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# Executive Summary

Crafted Color stands to revolutionize the relationship between women and their cosmetic products. Cosmetics have existed for thousands of years, yet, as shades rise and fall like the nations that have donned such products, there is little left for individuality, shades that speak to the very heart of modern consumers. Utilizing existing yet novel technologies, Crafted Color can deliver virtually any shade of cosmetic, as defined by the consumer, right to their doorstep. As a company, we seek to champion the ideals of individuality and beauty and want to aid every woman in her pursuit of actualization and freedom of expression.

By focusing our efforts on our target market, 16-26 year-olds, we seek to utilize key qualities of the Millennial demographic. Millennials value transparency and have a pride for quality. They relish the opportunity to express their individuality and are constantly searching for what makes them unique. Statistically, millennials are moving away from the brick and mortar models of yesteryear and are taking to the web to discover and uncover new and exciting products. By providing a service in which consumers can craft their own color, name it, and have it applied to an affordable yet quality cosmetic that is shipped to their doorstep, we believe we can capture a large percentage of the market (2.5%) within the first two years.

The lipstick market in the United States is huge at upwards of about \$2 billion where almost 65% of women use it regularly. This is a product often purchased 5 to 6 times a year at an average cost between \$12-15. The manufacturing process of lipsticks is also notoriously simple with stratospheric, almost criminal margins. In order to quickly get a foothold in the competitive landscape of cosmetics, we will first penetrate the lipstick market, delivering a novel technology, experience and value to the consumer that is unheard of in such an industry.

In order to keep costs and prices down, we will contract with an outside manufacturer that specializes in lipstick tube and pigment production. Because we are creating each lipstick to order, there is little inventory incurred, but because of slower processing, the cost will be higher. That being said, we believe we can achieve a 100% margin and sell the lipstick tubes for around \$15 shipped to consumers. While this margin isn't as high as some of the competition, we believe that, through value, we can provide an experience and ecosystem that is unmatched, thereby cementing brand capital that will further drive sales as the brand grows.

We will make money at first through sheer sale of product. We will create a website in which consumers can log in and craft their own shade, subsequently applying it to a cosmetic and saving it to their profile. From there, they can either order their own shade or explore other profiles where they can purchase from or interact with other users. This social ecosystem of pigments, what we call the "color palette", is vital to the brand as it empowers the consumers to interact with the community and create not only incredible colors, but also relationships. This will further bolster our brand and help create customer loyalty. Through website interactions, users gain points attributed to their "color contribution" score which can be redeemed for certain rewards like coupons on product or even a free cosmetic! This gamified experience will further develop our community, while also directly benefiting consumers.

We see incredible potential in this market. When the time comes, we anticipate an acquisition by one of the big four cosmetic firms. In an industry inundated with the bleak sameness of stagnation, Crafted Color stands fit to enact radical change and transport the customer experience of choosing and purchasing cosmetics to a whole new level.

# Survey and Interviews:

## Online Survey

- 45 respondents
- 16-26 years of age
- Asked users about usage and purchasing habits
- 62% don't finish their lipstick tubes
- 45% don't care to save the remaining lipstick in the bottom of the tube.

## Kaushik Subramanian, Brand Manager

L'OREAL PARIS, SINGAPORE

Based on our discussion with Kaushik we found that companies would be willing to adopt this and that they would prefer a change in mechanism, at the company level, since no one would be willing to admit that their product has wastage. The new design would be value added for customer and competitive advantage for companies. They would expect an increase in sales if this concept was developed and implemented. This led us to the direction of change in the tube design and not an auxiliary device. But one of the main concerns we realized was that unless the cost associated with the new design was lower, it would be hard to adopt for companies. Also, the IP and licensing would be a complicated process.

## Makeup artists

PITTSBURGH

Shade, brand, longevity, and quality matter the most. Absence of lead is very important. Makeup artists apply lipstick with brushes for reasons of hygiene therefore the wastage does not bother them. Many makeup products exist, that are poorly designed. For example, the wastage in lip gloss is also significant and cannot be recovered. They pointed us in a new direction: customized lipsticks would increase consumer's attachment.

Based on our survey and interviews we realized:

- People do not care about the problem enough. They care more about what's inside the tube and not the tube itself.
- Adoption by existing companies is not guaranteed and even if it were to be adopted, the process would involve many complications.
- Customized cosmetics has a good potential market.

This prompted us to start a business based on customizable cosmetics with a low wastage tube design. The customization is a service built around the new design so that it would be faster to market and its need is validated.

## Scenario:

Autumn is 25 years old who works all day and wears make up regularly. She is not brand loyal and has an assortment of makeup products from various bands which she buys based on popular opinion from magazines, blogs and other media. Autumn like every other millennial wants to feel unique and have her own identity. She wishes she had a shade of lipstick or lip gloss that was exclusive to her, much like make up lines named after celebrities. She wants to feel special. She goes online in search of a way to make her own lipstick, and comes across a website, CraftedColor.com.



Crafted Color is a company that makes customized cosmetics for personal use. Autumn has to make an account and a profile on the website and can begin 'crafting' her own lipstick shade with the help of a color palette. She can add multiple hues and colors and when she is satisfied, she can save the shade and name it whatever she wants to, whatever is important to her. All she has to do now is provide an address, pay, and after a few days, the lipstick has been delivered to her doorstep!





The website also has a social network and game-like feel through our profile and point system. Every shade is saved on a profile and can be viewed, liked and bought by other users. Each of these activities is visible on your profile and is awarded certain points. You can redeem your points for rewards and discounts. You can also connect to other users through their social media accounts elsewhere.



# Abby Wendler

Detroit, MI



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Color Contribution: **358**

Color Palette: **7**

If there's one thing I love more than lipstick, it's books. I draw inspiration from history's masterful female authors to create colors that are empowering, yet refined. Most people associate the city of Detroit with grit and gruff, a meshing of grays and browns that results in a muted existence. What I see is a town in need of beauty now more than ever.

## Recent Activity

Bought **Smantri's** shade, **Bluejay**



Earned a **Free Lipstick!**



Created a new shade, **Angelou**



Atwood

Angelou

Austen

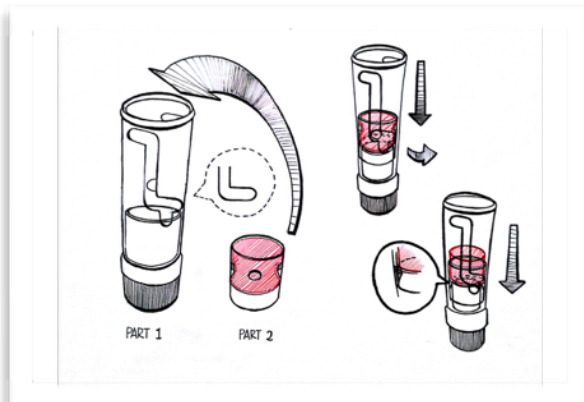
[View all colors](#)

## Project:

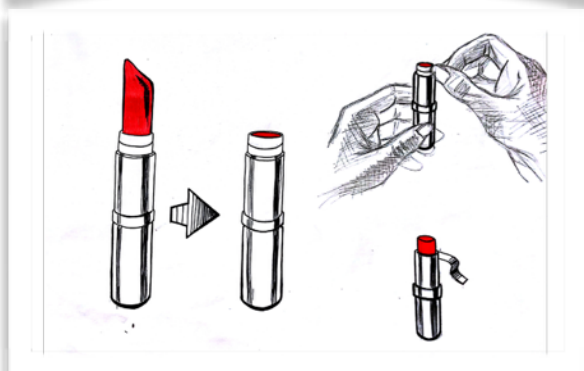
TASK	OCTOBER					NOVEMBER																										DECEMBER			TOTAL				
	28	29	30	31	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	1	2	3	HOURS	
EXPERIMENT					Jac and Ylwen																																	5	
PATENT/PRODUCT RESEARCH					Pratham																																	5	
INDUSTRY RESEARCH								Shreya and Jack																														12	
SURVEY								Anthony																														6	
PROFESSIONAL INTERVIEWS								Anthony and Shreya																														4	
IDEATION								all																														10	
DESIGN & PROTOTYPE								all																														12	
BUSINESS PLAN								all																														12	
TESTING																																							4
PREPARATION + MAKING UP FOR DOWN TIME																																							x
																																							70 + x
					Begin in Depth Primary Research Begin Initial ideation Provide simple prototypes to the subjects as a part of Research										Final Research Conclusions End of Research Compile Results										First Design/Prototype ready Make Improvements based on Judy's Feedback														
					Deliverables: Survey and Interview Q's, lipstick parts, Existing Patents										Deliverables: Survey Results, Interview Insights, Initial rough prototypes										Deliverables: Final Prototypes, Final Presentation, Final Report, Video/Comic														

## Lipstick concepts:

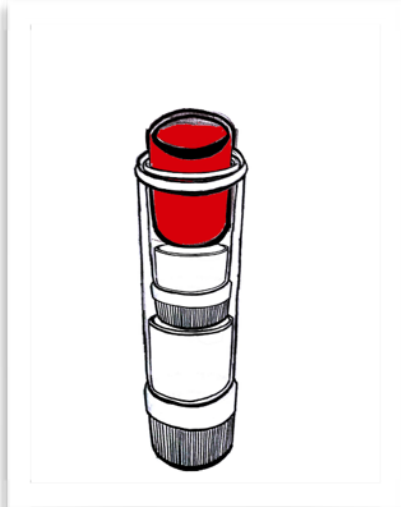
In order to better understand how current lipstick works, we have taken apart several lipsticks out there and we have found out most of the lipsticks uses the exact the same design and shares the same dimensions. The lipstick only has few parts and costs very little to manufacture. However, the problem is about one inch of the lipstick must be inserted into the base of the lipstick so that the lipstick will have enough support to not fall out of its case.



With the opportunity of eliminating the waste inside a lipstick tube, we have developed multiple concepts what will solve the problem in some way. And we have come up with four possible concepts and evaluated them in different angles. The first concept is the “Push it up” concept, where the user uses the lipstick as usually. At the end of the normal usage, the user reverses the tube and more lipsticks will be pushed up the lipstick holder automatically. Then the user will have access to up to 60% of the lipstick that she wasn’t able to use before. As you can see in the picture, the new design incorporates a movable floor but the floor only allows traveling upwards.

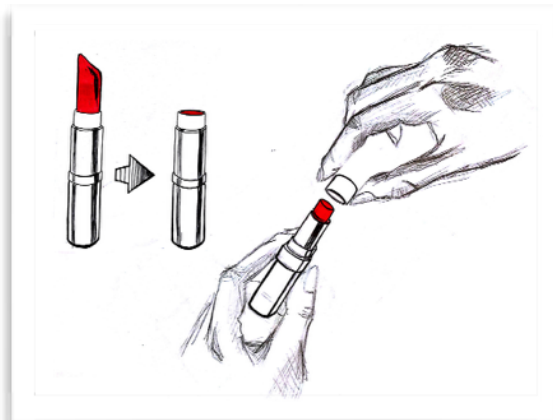


The second concept is “Peel it off”. Now the base where the lipstick is inserted into will have two parts. The first part is made out of plastic like the original but the second part is made out of paper. At the end of normal use, the user only have to peel off the paper part of the base and have up to 50% of the remaining lipstick.

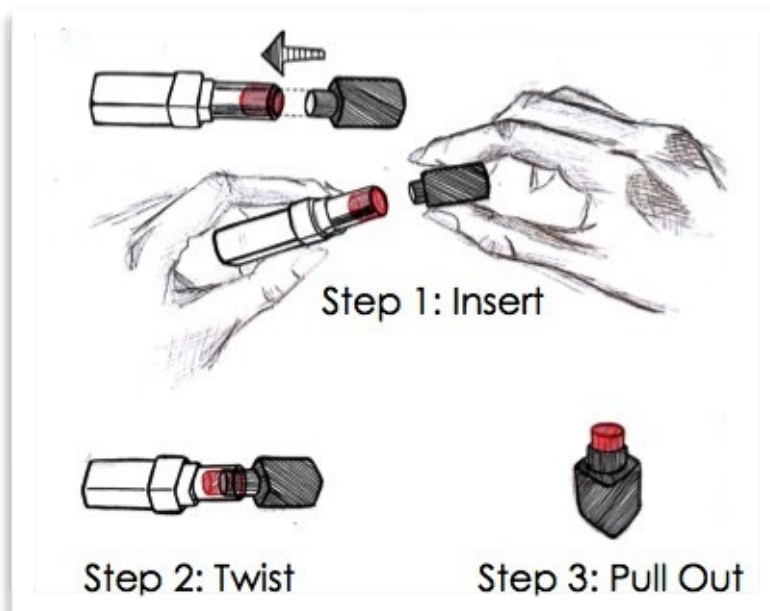


Similar to “Peel it off”, the third concept, “Detach” will have a plastic ring that goes around the outside of the lipstick. The user can pull it off when needed.

Finally, we came up with a “Double tube” lipstick design. A smaller lipstick tube is fitted inside a standard one. When lipstick will be pushed out from the inner lipstick tube once the lipstick is not accessible to the user.



In addition to solve the lipstick design problem, we thought outside of the box and designed an auxiliary tube to help the user get the lipstick out. The “Aux tube” has only one part. It will capture the lipstick when the user inserts it into the lipstick base. Then the user will have to pull the Aux tube out and apply the rest of the lipstick. Unfortunately, the potential problem for this design is the lipstick may be smirched during the process and not very aesthetically pleasing to the user.





# Business Plan

## Core Competencies

Understand user's needs and fashion trends: the research has given enough insight in to user's needs of wanting to be unique and keeping up with the latest trends. Our service addresses both these things through high involvement of users in choosing the colors and giving us valuable information on color trends.

Personalized cosmetic products: one of the most important aspect of Crafted Colors that sets us apart from other lipstick brands is the ability to personalize your product for everything – the outer tubing, lipstick shade, and even the name of the shade.

Green and Reduced waste: the problem given to us at the first place – another distinguishing and advantageous aspect for the company is that our product reduces the lipstick wastage that is prevalent with other brands and helps us to give more to our customers at reduced cost.

Website Management: the ability to manage the website, coordinate the manufacturers of tubes and pigment and successfully deliver a highly personalized product to the customers is an important that will drive the growth of Crafted Colors.

## Customer segments

Our primary target market is women with age 16-26. These target customers are usually the most tech-savvy, regularly buy from online stores. They do experiment with different products and want to feel special and unique.

Our secondary market is people of age 26 and above, who are very loyal to a certain shade of lipstick. However, that shade gets discontinued and so to buy/make the same shade they go online.

## Market

A top-down approach is taken to analyze the market and the potential demand for Crafted Color's lipstick. For actual figures, refer to table. Of the USA women population, 25% use the lipsticks daily. 30% of women usually go online to check for a cosmetic product before buying and 48% of it is usually converted in to an actual online sale. If the innovators (2.5%) buy at least 1 lipstick per year, the expected year 1 sales are 19, 178 units and in 3 years if the company captures the 15% of the early adopters, the expected sales by year 3 are 115,066 units.

USA Women Population Age 16-26	21,308,500
Women who use lipsticks regularly (25%)	5,327,125
Check online before buying (30%)	1,598,138
Purchase Online (48%)	767,106
Expected Year 1 Unit Sales (2.5%)	19,178
Expected Year 2 Unit Sales (8%)	61,368
Expected Year 3 Unit Sales (15%)	115,066

## Marketing

Search Engine Optimization: the primary way that customers could be reached and can be diverted to Crafted Colors is when they search for cosmetic products on search engines. For a startup, advertising on search engines is a very cost effective solution as you have to pay only for the clicks that the company receives.

Social Networks: another cost effective solution for marketing is advertising on social networking sites. It gives the ability to target a qualified, focused customer segment of 16-26 aged women that usually look online for buying products and thus reduces wastage of capital on unqualified customers.

Fashion Magazines and Publications: a very costly form of marketing with budget requirements of millions for advertising in reputed fashion magazines. Thus, would be carried out only after few years of establishment of Crafted Colors if necessary.

## Partners

Pigment Manufacturers: the most important partners for our company as they should have the ability to provide custom colored pigments at reasonable rates.

Tube Manufacturers: seeking out and partnering with lipstick tube manufacturers that can produce customized tubes as well as the new designs for reduced wastage.

Shipping Companies: making sure that the orders are reached to the customers on time.

# The Financials

PRICE: \$ 15 / UNIT

## Startup Costs

The costs include legal costs of forming a company, patent filings and negotiating deals. The costs for prototyping tube designs and developing pigments and testing to get approved by various regulatory agencies are included in research & development budget.

Legal	\$ 25,000.00
Office Supplies	\$ 500.00
Office Equipments	\$ 3,000.00
R&D	\$ 50,000.00
Brochures	\$ 1,000.00
Website	\$ 20,000.00
Other	\$ 30,000.00
Total	\$ 129,500.00

## Fixed Costs

Office Space	\$ 60,000.00
Office Maintenance	\$ 2,000.00
Legal	\$ 5,000.00
Website Maintenance	\$ 5,000.00
Marketing	\$ 25,000.00
Total	\$ 97,000.00

## Variable Costs

These costs are based on producing a single personalized product. The cost for mass-producing these items are usually very low.

Tube Manufacturing	\$ 1.00
Pigment Manufacturing	\$ 3.00
Packaging	\$ 1.00
Distribution	\$ 3.00
Total	\$ 8.00

## Profits

Year	0	1	2	3
Expected Sales (Units)	0	19,177.65	61,368.48	115,065.90
Startup Costs	\$ 129,500.00			
Fixed Costs		\$ 97,000.00	\$ 297,000.00	\$ 397,000.00
Sales Costs	\$ -	\$ 153,421.20	\$ 490,947.84	\$ 920,527.20
Revenue	\$ -	\$ 287,664.75	\$ 920,527.20	\$ 1,725,988.50
Net Profit	\$ (129,500.00)	\$ 37,243.55	\$ 132,579.36	\$ 408,461.30

## Next Steps

The next step would be to develop better designs for other make up products like lip gloss, foundation, blushes, etc. and then build the same customization service around them. We then hope to expand to other markets.

Crafted Colors is a proof of concept to demonstrate the value of personalized cosmetics and the reduced wastage tube design. The success of Crafted Colors would definitely generate an interests among the top cosmetic brands.