

EXECUTIVE COMMITTEE MEETING

March 18, 1976

9:30 A.M. - Board of Directors Room

PLAINTIFF'S
EXHIBIT
WCD-353

PRESENT: G. S. Mennen
J. P. Kennedy
L. D. Horne

GUESTS: R. Hammond
H. Goldman

Market Research Review of Safe Day and Apple Vinegar Shampoo

Mr. Hal Goldman, Market Research Director, came before the committee to review the status of Apple Vinegar Shampoo and Safe Day Anti-Perspirant/Deodorant. A tracking study made up of a sample of 500 female shampoo users in each of the 2 test markets revealed that at the end of 4 months, Apple Vinegar Shampoo had an awareness of 70%. This was the highest that Mr. Goldman could ever recall. This compared with a tracking study done on Protein 21 which was 64% at the same point in time. The trial at the end of 4 months of 23% versus Protein 21 of 13% was also favorable. These figures differ, however, in that 10% of the 23% of Apple Vinegar Shampoo resulted from a sample. There have been no samples in the case of Protein 21. The average number of repeat purchases among those purchasers was 5.0% which, again, was considered to be quite extraordinary. On all other measurements such as, "intent to purchase", "definitely; possibly and might buy," Apple Vinegar appears to be doing extremely well. Mr. Goldman concluded his remarks on the Apple Vinegar sales performance to date by making an estimate that share for January-February would be a 2.4% share and that March-April might be as high as a 4.0%. This would be extremely high when the share of market objective is taken into consideration which was a 2.3% average for the first year.

Mr. Goldman reviewed a similar tracking study done on Safe Day Anti-Perspirant/Deodorant. In this case, the awareness was substantially lower at 29% but this was to be expected to some degree in that there was no sample and the "up front" spending for Safe Day was considerably less than that of Apple Vinegar. Among those who were aware of Safe Day, the purchase rate of about 36% of those aware was considered by Mr. Goldman to be very, very acceptable. The intent to buy for Safe Day was also very acceptable at a level of about 64% but it should be noted that because of the form, the respondents were polarized to a much greater extent. Twenty-one percent expressed no intention to buy. Mr. Goldman concluded his remarks on Safe Day's tracking study by suggesting that the estimate for January-February might be about 1.2% share of market and March-April at about 2.0%.

Mr. Goldman just returned from a 3-day store check in the Dallas/Ft. Worth test market for Safe Day. His findings were that Safe Day is doing extremely well in almost all accounts. The most severe problem is that of out of stocks in about 30% of all stores. The out of stocks have been high since the inception of

Market Research Review of Safe Day and Apple Vinegar Shampoo (CONT'D.)

the test but have become much more acute since the coupon was distributed in this market a couple of weeks ago.

Mr. Kennedy recommended that based on the information that is presently available, steps should be taken to provide for a national launch of Safe Day in the 6th cycle with shipping starting on August 16. Among the reasons for this was the rising acceptance of non-aerosol products in the deodorant category; the fact that it required less financial risk than Apple Vinegar and the obvious fickleness present in the Shampoo market. Share figures on both of these above noted new products will be available by April 10. The loss of contribution that would be developed by the national introduction of Safe Day would be (\$476,000). Should the Nielsen audit results be so encouraging as to suggest a launch of Apple Vinegar in the same cycle, an additional (\$1,383,000) would develop in fiscal 1976. The commitment to any capital expenditures will not be necessary for Apple Vinegar Shampoo until after that audit is available, however, commitments must be made this week to proceed with plans for national introduction of Safe Day. They are:

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|----|-----------------------------|----------|
| A. | 1.75 oz. Safe Day Stick | |
| | 1. Cup & Cup Extender Molds | \$28,000 |
| | 2. Foam Plug Mold | 12,300 |
| B. | 2.0 oz. Roll-on | |
| | 1. Additional bottle mold | 16,000 |
| C. | Barrel assembly machine | 25,000 |
| D. | 2.75 oz. Foam Plug Mold | 12,300 |

The committee approved the recommendation for this commitment almost all of which could be recaptured should a disappointing share figure result from the audit due in early April.

It is also entirely possible that the share figures for Apple Vinegar which are due in early April may lead us to the possible "go" or "no go" national introduction decision. Mr. Mennen was asked if he felt the directors would wish to sacrifice near term profits that would result from such a positive decision. Mr. Mennen replied that it was his feeling that as long as the dividend requirements and necessary working capital were properly covered, that the directors would most certainly wish to capitalize on any reasonable opportunities for such growth.

Mr. Kennedy also asked that a commitment be made for a national sales meeting to "kick off" one or more new products at a national sales meeting to be held in Florida the last week in May. This was also approved by the committee and reservations will be made. The airline tickets will again be made out of Colombia to utilize otherwise blocked funds.

Johnson & Johnson

Mr. Ryan, house counsel for Johnson & Johnson, has written to Mr. Brad Henry stating that the redesign and new "tear-free formula" designation is satisfactory to them. They also agreed that the changes made in the Canadian design and designation is also acceptable.

Talc

Following this meeting, Mr. Robert Suffis gave a report to the Management Committee relative to the talc situation. On March 16, 1976, R. Suffis had a telephone conversation with Dr. Langer of Mt. Sinai Medical School concerning Dr. Langer's analysis of asbestos in talc, particularly on the samples of Mennen Shave Talc and Mennen Bath Talc.

The Bath Talc sample was identified by code dated 25DE, as having been produced on May 25, 1973. The talc used was a blend of Italian and Montana talc that is identical in composition to the talc that we are currently using.

The Shave Talc had a code date of A19CJ which was produced on September 19, 1972. The talc used at this time was 100% Italian talc. Italian talc has been studied extensively and has been found to be almost pure talc with no asbestos fibers present.

He visited Dr. Langer's laboratory on March 18, 1976 and discussed the analytical techniques and results on the Mennen samples. The original analysis on Shave Talc was performed in 1973 a single time on a sample taken directly from the bottle and showed the presence of a low level of approximately 2% of an asbestos type known as Tremolite.

At my request, new samples were taken and analyzed by the same technique as previously. The analysis was rerun approximately ten times under different conditions and in each case, Dr. Langer was not able to confirm the presence of Tremolite.

Dr. Langer plans to rerun this analysis by a more sensitive technique and will report the results on these new analyses within one week.

Since 1971, The Mennen Company has relied on the certification of our supplier Whittaker, Clark & Daniels that our talc samples are free from asbestos. The supplier has had a program of continuous analysis of cosmetic talc and has never detected the presence of asbestos in any sample tested.

The Mennen Company has now initiated a program of testing talc on a regular basis for asbestos, using an outside consultant with the appropriate equipment.

Talc (Cont'd.)

A letter will be prepared by R. Suffis to be sent to the Food and Drug Administration via Dr. N. Estrin of the C.T.F.A. This letter will contain all the information described above including supplier's certification, the identity of the samples tested by Dr. Langer, the discrepancy between his results and those of Dr. Pooley of the University College, Cardiff, Wales, and the results of Dr. Langer's analysis of the Mennen Shave Talc samples performed in the presence of R. Suffis.

Office Renovations

Mr. Horne stated that our office renovation program had been postponed in 1973 due to cash flow problems. We reactivated this program in 1976, and the Accounting area consisting of approximately 38 people is the last sizeable area remaining to be upgraded. This area will cost approximately \$100,000, and the expenditure was planned over the period of 1976-77. Our present studies indicate that extending this renovation over two years would make it more costly and disruptive. The committee, therefore, approved Mr. Horne's request to combine the 1976 and 1977 budgets for this item and complete the total renovation in 1976.

Scannon Acquisitions

Mr. Horne reported that Hermes (Caleche and Equipage) are no longer considered acquisition candidates. Recent negotiations with them have revealed that they recently hired a sales manager and are committed to handling their own distribution. In our opinion, this course of action does not appear to be economically feasible in light of their \$1.5 million volume, and we will continue to follow up with them for possible interest in the distant future.

Bal a Versailles is the only active candidate we are presently working on. The company has recently received a favorable court decision regarding a dispute over the trademark ownership. We are meeting with the principal owner, J. Desprez, in early April to continue negotiations regarding a joint venture.