

Double Ended Beauty Cosmetics, LLC

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EZLINER

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I. Executive Summary

1.1 Problem:

Applying liquid eyeliner can be a complicated and frustrating task. Making a mistake can be almost impossible to fix. When a mistake is made, there are only two options. Option one is to use a Q-Tip or tissue to wipe away the mistake. Unfortunately, this results in the eyeliner smearing and making a mess. The second option is to use makeup remover and start over. Using makeup remover will not only wipe away the eyeliner but also any foundation or other makeup you already applied. Having to reapply the makeup is a waste of your time. Also, buying more products to fix your mistakes, costs you unnecessary money and takes up more space in your makeup bags.

1.2 Solution:

Double-Ended Beauty Cosmetics has established a product that can save you time, space, and money when applying liquid eyeliner. This product is called the EZ-LINER. This makeup tool has everything you need when learning how to apply liquid eyeliner. EZ-LINER is equipped with a felt tip liquid eyeliner pen on one end and a makeup remover sponge on the other end.

1.3 Target Market:

The target market for Double-Ended Beauty Cosmetics is young girls ages 12 to 17. We have found that this is the age when young girls start experimenting with makeup and there is a high increase in use from ages 12 to 17. According to Mintel, eye makeup usage increases from 54% at ages 12 to 14 to 71% at ages 15 to 17. Another consumer highlight from a Mintel color cosmetics report tells that ages 12 to 13 are the first years which girls expand their makeup products from products that are just for fun to more serious, adult makeup products. The initial stages of makeup experimentation are often full of mistakes and “do overs” and that is why this age group will be drawn to EZ Liner, because it eases the frustrations of learning how to work with makeup. Double Ended Beauty Cosmetics hopes to draw in the beginners at age 12 and then become a staple product throughout the teenage years through the age of 17.

1.4 Competition:

The only other liquid liner that comes close to our product, EZ-LINER, is the Stunt Double Eyeliner by Kristofer Buckle. This product is a dual-ended, felt tip liquid eyeliner and corrector. While this product may have a felt tip corrector, EZ-LINER has a makeup remover sponge. Stunt Double Eyeliner is only available on QVC and must be purchased with Kristofer Buckle’s Grand Opening Mascara, this product can’t be bought separately. By doing this the price of the product is very high. Double-Ended Beauty Cosmetics plans on offering EZ-LINER as a single product at an affordable cost to put us ahead of this competitor.

1.5 Team Summary:

Double-Ended Beauty Cosmetics was founded by three people. These three people all possess great qualities and qualifications that make them each individually fit for their positions. Chief Executive Office of the company, Mark Parfait Jr., possesses leadership qualities that will help him excel in this managerial position. Holly Martin, the Chief Officer of Operations, possesses the heart and passion for organization, as well as necessary leadership skills. The Chief Financial Officer, Ryan Van Wormer, has experience working with accountants and gift with numerical thinking.

1.6 Financial Summary:

Our only source of revenue is from online sales from our website. The main expenses our company has are for manufacturing, labor, salaries, utilities, rent, insurance, website, advertising, and a contractual payment to our outsourced manufacturer. We only have a few other minor expenses such as office supplies and telephone expenses. Double Ended Beauty Cosmetics has been able to minimize costs in an extreme manner, allowing our company to maximize profits that we can use to invest back into our company in the beginning years to achieve success in the beauty industry. This is our primary concern so that we may reach our goal of gross sales of \$1.98 million in our first four years of business.

II. Company Overview

2.1 Company Description:

Double-Ended Beauty Cosmetics had noticed the struggles with application of cosmetics and wanted to make a difference in the beauty industry. We have created a product that does just that and it's called, EZ-LINER. EZ-LINER is equipped with double-ended technology; a felt tip liquid eyeliner pen on one end and a makeup remover sponge on the other end. We hope to spread the message of positive attitudes towards beauty products.

2.2 Mission:

Believe in your Beauty

2.3 Vision:

Our vision is to strengthen our client's skills and increase enthusiasm towards makeup. We offer a complete line of makeup and professional tools at an affordable cost.

2.4 Goals & Objectives:

The objectives for Double-Ended Beauty Cosmetics are as follows:

1. Receive start up capital required to start business
2. Research and development
 - a. Liquid eyeliner
 - b. Makeup remover solution
 - c. Base of product
3. Making a prototype of EZ-LINER
4. Get warehouse
5. Make demos
6. Launch website
7. Launch EZ-LINER
8. Start marketing campaign

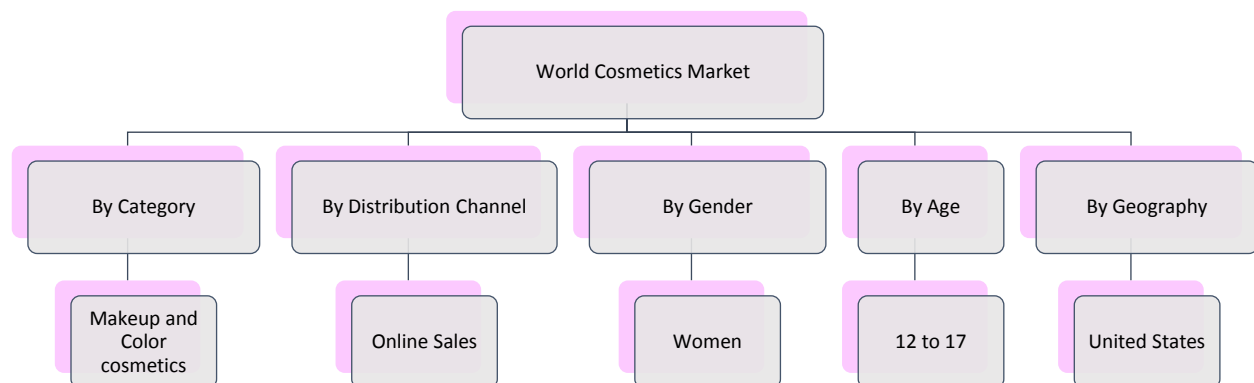
III. Market Analysis

3.1 Market Definition:

According to Passport, the rise of incomes has allowed consumers to put more money towards their beauty and personal care products. This is a great opportunity for us to join a growing market. According to a Euromonitor survey, nearly 80% of American women prefer to use makeup on a daily basis. As stated by Passport, consumers in the market are very adamant towards purchasing products that are made from natural materials. The idea of environmental protection has become a very important issue to Americans. They are skeptical to purchase products that are made from animals or have harmed the environment in some way. This means that we need our products to fulfill the needs and wants of our customers, to ensure they are satisfied. Passport also says, another important factor to the average cosmetic consumer is that they believe products without harmful artificial substances, will be healthier and better for their skin. The cosmetic industry is a very large industry with over \$62 billion in sales. According to Passport, the other competitors in the industry are L'Oreal and Avon who are mass market brands. Their market shares are 22.77% and 6.71% respectively.

3.2 Market Segmentation:

Our Market will be segmented into the makeup and color cosmetics section of the overall cosmetics industry. Our distribution channel segmentation will be online sales, because that is initially how we will be selling our product. The gender we will be marketing towards is women considering they are the primary makeup users. Finally, we will be segmenting by geography to focus our marketing in the United States because that is where we are based, so selling domestically will be much easier.



3.3 Target Market:

Our target market segment by age is teenage girls from the age range 12 to 17 years old. According to figure 1.2, made by Allied Market Research, 34% of 12 to 17 year old females spend their money on cosmetic products. The research study is in referral to 1,344 people surveyed with two sub ranges of ages, 12 to 14 years and 15 to 17 years. Figure 1.2 shows from the ages 12-14, 22% of these females are willing to spend personally on cosmetics and from the 15-17 age range, 45% of these females are willing to spend personally on cosmetics. One third of teenage girls are also willing to spend their own personal money on makeup products after parental figures cover the majority of costs of their lives.

Allied Research's survey also included other items that fall into the inexpensive category include eating related services such as going to restaurants or coffee shops, to music, reading materials, and video games. Most high end luxury items are covered expenses by guardians or parents of said teenage girls. Within the makeup users, eye makeup is very predominant. According to figure 1.3, eye makeup usage increases from 54% at ages 12 to 14 to 71% at ages 15 to 17. Another consumer highlight from a Mintel color cosmetics report tells that ages 12 to 13 are the first years which girls expand their makeup products from products that are just for fun to more serious, adult makeup products.

The initial stages of makeup experimentation are often full of mistakes and “do overs” and that is why this age group will be drawn to EZ-LINER, because it eases the frustrations of learning how to work with makeup. Double-Ended Beauty Cosmetics hopes to draw in the beginners at age 12 and then become a staple product throughout the teenage years through the age of 17.

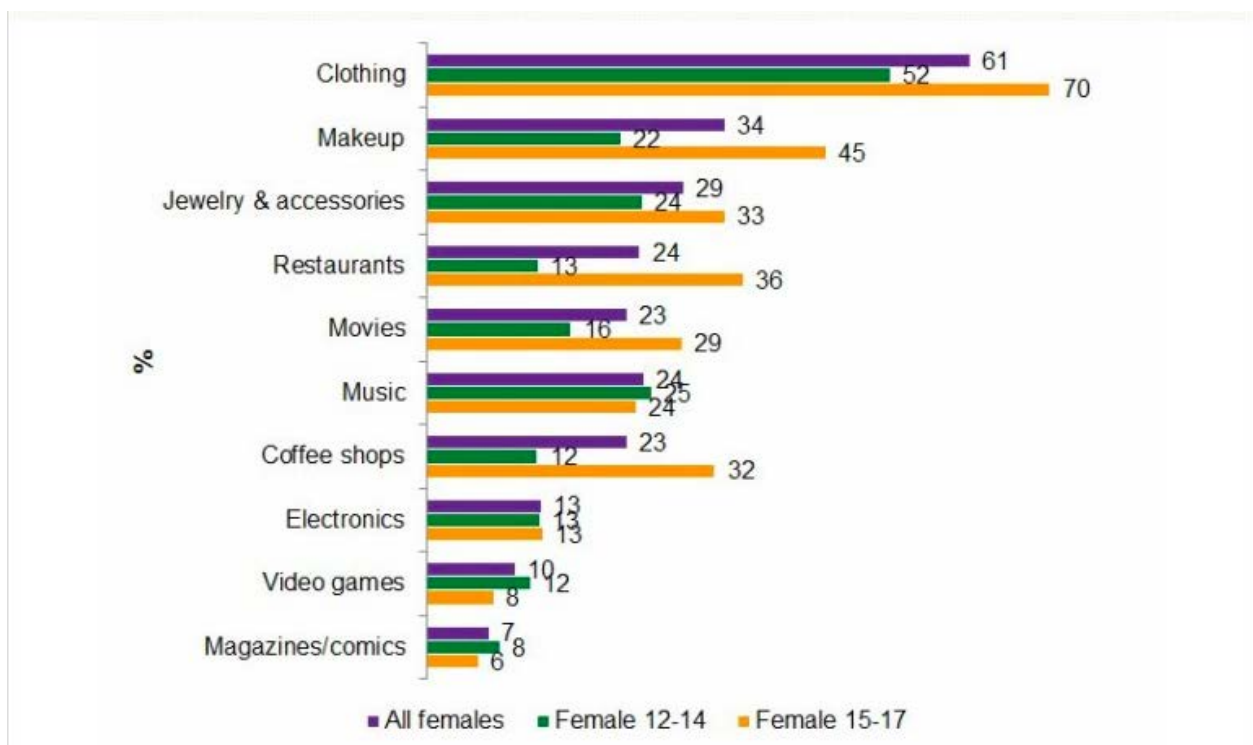


Fig 1.2 (<http://academic.mintel.com.ezproxy.rit.edu/display/771027/>)

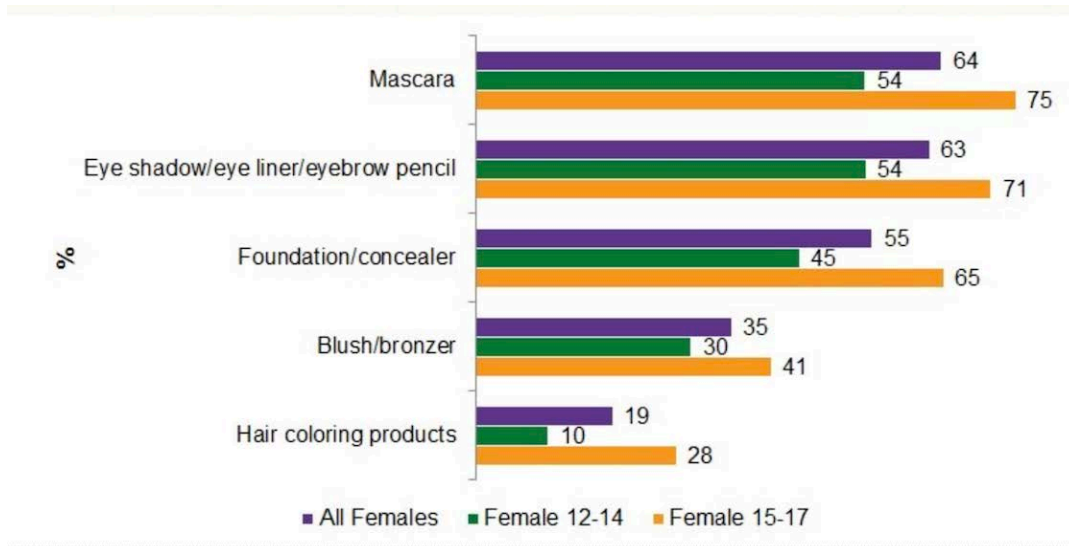


Fig 1.3 (<http://academic.mintel.com.ezproxy.rit.edu/display/771034/>)

3.4 Market Size:

Collecting information from the 2010 U.S. Census, we estimated that, in the U.S., there are 12.4 million girls within the ages of 12 and 17. We then gathered information from the database Mintel, that showed us some type of eye makeup is used by 54% of girls from ages 12 to 14 and 71% of girls from ages 15 to 17. From that data we estimated that there are 7.75 million girls in the U.S. who use some type of eye makeup.

3.5 Market Profile:

A report from Technavio about Color Cosmetics in the U.S., tells us that “Out of cosmetic users only 25% report that they have purchased make-up online, and only 30% say they would buy an item online only if they have used it before.” Even though online shopping is not yet the norm, companies are trying to grow the ecommerce component of the industry. For example, by 2015 ecommerce made up 4% of L’Oreal’s \$14.47 billion revenue. Customers are likely to stay loyal to a product as detailed in a color cosmetics report that says: “About 50% of customers say that replenishing an empty product prompted their most recent make-up purchase.” Our company just has to get them to try our product and love it, then repeat customers will become much more likely.

The color cosmetics report says that overall, “more than one third of cosmetics users report that they don’t seek out information or inspiration.” When buying makeup products the customer bases their purchase off of what their family and friends tell them and magazines. This tells us that word of mouth advertisement will be very beneficial to capture our cosmetics users. However, girls in our target age range get a great deal of their media information from online which is why we chose to advertise mainly through social media and beauty bloggers on YouTube. We plan to use the information from our target market purchases to our advantage by focusing on the needs and wants of our clients and maintaining quality products at an economical price, thereby creating and keeping a loyal customer base.

IV. Marketing Mix

4.1 Product Description:

The EZ-LINER is a double ended eyeliner that combines two products into one. One end is a felt tip pen that distributes product onto the skin, whereas the other end is a sponge which holds a makeup remover solution. Both tips are protected by caps to ensure durability.

Our target market is aimed towards makeup users who are beginners. This target market is searching for a design which gives them room to make mistakes while they are learning and that is exactly what our product provides our customers with. The design of our package also appeals to our target market with a feminine yet elegant look. This will initially draw the customer in with a pretty design, then the image of the product on the actual package will pique their interest even further. The material our package is made out of is called paperboard. Paperboard is a less bulky version of cardboard but a much more sturdy version of paper. The package includes: the product, ingredients information, and company information.

Formulation for both the eyeliner formula and makeup remover solution will be done by our manufacturer Kolmar Cosmetics. Part of the money which we pay to them goes towards research and development which includes testing the products. This will ensure that our product and the ingredients used are entirely safe for consumer usage.

We decided to not include a warranty on our product. There are no additional services offered along with our product but on our website we will have tutorials and testimonies from the beauty bloggers we work with. Currently, we only have one version of our product. Although, in the future we are highly considering broadening our company and making altered versions. These different versions may include things like: waterproof versions, different colors, travel sizes, bigger sizes, etc.



4.2 Pricing Strategy:

After comparing our price to that of our competitors (liquid liners made by mass brands e.g. Maybelline, L'Oreal) we believe we have achieved a stable price of \$11 per unit. Our price may be a bit higher than some competing brands, but liquid liners from these competing companies only have a liquid liner not a liquid liner with remover. The makeup remover end adds considerable value to the product. This price also keeps us competitive with the only other product on the market that is similar to ours, which has to be purchased with a mascara and costs \$35 for the duo.

4.3 Profit:

The total cost per unit for EZ Liner is \$1.52 and, our selling price is \$11.00 per unit, which means we make a profit of \$9.48 per unit sold.

We will be able to achieve this profit by offering a novel product on the makeup market thus drawing in consumers. Our marketing and advertising strategy has been tailored to the personalities of our target market, making us very confident we can reach our sales goals each year.

Not only are we confident in our abilities to reach our sales goals, but we are also confident we will be able to keep our costs exceptionally low. Double Ended Beauty Cosmetics currently has only three employees, which gives us all a high workload with little pay, but we are all the founders of EZ-LINER and put a lot of pride in this business which we have worked so hard on. With that being said, we want to put the company first and do whatever it takes to have a smooth and steady start.

Our company has been able to minimize costs in order to achieve high profit. Four years after our company's initial launch we hope to have an overall sales of \$1.98 million minus the four year totals of cost of goods sold, operating expenses, and taxes to get a net profit of \$907,825.

Four Year Totals

Total Sales	\$1.98 million
- COGS	\$281,200
- Operating Expenses	\$726,896
- Taxes	\$64,079
= Net Income	\$907,825

4.4 Direct Selling:

We sell directly from our warehouse. Customers can purchase our products on our website. When an order is placed, the product will be taken out of our warehouse and shipped directly to the customer's house.

4.5 Promotion/Advertising:

Double-Ended Beauty Cosmetics advertising focuses on girls from the ages 12 to 17. Based on this target market, we came up with the following promotion strategy:

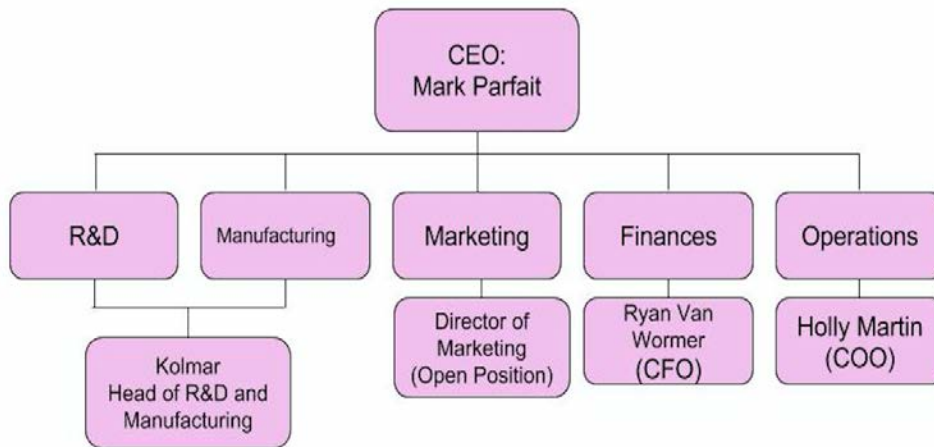
Social Media: Double Ended Beauty Cosmetics plans on running multiple social media campaigns aimed towards our target market. Our primary focus for social media will be YouTube since trends show that girls go on YouTube to look for makeup tutorials. We also want to use other social media outlets such as; Facebook, Twitter, and Instagram.

Youtube: Double Ended Beauty Cosmetics will give samples of EZ-LINER to channels that promote makeup tutorials. By doing this, viewers will not only see the physical product but also how to apply it and what it looks like after applied. We plan to spend \$12,000 the first year, \$17,000 the second, \$22,000, the third and \$27,000 the fourth year.

Facebook, Twitter, and Instagram: Double Ended Beauty Cosmetics will put ads of EZ-LINER on these social media sites in the effort to get our brand and product out there. We plan to spend \$16,000 on each of them the first year, \$21,000 on each of them the second year, \$26,000 on each of them the third year and \$31,000 on each of them the fourth year.

V. Management

5.1 Company Structure:

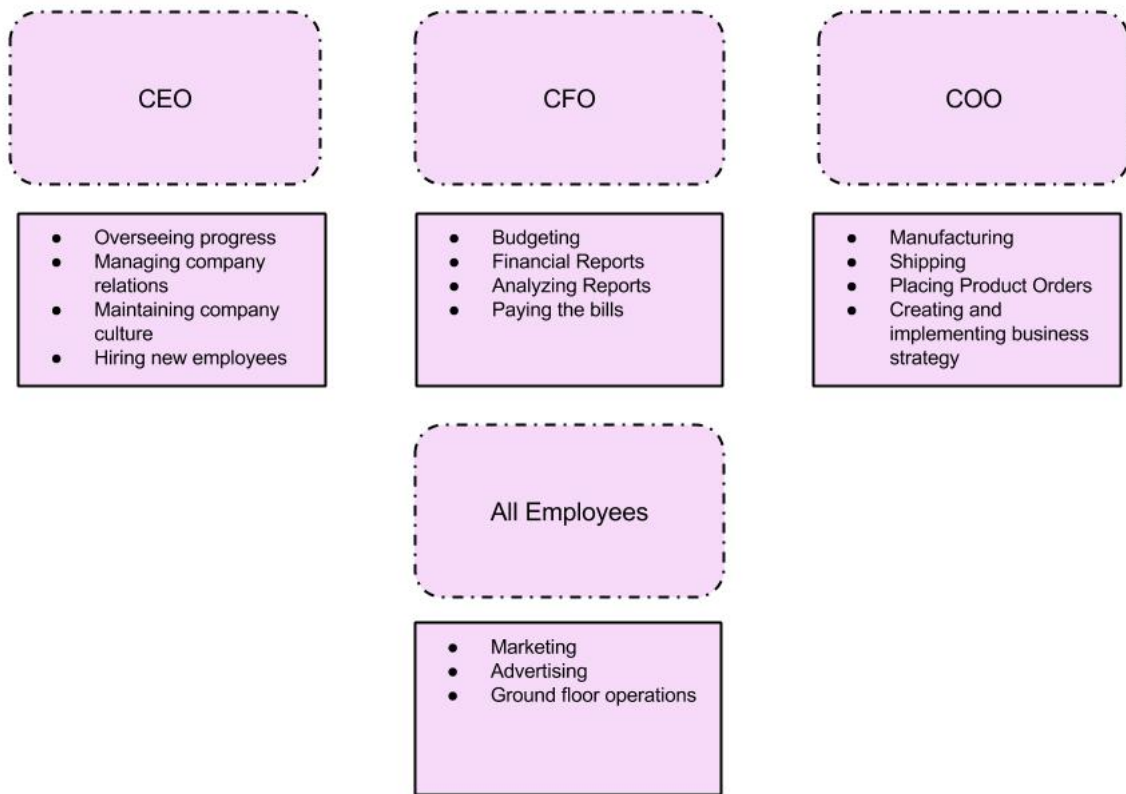



At Double Ended Beauty Cosmetics, we believe that a Limited Liability (LLC) is the best company structure to suit our needs. LLC has an advantage with limited liability and passthrough income taxation, this way our employees don't have to worry about losing their personal assets and our business doesn't have to pay income taxes at the corporate level. We do not have shareholders like corporations do. Our decisions will be made by our higher level employees starting at the management level with majority vote. We carefully considered the advantages and disadvantages of a partnership, LLC, and a corporation and came to the conclusion that an LLC is the best option for Double Ended Beauty Cosmetics.



5.2 Management Team:

At Double Ended Beauty we have three founders/original employees. To cut costs, we will not be hiring any additional employees in the first five years after our initial launch. We believe our three employees will be able to successfully launch EZ Liner, and have divided up the main responsibilities as shown below:

Responsibilities by Job Title



Position	Qualifications
<p>Mark Parfait <i>Chief Executive Officer</i></p> 	<p>As New Media Marketing major, he will have the ability to organize everything for the company. He held leadership positions in student government for three years in high school. Mark also organized and lead many leadership workshops, that helped other students become better leaders. He has a passion for learning and for showing others how to lead. He will be learning more skills and getting more experience though his years left in school, which will make him a successful Chief Executive Officer for Double Ended Beauty Cosmetics.</p>

<p>Holly Martin <i>Chief Operations Officer</i></p> 	<p>Holly is our chief officer of operations. She is experienced in leadership positions from her position as the president of the Future Business Leaders of America (FBLA) in high and as captain of the soccer team. She is an international business major and has received her high school's World Language Department Award for her four years of Chinese studies which she has continued at RIT. Her experience in retail as a sales associate, experience in leadership positions, and passion for the business makes her an excellent fit for this position.</p>
<p>Ryan Van Wormer <i>Chief Financial Officer</i></p> 	<p>As a Management Information Systems major, he will have the knowledge on managerial and analytic thinking which is crucial in overseeing financial affairs. He was active in many sports growing up, through which he learned discipline and awareness. Ryan was involved in student government allowing him to participate in the planning and organizing of events and fundraising. Through those events he learned to budget and allocate resources as well as leadership skills and teamwork. Through his upcoming classes and experiences, he will acquire any additional knowledge needed to successfully run Double Ended Beauty's financial division.</p>

5.3 Employees:

During our first four years of operation Double Ended Beauty Cosmetics will only have three employees, who are also our founders and management team.

Director of Marketing: Following our first four years after launching we will be searching for someone to fill this position. Responsibilities will include implementing marketing plan and building upon it, and carrying out our marketing plan into advertisements. This position will also be in charge of overseeing the advertisements in our business. That means buying ads, and making sure they fit into our marketing strategy.

5.4 Culture:

At Double Ended Beauty, company culture is very important to us. We believe that a good company culture increases productivity, efficiency, and morale. With this in mind, we will strive as a unit to create a healthy and fun environment that will encourage our employees to thrive and allow our company to grow.

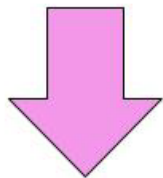
Values

- Problem Solving
- Customer Satisfaction
- Encouraging Diversity
- Exploiting Passion
- Transparency and open culture
- Empower Individuals

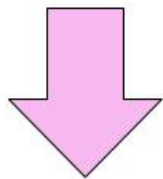
5.5 Customer Service:

Customer Reports	The customer is able to report any problems, questions, or concerns to the Double Ended Beauty support center, which is provided on the packaging.
Troubleshooting	The customer service representatives will have the knowledge to know how to handle the most common problems that customers may encounter. If the problem is fixed during this step, then the process ends here.
Customer Returns	If the customer received a faulty product, then the customer may ship the faulty product back to us at their own cost and we will send them a new one.

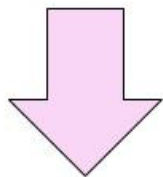
5.6 Operations:



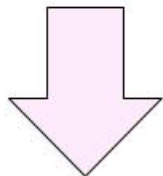
Manufacturing: This takes place in Port Jervis, NY with Kolmar Cosmetics. Kolmar has the raw materials and skills to change our product from plans to a reality. After they develop our products they are shipped to our warehouse in Rochester, NY.



Warehouse: Our warehouse will be 3,000 square feet in size. We decided that a small warehouse is best for our company because we have a small product and our beginning inventory is small as well so our inventory won't take up much space. The warehouse has office space which our employees will be able to utilize.



Distribution: From the warehouse our product will be shipped out by UPS to our customers at their own cost, determined by a variable rate, depending on the location it is being shipped to.



Customer: The product finally reaches the customer. Inside the packaging there is the product, ingredients information, company information, and customer service contact information.

VI. Financial Plan

6.1 Income Statements:

<i>Data Entry For Financial Forecast Analysis</i>					
	2017	2018	2019	2020	Four Year Totals
Sales					
Units	20,000	30,000	50,000	80,000	180,000
Sales	220,000	330,000	550,000	880,000	1,980,000
Other	0	0	0	0	0
Total Sales	220,000	330,000	550,000	880,000	1,980,000
Less Cost of Goods Sold					
Units	25,000	30,000	50,000	80,000	185,000
Manufacturing and Labor Cost	38,000	45,600	76,000	121,600	281,200
Total Cost of Goods Sold	38,000	45,600	76,000	121,600	281,200
Gross Profit	182,000	284,400	474,000	758,400	1,698,800
Operating Expenses					
Salaries and wages	49,500	49,500	49,500	49,500	198,000
Utilities	2,400	2,400	2,400	2,400	9,600
Rent	30,000	30,000	30,000	30,000	120,000
Repairs and maintenance	0	0	0	0	0
Insurance	1,094	1,094	1,094	1,094	4,376
Telephone	180	180	180	180	720
Office supplies	700	500	500	500	2,200
Website	3,000	5,000	7,000	9,000	24,000
Advertising	60,000	80,000	100,000	120,000	360,000
Other	2,000	2,000	2,000	2,000	8,000
Total Operating Expenses	148,874	170,674	192,674	214,674	726,896
Operating Income	33,126	113,726	281,326	543,726	971,904
Interest income (expense)	0	0	0	0	0
Other income (expense)	0	0	0	0	0
Total Nonoperating Income (Expense)	0	0	0	0	0
Income Before Taxes	33,126	113,726	281,326	543,726	971,904
Income Taxes	0	7,563	19,271	37,245	64,079
Net Income	33,126	106,163	262,055	506,481	907,825
Cumulative Net Income	33,126	106,163	262,055	506,481	907,825

6.2 Sales:

In our first year we estimated that we would sell 20,000 units for \$11 each giving us a gross sales of \$220,000 for our first year. Collecting information from the 2010 U.S. Census, we estimated that, in the U.S., there are 12.4 million girls within the ages of 12 and 17. We then gathered information from the database Mintel, that showed us some type of eye makeup is used by 54% of girls from ages 12 to 14 and 71% of girls from ages 15 to 17. From that data we estimated that there are 7.75 million girls in the U.S. who use some type of eye makeup. We strongly believe that EZ Liner is capable of capturing the 0.002% of that market within the first year of sales, since it is such a unique and useful product. In 2018 we will sell 30,000 units, in 2019: 50,000 and in 2020 80,000 units. These amounts will give us a gross sales of 180,000 units or 1.98 million in our first four years after launching.

(Source: U.S. Census, Mintel)

6.3 Cost of Goods Sold:

Manufacturing

Eyeliner Formula and Makeup Remover Solution Cost per Unit	\$0.02
• Packaging and Labeling Cost per Unit	\$0.50
= Total Cost per Unit	\$0.52

Labor

Production and Filling Cost per Unit	\$1.00
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Total COGS

Total Manufacturing and Labor Cost per Unit	\$1.52
x Units Produced for Initial Inventory	25,000 units
= Total COGS	\$38,000

We based the expected costs to make our product on average prices to produce cosmetics as found on a website called Chemists Corner. Our high number of units produced will bring down our labor (production and filling) cost. The formula costs for the eyeliner and makeup remover can range from \$0.13 to \$2 per pound. This means our product is higher quality as far as formula goes. Within each product there is 0.1 fl. oz. of eyeliner formula and 0.05 fl. oz. makeup remover, making the cost for these two things approximately \$0.02 per bottle, considering each formula costs \$1.00 per pound (about 15.34 fl. oz.). The packaging may be more complex than usual but we do not estimate that the materials will cost above average so the total per unit is only \$0.50.

(Source: Chemists Corner)

6.4 Shipping Cost:

Our shipping costs from our manufacturer, Kolmar, to our warehouse/headquarters in Rochester will be covered by Kolmar. The shipping costs from our warehouse out to our customers will be covered by the customers and is a variable rate determined by how far the product is being shipped.

6.5 Salaries:

As a small company with only three employees we are deciding that we will each take salaries of \$16,500 for the first four years our company is in business. We are able to do this because we are still college students. While attending college we have minimal expenses and do not need to be paid large sums of money. It was our decision to take these small salaries so we may minimize costs within our first year and reinvest profit to further our company's progress. After the year 2020 we will all have our undergraduate degrees and will then raise our salary expenses so that we all may receive fair, full time wages.

6.6 Income Taxes:

In Double Ended Beauty's first year of operation our net income is low enough that we are not eligible to have to pay state income taxes. In the second and third year our income falls into the bracket where we have to pay 6.5% income tax, and in the fourth year we fall into the bracket where we have to pay 6.85% income tax for New York state. We will be paying nothing our first year, \$7,563 our second year, \$19,271 the third, and \$37,245 the fourth.

(Source: Department of Taxation and Finance- NY State)

6.7 Operating Expenses:

Utilities: We got the utilities price for our warehouse based off of a source who listed the average cost for utilities. We do not believe that our warehouse will cost above average considering it is a relatively small warehouse and we will use very little water or gas. We will mainly only be using the electricity and even the use of that will be limited.

(Source: Move.org)

Rent: Our company would like to lease a warehouse located in Rochester, NY which fits all of our needs for a storage and workspace. We estimated we would pay \$10 per square foot per year for 3,000 square feet of space to total \$30,000 rent per year for the warehouse space we need.

(Source: Austin Tenant Advisors)

Insurance: We realize that with starting a small entrepreneurial company comes great risk, this is why we chose to purchase general liability insurance for our first four years of operation. This covers accidents, injuries, and potential lawsuits our company may face. The average cost for this type of insurance is \$741 per year, but ours is above average at \$1,094 per year because as a cosmetic product there is a lot of risk surrounding allergic reactions or anything of that nature.

(Source: Insureon)

Website: Since all of our sales are online for the first four years we had no problem making the website one of our higher expenditures. We also wanted to make sure that in the coming years that our website grows so our brand will as well. That is why our website costs increase steadily over the years. We pay \$3,000 in the first year to \$9,000 in the fourth year for website creation and development.

(Source: Website Builder Expert)

Other expenses: Due to the fact that we are outsourcing our manufacturing to Kolmar cosmetics we expect to have some sort of fee within our contract with them, a different type of expense they will add on in addition to manufacturing the product for us so that they may make a profit of their own. It was hard to get an actual estimate from them so we assumed \$2,000 additional expense for each of our business' first four years. This price will also include research and development as well as testing which is crucial for a cosmetic product. Research, development, and testing will all be done by Kolmar before manufacturing the final product and selling it. Doing all of this before putting the product on the market will help ensure the safety of our users.

(Source: Kolmar)

6.8 Funding Request:

Double Ended Beauty Cosmetics is asking investors for \$322,600 with a 19% stake in the company. The money will cover the follow costs for first two years.

• Cost of goods Sold	\$83,600
• Salaries	\$99,000
• Advertising	<u>\$140,000</u>
Total amount requested:	\$322,600

VII. Citations

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