advertising featured "Natural Grooming Products For Men." Current management believes the "green" identity does not carry the strength, sustainability, or differentiation for today's market. In addition, key elements of the line were inconsistent with this positioning: brightly colored packaging; bold, high-tech graphics; department store distribution.

Repositioning of the Verde line is the critical first step. Verde is a simple, efficient daily maintenance regimen of complementary precision products. The Verde system is built for the modern man. Its basic simplicity appeals to a large, underserved market. Focusing on the performance aspect of the product satisfies a strong and newly recognized theme in men's grooming aids.

The Verde "performance" message is reinforced with brightly colored packaging, recyclable materials, clean graphics and logical coding. The new management team believes that a strong performance message stressing practicality and sensibility can be a powerful motivator for men in the '90s. The positioning statement is key, and speaks to our clientele:



TARGET MARKET

The Verde management team believes that this underserved segment of men represents 30-40% of all men. The Verde man is:

- Bold in action
- Willing to accept a challenge
- Self-assured



- Willing to take a calculated risk
- Master of his trade/profession
- A survivor who emerges from battle stronger
- A man with a few close friends; not "every guy's friend"

Mail order health and beauty aids (HBA) for men is a \$23 million segment within the \$2.25 billion men's market. A targeted distribution and positioning strategy will focus on generating trial customers and leading to continuity customers and developing a loyal base of 66,000 customers within three years. Distribution will be focused on mail order during years 1 and 2. Year 3 plans include the possibility of expanding to specialty retail distribution channels. These channels include: sporting goods stores, health & fitness clubs, and country clubs.

MARKETING STRATEGY

Seven key marketing tactics will be employed to build the customer base and increase volumes:

- Starter kits will be packaged with different product combinations at a variety of price points. New customers will be invited to try a starter kit, introducing products at a deep discount and featuring the Verde no-risk return guarantee.
- Routine usage will be promoted with a continuity reordering option.
- An aggressive customer referral program will reward existing customers and encourage product trial.
- Standard retail tactics will keep the product line fresh in customers* minds:
 - Purchase with purchase
 - Gift with purchase
 - Sampling
- A toll-free 800 number will enhance customer service/product support

Consistent with Verde's "performance" message, the product purchase/distribution will be streamlined and accelerated through:

- Toll-free customer support hotline.
- Overnight delivery.
- On-line (touchtone or modem) ordering.
- Continuity option.

THE COMPETITION

The men's grooming aids market is segmented by distribution channel and positioning theme. Expensive designer lines (Ralph Lauren, Aramis, Clinique, Origins) are generally available through department stores; mid-range products (Body Shop, H2O, Eddie Bauer) are sold through specialty retail and mail-order; low-end products (Gillette, Canoe, Bodycology) are sold at drugstores and supermarkets. There are six main positioning themes:

- Clinical (Clinique)
- "Green" (Origins, Body Shop, H2O Plus)
- Performance (unserved)
- Exotic (Ralph Lauren Safari, Eddie Bauer Adventurer)
- Nautical/sport (Canoe, Ralph Lauren Polo Sport)
- Tech (Gillette Cool Wave)
- Some lines use combined themes—clinitech (Aramis Lab Series), or technosport (Gillette Right Guard Power products).



VERDE VS. THE COMPETITION

- Verde specializes, selling only skin and hair care products; unlike designer labels that brand clothes, fragrances and home furnishings.
- Verde products are designed specifically for men, unlike other product lines that are simply an extension or repackaging of a women's line.
- Verde offers a complete line of men's daily maintenance products, unlike competitors whose lines are incomplete or too expensive for daily use.
- Verde is uniquely positioned to capture men who demand performance in every aspect of their lives.

MANAGEMENT

Verde will require the following skill sets from its management:

- Knowledge of health and beauty aids industry.
- Knowledge of the mail order business.
- Strategic marketing and product positioning.
- Financial management and planning.
- Negotiation and coordination of independent vendors/sales reps.
- Experience in telephone-based customer service.
- Data management skills.
- Magazine advertising/direct response.
- Public relations/editorial placement experience.

FINANCIAL REQUIREMENTS

Verde requires a capital infusion of \$200,000, which will be used:

- To bring inventory up to necessary levels.
- To purchase targeted mailing lists and advertising.
- For general working capital.

Assumptions

Given this investment and the assumptions described below, Verde projects:

- Trials = 4% of purchased names
- Trial customers fall into one of four categories, with the characteristics listed:

Customer	Conversion %	Order Cycle	Annual Fall off %	Value*	
				1Yr	2Yr
Continuity	25%	3 mon	15%	\$76	\$80
Frequent	20%	4 mon	18%	\$69	\$68
Infrequent	10%	6 mon	40%	\$47	\$35

**Note: Annual customer value does not include initial trial package dollars.*

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- 33% of customer base will make 1-2 referrals during a calendar year.
- 33% of these referrals will become part of the customer base.
- Purchased names cost \$0.10 per name.
- Referred names cost \$15 per name for a free trial kit and customer bonus.
- Fulfillment averages \$2.50 per order.
- Shipping averages \$6 per order; the customer and the company split this cost evenly.
- There are no office rent charges the first year.

Results

	Year1	Year2	Year3
Total Names Purchased	800,000	1,200,000	1,200,000
Customer Base	1,8314	40,063	65,642
Continuity Customers	8,083	18,234	30,436
Sales	\$1,792,000	\$3,818,000	\$5,893,000
COGS	594,000	1,249,000	1,907,000
Gross Margin	1,198,000	2,569,000	3,986,000
Fulfillment	147,000	307,000	465,000
Rent & Utilities	0	30,000	30,000
Marketing	348,000	537,000	697,000
Miscellaneous	48,000	48,000	48,000
Net Before Taxes & Salary Distributions	\$655,000	\$1,647,000	\$2,746,000

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