JOHNSON PRODUCTS CO., INC.

A Case Study

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EXECUTIVE SUMMARY

Johnson Products Co., Inc. desires to become the premier ethnic hair care and cosmetics company. Fortunately it is currently operating in a market segment that is expected to grow rapidly and there is the potential to enter other related markets that offer equally attractive growth rates. The company's solid name recognition provides it with the image it needs to compete successfully. Additionally, JP's many years of experience in both domestic and international markets provides it with the knowledge it needs to capitalize on the expected market growth. Unfortunately, JP has been experiencing sales levels that are near its break even point and the recent acquisition of a competitor's product line has further strained the company financially. This precarious financial position appears to be causing JP to scale back both its advertising and R&D efforts. It is the finding of this analysis that such scaling back is precisely what JP should not do. The analysis indicates that JP must pursue increased marketing and R&D efforts. This must be done if JP is to bring its sales levels past the break even point. The analysis further suggests that JP consider entering the color cosmetic sector of the ethnic market and that JP expand geographically further into the international market place. Additionally, new product development should be pursued in order to capture new market trends. If financial considerations hinder such expansion then licensing arrangements are recommended.

INTERNAL ANALYSIS

Mission/Goals/Strategies

In late 1989 Johnson Products Co., Inc. (JP). underwent a change of control. The former owner George E. Johnson turned control over to Joan B. Johnson as part of their divorce settlement. Eric G. Johnson, the Johnson's son, was then selected by the Board of Directors to be Chief Executive Officer. Over the last fifteen years JP has diversified into the beauty school, beauty salon, and general (non-ethic) cosmetics businesses. These diversified businesses were subsequently sold. The recent management change may have spawned a focus on a mission to become the premier ethnic hair care and cosmetics company in North America. The new goal is to grow into a Fortune 500 company and its strategy is growth through acquisitions. As was stated by Eric Johnson, "acquisitions are the wave of the future. If we want our business to grow..."

Finance

Over the last fourteen years the company has seen an equally distributed number of years with sales increases as it has seen sales decreases. Its highest sales year was 1981 when sales topped $43 million and its lowest sales year was 1988 when sales dropped to $29 million. Sales over the period have averaged $34 million per year (see Appendix #1).

This erratic sales behavior has been generally mirrored by fluctuating operating profits (namely, net sales less cost of goods sold and selling general and administrative costs) (see Appendix #2). This correlation did not occur, however, during 1985 or 1986. During those two years sales declined but operating profits increased. This counter relationship was the result of decreasing 1984 annual advertising and promotions expense by approximately 40% and by reducing headcount by about 35%. From 1985 forward JP has remained at these reduced expense levels.

In 1990 JP purchased M & M Products for $1.5 million in cash and two promissory notes totaling $3.5 million. The total cash purchase price exceeded JP's total 1987 to 1990 income from continuing operations by $200,000. Appendix #6 provides a review of JP's recent cash flows. This review indicates that, with operations providing less than a third of all cash flows, the deficit in cash for the purchase of M & M Products was made up of non-recurring items.

Reviewing JP's consolidated statement of income (Appendix #4) indicates how important is is for JP to control its selling, general and administrative (G&A) expenses. As a percentage of sales, G&A expenses have ranged from 62% to 46%. Due to the slim margins faced by JP, such fluctuations can mean that difference between earning $2 million or losing $2 million.

Two areas can be immediately identified when reviewing JP's consolidated balance sheet (see Appendix #5). First, debt increased from $4.5 million in 1989 to $7.9 million in 1990. This was mainly due to the purchase of M & M Products (see below). This increased debt, however, does not appear to have impaired JP. Comparing JP's current ratio and its debt to capital ratio to industry averages (see Appendix #7) indicates JP's healthy debt position. Additionally, JP's times interest earned ratio (see Appendix #8) also appears reasonable. Depending upon the restrictive clauses in JP's financing arrangements with Exchange National Bank of Chicago, these ratios may indicate that JP has additional borrowing capacity. Second, JP has substantially elevated it inventory level. The number of days of inventory has increased over 30% from 1989 to 1990 and the inventory turnover ratio shows a marked deterioration (see Appendix #8). This may be the result of purchasing M & M Products or factory productivity gains which are not being offset by additional sales.

JP's stock market price has been falling since 1976 and is currently at historic lows (see Appendix 10).

Erratic sales, slim margins, and operationally weak cash flows has contributed to JP's overall poor financial performance. In an industry that has had five year return on revenues, assets, and equity of 4.5%, 6.2% and 19.2%, respectively, JP has averaged (2.4%), (3.5%) and (5.1%), respectively.

Marketing

JP has five product lines for retail customers and three for professional customers plus the four brands acquired form M & M Products. JP is one of the top three ethnic hair care companies in terms of market share which provides it with good brand name recognition. The brand "Ultra Sheen" is to many worldwide a house hold name. Not including M & M Products lines the professional line accounted for 25% of JP sales. JP has recently been giving more focus to the professional customer by increasing personalized incentive programs and participation in trade shows. JP also manufactures for other companies on a contract basis. This activity only accounted for 4% to 6% of total revenue.

During 1975 JP had an estimated 75% to 80% of the black hair care market. By 1989 JP's market share was down to 6%. This precipitous decline was mainly due to the larger industry competitors like Revlon and Alberto Culver entering the ethnic market.

As was noted earlier, in 1984 JP reduced its advertising budget by 40% and headcount by 35%. The company has remained at these reduced levels. The reduction in headcount does not appear to have adversely effected sales. In fact sales per employee have reached some of their highest levels sense the reduction (see Appendix #3). The reduction in advertising and promotions on the other hand may have effected sales. Until just recently sales per advertising and promotions dollar has averaged about 5.6. That is, for every $1 spent on advertising $5.6 in sales were generated (see Appendix #3). Therefore, the reduction in advertising may be contributing to declining sales volumes.

The company's products are distributed directly to chain warehouses, wholesalers, retailers, and beauty and barber distributors. Demographic changes have resulted in customers preferring convenience purchasing which has resulted in shelf space allocation problems. This has prompted JP to change it marketing strategy to emphases more in-store promotions. Customers have also become more price/quality consciences.

JP also sales internationally through an Eastbourne, England distribution center to Belgium, France, Germany and Holland. Licensing agreements have been signed with a Jamaican and Trinidadian manufacture. Export sales account for less than 10% of total revenues.

JP has been reducing its new product R&D. During the period 1980 to 1985 when annual R&D averaged $830,000 per year the company introduced more than 50 products and line extensions. More recently R&D expenditures have been reduced by more than 50% and the company has introduced only 5 new products (current R&D expenditure mix is 1/3 on quality control and 2/3 on new and improved product development). Many of the patents on the company's products are scheduled to expire in the 1990s and early 2000s.

Production

JP and its two subsidiaries, Celex Corporation and Mellow touch, manufacture JP's wide range of products in a 176,000 square foot warehouse in Chicago, Illinois. Over the last 18 months factory productivity has been increased by 30%.

ANALYSIS OF THE EXTERNAL ENVIRONMENT

General Competition

Personal care product shipments are expected to expand at a compound annual rate of only 2.6%, compared with growth of 6.0% and

9.6% over the 1983 to 1988 and 1973 to 1983 periods, respectively, based on data from the Commerce Department. The market is generally divided into color cosmetics (including skin care and nail care) which accounts for 49% of the total market; hair care products for 27%; fragrances for 13%; dentifrices for 8%; and shaving items for 3%.

The general industry witnessed several takeovers in recent years. The general slow growth and increasing competition has caused many of the smaller less-capitalized players to merge, while the big players have viewed acquisitions as a means of achieving greater market share. Some mergers have been hostile. These hostile takeovers have forced many industry leaders to streamline operations. This increased efficiency should put some downward pressure on prices as these companies use their cost advantages to gain market share.

Increasing competition in a relatively static market generally leads to increasing advertising and promotional expenditures as a means of increasing or maintaining market share. Such increases are expected industry wide.

Unlike the general industry, products for ethnic minorities are expected to grow rapidly. According to Packaged Facts, the retail ethnic hair care, skin care, and cosmetic market is expected to expand from $489 million in 1989 to $582 million by 1993. An increase of 19%. This increase is fueled by above-average demographic growth and the increased buying power of black professional women. In 1989 hair care products represent about 74% of the minority market, skin care items held about 14%, and cosmetics 12%. Black owned companies once held about 80% of the total market but by 1988 that share had dropped to 46%. This decline was mainly due to the entrance of the larger cosmetic companies into the ethnic market. The leaders in ethnic hair care in terms of market share as of 1989 were: Soft Sheen Products with a 12.5% share, World of Curls Products with 6.8%, and JP with 6.0%.

Buyers

Based on data from Neilsen Marketing Research, a New York-based firm, total industry products by distributor in 1989 were divided as follows: drugstores, 42%; supermarkets and other food stores, 37%; and department store and mass merchandisers, 21%.

Due to the increasing age of overall consumers skin care products are expected to post healthy gains in the future. These products include face and anti-aging creams and lotions, suntan items, and other skin care products. Suntan items should also do well as consumers become more aware of the dangers of skin cancer and premature aging caused by overexposure to the sun.

Impulse buying is a very significant phenomenon in this market, typically accounting for half of all cosmetics sales. Point-of-purchase advertising is, therefore, very important. However, as competition increases it will become more difficult to obtain space for product display.

Because buying power is well diversified no single buyer exhibits significant influence over this market.

Suppliers

Most personal care products are based on commodity type raw material (e.g. ethanol) and, therefore, suppliers exert relatively little influence over this industry.

Substitutes

As most personal care products are discretionary purchases; few substitutes are important. However, if consumers become too price conscience they may begin switching from brand names to "plain-wrap" products.

Economy

Personal care products have typically been recession proof and since consumption of personal care items correlates with a country's standard of living, improving economic conditions around the world as well as in the United States, should be beneficial to the industry during the 1990s.

Legal/Political

The FDA regulates many personal care products and its insistence that JP put warning labels on some of its products is credited with lost sales by JP. However, the FDA has not been a major obstacle to the industry.

As the government and consumers begin focusing on environmental issues, such as the use of factory chemicals, the industry may be required to change production methods or product composition. This has not, as of yet, been a major factor in the industry.

Potential Entrants

A few barriers to entry exist that discourage new competitors from entering the personal care market. The fact that only one in three new products launched prove to be commercially successful may deter new companies from introducing products. Another barrier is limited shelve space which makes marketing a new product difficult. Finally, the FDA has been viewing the industry with a closer eye over the past several years which may also be discouraging new competitors.

However, these barriers do not effectively block firms currently in the industry from expanding their product lines into new segments like the ethnic market. In fact, as noted above, several large competitors have already expanded their products in just such a manner.

INTEGRATION OF MAJOR STRATEGIC ISSUES

Based on the previous analysis several JP strengths emerge. The "Ultra Sheen" name is recognized worldwide and provides JP with a solid base for marketing its products. This worldwide brand recognition coupled with JP's position as the third largest domestic market share holder in the ethnic hair care market and its experience in the international market, positions the company to take advantage of the growing domestic, European and third world country markets. Additionally, JP's experience in the many facets of product distribution also poises it to expand product penetration. Finally, JP has been experiencing increased productivity over the past 18 months. This may be the result of under utilization or increased efficiency. In either case, it indicates that JP should be able to meet any new demand.

Although JP strengths provide the company with a solid base, many weaknesses exist that present challenges. Over the past four years JP's annual sales have averaged $31 million. As indicated in Appendix #9 this is below JP's break even point. This low sales activity directly contributes to the company's weak cash flow from operations which threatens JP's continuing existence. The reduced sales volumes can be traced to the recent reductions in advertising expenditures. An additional cause for softening sales may lay it the company's reduction in R&D efforts. The decreased emphasis on research has resulted in fewer new product offerings. In an industry that lives on new products JP is now in a catch up situation. Also many of JP's current patents will be expiring within the decade. The combination of these factors threatens to keep JP in a weak sales posture.

Besides the above weaknesses JP has threats form the external environment. The personal care industry has been experiencing increased competition and many firms are merging or advertising heavily in efforts to gain market share. This competition should continue and may lead to market share wars. Large companies have also began targeting the ethnic market as a means of expansion. This change in focus could force JP to directly compete with larger more financial sound companies. To make the threat even more serious the recent rash of hostile takeovers has forced many companies to streamline operations and as a result many companies have become more cost competitive.

The eternal environment also provides JP with some opportunities. The color cosmetics sector represents 49% of the overall personal care industry. Yet of the ethnic market it represents only about 26%. This may signal an untapped niche. Demographics have been changing, resulting in an older population which is interested in products that preserve the appearance of youthfulness. This also represents a potential market.

These strengths, weaknesses, opportunities, and threats are summarized in the S.W.O.T. table presented in Appendix #11. Synthesizing these items produce several critical issues that must be addressed by JP management. These are:

1) JP must address the ever increasing competitive nature of the personal care industry and the potential threats from larger more financial sound companies.

2) JP must consider the opportunities in its current niche market and the potential of expanding that niche into other markets.

3) JP must review its use of advertising and R&D dollars to improve its sales volume and thereby move its operations past the break even point.

AVAILABLE ALTERNATIVE STRATEGIES

JP's stated corporate goal is to expand under its mission to become the premier ethnic hair care and cosmetic company in North America. The focus on this goal began with the divestiture of its ancillary businesses and the change in management. It is possible for JP to diversify into products outside the ethnic niche (e.g. general colognes, deodorants, etc.). However, due to the increasing competitive and slow growth nature of this market such a corporate strategy would prove difficult to execute. Especially when the financial sturdiness of the major players is considered. JP might consider a merger with one of the larger players. Such an action would provide the acquiring company with access to the ethnic niche and JP with a larger financial backing. However, JP would probably loose autonomy of action. Merger with one of its ethnic competitors, on the other hand, may allow some maintenance of control while improving JP's financial strength (some potential merger candidates are listed in Appendix #12). Yet, given both JP's weak financial performance and historically low stock price, JP would be at a disadvantage during any such merger negotiations. Baring any merger considerations it seems best for JP to concentrate on its core ethnic niche. Such a concentration does not exclude JP from diversifying into related products or markets.

As noted previously the color cosmetics sector may be an untapped ethnic niche. JP could use its brand name to market such products. It may be possible for JP to develop and produce these products on their own. However, it may also be possible to sell products under the JP brand that are produced by other manufactures. Such an option would allow JP to instantly enter the color cosmetic sector and capitalize on its name recognition while keeping cost down. Another option is to expand into other geographic markets. JP already has experience in the European markets and some third world countries. 10% of its sales revenue comes form export sales. Increasing its presence in such markets may require the establishment of additional sales and distribution systems. This would require financial outlay which JP may not be able to afford. It may be possible to increase the number of licensing agreements internationally and thus avoid many of the problems associated with entering new geographic markets while again capitalizing on brand name recognition. Currently 25% of JP's sales come from the professional market. JP could attempt to increase the proportion of sales coming from this sector. Given the difficulty in obtaining retail self space, this could prove a successful diversification strategy. However, it is likely that the professional sector is well saturated and may not have the same growth potential that the retail market possess.

Given that JP chooses not to merge, it must execute a growth strategy. This selection is necessitated by its near break even sales levels (see Appendix #9). What markets JP competes in is open for review. How it competes is not. JP has little chance of succeeding in the general personal care market. It is too competitive and the competitors are too strong. JP must choose a focus niche strategy. While price is always an important factor it is probably less so in the ethnic niche. A few cents more will probably not discourage a customer who trusts the product brand offered and for whom the product satisfies a particular need. Therefore, JP should focus on its particular niche. However, strategies for competing in this niche can vary. JP has stated that one of its strategies for growth was to acquire companies. JP's weak cash flow and stock price make this approach difficult. Although JP does appear to have additional debt capacity that it could use to make acquisitions it does not appear that JP could be carried far by debt as a source of funds. JP can also attempt to increase its new product offering and thus be the first to capitalize on market trends. In order to compete in this manner JP will have to increase its research efforts and be willing to remove some existing products to make self space for new ones. In marketing its products JP can choose either a push or pull strategy. A push strategy focuses on distributor and retailers. It offers them special incentive to buy the company's products. The hope is that visibility will sell the product. Because of the limited amount of self space in retail outlets this strategy would probably not be successful. Yet it may work in the professional market. A pull strategy would be more successful in the retail sector. Using this strategy a company advertises directly to the retail customers and attempts to pull the product through the distribution chain to satisfy the requests for the product by consumers.

RECOMMENDATIONS AND IMPLEMENTATION PLAN

From the alternatives available JP should seek to focus on its niche market and grow through a combination of increasing current product market share and diversification into new products and geographic locations. By focusing on the ethnic market JP has the best chance of avoiding head on competition with the major personal care competitors. Due to financial considerations it does not appear that JP can capture additional market share through the purchase of its competitors. Therefore, it must increase its retail market advertising and draw customers to its products. JP must not be timid in its marketing expenditures. They produce returns through increased sales and increased sales are what JP needs. Market share should also be improved through new product offerings. This will require investment up front but should produce substantial returns. Initial investments should focus on hair care products but could later be expanded into the cosmetics area. In the mean time, JP should seek out licensing agreements with cosmetic companies to sale their products under the JP brand name. The cosmetic market is an untapped sector of the ethnic market and one in which JP can use its brand recognition to penetrate. Introducing new cosmetic product lines will require additional marketing expense but a synergistic effect should occur with other JP products and produce a multiplying effect. JP should also attack the international market through licensing agreements. Such agreements require little financial investment and therefore offer JP access to markets that they otherwise would not have. Finally, JP should continue to market to its professional customers using specialized incentives. However, as this does not appear to be a growing market it should not be the company's major emphasis.

In order to execute a strategy of growth through increasing current market share JP must develop an action plan that includes timing and frequency of marketing campaigns, evaluation of manufacturing capacity and inventory levels to handle increased demand, educational requirements of sales personnel, availability of cash or financing to pay for campaigns, and any special incentive bonuses to be offered. Finally, an evaluation system on the effectiveness of each marketing effort should be designed so that successful ones can be repeated and unsuccessful ones dropped. To develop new products JP should evaluate current trends and attempt to predict what types of products will be desired in the future. Once these guesses are made the appropriate R&D staff level should be assigned to develop the products. Definite time frames should be established and strict cost control measures taken to assure proper success evaluation. The cosmetic sector of the personal care market is large and complex. JP will have to do substantial up from planning and evaluations before entering. JP should determine what products fit best with its current lines. JP must also evaluate its internal human and technical resources before launching into the market. Given day to day operations, projects such as this are often considered uncritical. Therefore, it is imperative that a definite action plan be developed that includes a time table for measuring progress. Much like the cosmetic sector the international market will also present challenges. Even though JP has experience in this area, plans and evaluations measures similar to those described above for entering the cosmetic market should be developed.

APPENDICES

(#1 to #12)

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Appendix #1
Johnson Products Co., Inc.
Performance Analysis

Sales Growth Rate Analysis
(sales amounts in 000s)

Year	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990*
Net Sales	$32,380	$37,246	$31,337	$32,294	$43,197	$39,177	$40,937	$35,589	$33,580	$29,811	$31,641	$29,104	$29,368	$33,497
Sales Growth Rate	(18%)	15%	(16%)	3%	34%	(9%)	4%	(13%)	(6%)	(11%)	6%	(8%)	1%	14%

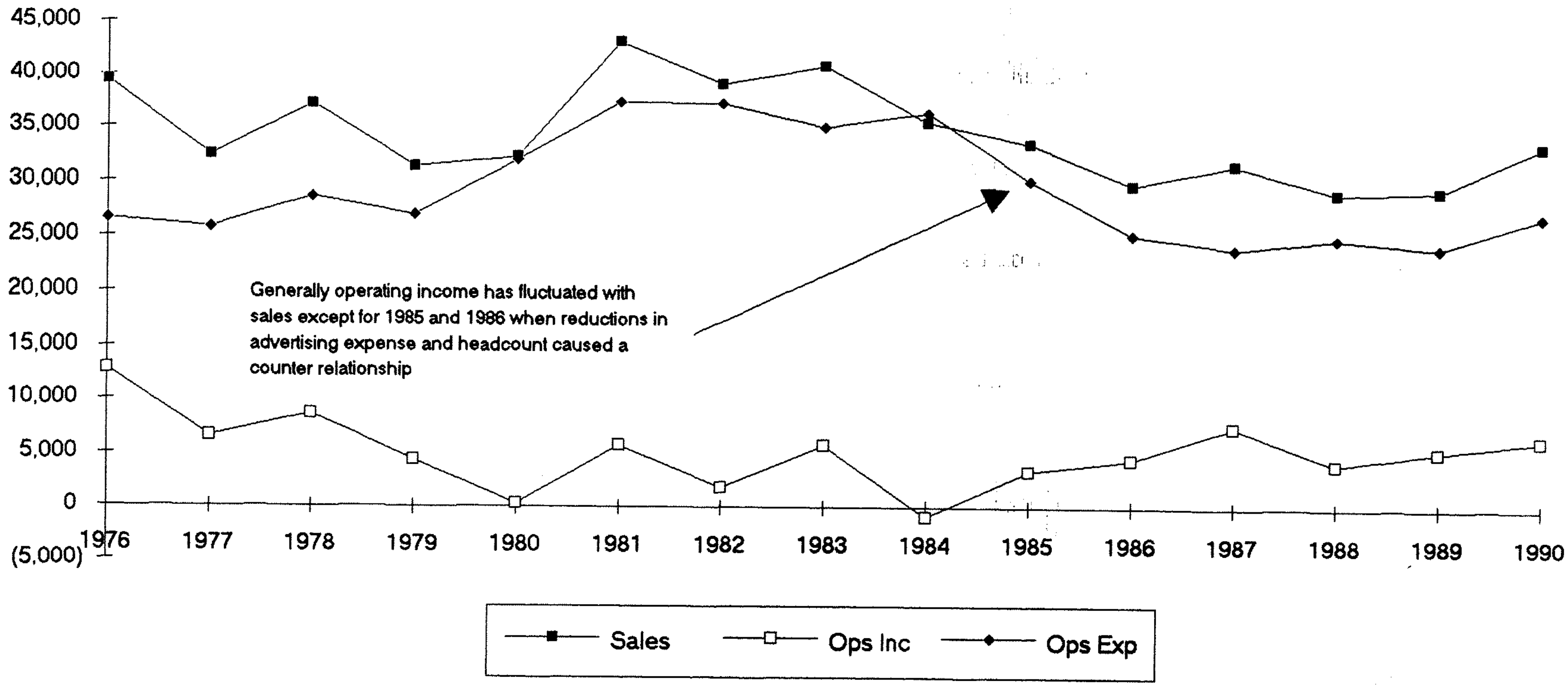
Over a fourteen year period Johnson Products has had an equal number of years with sales increases as sales decreases

Sales Statistics

High	$43,197
Low	29,104
Average	34,226
Standard Deviation	4,415

* 1990 sales growth attributed to acquisition of M & M Products

Appendix #2 - Sales, Operating Income, and Operations Expense from 1976 to 1990



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Appendix #3
Johnson Products Co., Inc.
Analysis of Sales per Employee and Sales per Advertising and Promotions Dollar

Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990*
Net Sales	39,428,000	32,380,000	37,246,000	31,337,000	32,294,000	43,197,000	39,177,000	40,937,000	35,589,000	33,580,000	29,811,000	31,641,000	29,104,000	29,368,000	33,497,000
Number of Employees	490	470	553	516	563	568	540	550	540	405	325	285	246	190	232
Sales Per Employee	80,500	68,900	67,400	60,700	57,400	76,100	72,600	74,400	65,900	82,900	91,700	111,000	118,300	154,600	144,400
Advertising and Promotion Expenses	5,608,000	5,731,000	6,211,000	6,019,000	7,243,000	8,067,000	7,467,000	7,226,000	10,031,000	5,986,000	5,384,000	5,518,000	6,496,000	4,736,000	4,080,000
Sales per Advertising and Promotion Dollar	7.0	5.6	6.0	5.2	4.5	5.4	5.2	5.7	3.5	5.6	5.5	5.7	4.5	6.2	8.2

Sales per Employee	
Minimum	57,400
Maximum	154,600
Average	88,500

1985 reduction in headcount increased sales per employee

Sales per Advert. and Promo Dollar	
Minimum	3.5
Maximum	8.2
Average	5.6

1985 reduction in advertising and promotions may have adversely effected sales

*Sales growth attributed to acquistion of M & M Products

Appendix #4
Johnson Products Co., Inc.
Consolidated Statement of Income (000's)

	1990		1989		1988		1987		Total 1987 through 1990	
Net sales	33,497	100.0%	29,368	100.0%	29,104	100.0%	31,641	100.0%	123,610	100.0%
Cost of sales	15,909	47.5%	13,515	46.0%	13,292	45.7%	12,999	41.1%	55,715	45.1%
Selling, general and administrative expenses	15,270	45.6%	15,300	52.1%	18,153	62.4%	16,584	52.4%	65,307	52.8%
Total costs and expenses	31,179	93.1%	28,815	98.1%	31,445	108.0%	29,583	93.5%	121,022	97.9%
Income (loss) from operations	2,318	6.9%	553	1.9%	(2,341)	(8.0%)	2,058	6.5%	2,588	2.1%
Other Income										
Fee received on asset held for sale	0	0.0%	0	0.0%	451	1.5%	0	0.0%	451	0.4%
Interest income	43	0.1%	78	0.3%	66	0.2%	38	0.1%	225	0.2%
Interest expense	(840)	(2.5%)	(797)	(2.7%)	(650)	(2.2%)	(966)	(3.1%)	(3,253)	(2.6%)
Gain on sale of land	0	0.0%	2,200	7.5%	0	0.0%	0	0.0%	2,200	1.8%
Gain on sale of investment	369	1.1%	0	0.0%	0	0.0%	0	0.0%	369	0.3%
Other income	269	0.8%	0	0.0%	0	0.0%	0	0.0%	269	0.2%
Total Other Income	(159)	(0.5%)	1,481	5.0%	(133)	(0.5%)	(928)	(2.9%)	261	0.2%
Income (loss) form continuing operations before taxes	2,159	6.4%	2,034	6.9%	(2,474)	(8.5%)	1,130	3.6%	2,849	2.3%
Income taxes	711	2.1%	779	2.7%	0	0.0%	580	1.8%	2,070	1.7%
Income (loss) form continuing operations	1,448	4.3%	(928)	(3.2%)	(2,208)	(7.6%)	2,986	9.4%	1,298	1.1%

Note: This statement of operations excludes the impact of discontinued operations which detracted $1,293,000 from and added $104,000 to net income in 1988 and 1987, respectively. This statement also does not included the impact of a tax loss carry forward of $677,000, $754,000, and $550,000 in 1990, 1989, and 1987, respectively.

Due to slim margins, changes in selling, general and administrative expenses can result in significant changes in income from operations.

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Appendix #5
Johnson Products Co., Inc.
Consolidated Balance Sheet

	1990		1989		1988	
Cash	149	0.6%	1,097	5.4%	213	1.1%
Net accounts receivable	9,348	35.9%	8,337	41.0%	7,060	37.2%
Inventories	6,347	24.4%	4,081	20.1%	4,344	22.9%
Assets held for sale	0	0.0%	0	0.0%	565	3.0%
Net P.P. & E.	5,486	21.1%	5,611	27.6%	5,842	30.8%
Intangibles, net	3,605	13.8%	0	0.0%	0	0.0%
Prepaid and other assets	1,125	4.3%	1,196	5.9%	932	4.9%
	26,060	100.0%	20,322	100.0%	18,956	100.0%

From 1989 to 1990 inventories increased $2,266,000

	1990		1989		1988	
Short-term loans	4,630	17.8%	3,211	15.8%	2,736	14.4%
Current maturities of long-term debt	1,230	4.7%	1,319	6.5%	2,054	10.8%
Accounts payable	4,917	18.9%	4,349	21.4%	3,176	16.8%
Accrued expenses	638	2.4%	633	3.1%	876	4.6%
Long term debt	2,000	7.7%	0	0.0%	1,313	6.9%
Other non-current liabilities	0	0.0%	189	0.9%	189	1.0%
Common Stock	2,648	10.2%	2,648	13.0%	2,648	14.0%
Retained earnings	10,450	40.1%	8,325	41.0%	6,316	33.3%
Treasury stock	(352)	(1.4%)	(352)	(1.7%)	(352)	(1.9%)
Cumulative translation adjustment	(101)	(0.4%)	0	0.0%	0	0.0%
	26,060	100.0%	20,322	100.0%	18,956	100.0%

Debt increased from $4,524,000 in 1989 to $7,860,000 in 1990 as a result of purchasing M & M Products

Appendix #6
Johnson Products Co., Inc.
Selected Cash Flows from 1987 to 1990

	Amount	Percent of Total
Operations 1987 through 1990*	$1,298,000	24%
1988 Beauty School litigation recovery	200,000	4%
1988 Sale of land	2,968,000	55%
1988 Fees associated with sale of land	545,000	10%
1989 Gain from sale of Johnson Products Nigeria	369,000	7%
	$5,380,000	100%

Operations provided less than 1/3 of Johnson Products' cash flow over last 3 years

* Not adjusted for depreciation or amortization

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Appendix #7
Johnson Products Co., Inc.
Selected Ratios - Industry Comparisons

	1990	1989	1988	1987	1986	1985		
Profitability Ratios								
Return on Revenues								
Johnson Products Co, Inc.	4.3%	4.3%	(8.5%)	1.8%	(5.8%)	(10.6%)	Johnson Prod. Aver.	(2.4%)
Alberto-Culver Co.	N/A	4.1%	4.4%	3.5%	3.0%	2.1%	Industry Aver.	4.5%
Avon Products	N/A	4.6%	4.0%	8.6%	5.5%	5.2%		
Helene Curtis Inds.	N/A	2.3%	2.3%	2.2%	2.6%	2.5%		
Revlon Inc.	N/A	1.7%	4.0%	8.5%	7.3%	12.4%		
Return on Assets								
Johnson Products Co, Inc.	5.6%	6.2%	(13.1%)	2.5%	(8.0%)	(14.1%)	Johnson Prod. Aver.	(3.5%)
Alberto-Culver Co.	N/A	8.8%	9.4%	7.3%	6.3%	4.2%	Industry Aver.	6.2%
Avon Products	N/A	6.7%	4.8%	9.8%	6.9%	5.4%		
Helene Curtis Inds.	N/A	4.7%	5.1%	5.0%	5.5%	5.0%		
Revlon Inc.	N/A	1.5%	3.4%	6.4%	4.2%	13.0%		
Return on Equity								
Johnson Products Co, Inc.	12.5%	13.0%	(23.6%)	4.9%	(14.3%)	(23.2%)	Johnson Prod. Aver.	(5.1%)
Alberto-Culver Co.	N/A	20.0%	20.1%	14.6%	14.3%	11.4%	Industry Aver.	19.2%
Avon Products	N/A	53.9%	21.0%	33.1%	19.7%	12.3%		
Helene Curtis Inds.	N/A	12.1%	13.1%	13.0%	14.2%	14.5%		
Revlon Inc.	N/A	6.2%	13.6%	22.7%	15.2%	39.9%		
Liquidity & Debt Ratios								
Current Ratio								
Johnson Products Co, Inc.	1.5	1.5	1.5	2.1	2.0	1.4	Johnson Prod. Aver.	1.7
Alberto-Culver Co.	N/A	2.0	1.8	1.8	1.9	1.6	Industry Aver.	1.6
Avon Products	N/A	1.1	1.1	1.2	1.6	1.7		
Helene Curtis Inds.	N/A	2.0	1.7	1.5	1.6	1.7		
Revlon Inc.	N/A	1.3	1.5	1.7	2.0	1.8		
Debt / Capital Ratio								
Johnson Products Co, Inc.	16%	2%	17%	N/A	N/A	N/A	Johnson Prod. Aver.	11.7%
Alberto-Culver Co.	N/A	30%	25%	15%	16%	29%	Industry Aver.	41.3%
Avon Products	N/A	68%	71%	49%	46%	36%		
Helene Curtis Inds.	N/A	41%	27%	26%	26%	29%		
Revlon Inc.	N/A	65%	57%	62%	55%	54%		

Appendix #8
Johnson Products Co., Inc.
Selected Ratios - Industry Comparisons

	1990	1989	1988	1987	1986	1985
Liquidity & Debt Ratios (cont)						
Times interest earned	3.6	3.6	(2.8)	2.2	N/A	N/A
Activity Ratios						
Inventory turnover	5.3	7.2	6.7	N/A	N/A	N/A
Days of inventory	146	110	119	N/A	N/A	N/A
Average collection period	102	104	89	N/A	N/A	N/A

Days of inventory has increased 33%
form 1989 to 1990

Appendix #9
Johnson Products Co., Inc.
Break Even Analysis

	Low	Break Even	Average	High
Net Sales	29,100,000	32,560,000	34,200,000	43,200,000
Cost of Sales (estimated at 45% of net sales)	(13,100,000)	(14,650,000)	(15,390,000)	(19,440,000)
Selling expense (estimated at $1 for every $5.6 of sales)	(5,200,000)	(5,810,000)	(6,110,000)	(7,710,000)
General and administrative expense (estimated at 1990 levels)	(11,200,000)	(11,200,000)	(11,200,000)	(11,200,000)
Income from operations	(400,000)	900,000	1,500,000	4,850,000
Interest expense (estimated at $900,000 per year)	(900,000)	(900,000)	(900,000)	(900,000)
Income form continuing operations before taxes	(1,300,000)	0	600,000	3,950,000
Taxes (estimated at 36%)	0	0	(220,000)	(1,420,000)
Income form continuing operations	(1,300,000)	0	380,000	2,530,000

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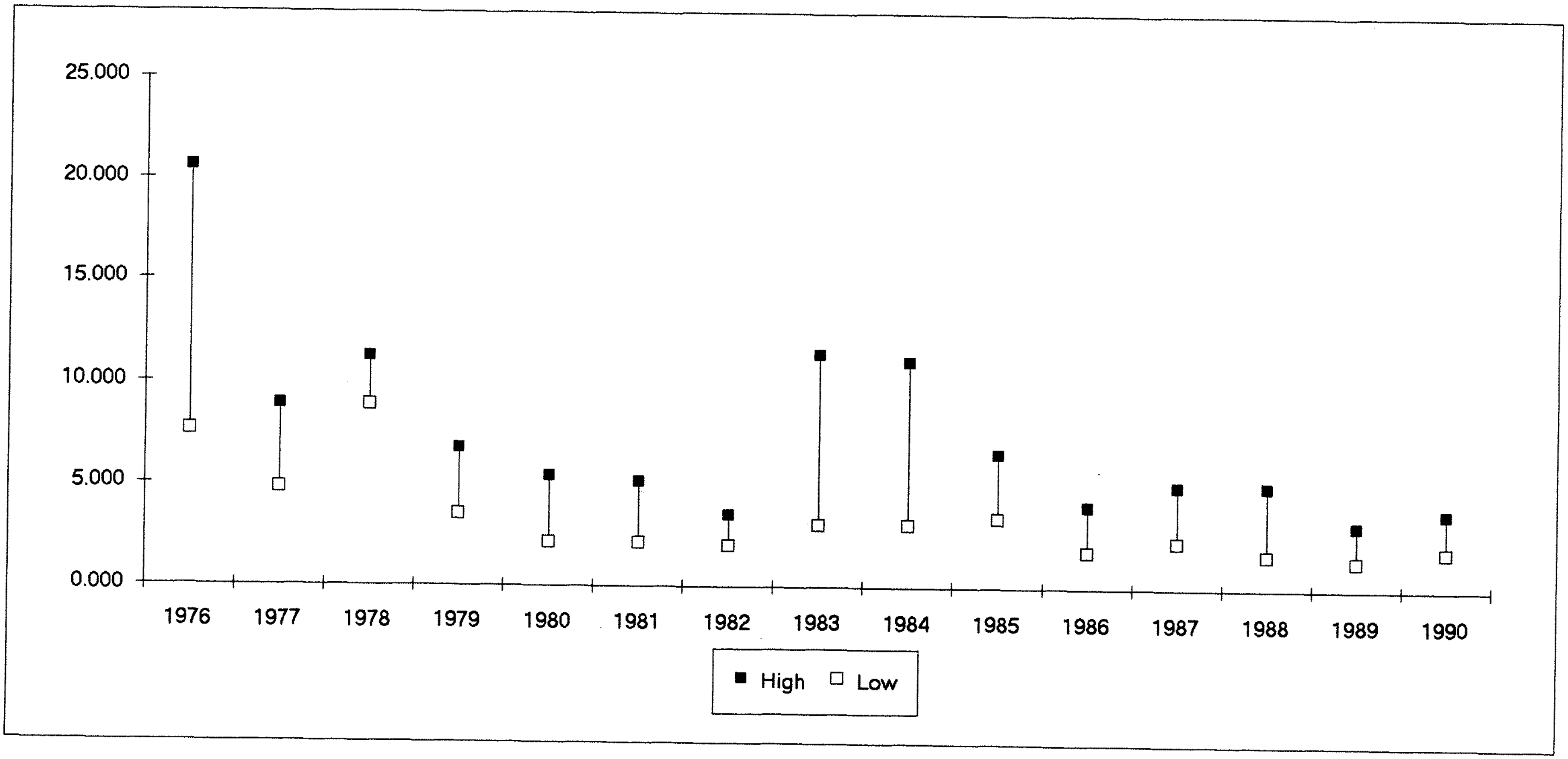
Appendix #10
Johson Products Co., Inc.
Stock Price History



Year	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
High	20.625	8.875	11.250	6.750	5.375	5.125	3.500	11.375	11.000	6.500	4.000	5.000	5.000	3.125	3.750
Low	7.625	4.750	8.875	3.500	2.125	2.125	2.000	3.000	3.000	3.375	1.750	2.250	1.625	1.375	1.875

Appendix #11
Johson Products Co. Inc.
S.W.O.T. Table

Strengths

Good branch name recognition
International experience
Positioned in the expanding ethnic market
Wide range of distribution channels
Increasing factory productivity

Weaknesses

Sales volume at or near break even
Weak cash flow from operations
Fewer new products available for introduction
Expiring patents

Opportunities

Unsaturated ethnic color cosmetics market
Demographic shifts to older population

Threats

Increasing competitive nature of personal care market
Increasing presences of large companies in ethnic market
Competitors streamlining their operations

Appendix #12
Johson Products Co. Inc.
Potential Merger Candidates

Soft Sheen Products

World of Curls Products

Naomi Sims Beauty Products

Gazelle Intentional

Flori Roberts, Inc.

Posner Laboratories