CEMP: Corporate Environmental Program
The University of Michigan

Sustainable Enterprise Program
A program of the World Resources Institute

DEJA SHOE (A):

Creating the Environmental Footwear Company

Recognizing the changing role of the corporation in society, the University of Michigan's Business School and the School of Natural Resources created the Corporate Environmental Management Program (CEMP). The program is designed to develop leaders, executives, and managers – whether they work in the private sector, public sector, or for an environmental non-profit – with the skills and knowledge required to create economically and environmentally sustainable organizations Permission to reprint this case is available at the BELL case store. Additional information on the Case Series, BELL, and WRI is available at: www.BELLinnovation.org.

Julie Lewis' interest in recycling began in the early 1960's when recycling wasn't fashionable. Recycling in her home was done out of necessity. She helped her mother crush aluminum cans and return them to the local recycling center. She became concerned with environmental issues as a high school student when national attention was focused on the first Earth Day and water restrictions made news in her native California. With the encouragement of her teacher, Lewis made a video on the "State of the Environment" for a class project. Combining her environmental awareness with her instilled habit of recycling, she endeavored to launch a program whereby students would sift through landfills to extract recyclables. However her effort was discouraged by landfill owners concerned about potential liabilities.

*This case was prepared by **Paul W. Hardy** under the supervision of **Stuart Hart**, Director of the University of Michigan's **Corporate Environmental Management Program (CEMP)**, as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. We gratefully acknowledge the support of **Consumers Power** in developing teaching materials in corporate environmental management.*

World Resources Institute has collaborated with CEMP to help disseminate this case to a wider audience. For more than a decade, WRI's Sustainable Enterprise Program (SEP) has harnessed the power of business to create profitable solutions to environment and development challenges. BELL, a project of SEP, helps universities, graduate schools and corporations integrate environmental issues into their educational programs, and provides new thinking about the relationship between business and the environment.

When she became active in environmental issues again years later, Lewis took note of existing recycling programs. Although her Oregon community had one of the most ambitious curbside collection programs in the state, little of the material collected was actually recycled. Most consumer products still used virgin materials in production processes, as potential uses for recyclables were largely misunderstood or unexplored. The faults in the recycling programs spurred her to act:

> The problem with the mandatory programs was that they didn't have any markets for the stuff, so a lot of it was put in warehouses and ended up in landfills anyway. Nobody wanted to pay to warehouse it and wait for markets to develop. I thought, 'This is so stupid!' They should have thought of markets before they had this mandate. And so that became part of my mission - to create markets for recycled materials. I thought somebody has *got* to do this. I thought of shoes because, going back to my childhood again where I wore sandals from Mexico that had tire rubber soles, I thought we ought to be recycling tires again and putting them into shoe soles.

Lewis began calling mills in the southern United States to inquire about the possibilities of making a shoe fabric out of recyclables. After the mills did not respond to her inquiries, she contacted Bill Bowerman, founder of Nike and fellow Oregon resident, in order to discuss the viability of producing a recycled shoe. Bowerman recognized that the footwear industry engaged in wasteful practices and was intrigued by Lewis' idea to produce shoes from recycled materials. Bowerman recruited Nike executives to facilitate Lewis' interactions with manufacturers and with product designers. In the meantime, Lewis secured a $110,000 grant from a local agency that funded projects that attempted to broaden the market for recycled materials.

With seed funding and technical assistance secured, Lewis began to develop the strategy for launching the "environmental footwear company." Recycling underpinned the strategy. Lewis pointed to recycling as a way to minimize human impact on the environment and reduce the amount of material flowing into landfills. Raw materials for early "Deja shoes" included polystyrene cups, file folders, rejected coffee filters, baby diapers, plastic milk and soda bottles, paper bags and corrugated cardboard. Besides saving landfill space, she believed that recycling saved energy and helped minimize the air and water pollution emitted during the processing of virgin materials. She pointed out that recycling also protects landscapes and animal habitats, as mining, logging, oil production, and other extractive industries are curtailed. Finally, when consumers wore the shoes out, they could send them back to Deja to be recycled again.

Lewis also began initiating contacts with major international conservation organizations. She committed donating 5% of her company's pre-tax profits to the Species Survival Commission of the World Conservation Union in Switzerland. She endeavored to source raw materials that were sustainably harvested in developing countries, which in some cases would provide an alternative to slash and burn agriculture or clearcutting native forests.

Lewis articulated the company's vision of "sustainable development":

> We believe that economic growth for individuals, businesses, and societies should occur within ecological bounds and limitations set by nature. To be sustainable, development must meet present human needs without impacting future generations' ability to meet theirs.

Bowerman and other Nike executives were instrumental in helping her operationalize this vision. On recommendation from her supporters at Nike, an Arkansas mill agreed to produce a run of five thousand pairs of shoes made from a prototype polypropylene fabric that Lewis developed with technical assistance from the Amoco Corporation made from pre-consumer disposable diaper waste. But as she boxed the shoes in her basement, Lewis noticed quality problems. Many pairs did not have the proper fit or had components that were not properly stitched and sealed. As a result, Lewis determined only a few thousand pairs could be salvaged from the production run.

The Management Team

The experiment left Lewis over budget by $20,000 and with the realization she needed an experienced management team from the footwear industry to bring the product concept to the next stage. Lewis learned that Dean Croft, the former President of Avia, lived in her neighborhood. She visited her neighbor Croft at his home, who was impressed with what she was able to accomplish as an industry outsider. Croft referred her to Scott Taylor, Avia's former Chief Financial Officer. Taylor drew in Bruce MacGregor, another recently-departed Avia executive.

During his tenure with Avia, MacGregor had vice-presidential responsibilities for design, production, marketing, product development, and advertising and promotions at different times. MacGregor had just left Avia when he was contacted by Taylor. MacGregor recounts his initial conversations with Taylor about coming to work at the environmental footwear company:

> I had said that I'm going on sabbatical for a while and I don't want to talk business. He kept after me when I got back from Europe and I said fine. It was really more of a favor just to sit down with him and see what was up. So I ended up meeting Julie. The idea intrigued me. I guess what intrigued me is that I saw a shoe that looked brand new. And that startled me.
>
> The design, the fit, the comfort - all the aspects of the footwear itself were absolutely terrible. Nevertheless, the shoe looked brand new. That was really the first time I understood what she was trying to do here. I don't know what I was expecting, I guess maybe soiled shoes or worn shoes!

In 1991, the three partners divided responsibilities for managing the company. MacGregor became President of Deja, Inc. and Taylor became CFO. Lewis took on responsibility for new product development and materials sourcing as Vice-President for Research. The former Avia executives funded the next six months of operations out of their own pockets, moved the operation out of Lewis' basement and into a Portland area office and began drafting a business plan and raising capital.

MacGregor's and Taylor's experience in the footwear industry and familiarity with financial markets and Lewis' articulation of the sustainable product concept was received favorably by venture capitalists. In March 1992, Deja received its first round of equity funding. U.S. Venture Partners, Allstate Venture Capital, and BancBoston invested a total of $2.5 million. Some of the same venture capital firms had invested in Avia when Deja's new management team held leadership positions. During Taylor and MacGregor's tenure at Avia, the company's sales grew from $5 million a year to $200 million. Ann Doherty of Allstate Venture Capital in Chicago remarked:

> It was Julie's vision, zeal, and innovative approach to recycling technology that attracted the attention and backing of some key business people who have proven track records in the industry. Allstate reviews more than 600 potential investments every year in a wide variety of industries and funds only about eight or ten. Deja had the right mix of timing, trends, and most importantly, a management team capable of pulling it off.

The Footwear Market

The market for footwear in the U.S. is approximately 1 billion pairs of shoes per year. The market is divided into three primary segments: athletic, casual, and an "other" category that includes formal footwear and specialty footwear.

Athletic footwear constitutes nearly 35% of the total footwear market and is an extremely competitive segment. The athletic segment is dominated by industry giants Nike and Reebok, which together account for over 50% of the $8.7 billion athletic footwear market. Nike's and Reebok's athletic footwear are manufactured in Asia. For both companies, Indonesia and China were the number one and number two manufacturing locations. Thailand, Taiwan and South Korea are among the other nations which produce at least 10% of the footwear products for the companies. The low wage rates in Asia contributed to the companies' 40% gross margin on their footwear products.

Among the functions at Nike's and Reebok's U.S. headquarters are product design and marketing. Marketing was an area of particularly intense competition. Market trends showed that performance was an attribute of athletic footwear that influenced consumers' purchasing patterns. As a result, Nike and Reebok lured high profile athletic celebrities to endorse and promote their products. Income statements for Nike and Reebok can be found in **Exhibit 1**.

Smaller companies vie for share in specialty athletic markets by developing performance products for specific athletic activities. In the 1980's, Avia Group International, Inc. exploited such a niche by focusing on performance footwear for aerobics, cross-training, and tennis. This strategy led the company to the company's explosive growth before being acquired by Reebok.

The casual footwear market accounts for approximately 30% of all footwear sales, generating between $3.5 billion and $4 billion in revenue. In contrast to the athletic footwear market, no major brand dominates the casual segment. Companies competing in the premium casual segment include Rockport (a Reebok subsidiary), Dexter, Florsheim, Nine West (a Nike subsidiary), Teva, Doc Marten, and Birkenstock. Wholesale price for premium casual footwear is $20 or higher. Yet the largest segment of casual footwear has a wholesale price under $20. Value is the dominant purchasing criteria in this segment, which constitutes approximately 70% of casual footwear market.

Timberland is the largest company in the casual footwear market; the company's $418 million in sales in 1993 accounted for between 10% - 12% of all casual footwear sold. Product design, marketing, and investor relations are handled from Timberland's corporate headquarters in New Hampshire. Timberland products are marketed to consumers in the outdoor casual segment that pay a premium for stylish leather designs and durability. Many Timberland walking shoes and workboots are water-proof and quadruple stitched.

Timberland products are manufactured primarily in the Dominican Republic, with some production occurring in Taiwan, Thailand, and other East Asian Nations. Until early 1995, Timberland contracted with mills in North Carolina and Tennessee, but withdrew from U.S. production when quality standards could be achieved by off-shore manufacturers at a lower price. The company's costs for materials and production amount to between $18 and $20 per pair. Timberland's products retail for $80 on average. The Timberland Company's income statement can be found in **Exhibit 2**.

Manufacturing & Materials

Deja shoes were manufactured in Asia. Manufacturing the shoes in Asia appeared to be a necessity. To manufacture in the United States would have meant incorporating the higher wages of U.S. workers into the price of the shoes. Yet because of the relatively small production orders, the costs associated with developing new materials, and no economies of scale over which to disperse these costs, the costs advantage of manufacturing in Asia was not as great as it was for the large companies in the athletic wear segment.

MacGregor, concerned that the start-up operation needed the lowest labor costs the greatest manufacturing flexibility that it could find, made use of the Asian contacts developed while at Avia. However, manufacturing of a Deja shoe imposed different requirements than manufacturing footwear for traditional footwear companies. MacGregor explains that despite their extensive footwear manufacturing experience, Asian firms still faced a learning curve when it came to manufacturing Deja shoes:

> There's a lot of components that go into a shoe. If you're a traditional footwear company sourcing in Asia, you just give your specs to the factory and the manufacturers procure the materials. Or if you're sourcing in this country, you just give the specs to your manufacturing folks here and they source the materials.

> We gave our specs to the factories in Asia and they went, "Wait a minute!" Obviously they didn't know where to begin. "Excuse me, what's this? Ex-baby diapers and milk jugs?"

Deja's management recognized that the traditional industry relationship with Asian manufacturers would not serve the company's needs. The manufacturers inexperience with recycled materials and an underdeveloped recycling infrastructure in Asia meant that the responsibility for material procurement would fall not to the manufacturers, but to Deja Inc. Sources for raw materials (i.e. baby diapers, milk jugs, etc.) were identified in the United States, the U.K., Canada, and Japan, purchased by Deja and then sent to a facility that could reprocess the materials into a fabric, sole, or other shoe component.

After the raw materials were recycled, Deja would ship the finished components to Asia for assembly into a Deja shoe. Deja's management considered producing shoes closer to the sources of recycled materials. However, the high wage rates in North America, Europe and Japan precluded this option.

At Deja, the company's deepening involvement in the sourcing and manufacturing processes was viewed as a necessity, as the incorporation of recycled materials into footwear was the essence of their product's differentiation from other brands of footwear. "We basically had to become the material sourcing wing, which complicates things compared to traditional footwear start-up. But we had to do that," asserted MacGregor. As a result, Deja's cost for producing a shoe were around $22. MacGregor estimated that the environmental design and materials in Deja shoes resulted in at least a 20% premium over the cost of footwear produced by traditional footwear companies.

During his initial discussions with Lewis, MacGregor believed that Lewis had finalized the development of a high-strength polypropylene fabric made from recycled material. However, the polypropylene fabric was not perfected. Recycled polypropylene had more impurities than polypropylene made from virgin materials. In the production process, the recycled version had a higher melting point that resulted in damage to the extruders and other manufacturing equipment. Therefore, the management team had to seek out a substitute material for the recycled polypropylene half-way through the development of the first product (to be released as the spring '93 line.) MacGregor recounted the frustration of having to find an alternative for polypropylene mid-way through the design phase:

> We switched gears and found a canvass from Eco-Fibre in Canada. But it just wasn't the technical story that polypropylene told. It wasn't the environmental story or the technical story. There was a great environmental story to pre-consumer waste from the manufacturing of baby diapers. There's a great technical story because polypropylene is incredibly strong and wicks moisture. So we lost a lot of elements when we had to go to canvass.

Besides believing that Eco-Fibre's recycled canvass would not make the same deep impression among consumers that would be made by a material produced from recycled diapers, MacGregor had other reservations about the switch from polypropylene to canvass. Although some footwear products used canvass, MacGregor knew that 80% - 90% of the footwear sold in the U.S. was leather. Furthermore, because the switch occurred late in the design phase, there was not adequate time to test how Eco-Fibre's canvass would perform. Although he considered delaying bringing the shoes to market until the spring '94 season, Deja's financial agreements with the venture capitalists was based on sales beginning in 1993.

The Market for Deja Shoes

Market research began in-house. Because Lewis seemed like a typical consumer, MacGregor asked her a series of questions. "What do you watch on TV and what do you like to eat? What do your friends eat? What do you wear?" were included among the questions that he fired at her. Lewis spent time in the library researching consumer preferences. This research, in combination with polling data concerning people' attitudes towards the environment, indicated that consumers would welcome green products. Deja's management reviewed the results of a New York Times/CBS News poll taken in April 1990. The poll revealed that 60% of the population believed that those involved in environmental groups are "reasonable" and only 27% believed they were "extremists." Furthermore, 71% of the respondents said that the environment should be protected even if it means increased spending and higher taxes. When viewed historically against previous polls, the percentages indicated that more of the public was identifying with environmentalists.

The polls also helped them estimate that up to 60% of the population views *itself* as core environmentalists but, as company documents illustrate, "these more 'conveniently green' consumers usually select the environmental product over others if they do not have to sacrifice function, value, or fashion." Management estimated that 5% - 10% of the U.S. population consisted of core consumers who would put environmental standards above other concerns when making purchasing decisions.

Successful businesses such as The Body Shop, Ben & Jerry's, and Patagonia further confirmed that a large market existed for products brought to market by socially-responsible businesses. Lewis and MacGregor sketched a profile of Deja's core consumer. The profile can be found in **Exhibit 3**. MacGregor summarized the results of the team's research efforts:

> ...We had a lot of surveys on who considered themselves environmentalists, environmentally sensitive, etc. And this just wasn't from one survey. We took a combination of a Roper poll and a USA Today poll. Generally, about fifty percent of the population, it turned out through these polls, was our target audience. Particularly, women were more sensitive than men, which isn't surprising because women are generally more socially responsible and probably more moderate politically than men, as we now see in elections. So we went off these polls.

As a result, the 30-45 year old casual segment was targeted because market research suggested that women in this age group were the most environmentally-conscious consumers. Deja Inc. was entering the casual footwear market while this segment was undergoing rapid growth.

Changes in lifestyles towards recreation and casual dress, and changes in footwear fashion from athletic styles to casual styles, are accredited with the increased demand for casual shoes. Another consideration for entering the casual footwear market was that the segment is highly fragmented, signifying the company would not have to displace dominant competitors to compete effectively. Based on sketches drawn by a friend of Lewis', the company introduced the Envirolite for women in the 30 to 45 year old group.

Deja's management identified the 18-29 year old market segment - Generation X - as crucial to the company's success, due to the role this group has as a leader of fashion trends. Doc Marten, Teva, and Birkenstock were popular with Generation X. With the younger segment in mind, designers produced specs for the Eco-sneak. An example of both shoe designs can be found in **Exhibit 4**.

Keeping with the firm's vision of sustainable development were provisions to take back Deja shoes after consumers had worn them out. Consumers were encouraged to send their used shoes back to the company's Oregon headquarters. The used shoes would then be recycled, thereby serving as raw material for the next generation of product. To facilitate the take-back, the Deja shoe box was designed to be easily turned inside out. The interior of the box was pre-printed with space for a mailing label, as well as with artwork depicting various endangered species.

Marketing and Promotion

Management also concluded that the majority of potential consumers reside in regions where the environment holds a prominent place on the civic agenda. These regions include the Pacific Coast and the Northeast, and to a lesser extent, the states located in the Upper Midwest and Rocky Mountains. Needing assistance in reaching retailers, the management team hired sales representatives which divided responsibility for covering the country on a geographic basis.

Retailers across the United States enthusiastically received Deja shoes, remarking on the innovation and timeliness of the product concept. A global conference held in Rio de Janeiro in 1992 had focused media attention on rainforest destruction, loss of biological diversity and other environmental issues. As the management team and sales staff introduced the shoes, major retailers signed on with very little hesitation, believing that the recycled footwear concept behind Deja's products would quickly translate into sales to an increasing environmentally-aware consumer base.

Within a few months, many retailers which catered to outdoor enthusiasts and green consumers, as well as major department stores, were promising to showcase Deja products in catalogs and in-store displays. MacGregor recalled the retailers' reactions:

> Once we got the spring '93 line put together and started showing retailers...the reaction was amazing. L.L. Bean, who's very conservative, wanted to put us in their catalog the first time, which they did. Recreation Equipment Inc. (REI) was super excited and (also very conservative) gave us more space in the spring catalog than they gave either Rockport or Timberland. Then Nordstrom in

> Northern California put us on the cover of their spring men's catalog. So out of the box, never having shipped a shoe, retailers are raving about this.

Throughout the year, many other retailers, including Bloomingdales, also decided to carry Deja products. A partial list of Deja retailers is located in **Exhibit 5**. Although Deja finished 1993 with nearly 400 retail accounts across the United States served by 25 representatives, it was difficult for MacGregor to pinpoint why Deja shoes had made such an impression with the retailers.

> You're never quite sure breaking it down. It's just like if it doesn't work, it's more than one factor and if it does work, it's more than one factor. But they loved the concept. They thought the public was ripe.

Green stores were more enthusiastic about Deja's products than mainstream retail outlets. Larger green businesses, such as Seventh Generation's catalog business, as well as smaller green outlets, welcomed the introduction of the recycled shoes. Such businesses tend not to specialize in any one product area, but rather act as one-stop shopping outlets for consumers whose purchasing choices are based on environmental concerns. A consumer could expect to find organically grown foods, clothing made from hemp, and chlorine-free recycled paper in a green retail outlet. Although they had no direct experience in the footwear industry or selling shoes, the green stores provided Deja's sales representatives with extensive orders. Moreover, because green businesses were a small, but rapidly growing retail sector, Deja's management had high expectations for future sales through this business segment. Data that management used to understand the growth of the green product market can be found in **Exhibit 6**.

Deja's recycled footwear concept generated substantial attention from the mainstream press. Lewis' early efforts were highlighted in Portland's major newspapers. Lewis also was interviewed by a major wire service, which distributed the Deja story to media outlets across the nation. Each news story brought a flurry of inquiries from other news media as well as from prospective customers, retailers and other business partners. Lewis' recalled that after Deja shoes were featured on the front page of the *Wall Street Journal's* Marketplace section, her phone would not stop ringing. She noted, "Every time that I returned to the house after being gone for a few hours, my answering machine would be full of messages!"

The company also received several high profile awards. Deja shoes won the National Recycling Coalition's Best Product Innovation Award at the group's 1993 annual conference in Nashville, Tennessee. During the 75th commencement exercise at Connecticut College, the college's president bestowed Lewis with an honorable mention award in the college's first Inherit the Earth Award program.

The importance of the press attention was not lost on MacGregor. In contrast to the huge advertising budgets of dominant footwear industry players, marketing expenses accounted for only 6% to 7% of the start-up company's expenses. MacGregor estimated that the concept behind the recycled footwear generated $5 million a year in free advertising.

Pricing

The company's market research indicated that the 5% - 10% of the population that were truly core environmentalists would pay a premium for Deja shoes, but the roughly 50% - 60% that was environmentally-aware was unlikely to do so. However, Deja's mainstream accounts insisted that their shoppers would pay a premium for a recycled product. They believed that Deja's radical innovations would be refreshing to a footwear market that had been used to only moderate innovations from incremental changes in style.

In 1993, Deja's canvass casual, the Envirolite, had a wholesale price of $30 and a retail price of $60, although most other canvass casuals retailed for between $20 and $30. Deja's Envirolite had an inner sole which provided more arch support than traditional canvass footwear. Management thought that the value-added provided by the sole would possibly justify the higher price. Yet the enthusiasm expressed by Nordstrom and other mainstream retailers was the factor which overcame skepticism about the "conveniently green' segment. MacGregor recalled rationalizing the adoption of the premium pricing strategy:

> For a canvass product, yes it was a premium. But despite all and any concerns, when you get that kind of reaction from three of the leading retailers in the country and have a lot of experience and a lot of savvy, you tend to say, "Well, if they think it's right, it's right. So let's go."

Exhibit 1: Consolidated Statement of Income for Nike and Reebok

Nike: Consolidated Statement of Income	*1993*	*1992*
Revenues	**$3,930,984**	**$3,405,211**
Costs and expenses:		
Cost of sales	**2,386,993**	**2,089,089**
Selling and administrative expenses	**922,261**	**761,498**
Other expenses	**27,214**	**32,806**
Total expenses	**$3,336,468**	**$2,883,393**
Income before taxes	**594,516**	**521,818**
Income taxes	**229,500**	**192,600**
Net income	**$ 365,016**	**$ 329,218**
Net income per common share	**$ 4.74**	**$ 4.30**
Average number of common and common equivalent shares	**77,063**	**76,602**

Notes: Figures are for fiscal year ending May 31. All figures are in thousands, except per share data.

Reebok: Consolidated Statement of Income	*1993*	*1992*
Revenues	**$2,893,933**	**$3,062,346**
Costs and expenses:		
Cost of sales	**1,719,869**	**1,809,304**
Selling and administrative expenses	**769,744**	**807,078**
Other expenses	**41,073**	**188,000**
Total expenses	**$2,530,686**	**$2,804,382**
Income before taxes	**363,247**	**257,964**
Income taxes	**139,832**	**143,146**
Net income	**$ 223,415**	**$ 114,818**
Net income per common share	**$ 2.53**	**$ 1.24**
Average number of common and common equivalent shares	**88,348**	**92,697**

Notes: Figures are for fiscal year ending December 31. All figures are in thousands, except per share data.

Exhibit 2: Consolidated Statement of Income for The Timberland Company

Timberland: Consolidated Statement of Income	*1993*	*1992*
Revenues	**$418,918**	**$291,368**
Costs and expenses:		
Cost of sales	**266,211**	**183,510**
Selling and administrative expenses	**111,541**	**81,339**
Other expenses	**7,043**	**7,520**
Total expenses	**$ 384,795**	**$ 272,369**
Income before taxes	**34,123**	**18,999**
Income taxes	**11,602**	**6,080**
Net income	**$ 22,521**	**$ 12,919**
Net income per common share	**$ 2.01**	**$ 1.18**
Average number of common and common equivalent shares	**11,206**	**10,922**

Notes: Figures are for fiscal year ending December 31. All figures are in thousands, except per share data.

Exhibit 3
Consumer Profiles

Deja's management retrieved the following information from a Roper Poll and a USA Today poll.

Core Environmental Consumer **22% - 29% of the U.S. Population**	**Environmentally Sensitive Consumer** **26% - 31% of the U.S. Population**
At least half this group are baby boomers. (30 - 45 years old)	The majority of this group are Generation X. (18 - 29 years old)
Predominantly female.	Gender balanced.
Middle to upper income.	Generally middle income.
Most have college degrees.	Educated or still in school.
Think globally, act locally.	Think locally, act locally.
Pro-active on environmental issues, either with their time or money.	Act only on environmental issues that affect them.
Skeptical of commercial claims.	Skeptical of commercial claims.
Most will not pay much or any premium for environmentally correct product.	Will definitely not pay a premium for environmentally correct product.
Environmentalism is a lifestyle issue.	Environmentalism, when convenient.
Active in the outdoors.	Somewhat active in the outdoors.
See themselves as non-conforming.	More non-conforming.

Exhibit 4
Envirolites and Eco-sneaks Spring '93

Exhibit 5
Partial List of Deja, Inc. Accounts

Athletic Footwear Stores
- Athletic Attic
- Just for Feet
- Lady Footlocker
- Gart Bros.

Department Stores
- Parisian
- Nordstrom
- Bloomingdales
- Jacobson's
- Strawbridge & Clothier
- Barney's

Shoe Stores
- Chemins
- C & J Clark

Specialty Walking/Comfort Stores
- Overland Trading Company
- The Walking Co.

Specialty Outdoor Retailers
- Paragon
- Whole Earth Provisions
- The Great Outdoor Provision Company
- Recreational Equipment, Inc.
- L.L. Bean
- Eastern Mountain Sports

Green Stores
- What a World
- Earthsake
- Eco Habit
- The Nature Company

Specialty Apparel Boutiques
- Passport
- Fast Forward
- Eileen Fisher Boutique

Mail Order Catalogs
- Eastbay
- Plow & Hearth
- Hanna Anderson

Green Catalogs
- Real Goods Catalog
- Seventh Generation
- Eco Design

Exhibit 6
Data on Green Markets

- New green product introductions have increased from 2.8% of all new product introductions in 1988 to 12.8% in 1993.

  Source: Marketing Intelligence Ltd.

- Sales of green household products are expected to increase from $2.1 billion in 1991 to $7.7 billion in 1996.

  Source: Green Market Alert, March/April '92.

- Sales of all green products are projected to increase from $26.1 billion in 1991 to 96.5 billion in 1996.

  Source: Green Market Alert, March/April '92.

ISBN 1-56973-137-3
9 781569 731376
39000