

15.390 New Enterprises Mini Case #3: Marty Stark and the Stealth Wax

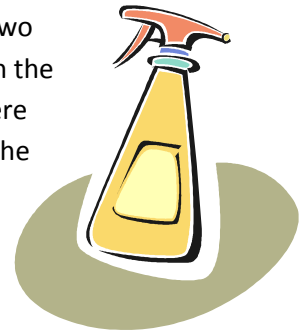
By Howard Anderson and Bill Aulet



Two months ago, you had a visit from Marty Stark, your old freshman roommate who you hadn't seen for ten years. Marty was a brilliant student but erratic; nevertheless you were good friends. Marty, a Course Six graduate, had two abiding interests when you first new him – fast cars and pharmacology. And that was the reason for his visit.

Marty explained to you that he had an interesting proposition: because of his great interest in creative pharmacology, he was going to be a guest of the State of Massachusetts for the next three to five years and would be out of touch. But his interest in cars was the real reason for his visit. He had developed an interesting car wax – and had secured patents. As a car wax, Marty's product was no better and no worse than what was on the market. The product did have some interesting properties.

Marty had given samples to the Porsche Club of New England (Motto: There are two kinds of Men: those who have Porsches and those who want them) to trial. When the test was over, he requested the unused car wax be returned but the members were reluctant to part with what was left. Upon further investigation, it turns out that the wax, applied to cars, made the cars virtually “stealth” – unable to be picked up by police radar. That was not to say that a state trooper or a policeman couldn't issue a citation – they could. But they would have to issue one for reckless driving, not speeding.



Marty's proposition was interesting. He was offering you 50% ownership in the patents and \$500,000 cash to start up a new company. You ascertained that this money was untainted and his to give. Your job was to form a company; you and Marty would each own 50%.

Your background was certainly different than Marty's. You had a BS in Science from MIT and an MBA from the Sloan School. You had worked for Johnson and Johnson in sales, sales management, and product management for five years and had recently been made a vice president and General Manager of a consumer products division. Yet you always wanted to be an entrepreneur and part of an exciting team.

Over the past two months, you have formed the company, issued stock, and filed additional patents in the United States as well as Germany and Japan.



You have an appointment next week with a New England venture firm, Rape, Ravage, Pillage and Plunder, which has a history of investing in consumer products companies. So you need a plan to present to them. You haven't quite figured out how to go to market with your product. Today, the product is perfectly legal in all 50 states, but your lawyers have suggested that too blatant an advertising campaign may draw unwarranted scrutiny, so they are suggesting that you fly under the radar (joke) of public authorities. You are always amused when your lawyers come up with these cute jokes, especially since you are paying \$500/ hour for their advice. Perhaps you could put a warning label on the bottles ("Caution: Liberal application of this wax may cause police radar units to malfunction"). Or perhaps you could use social networks/the Internet to cause the word to get out.

In any case, you need a plan and you need \$2 million dollars. You have decided that, for the present, you did not want a factory and you have arranged for a Somerville food packaging firm to manufacture and bottle the product in one liter bottles for \$1 each, which is actually less than you could do it yourself. A one liter bottle would be good for two waxings and you have found that the product is good for about a month, after which the wax needs to be reapplied. This same Somerville firm can also package it in 50 liter drums which could be sold to car washes, who could offer it as an option. A typical 50 liter drum could do 100 car washes.

You are uncertain as to what the pricing should be. You have tentatively decided that the retail price should be \$10 bottle and you would sell it to higher end car accessory chains for \$6. You believe that car washes could get an extra \$3/car wash and you would sell these 50 liter drums at \$100/each. In any case, on paper, you have a proprietary product with superb margins. You are also interested in using the Internet to go direct to consumers and you are investigating also selling it New Car dealers. So, in preparation for your meeting with Rape, Ravage, Pillage and Plunder, you need an operating plan and an execution plan.

How will you build out your team? What will your sales plan be?

Are you going to hire people? How many? What background? How will the Internet fit into your plan? At what point will you break even? You know there are some 80,000 car washes in the United States and over 200,000 car accessory stores. Should you aim the product to those people who have gotten speeding tickets? What states are they in? Or to those who want a little speeding insurance – who drive fast? Is your market men or women? Or owners of high performance cars? What age category?

You have decided to sell the product for the next year in the United States, where there are 765 vehicles/1000 people or 230 million vehicles. Germany might be ready in two years, where there are 558 vehicles/1000 people or 45 million total vehicles.



So, you need:

- A. A hiring plan. Who are you going to hire? How old? What background? Experience?
- B. A compensation plan. What are you going to pay them? What will quota be? You have to decide what a trained salesperson could do in signing up chains of auto supply firms and what they could do in signing up car washes. You have made an assumption that a good salesperson ought to be able to close two chains of five stores per week and that a store should be able to sell at least 10 bottles/store/week.
- C. You have decided to break the United States into 6 equal in size regions and that the sales people will live in their region. You need a territory plan.
- D. You will need a training plan to bring your salespeople up to speed... so to speak....You know that the Sprint Cup might be a good place to start... So you have to outline two days of training and then bring them back for two days of training every two months.
- E. You need an Internet/social network plan