

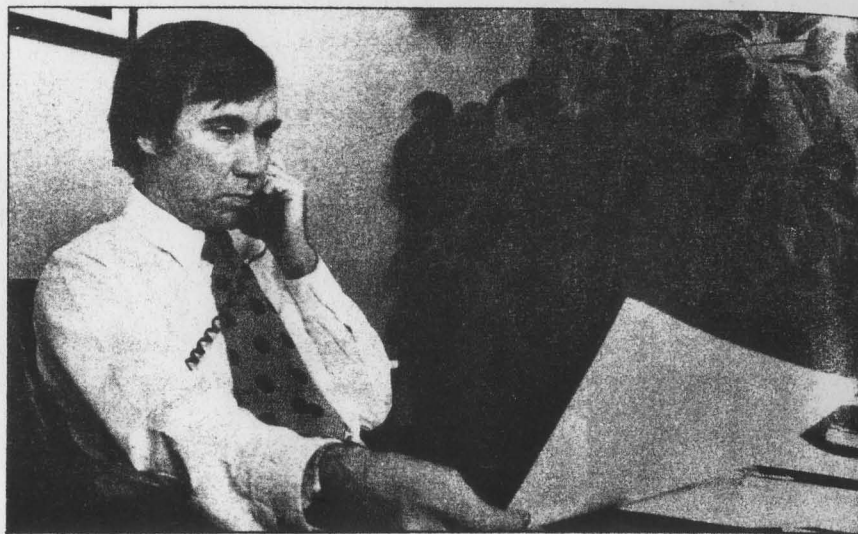
The Spotlight

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Noxell Corp.: New Profits From An Old Formula

In the fast-paced business of toiletries and cosmetics, Cockeysville, Maryland's Noxell Corp. has long stood out as a model of conservatism. Founded in 1917 by Baltimore pharmacist George A. Bunting to market a sunburn preparation called Noxzema, the company so conscientiously avoided the industry's faddish ways that it did not introduce a significant new product line until 1961. Thus, some stockholders were understandably nervous when George L. Bunting Jr., the aggressive grandson of the founder, succeeded his father as president of Noxell in 1973.

But any such skittishness has long since disappeared. Under the younger Bunting, Noxell has enjoyed its most prosperous era yet by strengthening its existing products and greatly broadening its base with a steady stream of new ones.



Bunting: "We know our consumers well, and they know us"

In the five years to 1979, Noxell's sales and profits doubled to \$179.7 million and \$13.3 million, respectively—an average growth rate of 12% a year. Last year, in the midst of recession, sales rose 13.6% to \$204.2 million, while earnings increased 10.5% to \$14.7 million, or \$3.01 a share (a switch to LIFO ac-

counting cost earnings 20 cents a share). "Product for product, Noxell has done an excellent job," says analyst William Patternote of Baltimore brokerage firm Alex. Brown & Sons.

Bunting's success has been due in no small part to his adherence to the traditional Noxell formula: mass-market

Printronix Inc.: Reaping the Rewards Of Innovation

The newest name on the list of fast-growing California high-technology companies is Printronix Inc., a maker of computer printers that was recently ranked as the second fastest growing firm in the state and the eleventh fastest in the U.S. Like many other companies of its type, Printronix started out in a garage and zoomed to success with an innovative new product.

Printronix was founded in 1974 by a group of engineers who had the idea of developing a new kind of printer geared to the special needs of the fast-growing minicomputer and small-business computer markets. The result was the P300 printer, a true advance in the state of the art. Until then, most printers were of the serial type, producing hard copies of computer output one character or number at a time, like a typewriter. Their greatest limitation was their inability to produce multi-part printouts, such as

invoices, purchase orders and paychecks. They also were unable to print graphics of any kind and required special, expensive paper.

The P300, the first "dot matrix" line printer developed, overcame those drawbacks and more. Through the use of a "hammer bank"—on which small dots are arranged in any combination desired to form characters, numbers or lines—it allowed users to print complete lines at one time, obtain as many as five clean copies of every printout, plot and print a wide variety of images, including graphs and charts, and print on virtually any kind of paper. "It was the closest thing to a universal printer for the mini-computer industry," says Printronix President Robert A. Kleist, an experienced entrepreneur who had helped found computer maker Perdec Corp. back in the 1960s and was a key figure in setting up Printronix.

Nevertheless, Printronix was in a state of financial crisis for most of its first two years. No venture capitalist or banker was willing to gamble on a new, one-product company in the depths of recession. "It was a cliff-hanger all the way," Kleist recalls.

But with \$1 million of their own money and funds received from selling two foreign licenses, the founders pulled through, and Printronix began making money in 1976. Profits have since skyrocketed, reaching \$3.1 million, or 95 cents a share, in fiscal 1980 (ended March 31) on sales of \$36.9 million.

From necessity, Printronix also developed an unusual marketing strategy. Unable to afford its own in-house sales force, it turned to outside distributors—a move that went against the conventional wisdom of the business because it supposedly took control of customers out of the company's hands. But at the time, Kleist says, it was the right way to go. "It put more salesmen in the field talking to customers than we could have done ourselves, and it not only helped preserve vital capital but gained us the acceptance our product deserved."

Since it began, Printronix has come up against some heavy competition in advanced printers, mainly from Data-products Corp. and Control Data. Moreover, it will soon face a new challenge from giant International Business Machines, which has announced plans

pricing, heavy advertising and savvy use of brand loyalty. The founder had realized that his popular sunburn remedy—a mixture of clove oil, eucalyptus oil, lime water, menthol and camphor—was inherently a seasonal item. So to broaden the sales base, he repositioned it as an all-purpose moisturizer and cleanser and also began marketing a shaving cream, suntan lotion and cold cream—heavily promoting the Noxzema name with each product and using the same ingredients in all the products to preserve the distinctive, slightly medicinal aroma of the original.

This strategy proved remarkably successful, as Noxzema became one of the country's best-recognized brand names. Likewise, with the introduction of Cover Girl Cosmetics in 1961, the company used Noxzema ingredients, featured the Noxzema name and used its therapeutic connotation to create the image that Cover Girl was good for the skin. Priced for mass consumption, sold in drugstores and advertised heavily, Cover Girl is one of the top-selling makeup brands in the U.S. and a leader in Europe, where sales have expanded fast in the past few years.

The younger Bunting has used these same tactics to go after new markets. For instance, when it became apparent in the mid-1970s that the growth of Cover Girl's market base—primarily consumers between the ages of 12 and 34—would slow down in the years

ahead, Noxell introduced a new line of Noxzema MoistureWear makeup to appeal to older women and a separate line of RainTree lotions and creams to establish a bigger presence in the booming moisturizer market.

Both lines, like Cover Girl, have since gained strong positions in their markets. And by sticking to the same price range for all its cosmetic lines, Bunting believes, the company is now positioned so that consumers are likely to move from one Noxell product to another as they grow older. "I think we know our consumers well, and they know us," he says.

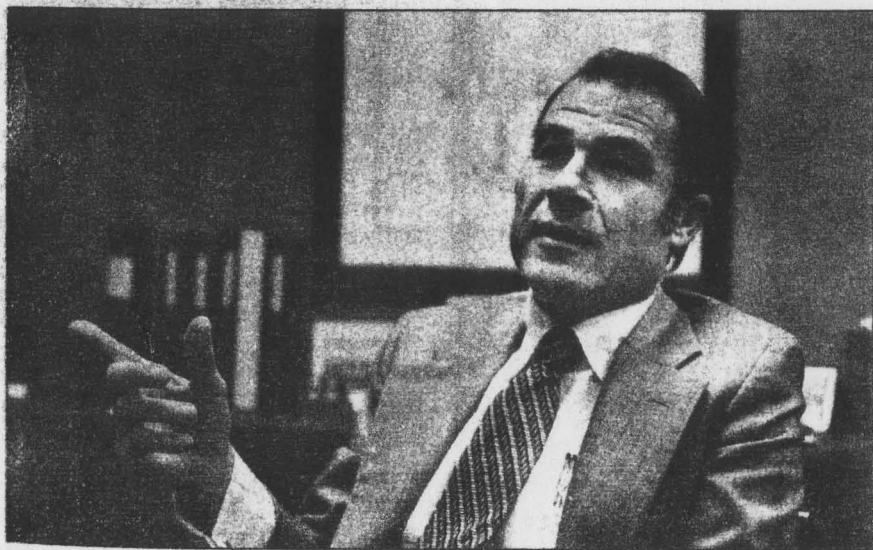
But Bunting is aware that, given the country's aging population, Noxell's historic growth rate cannot be maintained without extending its product line still further or increasing market share—both of which have limited possibilities in the already overcrowded cosmetics industry. Thus, he has been looking intensively for new business opportunities.

Noxell first diversified outside its traditional field in 1969 by purchasing Lestoil, a grease-cutting household cleaner sold mainly in the East. It has since established Lestoil as a national brand and begun marketing a rug cleaner under the same label. The two products now account for 10% of the company's sales, and Bunting believes the Lestoil name can be used as a base from which to launch a broad line of home cleaning products in the same way

that the original Noxzema spawned a line of toiletries.

Likewise, when Noxell bought an option to purchase Caliente Chili Co., a small Texas firm that produces Wick Fowler's Two Alarm Chili seasonings, in 1978, Bunting figured that Noxell's distribution and marketing expertise could make Wick Fowler's a national brand and a base for branching out into other specialty food items. But he acknowledges that results have been disappointing so far, although the venture has been a valuable experience. "What we have learned," he says, "is that you can't take a product from one part of the country and simply dump it into a new market. You have to pave the way by educating consumers." Lately, Noxell representatives have taken to spooning out chili samples in grocery stores, and analysts expect Noxell to buy Caliente when the option comes due next year.

In still another disappointing attempt at diversification, last year Noxell test-marketed an aspirin for heavy users, but had to withdraw it because of poor sales. However, other proprietary medicines are in the works, and Noxell has allocated \$11 million to expand its research facilities in Cockeysville. Upon completion, R&D activity should step up considerably, and Bunting seems sure that Noxell can carve out a place in the industry. "It is a natural expansion for us," he says. "After all, Noxzema was originally a proprietary medicine of sorts."



Kleist: Looking for continued strong growth and a bigger market share

to market a similar printer. Kleist, though, is not fazed by the prospect. As he sees it, IBM's effort to solidify the concept originated by Printronix and will help expand the market. "It will be good for us because it's really an en-

the reliability of the P300. To cut down on user need to interrupt operations for signed with only half the moving parts of most printers. The company is so sure of the machine's reliability that it offers

This emphasis on quality has helped Printronix grab a 15% share of the market for medium-speed printers—significant penetration for a young company—even though its prices are higher than those of competitors. And it has modified its marketing operation to snap up such big customers as Digital Equipment and Prime Computer, to which it now sells directly while continuing to use distributors for smaller customers. Roughly 55% of revenues now come from direct selling. The company has also introduced two new printer models in the past couple of years.

According to Kleist's timetable, Printronix' share of the market should increase to 25% within the next three years. In the fiscal year ending this month, he expects the company to earn around \$1.20 a share on sales of about \$52 million. And he is confident that sales will continue growing by at least 30% a year, and earnings by 25% or more. "Within the next few years," he says, "we will become a strong, stable company with the size to give us the same

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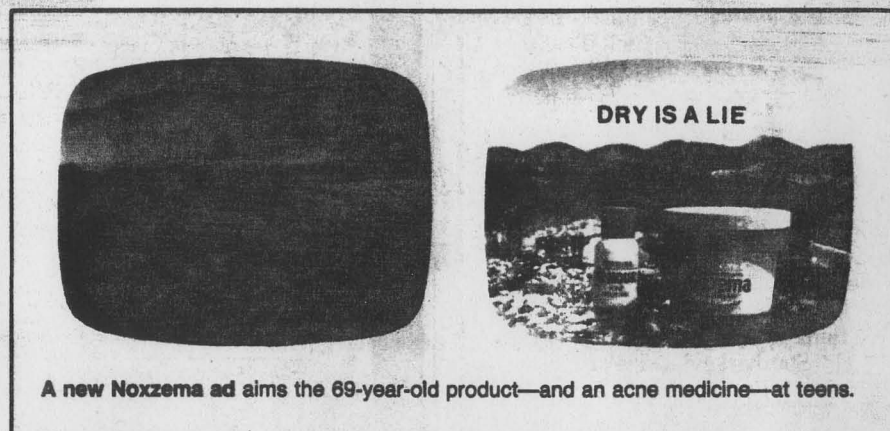
Noxell glows in the mass market

The cosmetic maker spurns chic specialty stores and sticks with low-price retailers

Noxell Corp.—marketer of the popular Noxzema and Cover Girl brands of makeup and skin cream—has found success in a segment of the \$11 billion cosmetic industry that its haughtier rivals disdain: the mass market. Its products are aimed primarily at teenagers and evoke the image of fresh-faced, natural beauty. Widely distributed and heavily advertised, Noxell's brands are easily recognizable by either their low price or, in the case of Cover Girl, model Cheryl Tiegs, whose visage has graced the line's ads and

Noxell reaches its customers through outlets that usually display cosmetics on economical self-service racks, with retailers depending on low margins and quick turnover for success. Its product line is deliberately limited: Cover Girl sells only seven shades of liquid face makeup, while chief competitor Maybelline offers 20. "We don't want to burden the storekeeper with too many shades," explains Robert W. Lindsay, Noxell's vice-president and secretary.

Trading down. Low price has always been a company tenet. And this past year, as the economy worsened, Noxell's products thrived as cost-conscious consumers traded down from more expensive lines. As a result, Noxell's centerpiece Cover Girl line—priced from \$1.25 to \$3.75—enjoyed a 20% sales gain and a 10%



A new Noxzema ad aims the 69-year-old product—and an acne medicine—at teens.

packages for an astonishing 10 years.

Content to sell its products in chains such as K mart Corp. and F. W. Woolworth Co., the family-controlled company has let others vie for the more prestigious, but cutthroat, department and specialty store business. That approach, derided by some as stodgy, has nonetheless given Noxell's balance sheet an in-the-pink glow. While most of its flashier rivals would rather forget 1982, Noxell plumped up its earnings 9.7% over the previous year, netting \$20 million on a 12.3% sales gain to \$261.9 million.

The determination to sell exclusively through mass merchandisers is based on Noxell's belief that chic department store displays, which gloss a brand's image and hold out the promise of fat profit margins, do not always help the bottom line. The reality is that when selling through department stores, cosmetic companies are usually obliged to lease counter space for their lines, keep large inventories on hand, and pay commissions to sales people.

growth in units through last September. Maybelline Co. posted unit sales increases of 6% to 7% during that time, says David C. Brittain, president of Schering-Plough Corp.'s U.S. cosmetic division, the marketer of Maybelline. Competitors Revlon Inc. and Avon Products Inc. saw their profits drop 33% and 19%, respectively, during the first nine months of 1982.

Still, some industry observers detect corporate crow's feet. Noxell, they say, has not been able to capture the increasingly large over-30 market. Sales of the company's 69-year-old Noxzema were flat last year, and to revive the product Noxell has started a new ad campaign called "Dry is a lie." But the campaign—spotlighting both Noxzema and 12-Hour Acne Medication—is aimed at teens, using magazines such as *Seventeen* and TV shows such as *Happy Days* and *La-verne and Shirley*.

While Lindsay insists that "we already have the older customer," doubts run strong. Critics note that the skin-



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care market is growing about 6% annually and that Noxell should have expanded Noxzema into night or eye creams. They cite the success of low-price Oil of Olay, aimed at the woman in her thirties, which has grown fifteen-fold to almost \$150 million in sales since Richardson-Vicks Inc. acquired it in 1970.

Other entrants. Noxell has made attempts to woo the "older" woman. Its moisturizing lotion, RainTree, introduced during 1980, "never got off the ground," says industry consultant Alan G. Mottus. The trouble was that Noxell did not anticipate that others—including Soft Sense by S. C. Johnson & Sons Inc. and Vaseline Dermatology Formula, marketed by Chesebrough-Pond's Inc.—would enter the hand- and body-lotion market after it had tested RainTree.

The company mounted another attempt to capture the over-30 crowd in 1976, by introducing Moisture Wear makeup as part of its Cover Girl line. But after six years, the product has eked out only \$14 million in sales. George L. Bunting Jr., 42, president and chief executive, says Moisture Wear is "still in its infancy." One problem may have been a blurry image. Once a part of the Cover Girl line, it was aimed at older users. To sharpen the brand's focus, Noxell is using older models.

Noxell has spread Cover Girl brand's popularity across a wider age group by keeping model Tiegs, now 35, as its spokeswoman for more than a decade. "The active, attractive girl-next-door image is how the working woman likes to view herself," says Diana K. Temple, cosmetic industry analyst with Salomon Bros. And to boost Tiegs's image, Noxell consistently spends about 22% of annual sales on advertising, well above the industry average of 7% to 9% of sales.

No change. The growth figures indicate that this strategy is a winner. Cover Girl accounted for more than 50% of Noxell's sales in 1982, up from 47% in 1981. In addition Cover Girl, with about 13.5% of the lower-price cosmetic market, is growing faster in both dollar and unit sales than Maybelline, which holds nearly an 18% share. Both are well ahead of Revlon's low-price Natural Wonder line, with about 5% of the market.

While company executives say they are making every attempt to go after new markets in the makeup and skin care business, Bunting acknowledges that he is looking for an acquisition, perhaps in another field. Some think Noxell may look for household cleanser products, since it already distributes Lestoil and is test-marketing another, called Kind. But Bunting says the unabashedly conservative company, which carries no long-term debt on its books, will not change its ways. He states: "We don't have to change to continue to grow." ■

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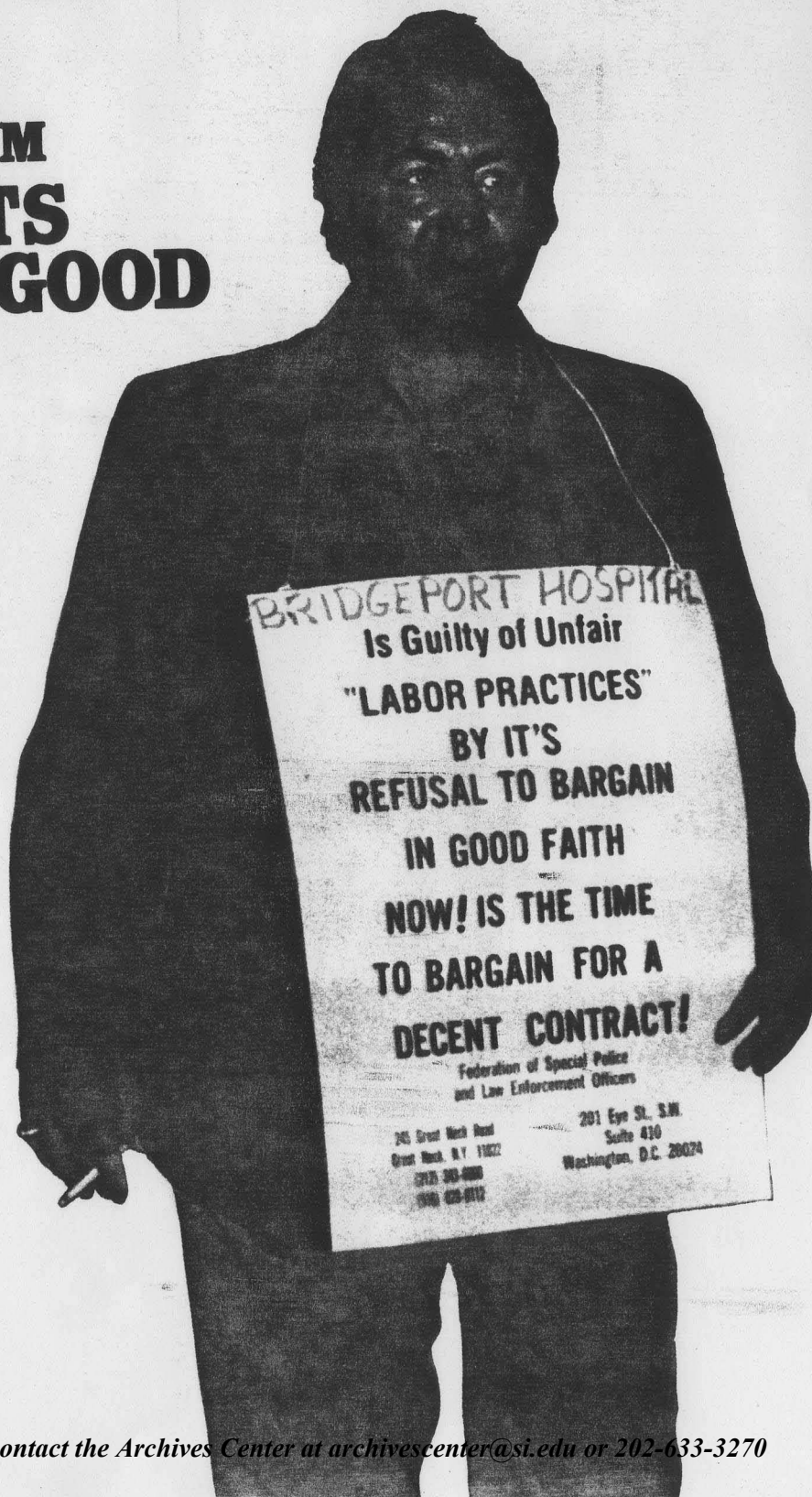
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Noxell has occupied its profitable little niche for over 50 years. But now things may start to get crowded.

Time to make a move

By Aaron Bernstein

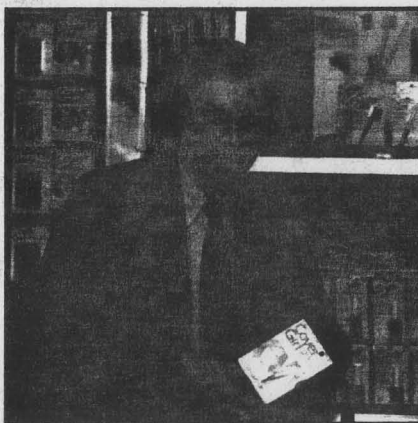
HOW DOES A LITTLE cosmetics company like Noxell Corp. (\$260 million sales) from Cockeysville, Md. sail through a bruising recession while the industry's giants fall down? By sticking to what it does best—aggressive marketing at the lower end of the price scale.

Noxell's 8% unit growth over the past five years dropped to 7% last year, but that certainly beats the rest of the industry, which has been flat for years. Earnings grew about 16%, compared with 12% for the industry over the five years.

Demand for cheaper cosmetics like Noxell's is no surprise in a recession, but analysts see other, more fundamental shifts at work. As women moved into the labor force in huge numbers during the 1970s, many found cosmetics no longer a luxury, but a daily necessity. In a subtle way, that changed marketing. As Jack Salzman, consumer products analyst at Smith Barney, puts it: "The 1970s took a lot of hype out of cosmetics marketing. Women decided they wanted good value and convenient purchasing, which lies at the mass end, not at Bergdorf Goodman's."

Noxell, founded in 1917 by Baltimore druggist George A. Bunting, was already there. Noxzema skin cream was Noxell's main product for over 40 years. In 1961 came Cover Girl cosmetics, a line of facial foundations. Since Noxzema was already in drugstores and mass merchandiser outlets, Cover Girl could be piggybacked on the existing distribution system. From the start, then, Cover Girl was run more like a toiletries business than a fashion-oriented cosmetics business.

After so many years of catering to



President George Bunting Jr. of Noxell
What would grandfather do?

mass retailers, Noxell has learned its market well. Drug and food stores depend on fast turnover rather than high margins, so Noxell keeps the number of different shades of each product line to a minimum, offering at low prices only the colors most women use. Result: Cover Girl averages six to seven turns on the shelf a year, compared with Revlon's three or four.

When Revlon tried to move into the mass-market end two years ago, it botched the job by telling retailers they had to take a huge package of about 100 stock-keeping units. Many balked, and Revlon had to back down. Reminded of how this interloping competitor came to grief, George L. Bunting Jr., Noxell's 42-year-old president and grandson of the founder, puts on a broad smile. "We try to build a long-term relationship with the trades and show them we look after their needs and not just our own," he says. Noxell operates on the principle that it must sell the retailer as well as the end customer.

As an example of its solicitous regard for the retailer, Noxell intro-

duced the modular display. The black plastic display with chrome trim and mirrors catches the eye and lets the customer see all the products at once. The packages are on pegboards, easily accessible and simple to restock. The angular design saves up to 15% floor space. Says Bunting, "We sell the display to the store, use part of it for Cover Girl, and they recoup their money by renting the rest out to our competitors. And," he adds, "we get the center spot."

Noxell also pioneered cosmetics sales in food stores starting in the early Sixties.

The other ingredient in Noxell's success is heavy advertising. It has to outspend the gigantic likes of Revlon and Schering-Plough's Maybelline. Its ads use such nationally known models as Cheryl Tiegs and have put Noxell in the top 100 advertisers for 13 straight years. Advertising consistently runs over 20% of sales—well above the industry norm.

The trouble with any business formula is that it can be copied. Noxell's Bunting knows he must be prepared for that day of stepped-up competition, but Noxell doesn't seem able to make up its mind which way it wants to go. In 1980 it bought 13% of Neutrogena, a specialty soapmaker, with an eye for a merger, but sold the stock back last year. There's a small Texas chili manufacturer called Caliente Chili; Bunting has to decide whether or not to exercise an option to buy by midyear. Lestoil, a household cleaner that accounts for about 7% of Noxell's sales, has languished as a regional brand in the East ever since Bunting bought it in 1969.

Bunting now says the focus will be on internal product development. So far not all has been smooth sailing. Raintree Hand & Body Lotion, introduced in 1981 as Noxell's entrance into moisturizers, has never really gotten off the ground, partly due to bad timing. Three new products from competitors unexpectedly hit the market when Raintree did. And then Natalie Wood, around whom the ad campaign was built, died suddenly.

Bunting has been doing a little better with Moisture-Wear, a foundation and cream line launched in 1976 to appeal to older women. But it hasn't caught on in a big way.

Until now, Noxell has done an impressive job, but Allan Mottus of Mottus & Associates puts the problem bluntly: "They have to expand, and the time of making decisions about how is now upon them." Good luck, George Bunting. Your grandfather is a tough act to follow. ■

CREATING CUSTOMERS

A Pretty Face Is Not Enough

By Malcolm D. MacDougall



Advertising has lots of poker games, but if you're going to sit down at the cosmetics table, you'd better be prepared to lose your Jaguar, your Renoir and your country house in Switzerland. Some pretty heavy plungers, such as Revlon, Helena Rubinstein, Love Cosmetics, Avon and Mary Kay have all played some questionable hands, and the foundations of great cosmetics empires have trembled.

To get some idea of the stakes the cosmetics people are playing for today, simply open the last two issues of *Glamour* magazine. You will count 90 cosmetics ads. Most are full-color spreads, so it adds up to 135 pages. A two-month investment of over \$5 million in just one magazine. (We are not counting hair products, fragrances or toiletries, which are three vastly different marketing categories.)

The cosmetics companies are fighting it out in a flat marketplace—with a unit growth of only 2 percent last year—and in 1984 every player has upped the advertising ante, some as much as 50 percent. There has always been strong creative competition in cosmetics, and this year is no exception. Some of the more glamorous players, especially L'Oreal and Clinique, are producing dramatic, gorgeous breakthrough advertising, setting a new cosmetics style. And Estee Lauder is putting new selling strength into an old campaign with Night Repair, a new product that it claims turns skin care into "Skin Repair."

But as it is in all high-stakes games, there is one player at the table who always seems to know where the aces are and always seems to wind up raking in most of the chips.

In cosmetics it's Noxell. The fact is, Noxell has been dominating the action for years, but it plays its cards so close to the vest and wears such a perfect poker face that no one has really noticed. Last year, in a flat market, Cover Girl sales increased another 25 percent.

Noxell follows the basic rule for creating customers: Give people what they want. Noxell understands what women want to buy, why they buy it, and where they want to buy it. And they realize that pure imagery will not do for cosmetics what it seems to do for fragrances.

Noxell's Cover Girl keeps on winning in the tough cosmetics business because it is the only product in the market that has a strong marketing concept backed by a strong advertising concept. The rest of the field seems to think they are in the glamour business, and all they need to succeed are pretty faces, titillating copy and glamorous-looking ads.

Noxell discovered the key to cosmetics success almost 25 years ago when it recognized a seemingly obvious fact: that women would rather pick up their make-up at the drugstore or supermarket for \$4 than make a trip to a department store and spend \$20. Most cosmetics makers still

haven't figured out this startling phenomenon. Armed with this discovery, Noxell decided to give women what they wanted—the first mass-marketed line of cosmetics.

A smart marketing concept deserves a brilliant advertising concept, and my former agency, SSC&B, hit on the all-time cosmetics classic right from the start. It named the product Cover Girl, it signed up top models, it created a unique selling proposition—"Clean Make-up From Noxema." To top it off, the agency developed a four-word advertising strategy: "Look pretty, talk tough." Probably the smartest four words ever used in the cosmetics business.

Cover Girl was an instant success, quietly caught up with the big girls, and now is just as quietly pulling away from everyone. Cover Girl is now the No. 1 make-up, and at the top or near the top in nails, lipstick, eye-shadow and make-up paraphernalia. With the authority and identity of Cover Girl, Noxell can now launch new product after new product, and it surely will.

There is another lesson to be learned as we watch Cover Girl widen its lead. The same basic concept that built the

Noxell's "Look pretty, talk tough" are probably the smartest four words used in the cosmetics business.

brand is building its future today. Noxell has never diddled around with the Cover Girl concept, the Cover Girl positioning, the Cover Girl selling premise or the Cover Girl brand personality. How many companies—in every marketing category—forget that simple principle! Most cosmetics companies seem to think they are in the fashion business, and have to change campaigns every season. Cover Girl hasn't changed a thing for 20 years or more—yet the advertising, while certainly not the most glamorous or "creative" in the industry, always looks young and fresh and alive. And it keeps working, harder and harder.

As the advertising stakes get higher and the competition grows fiercer and well-heeled players enter the game, cosmetics advertisers are going to have to stop trying to out-glamorize each other and start developing new marketing concepts, new product concepts, new advertising concepts, that speak from the pack.

To this day, most cosmetics makers seem unwilling to acknowledge the existence of either men or women over 30. They seem content to cede those markets to Estee Lauder and Clinique.

And where are the product breakthroughs? In all 69 pages of cosmetics advertising in the September *Glamour*, I could spot only one interesting product innovation, the previously mentioned Night Repair from Estee Lauder. It seems to me that if there ever was a business that should spend as much on research and development as on advertising, it's the cosmetics business today.

The ultimate winners in this high-stakes game will be those companies that understand that people (including men and old crones over 30) don't buy cosmetics for fun, sex and games: They buy and wear cosmetics to feel good about themselves. It's not a frivolous purchase made by value-conscious and quality-conscious people. If you want to create customers for a cosmetics product, play the game like Noxell. Look pretty—but talk tough.

Malcolm D. MacDougall is president/creative director of HHCC/New York.

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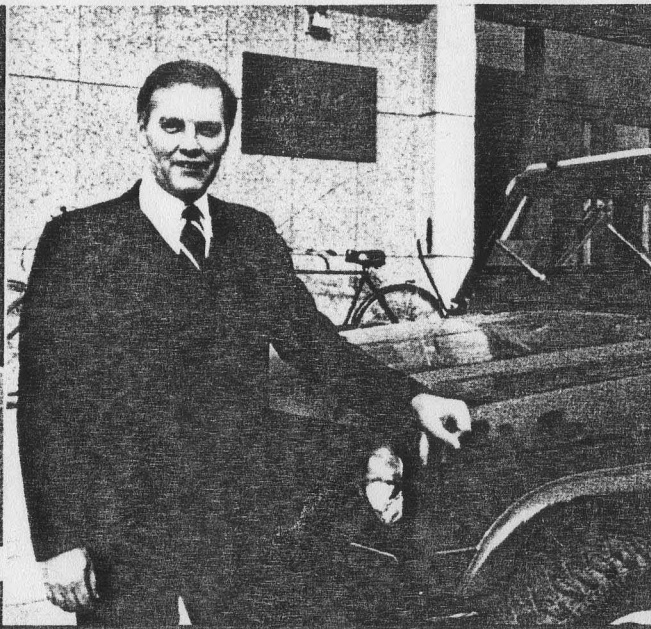
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Business Executives' Dining Awards: The top 100 restaurants in the U.S. and Canada, as selected by S&MM readers in our annual poll.

AN S&MM SPECIAL SECTION: **AV Equipment**

apolis, also paid off for Maytag last year. Jenn-Air electric-grill ranges and ovens are sold by some 70 independent distributors in retail outlets and, even more significantly, directly to home builders. Maytag thus reaped the benefits of a dramatically improved home construction market (1.7 million new starts vs. 1982's 1 million). The company will not reveal Jenn-Air's actual dollar contribution but hints that it played its part in Maytag's nine-month record sales and earnings. Meanwhile, to cash in on Jenn-Air's distribution network, Maytag began manufacturing dishwashers and food waste disposers to carry the Jenn-Air name.

"Savvy" also aptly describes Maytag's decision, made in 1982, to move outside its normal distribution channels and sell its laundry products through Montgomery Ward's retail and catalogue empire. Once again, Nunn's researchers had done their homework: sales through Ward, they correctly predicted, would not cannibalize those of Maytag's dealers because most of Ward's customers had been buying private-label washers and dryers. Indeed, one of Maytag's most significant achievements in 1983 was developing Ward as its single biggest dealer.

Noxell keeps a smile on its face

Conservative, methodical marketing produces results that are the envy of many of the flashier companies selling mass-market cosmetics.

Cosmetics may be a glamour industry for some companies, but marketers at Noxell take an approach that is, in the words of Smith Barney analyst Jack Salzman, strictly "nuts and bolts." The result, on the other hand, is one of the most attractive records in the business. Sales for the first nine months of 1983 were \$235.7 million, up from \$202.2 million the preceding year, and profits for the pe-

riod rose to \$18 million from \$16 million. Industry analysts predicted year-end sales of \$300 million with profits of \$22 million.

The star of the show for the Cockeysville, MD, company was Cover Girl makeup, which accounts for about 60% of sales. Cover Girl's sales were up 24% through the first nine months of last year. (Noxell's other brands are Noxzema, Raintree, Lestoil, and Wick Fowler's chili.) Cover Girl's success was attributable to (1) a lean product line, (2) increased display space, and (3) a strong advertising program, says a company spokesman (no one in Noxell's marketing department would consent to be interviewed for this article).

As all consumer products marketers must do, Noxell regularly introduces new products to maintain consumer interest. The difference is that it restricts the number of items in its line (known as stockkeeping units, or SKUs), thereby improving both its own profits and those of retailers.

For example, in early 1982, Noxell introduced Lumin-esse, only the second lipstick brand in the 22-year-old Cover Girl line. In mid-1982, Makeup Mates makeup applicators and accessories had been introduced, and the sales impetus of that line carried over strongly into 1983. But when four items were added to Makeup Mates early last year, three or four of the slower-moving items were dropped. Deepak Raj, a vice president with Merrill Lynch, points out that Noxell, with about 280 cosmetics SKUs, achieves much higher sales per SKU than its two major competitors—approximately \$600,000, vs. \$420,000 for Schering-Plough's Maybelline and \$169,000 for Revlon.

Retailers usually respond by granting the brand more space. Thus Noxell's 250-plus salespeople have sold about 35,000 of the in-line modular merchandisers that were introduced in 1981.

Noxell's advertising budget runs about 22% of sales. Last year that worked out to about \$66 million, keeping the company as the top spender in mass-market cosmetics advertising. Whereas other cosmetics companies rely on "historical unit growth rate" to improve their positions, says Smith Barney's Salzman, "Noxell relies on marketing"—and that's what's working.



SINGER: That Face...

Clean Makeup by Noxzema.
The makeup for That Face.

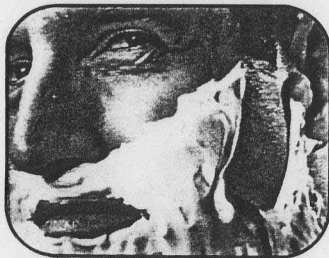
Shaw Industries earns red-carpet treatment

Adding more sales managers and salespeople, and knowing just when to do it, helped Shaw jump from fifth to first place in the carpet business.

Astute restructuring of its sales and marketing organization positioned Shaw Industries for a highly successful year in 1983. Not only did the Dalton, GA, carpet manufacturer jump from fifth to first place in the fiscal 1983 (ended July 2) but it enlarged its market share from

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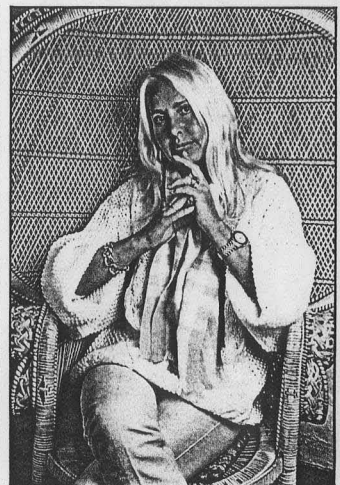
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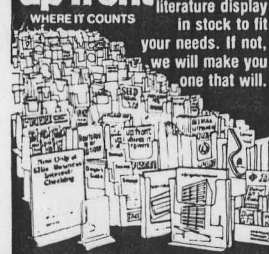
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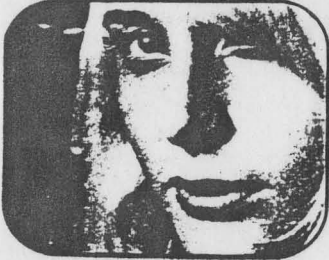
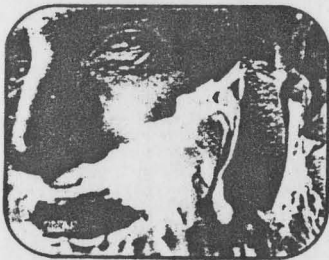
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DATETIME: NEW YORK

BODY:

The preferred drink of the evening was apple juice rather than champagne. That's because the average age of the guests of honor was 16 years old. Sassy magazine and Noxell co-sponsored "The Sassiest Girl in America" contest at the Tavern on the Green. Six contestants, narrowed from a field of 5,000, made the trek to New York. Rinnan Henderson of Lolo, Mont., was named the winner, and in the best Miss America tradition, she cried. There was another reason for celebration, as well: Sassy has doubled its circulation to 500,000, not bad for a publication not yet one year old.

GRAPHIC: Picture 1, Matilda president Sandra Yates and her son Matthew, Sassy publisher Helen Barr and editor Jane Pratt at the "Sassiest Girl in America" contest.; Picture 2, Steve Cook of Noxell chats with Bruce Arendash of Lintas.; Picture 3, Vicki Perla and Nicole Meuderscheid of Noxell agency Lintas;New York; Picture 4, Sassy editor Jane Pratt, Rinnan Henderson and her mom, Noxell's Peter Troop; Picture 5, Nancy Korda of Lintas;New York; Picture 6, Myrtle Washington and daughter Margo, a Sassy contestant; Picture 7, "Sassiest Girl in America" contestants Geno Cheng, Josie Hodgson, Rinnan Henderson, Annisa Morrison, Margo Meriwether, Sandra Oda, Pictures 1 through 7 by ROBERT SIMKO

20TH STORY of Level 1 printed in FULL format.

Copyright (c) 1988 A/S/M Communications, Inc.;
Ad Day

September 2, 1988

SECTION: BACK PAGE; Pg. 4

LENGTH: 448 words

BYLINE: By Sherrie Shmoon, Sherrie Shmoon is on vacation. Michael Winkleman is filling in this week

BODY:

Yesterday Back Page took you to a dinner held to honor Noxell's Sassiest Girl in America, a contest launched in a Noxzema ad in Sassy. This new teen-mag, we noted, has been the object of protests by parents and Moral Majoritans outraged by its coverage of topics like masturbatnion and homosexuality. Largely as a result of these protests, several advertisers have pulled out of the book. One of these, somewhat ironically, is Noxell. (The others are Schering Plough and Tambrands.)

"We'd like to see the book succeed," says Noxell's vp/marketing for Cover Girl products, Charles Busta. "It has a nice attitude. But we didn't find the tone of some of the content to be consistent with our products and our customers. We're looking for some changes in editorial, and then we'll be back."

What type of changes would those be? Busta wouldn't say, but publisher Helen Barr mentioned a piece scheduled for November on "Keeping your virginity -- how to say no and be cool." "We've learned a lot," she said. "The editorial is being reshaped. We'll be presenting another side."

Will Noxell be back? In January, anyway, says senior product manager Rebecca Flynn, when Noxzema Skin Cream will feature Sassy Girl winner Rinnan Henderson in a two-page spread. After that, she says, "it depends on the editorial content."

Two ha **For more information contact the Archives Center at archivescenter@si.edu or 202-633-3270** sponsorship opportunities. The first broke Monday in Flushing Meadow, as the Airship Fuji hovered over the U.S. Tennis Open and Wimbledon champion Stefan Edberg, the

logo. CBS' TV coverage begins tomorrow -- live, in fact, from Fuji's blimp. (While Edberg's next stop is Seoul, Fuji's is not -- it didn't become an Olympic sponsor this year.)

Waiting in the wings is next week's Miss America Pageant. Among its new sponsors is Fruit of the Loom. This is a logical tie-in, says Grey's vp Mike Gaertner: "Both are American institutions." Have they determined whether the contestants prefer this brand? "We'll be looking into that," he says.

One guy who might miss both events is David A. Stickles, newly appointed senior vp, group creative director at Grey Advertising. In previous years Stickles, known as the "King of the Car Mavens," would probably have been in his garage, tinkering with one of his classic cars. "I've gotten too old for that," he says. Still, it was good preparation for heading up the Mitsubishi account

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at Grey. Stickles has been around the track: his auto ad work has included Mercedes at McCaffrey and McCall, Volkswagen at Doyle Dane Bernbach, and Ford at Wells, Rich, Greene.

34TH STORY of Level 1 printed in FULL format.

Copyright (c) 1988 A/S/M Communications, Inc.;
ADWEEK

September 5, 1988, Eastern Edition

SECTION: CORRIDOR TALK

LENGTH: 189 words

HEADLINE: Swimming in Editorial Hot Water

BODY:

* Things couldn't have looked cozier between the staff of Sassy magazine and Noxell at their co-sponsored "Sassiest Girl in America" contest at Tavern on the Green last week. But appearances can be deceiving.

In the October issue of Sassy, a column called "What Do You Think" noted that the magazine has been barraged by a "whole lot of people" over its racy choice of topics, such as masturbation and homosexuality.

In a surprisingly candid admission, Sassy said that several advertisers had pulled out of the magazine because of editorial content. The real surprise was that Noxell was one of those companies.

Noxell decided to go ahead with co-sponsoring the contest, although it pulled its ads from the book. A two-page spread featuring "Sassiest Girl in America" Rinnan Henderson will appear in the January issue of Sassy, but Noxell senior product manager Rebecca Flynn says the insertion of any future ads will "depend on editorial content."

Not surprisingly, one of the future articles planned, says Sassy publisher Helen Barr, will be "Keeping Your Virginity: How to Say No and Be Cool."

GRAPHIC: Advertisement, Sassy: Too hot for Noxell

ADWEEK CRITIQUE

By Barbara Lippert



NOXELL CORP.'S NOXZEMA SHAVE CREAM

AGENCY: William Esty Co.

GROUP CREATIVE DIRECTOR:
Alan Saperstein

ART DIRECTOR: Tom Conrad

AGENCY PRODUCER: Jerry Mason

DIRECTOR: Melvin Sokolsky/
Sunlight Pictures



The Noxzema spot shows young couples spending quality time in front of the bathroom mirror.

Sign of the Times: Noxzema Puts Man and Wife Into Lather

Forget Dr. Ruth. To understand the prevailing sexual standards in our culture, we need only to look at Noxzema commercials. It's odd, but it does appear that for more than 20 years, William Esty's advertising for Noxzema shave cream has defined the sort of jokey, mass-culture sexuality of the time.

We still remember the burlesque of Scandinavian fantasy woman Gunilla Knutson in 1970, when she told men to "Take it off, take it all off." The newest Noxzema spot features some terribly energetic young professional couples (cuppies) finding time to nuzzle and still have a quality shave.

Yet over the years, the advertising has also conveyed a ridiculous amount of sexual innuendo while staying wrapped in a respectable cloak of packaged-goods innocence.

Take, for example, the mid-'70s period spots featuring Farrah Fawcett-Majors, (then still in the land of the three-name people). Straddling a chair in a white jumpsuit, she introduces herself: "Hi, guys. I'm Creamy." A chorus of offstage men then respond with such elegant ripostes as "Hey!" and "Yeah!" In an earlier spot, she was introduced by a

male chorus that sang: "They call her Creamy. Woo! Woo! Woo!"

Such subtlety was preceded in 1972 by a spot featuring yet another blonde bombshell type who announced: "Men! Watch Joe Namath get creamed." Namath, at the time sporting a fabulous mop-top, looked heavenward and said, "Hooo!"

**This is the new frontier of
commitment—where men and women
are grateful not to be single.**

After the aggressive, swingin' singles of the '70s, things got much quieter in the '80s. It was a "sharing" kind of time. Scarcely 10 years after Gunilla the Killa, a 1980 spot titled *Newlyweds* tenderly showed a wife in a bathrobe telling her husband that she missed his face. It ended with the line, "Share the softness."

Perhaps the best remembered commercial of recent times is called *Small Bathroom*. He's shaving at the mirror, while she's in the shower, shaving her legs. The spot suggests that the couple will be late for work.

The latest Noxzema spot is sun-filled and energetic, and features a '50s-style song about "Mr. Irresistible" and a panoply of aforementioned cuppies. This is the new frontier of commitment, where men are tender, women are aggressive, and all are so grateful not to be single that they work like crazy on each moment.

At least when it comes to shaving cream, these cuppies are a bit kinky. The women, in particular, are so well groomed, yet sexually playful, that it's as if June Cleaver got a talking-to from Helen Gurley Brown. One woman, in power suit and power 'do, appears to be vacuuming the lips of her bare-chested Mr. Irresistible and comes away with a face full of shaving cream. Another, in an apparent gesture of solidarity, just rubs some of the cream on her face, while still another drags her man, who has shaving cream on his face, out of the bathroom.

Still, there's a veneer of earnestness. In these sexually confused times, the road to safe cuppie-dom may be paved with shaving cream. But safe cuppie-dom might not last long; word is that casting has begun for a new *Charlie's Angels*. Woo!

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Copyright (c) 1988 Crain Communications, Inc.;
Advertising Age

November 21, 1988

SECTION: PHOTO REVIEW; Pg. 50

DATELINE: NEW YORK

GRAPHIC: Photo, Charles J. Bustra, VP-marketing, Cover Girl, Noxell Corp., accepts an Iris Award from Elliot Marion, publisher of Bride's, as the publication honors individuals and companies that have made outstanding contributions to the bridal industry. Noxell was cited for its Cover Girl cosmetics line. The awards ceremony was held at the Waldorf-Astoria

46TH STORY of Level 1 printed in FULL format.

Copyright (c) 1988 Crain Communications, Inc.;
Advertising Age

May 9, 1988

SECTION: FOR THE RECORD; Pg. 99

LENGTH: 45 words

HEADLINE: WORTH NOTING

BODY:

People will publish a special issue May 16 on Princess Diana, with a single sponsor, Noxell Corp. Noxell's agency is Lintas:New York. . . . Marriott Corp. this month begins testing Allie's, a family-style restuarant. Earle Palmer Brown Cos., Bethesda, Md., handles.

66TH STORY of Level 1 printed in FULL format.

Copyright (c) 1988 Crain Communications, Inc.;
Advertising Age

March 7, 1988

SECTION: Pg. 8

LENGTH: 679 words

HEADLINE: 'Soldier' loses ad suit

DATELINE: HOUSTON

BODY:

A U.S. District Court jury's verdict against Soldier of Fortune over a "killer-for-hire" ad could result in a chilling effect on all media.

Last week the jury ordered the magazine to pay \$9.4 million to a Texas family for running a classified ad from an alleged murder-for-hire "hit man" soliciting business (AA, Feb. 29).

The jury found the magazine should have known the ad was offering the services of a hired killer and was negligent for not investigating the ad.

"The fallout from the verdict may be that publishers would be unwilling to accept any controversial ads or ads that might in some ways result in injury," said Slade Metcalf, chairman of the legal affairs committee of the Magazine Publishers of America.

"Magazines shouldn't be the only ones concerned," he warned. "It should be any media that take ads."

The verdict could be "most troublesome" for newspapers and those magazines that accept classified ads and what are called "personal" ads, said Don Kummerfeld, MPA president. He said the MPA is considering whether to join in a planned appeal.

"Personal" **For more information contact the Archives Center at archivescenter@si.edu or 202-633-3270** ds of things," Mr. Metcalf said. "Do you hold the magazine responsible for what was in the ad?"

The question of product lawsuits also remains. "In the case of the Ford Pinto and cigarettes, product lawsuits have been involved," Mr. Metcalf said. "Does this mean the magazine that carries the ads becomes liable too? Are they precluded from taking these ads?"

Other news

Relations between Lord, Geller, Federico, Einstein, New York, and parent WPP Group in London are worsening. LGFE removed itself from consideration for General Motors Corp.'s Saturn account (see related story on Page 1) under pressure from WPP Chairman Martin Sorrell. He feared the pursuit of Saturn might jeopardize sister agency J. Walter Thompson Co.'s hold on \$300 million in Ford Motor Co. business.

PAGE 37

(c) 1988 Advertising Age, March 7, 1988

The Postal Rate Commission has proposed substantial rate hikes for second and third-class mailers. The commission recommended an average 25% hike in third-class rates and an average 18% increase for publishers. Both are higher than the U.S. Postal Service's proposed increases. The Postal Service will consider the commission's recommendations this week with final adoption expected in April.

Procter & Gamble Co. hopes to be the first major U.S. health and personal-care products marketer in the Soviet Union. P&G recently hosted a reception honoring the Soviet life cultural exhibit now touring in U.S. It's unclear whether P&G is in a position yet to negotiate joint-venture agreements with the Soviets to manufacture P&G products. Such agreements govern the 17 companies currently operating in the Soviet Union (AA, Feb. 29).

FKB Group, a London sales-promotion company, has bought four U.S. marketing and sales-promotion companies for about \$46.8 million (AA, Jan. 11). FKB shops in the U.K. and U.S. have annual revenues of \$100 million. The four companies are: Focus Marketing; Hermann Group; QLM Associates; and Saugatuck Group.

Sears, Roebuck & Co. has begun a yearlong test of a frequent-shopper program, called the Sears Bonus Club, in its seven Atlantic-area stores. If the program succeeds, Sears could roll nationwide with it in 1989. Separately, Sears said the restructuring of its Merchandise Group won't involve layoffs as earlier speculated (AA, Feb. 29), but that staff will be trimmed through attrition and early retirements.

Clarins USA has filed papers with the Trademark Trial & Appeal Board charging Noxell Corp.'s Clarion with trademark confusion (AA, Feb. 29). No suit has been filed yet, but that may change when Clarion enters skincare this year, since Clarins is a noted skincare marketer.

The ad industry and actors' unions will continue negotiations for a new TV and radio commercials contract despite a 93% strike authorization vote from union members last week. At press time, the performers' unions hadn't set a strike date. At issue is compensation (AA, Dec. 21, et seq.).

50TH STORY of Level 1 printed in FULL format.

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ADWEEK

May 9, 1988, Midwest Edition

LENGTH: 396 words

HEADLINE: Analysts Predict Slow Ad Growth

BYLINE: By Stephen Battaglio

DATELINE: NEW YORK

BODY:

This year, even the usual optimistic ad-spending signs aren't all that optimistic.

American companies, reaping the benefits of corporate tax rate cuts, have begun to increase capital spending, according to the U.S. Commerce Department. Although optimistic agency executives feel differently, analysts don't believe that much of that windfall -- either in higher corporate profits or in increased business investment -- is being plowed back into advertising and marketing.

New-product introductions are behind the rate of 1987 and analysts don't expect advertising growth to outpace the gross national product -- about 8 1/2% -- despite higher first quarter profits by many packaged goods and food advertisers. Companies are sinking more of the cash saved on the reduction of the corporate tax rate (from 48% to 34%) into the bottom line, rather than new products and ad budgets. For many firms, such as Kimberly-Clark and Proctor & Gamble, which increased its ad budget by 7% in 1987, the lowest rise in years, first-quarter profits mirrored the 30% reduction in the rate. Product introductions are up about 11% over the first four months of 1988, according to Gorman's New Product News. Same time last year, the rate of increase was 18%.

It's going to be slowing," Goldman Sachs' Jack Salzman says of ad-revenue growth. "Companies have peaked in terms of new-product introductions and gross margin expansion." Salzman added that companies will need the dollars they save in taxes *For more information contact the Archives Center at archivescenter@si.edu or 202-633-3270* for raw materials.

45TH STORY of Level 1 printed in FULL format.

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Ad Day

May 11, 1988

SECTION: TOPIC OF THE WEEK; Pg. 3

LENGTH: 242 words

HEADLINE: Wrinkles in Cosmetic Treatments

BYLINE: Sue Fulton

BODY:

The Food and Drug Administration, now monitoring wrinkle treatment products, finds cosmetic companies "doing an excellent job of rewriting ads, labels, inserts," says compliance officer Roma Krause.

"Claims were getting worse and worse because of intense competition. They even implied [the support of] NASA research [by using] models wearing astronaut jumpsuits," observes Amelia Bassin, a principal at Bassinova, a New York cosmetics industry consultancy.

"Most companies will go back to more qualified statements, benefits regarding looks rather than the changing of skin character," says John Horvitz, principal, Horvitz & Appel, N.Y., marketing consultants. "The cosmetics companies will still be able to do business. This action won't change demographics -- an aging population. And American women still have a way to go to reach European's usage of sophisticated skin care products."

"The products involved amount to only a few hundred million dollars" in a multibillion-dollar industry, says Andrew Shore, analyst, Shearson Lehman Hutton. "The implications are larger in terms of line extensions and new products. They will be less bio-tech, more cosmetic."

More than the FDA, cosmetics companies are worried about Retin-A going over the counter. "It could cannibalize sales of existing treatments," says Shore. And there **For more information contact the Archives Center at archivescenter@si.edu or 202-633-3270** from mass market competitors such as Noxell.

BARRON'S

NATIONAL BUSINESS AND FINANCIAL WEEKLY

JULY 11, 1988

\$1.75

*What
Insiders
Are
Buying*
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Now Playing On Cable: Captain Courageous And The Albatross

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Hottest Stocks In Florida Page 11

Best And Worst Funds Page 34

UP & DOWN WALL STREET

By ALAN ABELSON

NOTHING is more romantic, it has been our profoundest belief, than the folklores of capitalism. And, for years, whenever we've been moved to give voice to this sentiment, we've evoked near-universal disdain, scorn, even mockery. Now, what worried to the world a curious and personal peccadillo has suddenly gained resounding scientific confirmation. And not from some obscure and dubious source. But rather from the very Bible of Sociology, *The Wall Street Journal*.

For last Wednesday, our beloved water publication revealed to the world that there is a growing inclination among corporate executives to kiss each other. That's right, kiss! And hug, too, but mostly kiss. As is perhaps necessary in technical literature, the article contained rather extensive empirical examples that

proved its thesis, but the essence of it was that casual kissing, once restricted to the upper classes, had trickled down to the masses and thence quietly slipped into the corporate corridors.

Maybe we ought to make it crystal clear here that we're not talking the usual office party stuff, where everybody gets a little lit and a little mushy. We're talking strictly business. Traveling salesmen pushing a new line of erasers with fast talk and wet lips. Ad directors puckering up before the Big Meeting, determined that this is one campaign the client won't just kiss off. Rear-axle suppliers gearing up to let fly at Lee Iacocca's weak spot, just below the left eyelid. Used real-estate salespersons descending on Donald Trump in full osculation. In short, we're talking about nothing less than a whole new corporate pecking order.

The Journal's revelatory piece sheds considerable light on what have been some gross misinterpretations among both the press and the public at large.

For example, it is not true, as some have claimed, that the Journal's findings are based on a survey of 100 executives. The Journal had their heads together not in any wretched conspiracy to defraud the taxpayer but merely in observance of the new corporate etiquette.

Wall Street so far seems reluctant to embrace the trend, mostly, it would appear, out of a rather touching shyness on the part of brokers. At least that's our conclusion, for why else would they flee when approached by a customer? As for arbs and investment bankers, owing to the unrelenting investigation into insider trading, their lips are sealed.

Much as we celebrate the resonating presence of smack and smooch in corporate life, we trust it won't lead to other, less salutary behavior. We mean, what comes after corporate kissing? Dirty dancing? We fervently trust not. Frankly, most CEOs don't have the legs for it.

If you're a corporation, even if you're not into kissing, you have plenty to feel good about these days. Second-quarter earnings reports, now beginning to roll off the presses in earnest, are one strong indication of the buoyancy of the economy. And another, of course, is the cheery decline in the unemployment rate. The melancholics who inhabit the pages of *Current Field Column*, seized on the jobless data as simply awful news; not even the intelligence of improved prospects for another big earthquake in

Continued on Page 45

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Investment News & Views

Featuring Barron's staff reports and other information of special interest to investors.

Edited by James P. Mcagher
Associates: Thomas N. Cochran, Pauline Yurter

Noxell Corp.

Cosmetics hold the key to the company's growth.

AT THE turn of the century, George Bunting wanted something descriptive for the new salve he'd brewed in a coffee pot at his Baltimore pharmacy. The name came when a client tried the stuff, and pronounced it marvelous: "It really knocked out my eczema." Thus was born Noxzema, the flagship brand of the company now known as Noxell Corp.

This year, Noxell's sales will exceed a half-billion dollars, and net profits look a sure bet to show a good gain on the \$44 million (\$1.08 a share) reported for 1987. Still headed by a George Bunting (the founder's grandson), the company boasts

a record of 15 straight years of sales gains. Profits fell negligibly in one of those years, but earnings per share have risen at 14.5% compounded over that long stretch.

Noxell's success has brought a solid balance sheet, with \$88 million in cash items, well in excess of total liabilities. Over the years, the company has spent a bit to buy in stock, but adjusting for splits, including a 2-for-1 last year, it has taken in sufficient shares only to hold the number outstanding steady after option grants. Robert Pierce, chief financial officer, says there's no hurry to get rid of the cash: "We'd really rather

think of how to grow the business," and keep cash on hand for a good acquisition opportunity to which a quick response might be useful. Despite the lack of leverage, the company last year earned over 20% on its \$213 million of equity (\$5.22 a share).

Not much of its recent growth is due to sales of the familiar blue-glass jars of Noxzema, though the product remains the leading facial cleansing cream in the U.S. Thirty years ago, the company decided to use the name on a new line of shaving creams, and these were well received. Purchase of the Lestoil liquid detergent brand has not been a great success,

though the product accounts for perhaps 5% of worldwide sales.

More recently, Noxzema has moved into cosmetics. Its Cover Girl line, begun in the early 'Sixties as a mass-market line, is now tops in the nation, and newly introduced Clarion, formulated particularly for sensitive skin, is doing well and should shortly be profitable. Introducing new lines is costly, of course, and Pierce relates that most of last year's increased proportion of marketing and administrative costs was incurred in the startup of Clarion, and to boost Cover Girl. Had the expenses only matched the increased sales, earnings could have been 10 cents a share bet-

ter. In fact, cosmetics are the source of nearly all the \$100 million of sales growth over the past two years, and at over \$300 million, they've grown fast enough—about 40% in just the past two years—to now account for over two-thirds of company revenues.

Because cosmetics are the engine of recent growth at Noxell, it figures that if their sales keep climbing at their current clip, the product line will become an even larger share of the Noxell total, and thus accelerate corporate progress. But it may become harder to enlarge market share, now 21%, from here

Continued on Next Page

Noxell Corp.



Financial Overview

Year	Earnings Per Share	Revenues (millions)	Net Income (millions)	Book Value Per Share
1987	\$1.08	\$499	\$43.6	\$5.26
1986	0.93	439	37.1	4.44
1985	0.81	382	32.4	3.84
1984	0.71	350	28.3	3.25

Dividends

Current Rate	\$0.40	Current Rate Yield	2.1%
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Key Ratios

Profit Margin	8.9%
Return on Common Equity	20.5%
Return on Total Assets	14.8%
Revenues to Assets	1.66%
Debt to Equity	NM
Interest Coverage	NM
Current Ratio	3.0

Shareholder Data

Market Value	\$765 million
Shares Outstanding	40.3 million
Insider Net Trading (shrs., latest month)	0
Short Interest Ratio	1.66
Average Daily Volume	63,700
Institutional Holdings	32%



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Cont. from Preceding Page

on; the field owns a reputation for tough competition. "We're seeing now, in 1988, a slowing down of that rate of growth," says Pierce. "The key is to keep finding new products and finding new areas other than Cover Girl and Clarion. There's more effort going on now in product development than I've seen in years." In toiletries, new products are on tap for the end of this year or 1989.

Part of the company's push to bolster market share is in Canada, where sales have jumped 20% in two years, to \$35 million, but operating profits have fallen 40% to \$2.4 million, thanks to the costs of introducing new cosmetics lines north of the border. Peter Troup, Noxell's top marketing man, explains that the company lacked the resources to unveil the lines

simultaneously in Canada and the U.S.

The Clarion line posed a particular problem because it relies on a self-service computer to help the buyer choose her most flattering colors. For Canada, relates Troup, "we had to make the computer bi-lingual."

What happens in Canada counts: If Noxell wins further sales gains there, and operating profits come closer to 1985 percentages as advertising costs slacken, that nation alone could account for a good piece of the \$9 million gain in net income that the Street expects the company to deliver this year. And Troup says "it's going extremely well up there."

Canada's costs have masked, to some extent, Noxell's success in other foreign nations, where operating profits have risen 50% in two years to

\$2.7 million, in part from a near-doubling of European sales. Though the good showing is due partially to favorable exchange rates, it nonetheless seems clear that the company can expect a boost in earnings just from recovering its margins on non-U.S. activities.

As for expansion of the present products, Troup points out that the company's long history provides "a platform for additional skin-care products." The blemish business "for young people, is growing in double digits."

That aside, the outlook is promising. Noxell's first quarter is usually its best in revenue and profits; this year, sales rose 8% to \$145 million in the period ended March, and net income showed twice that rate of gain, coming in at \$15.7 million (39 cents a share). Last year, earnings of \$1.08 per share were

reported. The general estimate on the Street is for earnings of \$1.28 this year, vs. \$1.08 in 1987, and perhaps \$1.45 in 1989. Considering the turn in profits likely in Canada, the end of Clarion's losses in its startup phase, and the reasonable hope that any adverse currency developments in foreign markets can be overcome by improving unit sales, these estimates could turn out to be on the low side.

There are two classes of Noxell shares. Bunting family trusts hold 75% of the 7.7 million shares of voting stock; the 32.7 million Class B shares, which are regularly traded, have no vote. "The way the trust document is written," says CFO Pierce, "it in effect" gives trustees the right to resist even an offer above market. And, he states, the Buntings have no interest in selling.

—Thomas N. Cochran

RESEARCH REPORTS

THE following companies are the subjects of research reports issued recently by investment firms.

• Aspen Ribbons Inc. (ARIB-OTC)

by Overline Securities

Led by a solid management team, it has a strong balance sheet, it continues to make great strides in cost reductions, and its prospects for growth with its large new-product flow looks very strong. Although not yet well-known, this looks to be potentially an exciting story for risk-oriented investors.

• Boeing Co. (BA-NYSE)

by Salomon Brothers

Although the stock is fairly valued on estimated 1988 earnings, it is undervalued on our 1990 estimate of \$5.80 a share, selling at a 17% discount to the market. We do not expect earnings to peak until 1990, at the earliest. We estimate earnings per share of \$6.80 in 1990, which could prove conservative because it implies a return on equity of 16.3% even though Boeing had a 29% return on equity in its 1980 peak year.

• Bouserville Pacific Corp. (BPCO-OTC)

by Piper Jaffray & Hopwood

Buy. The current positive market psychology has not embraced the independent power industry. Since the industry is a growth industry, capturing a dominant market place and the likely failure of Public Service Co. of New

• Collins Foods International (CF-NYSE)

by Shearson Lehman Hutton

Earnings outlook remains problematical as we fear further disappointments from Kentucky Fried Chicken. However, Sizzler has consistently delivered strong growth, and, in light of its growing importance to Collins Foods' earnings picture, we believe there is downside protection for Collins's stock. At 11 times calendarized 1988 earnings and 10 times 1989 projections, the stock seems fairly priced on fundamentals. However, at five times net cash flow and less than twice book value of \$8.80, the stock looks very undervalued.

• Compaq Computer (CPQ-NYSE)

by Argus Research

Buy. Given our expectation that the company's revenues will continue to expand at a rate faster than the PC market and that its earnings will grow more than twice as fast as the S&P 500's during the next five years, we believe that the shares will be accorded a moderate premium over the market multiple, based on 1989 earnings. Accordingly, we think the shares could appreciate nearly 20% within the next 12 months, and we recommend their purchase for capital gains.

• Compaq Computer

by Bear Stearns

The product family based on the 80286SX microprocessor—the Compaq 386S—should

• Cypress Semiconductor Corp. (CYPR-OTC)

by Mabon Nugent & Co.

Buy. Despite its track record, its stock has lagged similar companies in recent months, down 7.5% year-to-date while most emerging semiconductor companies have shown substantial gains during this period. The current price provides investors with an opportunity to invest in a high-growth quality company with an extremely attractive outlook.

• Cypress Semiconductor

by Robertson Colman & Stephens

Shorter-term investors appear to be interested in semiconductor stocks with greater earnings leverage or lower P/E multiples than Cypress. Nonetheless, we believe the shares to be very attractive on a longer-term basis at current levels.

• Deluxe Corp. (DLX-NYSE)

by Barrington Research Associates

Hold. Earnings growth is being restrained by the costs associated with a major conversion of printing facilities and development of new ventures. The dilution will most likely continue well into 1989.

• Enserch Corp. (ENS-NYSE)

by Prudential-Bache

The shares have substantial long-term fundamental appeal, and the stock sells at a 33% discount to its \$35 asset value. Our 12-18-month target price is \$22. Near-term appeal is

• Easco Hand Tools (TOOL-OTC)

by Johnston Lemon

An excellent opportunity for long-term investors to purchase shares of this high-quality company before its dramatic earnings turnaround and superior growth potential are fully recognized in the stock's price. We rate the shares a buy.

• General Signal (GSX-NYSE)

by Dillon Read

After years of disappointment, it appears poised to record several years of above-average earnings growth.

• Hamilton Oil (HAML-OTC)

by Oppenheimer & Co.

The strong possibility that Broken Hill Proprietary, which owns 51% of the common, will consolidate the remaining outstanding shares after November 1988 enhances the stock's appeal shorter term. However, with cash flow potentially tripling by the mid-1990s (with only modest oil and gas price improvement), the stock represents a compelling value longer term.

• IC Industries (IC-NYSE)

by Bear Stearns

Buy. PepsiCo announced plans to purchase the Pepsi bottling franchises owned by Grand Metropolitan. The price of \$705 million equated to some \$17 per case, a new industry high. If one were to extrapolate these numbers and apply them to the Pepsi bottling franchises owned by IC Industries, then the value of the company would be \$1.7 billion. In addition of this increment to our existing values would suggest a net realizable value

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Upscale tactics honed for mass market

By Faye Brookman

To put a jolt in lackluster sales, mass-market cosmetics companies continue to use coupons and sweepstakes promotions. But they also are emulating strategies more common to tony department stores. That doesn't mean elegantly dressed women will be spritzing K mart shoppers with the latest scent, but it does suggest a new sophistication has come to marketing cosmetics and fragrances in food, drug and discount stores.

The industry can use the added excitement, observes Michael Wahl, chairman-CEO of Howard Marlboro Group, a New York-based sales-promotion company.

"What has happened in mass outlets is the fun has been taken out of shopping," he says. "It's fun to shop Blooming's and get all those samples... but [today] women are caught in a time crunch and have to shop for cosmetics on food store or drugstore visits. The trick is to bring the department store to the mass outlet."

During the past 10 years women have been shopping more and more in convenient food, drug and discount stores. Department stores still control 43% of the estimated \$7.5 billion spent on all cosmetics and fragrances in 1987, but

Faye Brookman, a New York-based free lance writer, specializes in toiletries and beauty aids topics.

that share has dwindled; drugstores now share 37%; food stores, 7%; and discounters, 13%, according to industry sources.

Breaking out the mass sales volume alone, A.C. Nielsen Co. figures reveal food stores are growing the fastest. Food stores' share jumped from 13% in 1986 to 18.7% last year; drugstores climbed slightly to 60.1%; discounters' share dipped from 24.4% to 21.2%.

As shoppers have become accustomed to buying blush with bagels, they also have become more discerning, says Carol Brennan, director of marketing/women's fragrances at Jovan, a division of Beecham Cosmetics, Chicago.

Fort Lee, N.J.-based Point of Purchase Institute research reveals more than 80% of shopping decisions are made in the store. Thus, in-store promotions are becoming a bigger factor in cosmetics purchasing.

Steven F. Costa, VP-marketing for Revlon Beauty Group, New York, says Revlon is becoming more aggressive with its promotions. "We are spending more because we feel it is important and it keeps Revlon exciting." Revlon Group's upcoming promotional tie-in with the Academy Awards includes a chance to win a trip to Hollywood and selection as one of Revlon's unforgettable faces.

The Academy Awards promotion also involves gift-with-purchase deals. The advent of the G-W-P in the mass market is important because mass retailers long have tried to find a

■ Drug, other stores put fun into cosmetics shopping via in-pack samples, gifts

method to give shoppers free gifts without adding sales help. They also perceive shrink-wrapping as having a poor image. Revlon's solution was to design a clip that attached the gift to the product.

L'Oreal, the mass-market division of Cosmair Inc., New York, also has plans for G-W-P promotions. L'Oreal's Lash Out Mascara features a free in-pack sample of Adieu Refreshing Eye Makeup Remover. Jovan is including free soap and bubble bath with its new Florals scents in a gift set presentation. Jovan also is planning a back-to-school calendar consumers can receive free by mailing in a proof-of-purchase.

Ironically, G-W-Ps are catching on in drug, food and discount stores just as the strategy is fading in department stores. "It is old hat in the department store—people can only use so many umbrellas," says consultant Allan Mottus. "Offering product is a smart way to go since it promotes future sales."

Says Mr. Costa, "Consumers want value and [G-W-Ps are] a good deal for them. We also hope it will encourage them to buy the product the next time."

Another tactic borrowed from department stores is the use of scent and color samplers. Rev-

lon is including color strips in its Celebrity Weekend booklet available in stores during the Academy Awards promotion. The strips—bulk cosmetics pressed onto paper for sampling colors—will be used to promote Revlon lipsticks, blush and eye shadow.

Jovan is taking the ubiquitous fragrance strip to a new level with its new cou-paks,

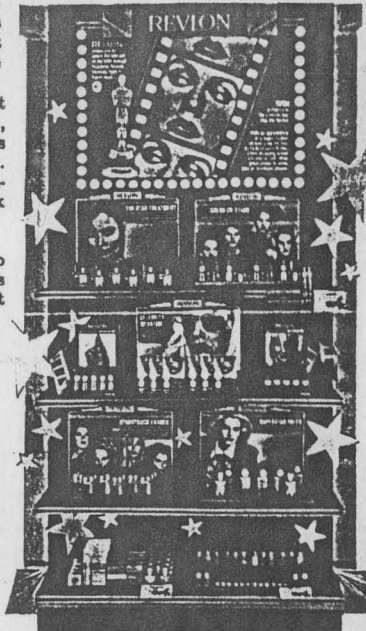
"The Noxell fixture got more stockkeeping units out in front of the customer, it alleviated the cluttered look in the stores and it allocated space properly to sales," explains Mr. Wahl. Noxell and Marlboro Group teamed up again last year to fill the service void in the mass market. The result was a computer that helped shoppers in their product selections. The computer was a key in the \$15 million launch of Clarion, a fragrance-free, sensitivity-tested line quickly dubbed the mass-market Clinique, which also uses a computer at its department store counters.

The Clarion computer marks the first, but not last appearance of computers in chain stores. Retailers say Clairor is testing a computer for hair colors and that it will be logical for a skincare marketer to educate consumers about its products via a computer. "Skincare will work in drugstores once the manufacturers educate the consumers," says industry consultant Jeanette Solomon, a former buyer for K&B Drugs in New Orleans.

Mass retailers also are adding gloss to their image by upgrading cosmetics departments with carpeting, service and better quality merchandise, plus accepting credit cards.

The efforts are paying off. In Houston, for example, a color cosmetics market leader is not a department store, but Randall's supermarket chain. Cosmetics sales are up at New Orleans-based Schwegman's supermarket chain, now that credit cards are accepted.

"The retailing sectors continue to blur," concludes Peter Scott, corporate VP-marketing/men's fragrance, Beecham Cosmetics. "The mass channels are looking more like department stores. It is all changing."



P.O.P. materials tie in Revlon Group cosmetics with next month's 60th Academy Awards.

two-piece promotions for Florals featuring a scented towellette on one side and a \$1-off coupon on the other.

Another important tool in the mass market is fixturing, an early success being the Beauty Boutique created by Marlboro Group for Noxell Corp. in the early 1980s. It has become an important tool in the mass market.

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He's sent millions of Cabbage Patch Kids doll adoption papers to little boys and girls across America as well as fulfilled millions of dollars in refunds for companies such as Nabisco. He excels at direct response solicitations and multi-brand refund offers, and treats the premiums he fulfills like family members.

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Clarion gets makeover

(Continued from Page S-12)

says, "We even have retailers calling who want to buy the computer themselves. Computers can create multiple purchases far and above what the normal purchase might be."

Noxell no doubt is in the market with Clarion to maximize corporate sales as much as possible, whether that be with a computer or other support such as advertising. Says Ms. Landry, "Cover Girl seems to be losing momentum."

At the same time, Cover Girl's archival Maybelline has been steadily gaining ground with 25% of its sales generated by products introduced in the last two years, according to Salomon Brothers analyst Diana Temple.

Clarion is one option; indeed, when it was launched it was hailed by Wall Street as a logical way for Noxell to make up for any slowdown in Cover Girl sales as that brand matured.

But Noxell is expected to examine other options, including a fragrance launch under the Cooler name, skincare under the Cover Girl and Noxzema names and a major acquisition in toiletries or other personal care products.

Even a 20% sales gain this year won't put Clarion much over \$55 million in sales. And 30% of that most of those recently chastened Wall Streeters are predicting now.

As 'Sassy' Becomes Less Sexy, Wary Advertisers Re-enlist

By Iris Cohen Selinger

NEW YORK—When five advertisers pulled out of *Sassy* magazine last October only seven months after the magazine's launch, the publishers were faced with a rude awakening about the power of advertising on editorial.

The loss of *Noxell*, Maybelline, Tambrands, Gillette and Revlon was a big blow to the fledgling magazine, which had to face the loss of its largest category, cosmetics. Matilda Publications' president Sandra Yates had her back to the wall and decided to tone down the magazine's sex stories. Six months later, her compromise seems to have paid off. Both *Noxell* and Gillette will return to the publication this April and May.

Sassy was not afraid to court controversy at first. It prided itself on its candid coverage of sex, abortion and homosexuality, and its colloquial, teenage voice. Major cosmetics and fashion advertisers were also anxious to run in the fledgling magazine that began with a circulation of 250,000 and charged only a fraction of the cost for a 4/C ad compared to the teenage magazine leader, *Seventeen*.

But what *Sassy* did not account for was a highly organized letter-writing campaign from conservative groups to advertisers complaining about the magazine's inappropriate stories on sex. "The letter-writing campaign made us more thoughtful that there are some conservative teenagers in this country," said

Yates, who is Australian. "It made us try harder to be more balanced," she added. But Yates added that the comments from the conservative groups, which objected most to an article on two homosexual teenage couples, a sex survey and a story on boys' bodies, were not representative of its readership. Indeed, the magazine's audience grew to 400,000 in September and will jump another 50,000 on its one-year birthday this March.

But regardless of the healthy readership growth, Yates realized *Sassy* had to stem the complaints from the conservative organizations to pacify advertisers. Ad pages had dropped from an average of 30 pages to less than 20 in the six-month boycott. Advertisers were largely mum on the reasons for their pullback, but Yates indicated that some said it was in direct response to the letters.

One agency executive who works on Tambrands said the letters were the primary reason for the boycott. *Noxell* denied that it

jumped ship as a response to the negative letters, but did indicate that there was some discomfort regarding the magazine's editorial content. "We did what we do with any new magazine. We review the content to ensure it is consistent with the nature of our product," said Carroll Bodie, vp/general counsel for *Noxell*.

Sassy struck back by moving a December cover story, "Five Virgins Tell You Why It's Cool," to November, and backed off from controversial sex stories. Leo Scullin, senior vp/director of print media at Young & Rubicam, believes *Sassy* has made a good business decision. "Advertisers don't invest in a magazine to share in controversy," he said. "*Sassy* is trying to rebuild the relationship with them."

Yates hopes other advertisers will take

the lead from *Noxell* and Gillette. Said one agency executive, "I think they were feeling their way around to see what they could get away with and now they're pulling back."



Sexy stories got *Sassy* in trouble.

Knobler: Media Partnership's Door is Open to Other Agencies

By Steve Ellwanger

NEW YORK—The president of the \$3.5-billion European media-buying unit, formed by Ogilvy & Mather Worldwide and the Omnicom Group, said it was still possible for agencies to join The Media Partnership created two weeks ago [ADWEEK, Feb. 6].

"In the end, we would be able to envision an opening," said Albert Knobler, vp of European operations for DDB Needham in Paris, in a published interview in France. "Since we have spoken of this agreement, a lot of people are calling us."

In a separate development, sources said D'Arcy Masius Benton & Bowles and Grey Advertising have agreed to pool media dollars in Italy. The DMB&B/Grey linkup is noteworthy because the Italian market—where the supply of television spots is shrinking and the number of commercial breaks is being limited—illustrates why agencies need buying clout.

Both O&M and Omnicom refused to elaborate on their new venture. But Knobler told *Strategies*, a French ad trade publication, that TMP will operate in five countries this year and 10 countries by 1990. Michel Richardot, vice chairman/O&M Europe, will be the new chairman.

In the interview, Knobler said that O&M

and Omnicom are pairing up on a country-by-country basis partly out of fear that their clients won't get access to broadcast time in nations where there is limited supply.

"The stock of media is not unlimited," he said. "Our clients have to have access to the space. That is the motive of our alliance."

Knobler said that O&M and Omnicom first started talking last March.

While he acknowledged similarities of "culture and philosophy" among O&M, DDB Needham Worldwide and BBDO Worldwide, Knobler said the talks took so long partly because "it was necessary to create [teamwork] among the competing agencies."

O&M and Omnicom are primarily concerned with servicing their own clients through TMP.

Knobler did, however, say that TMP wants to be among the top three media buyers in each market it enters.

"Will that lead us to seek international partners or local independents? All the cases ... are possible," he said.

Every agency and media-buying firm in Italy is jockeying to get their clients a share of the shrinking supply of TV spots.

Although there are plenty of TV sets—served by two major networks (one state-owned, Silvio Berlusconi)—and 941 independent

and affiliated stations, there are limits on commercial availability.

The state-owned network's supply is fixed by Parliament, and the private network recently agreed to reduce the number of commercial breaks.

As a result, "The market will be more difficult," said Serena Gana Cavallo, press officer for Sipra, the agency for the state-owned network. "That's one reason the agencies are getting together."

The DMB&B/Grey partnership in Italy differs from the O&M/Omnicom undertaking in that it is a local—rather than corporate—initiative implemented by managers in that country, according to sources at both agencies in New York.

Previously, DMB&B and Grey were involved in an eight-agency buying group that is now defunct.

One source said TBWA was involved in the talks with DMB&B and Grey, but that it opted not to participate.

Young & Rubicam recently purchased a media-buying firm, Ainio Media, in Italy, and sources expect the local Lintas and McCann-Erickson agencies to pool their buying.

Saatchi & Saatchi and the local Bates are expected to join forces for media-buying in Italy. —Debbie Seaman

4TH STORY of Level 1 printed in FULL format.

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Advertising Age

March 13, 1989

SECTION: Pg. 65

LENGTH: 364 words

HEADLINE: Noxell working on hair color

BYLINE: By PAT SLOAN

DATeline: BOCA RATON, FLA.

BODY:

Noxell Corp. is developing its first hair-coloring line and will assign advertising to either Lintas:Worldwide, New York, or Leo Burnett USA, Chicago.

The line might be marketed under Noxell's Cover Girl brand, though sources say other names are being considered.

Bristol-Myers Co.'s Clairol division has more than half the estimated \$478 million hair-coloring market.

Charles Busta, VP-marketing for Cover Girl Products, said, "Overall, no comment" when asked about the new line during the recent annual meeting of the Cosmetic, Toiletry & Fragrance Association.

"But we are looking at new places to take the Cover Girl name through our corporate development office," he added. "For instance, Cooler by Cover Girl is a registered name for a fragrance, which we could do under that name or another."

Also, Cover Girl this summer will introduce as "in-and-out products Sun Shines SPF 15 lip gloss and Summer Face Tinted Gel Blush," Mr. Busta said. "That will be our first major experience in the marketplace with Cover Girl in sunscreens."

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Cover Girl cosmetics and suncare products are handled by Lintas, but the

already handles fragrances for the Prince Matchabelli division of Unilever's
Chesebrough-Pond's.

Noxell's toiletries group is working on expanding the Noxema skin cream
brand but probably not into more skincare products, sources said.

One product that may get more play this year is Noxzema shaving cream,
recently moved to Burnett from Campbell-Mithun-Esty, New York, where it wasn't
advertised.

In other news from the meeting:

* Quintessence Inc. is planning a men's fragrance launch and a women's
cosmetics line for 1990, via Foote, Cone & Belding, Chicago.

PAGE 3

(c) 1989 Advertising Age, March 13, 1989

* Parfums Christian Dior will introduce Fahrenheit men's fragrance this fall
via HDM. New York, while Avon Products' Parfums Stern is said to be working on
a Cher for Men launch via FCB, San Francisco.

* Revlon Inc. has shot a new commercial that asks the question "What makes a
face unforgettable?" Answers come from celebrities. Handled in-house, the
commercial is expected to run on the Academy Awards telecast.

Como and

Consumer research, by depth interviewing of actual Noxzema Skin Lotion purchasers, showed that:

1. 9 out of 10 reported a willingness to repeat
2. 5 out of 10 had *already made a repeat purchase*

Special Sales Audits, taken in a major food chain, showed that 54% of Noxzema Skin Lotion in floor displays was *sold out in 2 weeks*.

In the Test Marketing program, sales of Noxzema Skin Cream—competing with Noxzema Skin Lotion—actually showed a substantial increase for a like period in 1957.

Coordinated Advertising Planned for 1959—Noxzema Skin Lotion will be launched, and backed through 1959, by a powerful advertising campaign in the following media:

TV Commercials on the top-rated Perry Como Show

Advertisements in Sunday Supplements

Advertisements in the country's most popular teen-age magazines

Noxzema Skin Lotion is a tribute to the specialized abilities of many people in many Noxzema departments.

Dr. Bauer's research was responsible for the formula. Mr. Hunt has been in charge of our New Product Development—Mr. Witt, in charge of all sales, and Mr. Grathwohl, Director of all Noxzema advertising.



IT'S NEW
Noxzema
Skin Lotion
MEDICATED
ANTISEPTIC

The TV show with the biggest audience is Perry Como's—45,400,000 viewers, American Research Bureau states... Al-most 1,000,000 ahead of "Gun-smoke," 6,000,000 more than Ed Sullivan

PERRY COMO
introduces
**NEW NOXZEMA
SKIN LOTION**
to 45,400,000 viewers



PCF 59-668

The Story of the NEW NOXZEMA SKIN LOTION

By G. Lloyd Bunting, President

OUR NEW NOXZEMA Skin Lotion was launched nationally on the top-rated Perry Como TV Show on February 14th. Perry Como personally introduced this new Noxzema brand to 45,400,000 viewers of his show.

In his typical relaxed and humorous way, Perry told his huge television audience that they could buy the regular size, or the giant economy size. (See photo on front cover.)

I am sure that the tremendous amount of preliminary thought and work that led up to this national introduction will be of interest to all of our Noxzema Stockholders.

Why a Noxzema Skin Lotion?

Our recent, more aggressive plans call for the development of new products of exceptional merit, which can be sold under the Noxzema banner and which can be handled smoothly by our present organization.

We are interested primarily in "related products" for skin comfort and skin beauty—products that have large volume and profit potential.

How Noxzema Skin Lotion Complements Noxzema Skin Cream

In many areas of the skin care field, liquids are preferred to creams. For

example, hand *lotions* are preferred to hand *creams* by almost four out of five women users of hand care products. In the facial cleansing market, lotions are making faster progress than creams. Our New Noxzema Skin Lotion will have a far greater potential in these areas than Noxzema Skin Cream.

Scores of new lotion products are marketed each year in the blemish, remedy and sunburn fields—and here, too, New Noxzema Skin Lotion will make available a Noxzema brand product to those people who prefer liquids to creams.

Important Advantages Over Available Cosmetic Lotions

Noxzema Skin Lotion is greaseless. It contains famous Noxzema medication, plus an antiseptic (hexachlorophene) and humectants for moisture retention.

For example, it helps solve three major beauty problems—in many ways better than any other product: Red, Rough Hands, Surface Blemishes, and Dry Skin. Moreover, it leaves the skin cleaner than any soap, cream or liquid cleanser yet tested.

Scientific Pre-Testing Indicates Large Volume and Profit Potential

Clinical research by four nationally known dermatologists in a series of rigidly controlled tests proved that New Noxzema Lotion is more effective for all around beauty care than any of the leading lotions tested.