Table of Contents

1.0 Executive Summary

NEWCO is well-positioned for continued revenue growth. There are, however, market and company risk factors that must be addressed in the near term to sustain and/or grow the company's revenues and valuation.

NEWCO competes in the sinus-nasal remedy category in a sub-category called nasal wash or sinus rinse. In 2007 NEWCO's flagship brand and product, NEWBRAND neti-pots, posted a revenue growth estimated at 500% over 2006 revenue. The company recognizes that this growth rate was influenced largely by an unplanned product category endorsement from one of the world's most influential media celebrities (Oprah Winfrey) that pushed the nasal wash category into the mainstream. Prior to the media exposure the neti-pot and similar nasal wash products were relatively unknown by the mass market.

Using an intelligent software tool the company's current business model and strategy was analyzed and compared to hundreds of other companies similar in scope and market orientation. The analysis, coupled with interviews with company leaders, revealed the following:

- ✓ *The overall market for sinus-nasal remedies is fragmented and showing signs of very slow growth*
- ✓ *Sinus wash products are a sub-category of sinus-nasal remedies. Demand for this product category is growing fast after it emerged in 2007 as a credible, all-natural substitute for prescription and over-the-counter medicines which can carry undesirable side effects*
- ✓ *Influencers including doctors, pharmacists, nurse practitioners, family and friends are driving diffusion of innovation*
- ✓ *NEWBRAND's market share is about 12% of the nasal wash category. Its current served segment is about 32 million people but the potential market is about 116 million people.*
- ✓ *There is little product or messaging differentiation among nasal-sinus rinse competitors*
- ✓ *Compared to the #1 competitor NEWBRAND is in a risky place due to lack of product and product line differentiation*
- ✓ *The company's strengths are in operations and distribution*
- ✓ *The company's weaknesses are mostly in marketing*

Based on these factors and others it was determined that NEWBRAND's best strategic option today is a focused differentiation strategy, which is explained thoroughly in the plan. It is important that NEWBRAND improve its positioning from a "me too" product to one that is preferred over direct competitors and substitutes before this sub-category matures much further. To do this, our strategy in 2008 is centered on changing the company's positioning from a product-and-benefits orientation to a qualify-of-life orientation.

Also in 2008 we will begin differentiating our products, product line(s), messaging and channel marketing using a variety of programs and tactics. Keys to successful execution of this strategy are: a change to careful market planning and execution using a written marketing plan and an 18-month rolling calendar; the addition of an experienced marketing operations resource; and the gradual

exit of the CEO from day-to-day marketing decisions and execution.
Our tactics will focus mostly on focused differentiation and the effective use of public relations and internet marketing.

Although the prospects of expanding beyond the U.S. are tempting, we believe there is plenty of opportunity to get similar or better returns here at home while the domestic market is still growing rapidly. We do not plan to compete beyond the U.S. and Canada in 2008.

Our systematic approach to presenting this marketing plan follows this format:

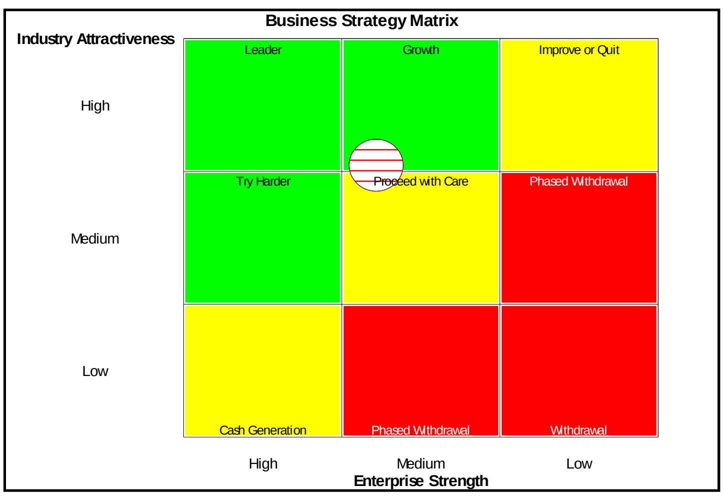
- ***What Are The Trends?***
- ***What Is Driving The Trends?***
- ***What Are Our Competitors Doing About The Trends?***
- ***What Are We Doing About The Trends?***
- ***What Should We Be Doing About The Trends?***

2.0 Situation Analysis

What Are The Trends?
What Is Driving Trends?
What Are We Doing About The Trends?
What Are Our Competitors Doing About The Trends?
What Should We Be Doing About The Trends?

NEWCO is a sinus-nasal remedy manufacturer enjoying excellent but fairly recent success. The 8-year-old company markets a natural sinus-nasal remedy device called a neti-pot which delivers a soothing nasal wash throughout the sinuses. The company also markets a squeeze bottle version of the product and has recently introduced a children's product. Recent credible news articles suggest that traditional antibiotic treatment of sinus and nasal infections do not work. Recent feature stories in popular mass media are giving the mass market a positive view of the neti-pot approach. The industry saw a corresponding spike in sales in 2007.

A recent strategic analysis of hundreds of factors related to our market, our company and our competitors showed that we are among the market leaders and we have potential to become the undisputed market leader if we can deploy effectively a sound market strategy.



The macro- and microenvironments for our products are favorable. Trends are converging that are opening consumers' minds and driving their intention to trial or purchase natural remedies and neti-pots in particular. Our employees are knowledgeable and excited about the category. Our capacity and contracted suppliers will have no problem meeting forecasted demand. Our key shareholders are all in basic agreement about strategy and tactics. Media attention is frequent and positive. Our product showed little or no price sensitivity in 2007.

Today the market for nasal remedies is fragmented. The sub-category of nasal wash is not fragmented, however, since the top two players hold an estimated 80% of the share. Even though the market for nasal wash is not fragmented we are competing against many, many other brands and products in the fragmented nasal remedy category. Therefore our strategy must be one that supports a fragmented market brand. Fragmented markets keep prices high and discourage product standards. Marketing experts agree that, in general, mass market tactics like TV advertising do not work well in a fragmented market. This will not hold true for brands with substantial brand equity, like Claritan and Advil, built over many years.

It is estimated that the U.S. market for nasal wash products is $50-$100 million of which NEWBRAND has an approximate share of 7-14%. NEWBRAND is the 2nd largest marketer of neti-pots. The other main competitor is NeilMed, marketing a product called NasalFlo. Both NEWBRAND and NasalFlo have achieved impressive nationwide distribution, primarily in large pharmacy chains and smaller independent pharmacies. A relatively small portion of sales happens at natural remedy retail stores, on the internet and a few other places. The great bulk of NEWBRAND sales are through the large pharmacy chains.

<u>We target 4 distinct groups with our advertising and promotion:</u>

- ✓ Consumers - generally middle class men and women, we want them to trial and/or purchase the neti-pot or squeeze bottle and saline refills.
- ✓ Doctors - we need them to refer the product to their patients.
- ✓ Pharmacists - we need them to refer the product to their customers.
- ✓ Retail buyers - we need them to purchase our product for their chains and give us favorable shelf space.

Our biggest marketing challenge is educating the consumers, doctors and pharmacists to overcome the "grossology" factor and truly appreciate the benefits. First, the neti-pot is still in its growth phase of market awareness. Second, use of the neti-pot is awkward which our market research confirms. The procedure is invasive which creates an instinctive built-in consumer objection which must be overcome through educational marketing.

2.1 Market Summary

What Are The Trends?

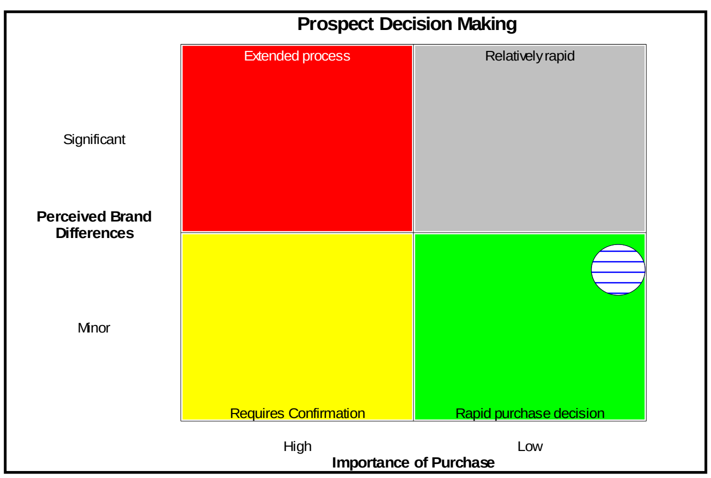
While the total number of users of sinus nasal remedies is barely growing, our product category [sinus and nasal wash] is growing because users of traditional remedies such as medications are adding nasal wash to their current remedies. This is being driven primarily by environmental trends (culture and government) helped substantially by recent media exposure. We believe the industry revenue for sinus and nasal rinse products grew in excess of 500% in 2007. The industry value of sinus-nasal rinse is believed to be about $100 million.

Most of our information on our performance and the performance of our competitors in the marketplace is from POS data from retailers.

According to the National Institute of Allergy And Infectious Diseases approximately 14% of the general U.S. population, about 42 million people, suffers from chronic sinusitis. In addition we suffer about 1 billion colds a year. Allergies drive the total percentage of nasal-sinus sufferers in the U.S. to about 30% of the general population.

The demand for neti-pots and related products is growing rapidly. Our own revenue grew by approximately 500% in 2007 and we are the #2 competitor. Our primary target customer is the mass market consumer although we also advertise to key influencers, primarily physicians and pharmacists. We plan to continue targeting the mass market consumer in 2008 because our research tells us this is the best opportunity for growth.

Virtually everyone can afford our product. The complete kit is priced under $15and contains enough saline packets for 40 uses. Today the market is showing little or no brand sensitivity therefore it is not necessary to invest in building brand equity at this time. The data points here were determined empirically.



The average NEWBRAND purchaser can be either male or female and is 46 years old, married, household income of $75,000 to $99,000 and likes to listen on the radio to talk shows , news, classical music or soft rock in that order. Television programs favored are CNN, network news, Fox News, MSNBC, 60 Minutes, Good Morning America and Dr. Phil in that order. About two-thirds of

NEWBRAND purchasers have at least a B.S. degree. The largest percentage first educates themselves about NEWBRAND on the internet before purchasing our products mostly from pharmacies.

The average NEWBRAND purchaser rates our product highly and also recommends it to friends and family.

Market Analysis 1: Total U.S. Population

Potential Customers	Growth	2008	2009	2010	2011	2012
Adults	0.12%	244.5	244.7	245.1	245.3	245.6
Children	0.13%	60.9	61.0	61	61	61.2
Total (millions)	0.12%	305.4	305.7	306.1	306.3	306.8

Market Analysis 2: U.S. Middle Class

Potential Customers	Growth	2008	2009	2010	2011	2012
Adults	0.12%	82.3	82.4	82.6	82.7	82.8
Children	0.13%	34.1	34.2	34.3	34.3	34.3
Other	0%	0	0	0	0	0
Total (millions)	0.12%	116.1	116.6	116.9	117	117.1

Market Analysis 3: U.S. Middle Class Sinus Sufferers

Market Analysis Potential Customers	Growth	2008	2009	2010	2011	2012
Adults	0.12%	24.7	24.7	24.7	24.8	24.8
Children	0.13%	10.2	10.3	10.3	10.3	10.3
Other	0%	0	0	0	0	0
Total (millions)	0.12%	34.9	35	35	35.1	35.1

2.2 Market Needs

What Are The Trends?

Statistics

- Over 100 million people suffer from sinus conditions and allergies in the U.S. alone
- Sinusitis accounted for *26.7 million* office and emergency room visits in 1996 (need more current research)
- Sinusitis causes upwards of $5.8 billion in direct costs annually

Impact on Quality of Life
Like productivity, quality of life (QOL) is affected adversely by allergic disease. In a cross sectional study comparing QOL in 111 adults with allergic rhinusitis (AR) and 116 control subjects, those with AR had lower scores on all of the 9 domains measured including social functioning; role limitations, mental health, energy/fatigue and pain. The difference was highly significant P<.0001) in 8 of the 9 domains. In a separate study of 142 patients with chronic urticaria (allergic hives), QOL scores were almost identical to those of patients with coronary heart disease in terms of low energy levels, feelings of social isolation and emotional distress. The studies also showed that allergies affected the QOL for younger sufferers.

Impact on Productivity
Of all the allergic disorders, AR probably has the greatest impact on productivity, because it tends to be a lifelong condition, because the causative allergens are usually difficult or impossible to avoid, and because of its pathophysiologic relationship to asthma. Although AR often begins in childhood, its highest prevalence is between the ages of 18 and 49, the peak career-building, child-rearing years. In addition to millions of days of workplace absence each year, AR causes about 28 million days of restricted work activity. The side effects of some allergy therapies can detract even further from workplace performance. One study of decreased productivity related to the sedating effects of traditional antihistamines estimated the costs at $4 billion per year.

AR also affects classroom productivity and functioning in children, chiefly because of school absences. In fact, AR and asthma are the 2 leading causes of absenteeism due to chronic illness. On any given day, 10,000 children in the U.S. miss school because of AR, for an annual total of 2 million lost school days. Even when they are in school, children with AR often have trouble concentrating or even staying awake because of the symptoms themselves and because of treatment-related drowsiness. In a study comparing children without allergies, children with inactive allergies and children with active AR, the latter group was found to have poorer short-term memory, impaired ability to apply knowledge and shortened attention span. In another study, children with AR performed significantly worse academically than did non-allergic children.

<u>Effects of nasal-sinus rinse on QOL:</u>

- ✓ Hydro Saline Nasal Irrigation (HSNI) improved self-management of sinus symptoms, creating a sense of empowerment [Rabaggo_Annals_Family_Practice_2006.PDF]
- ✓ HSNI produced rapid and long term improvement in quality of life [ibid]
- ✓ Participants identified discomfort, time and mild side effects as deterrents [ibid]
- ✓ Participants identified aspects of training and at-home use that overcame these barriers [ibid]

2.3 Market Trend Drivers

What Is Driving The Trends?
A key driver of trends in the sinus-nasal remedy industry is the rapidly spreading acceptance of alternative, or natural, treatments, in the sinus-nasal category.

In 2007, consumers were much more willing to look at alternative, or natural, medicine remedies to relieve sinus and nasal suffering brought on by infections, allergies and chronic conditions. This appears to be following a similar path as the growth (past decade) of yoga, acupuncture, organic foods and certain homeopathic remedies.

All of these are ancient practices originating in non-Western cultures. At first these were purchased in the West as "healthy lifestyle" products by a small group of health-and-fitness conscious early adapters. They have since proliferated to the point where yoga is offered by the YMCA and in retail storefronts, acupuncture is used in conjunction with traditional medicine for healing, and 44% of all organic foods sold in the U.S. are sold in large grocery chains and superstores.

Perhaps the #1 driver is government regulation, which recently required that certain traditional children's sinus-nasal remedies sold over-the-counter be pulled from the shelves due to potential harmful side effects to children.

Yet another important trend driver is a growing awareness that the most heavily prescribed treatment, antibiotics, is not an effective treatment, as reported heavily in mainstream press such as The New York Times.

In addition, many people are relying more on the internet and their social circles for information about various remedies rather than the medical establishment.

Finally, another key cultural trend driver is growth of the "empower yourself" industry driven by widely followed gurus such Oprah Winfrey, Tony Robbins, Dr. Phil and many others. People want to be in charge of their health like they're now in charge of their homes and careers.

2.4 Market Growth

What Is Driving The Trends?
Our *current* target market is approximately 27.3 million people in the U.S. Our *potential* target market is about 116 million people. The market for all natural remedies is growing. Americans spend more than $27 billion annually on complementary and alternative medicine. Over fifty percent of Americans agree that some supplement benefits are comparable to or better than OTC and Rx medications, and with fewer side effect health risks. Thirty to forty percent add that they are willing to try a natural remedy *before* an OTC or Rx alternative. Until now, natural remedies have been difficult for new consumers to understand or trust, often requiring self-education and commitment to an ongoing, complex daily regimen that conflicts with today's increasingly busy lifestyles. What's groundbreaking about products such as neti-pots is their accessibility to new consumers and the convenience, simplicity and immediate results that they deliver.

2.5 Our Product Offerings

What Are We Doing About The Trends?
All of our products fill the same customer need: improve quality of life by relieving pain and congestion from sinus buildup brought on by allergies, colds, flu and chronic sinusitis. Our current product offering is small and focused on the sinus wash category only:

1. The NEWBRAND neti-pot nasal wash kit, which includes 20 packets of saline solution, sells for $14.95.
2. The NEWBRAND squeeze bottle nasal wash kit, which includes 20 packets of saline solution, sells for $10.99.
3. Natural Saline Solution, 60 packets, sells for $7.99
4. Natural Saline Solution, 100 packets, sells for $10.99
5. Recently released children's product
6. [Instruction] NEWBRAND instructional video, sells for $4.99
7. [Instruction] Sinus Relief Now book, sells for $15.99

Our current products are not differentiated from the rest of the market's offerings. Product shape, color and usability are pretty much the same as our competitors'. We believe our packaging is more attractive than our competitors'. Our products function just like theirs.

Nasal rinse remedies were identified as "effective and underutilized" in a recent physician-led study by the University of Wisconsin, Madison.

3.0 SWOT Analysis

We believe we have a significant market opportunity and are in a strong position to capitalize on it. We have the strength of experience in the sinus-nasal remedy category, strong capacity, and the opportunity of a growing market and new channels of distribution. Our strengths and opportunities as identified in an empirical analysis far outweigh our weaknesses and threats.

The following results in Strengths, Weaknesses, Opportunities and Threats were arrived at empirically. They are the result of an analysis of thousands and thousands of data points collected from NEWCO and the experiences of hundreds of companies of similar scope and market orientation. These data points included facts about the company's products, people, finances, operations, marketing and many other factors.

In 2008 our tactics are planned to maximize our strengths, go after opportunities, minimize our weaknesses and defend against our threats.

3.1 Strengths

We have many strengths including:

1. Customer's low cost to switch to our product
2. Adequacy of our distribution network
3. Availability of development resources to enterprise
4. The low cost to introduce prospects to our products
5. Strength of enterprise's channels of distribution
6. Enterprise's readiness to support sales
7. Potential for a direct, in-house sales organization
8. Requirement for technical support
9. Effectiveness of product packaging
10. Pricing constraints
11. Production facility effectiveness
12. Experience level of production personnel
13. Enterprise's readiness to distribute product
14. Product complexity
15. Strength of Customer Service function
16. Service manager capabilities
17. Potential for prospect confusion about product benefits
18. New entrants' need for distributors
19. Ability to evaluate all distribution methods
20. Preparedness of sales organization
21. Research skills within the enterprise
22. Product's impact on customer's business
23. Operational capabilities in support of differentiation strategy
24. Enterprise experience
25. Legal Considerations & Issues
26. Enterprise/product reputation
27. Ability to control production expenses
28. Enterprise's publicity campaign effort
29. Availability of production materials
30. Cost leadership focus strategy potential
31. Potential for economies of scale
32. Advantages of purchasing our product
33. Management strengths & capabilities
34. Mktg/sales manager experience
35. Potential for using wholesale distribution
36. Potential for using self service retail distribution
37. Potential for regulatory problems is low
38. Prospect's perception of benefit
39. Product specification manageability
40. Potential for reducing production costs over time
41. Pricing adequacy
42. Potential for market penetration problems is low
43. Potential for other entry barriers
44. Competitive constraints
45. Enterprise degree of independence
46. Employee recruiting/retention ability
47. Product market strength
48. Potential for product obsolescence is low
49. Publicity campaign activity
50. Differentiation focus strategy potential
51. Enterprise dependency on others

3.2 Weaknesses

Every enterprise has some operational processes, business relationships, and lack of product capabilities or market segment characteristics that make the implementation of their marketing strategy more difficult. The analysis indicates that the following aspects of our business should be improved or compensated for in some way to minimize their negative impact on our strategy.

1. Evaluation of product promotion efforts
2. NEWBRAND's advertising experience
3. Cost benefits profile of product
4. Enterprise profile
5. Product's performance profile
6. Vertical integration potential
7. Comparable pricing potential
8. Product uniqueness

3.3 Opportunities

There are often circumstances that may offer a business an advantage in the marketplace if it is bold enough to take action. Such a circumstance may occur in the environment in the form of governmental regulations, social trends, supplier changes or distribution channel relationships, or within the competition such as a weak product offering or a cash flow crunch or within your own organization where you may find unique technical skills or especially strong brand name recognition. Our recent analysis revealed these opportunities, beginning with the best:

1. Impact of cultural trends
2. Impact of demographic change
3. Difficulty of purchase decision
4. Likelihood of product's market acceptance
5. Prospect's knowledge of market price
6. Prospect's shopping characteristics
7. Impact of environmental factors
8. Product adoption barriers
9. Length of purchase decision cycle
10. Prospect's price versus value sensitivity
11. Probability of product obsolescence
12. Competitive product vulnerability
13. Costs to achieve significant market penetration
14. Potential for market growth
15. Potential for market penetration problems
16. Probability of product acceptance
17. Prospect's buying knowledge
18. Importance of product quality to prospect
19. Implication of government actions
20. Analysis of prospect characteristics
21. Threat of substitutes in the market
22. Potential for competitive product obsolescence
23. Buyer's comparison effort prior to purchase
24. Strategic Viability
25. Prospect's ability to assess product quality
26. Potential for penetration of Internet market

3.4 Threats

Where opportunities exist a business is also likely to find some threats. These could come in the form of changing prospect attitudes, a competitor's use of new technology, a loss of key sales personnel or many other unique circumstances. Our analysis indicates the following are potential threats to our business:

1. The potential for differentiating our products are limited.
2. Our competition is capable and likely to launch aggressive new marketing strategies.
3. A sudden shift in consumer behavior to a more favorable substitute.
4. Internet market growth potential my leave us behind.
5. Unfavorable media or press coverage. So far it’s all positive but the risk is inherent since the product medical and invasive.

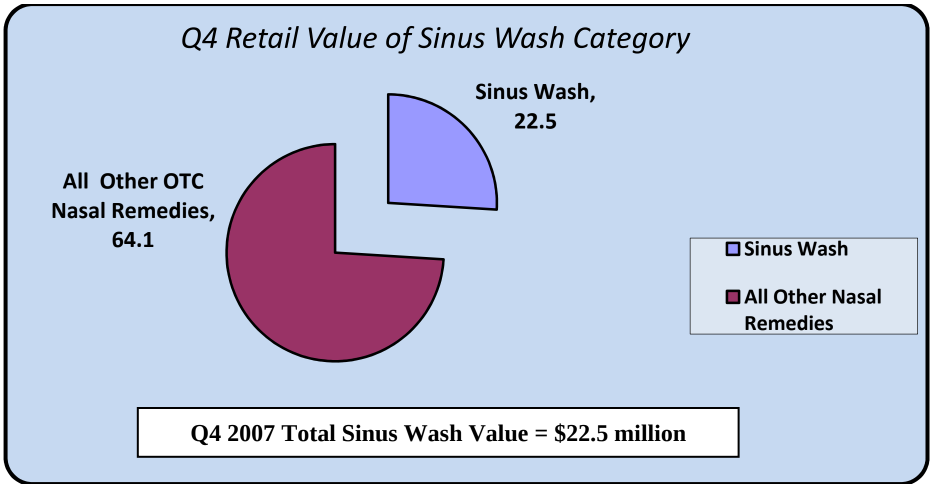
4.0 Competition

What Are Our Competitors Doing About The Trends?

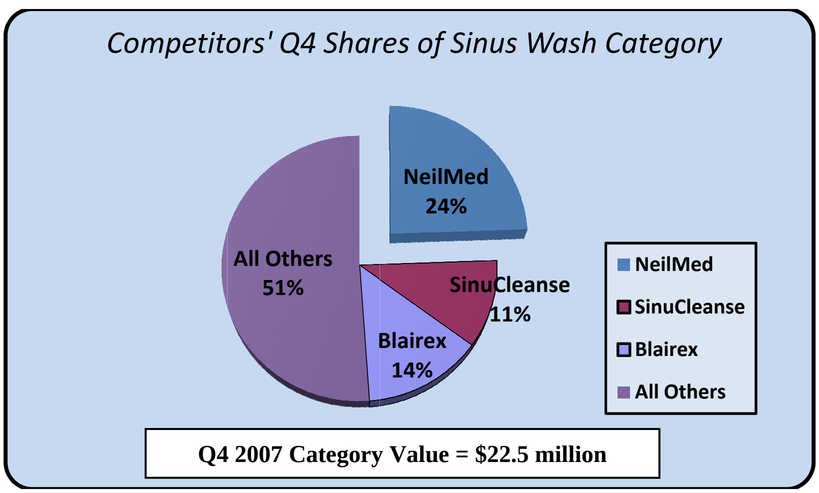
More than 300 OTC sinus and nasal remedies are sold in the major pharmacy chains. We will exclude the prescription remedies from this analysis. Generally, our competitors can be segmented into four types:

- ✓ Large pharmaceutical companies with an OTC focus such as Schering-Plough (Afrin & Claritin), Bristol Myers (4-Way Nasal Spray), and Wyeth (Alavert).
- ✓ Small to mid-size name brand companies with an OTC focus such as Matrixx Initiatives (Zicam brand), BF Ascher (Ayr brand), Prestige Brands (Chloraseptic), and Combe, Inc. (Cepacol brand); and
- ✓ Small lesser known companies that manufacture and market various OTC remedies including sinus-nasal wash products. These include NEWBRAND, Neil Med, Himalayan, Ocean, Blairex, Little Noses and various private labels.

In Q4 2007 the total retail value of all sinus-nasal remedies sold at the major chains was $86.6 million. Of this, about $22.5 million were products that can be classified as sinus-nasal wash products.



In this same period NeilMed sold $5.5 million at retail while NEWBRAND sold $2.4 million.



Our sinus wash products compete mainly in the OTC markets vs. the prescription market. Competitive solutions for nasal-sinus suffering primarily provide temporary relief of symptoms without addressing underlying causes of the condition. Additionally, nasal-sinus symptoms can have several origins (e.g. bacterial infection, viral infection, allergens, mold, and other airborne contaminants) but very similar outward signs which has led to misdiagnosis by the medical community as well as confusion among self-medicating consumers. The result of these dynamics is a variety of nasal therapies competing for both the acute and chronic sinus sufferer. Examples of products in the OTC market that compete with our products are decongestant nasal sprays (Afrin, Dristan, 4-Way), saline nasal rinses (Ocean, Ayr), homeopathic remedies (Zicam), antihistamines (Claritin, Alavert), and decongestant tablets.

In the Rx market, our nasal spray primarily competes with nasal corticosteroids and antibiotics/antibacterials manufactured and marketed by large pharmaceutical companies. Nasal corticosteroids are formulated to shrink sinus inflammation and include brands such as Flonase, Nasonex, and RhinocortAQ. Antibiotics/antibacterials are intended to eliminate bacterial organisms and include brands such as Zithromax, Augmentin, and Bactroban.

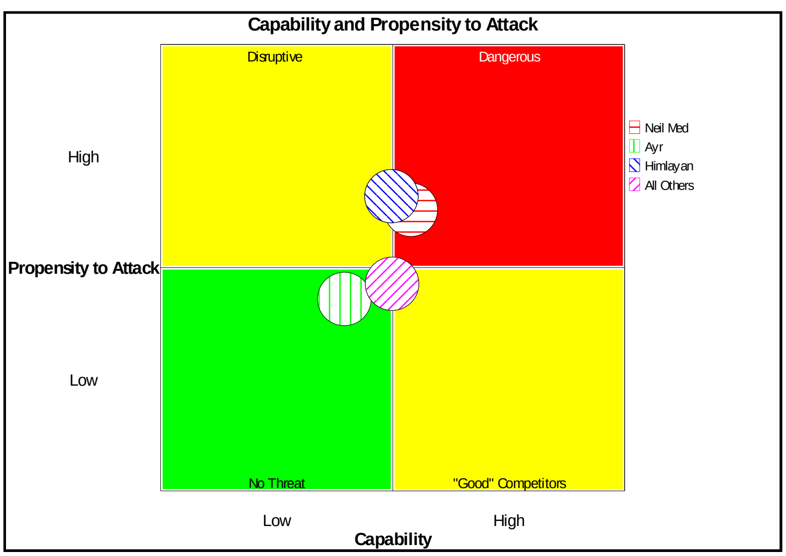
At first glance the competitive landscape appears crowded. However, we believe that if properly marketed, the benefits of our product should enable us to gain share mostly from other OTC remedies. NEWBRAND is an effective nasal cleanser and moisturizer in competition with saline rinses, and rinses away allergens, which can help eliminate the need for antihistamines. NEWBRAND also targets the underlying causes of chronic sinus ailments, such as mold, bacteria and viruses. Chronic sufferers are most likely to use OTC products such as decongestant nasal sprays, or to receive prescriptions from their physician for corticosteroids and antibiotics.

Before a discussion of competitors can begin, the type of market in which we all compete must be addressed because it helps explain why they do what they do. NEWBRAND and its competitors operate in a fragmented market (*The American Marketing Association offers this definition of a fragmented market: "...the emergence of new market segments with distinct needs and requirements out of previously homogenous segments. These new segments limit the usefulness of mass marketing and erode brand loyalty.")* Market fragmentation has certain competitive implications that must be addressed in both strategy and tactics.

In addition, it has often been thought that when 3 or more competitors own less than 70% of the market, and the remainder is fought over by several more competitors [*like both the sinus-nasal category and the sinus wash category*], the market is fragmented. Another definition of a fragmented market is when the dominant players, in this instance NEWBRAND, NeilMed and Blairex, have either a single digit or low double digit market share. Investors love this scenario because lots of small companies represent opportunities for convergence and achieving higher profits from subsequent cost efficiencies.

Because the top 3 competitors in the sinus wash category have no more than 50 percent of the market combined, this sub-category of sinus and nasal remedies is also confirmed as fragmented.

This chart, based on empirical data, shows that we have two competitors who have the capability and propensity to cause trouble for NEWBRAND.



***NeilMed*:** This competitor is #1 in the nasal wash category and markets a neti-pot system called NasalFlo and a squeeze bottle system called Sinus Rinse. We believe that NeilMed "owns the market" in the squeeze bottle category and is an also-ran in the neti-pot category. NeilMed is owned and run by a physician, originally from India, and his family. Their marketing has been based on educating physicians (detailing and conferences) and asking them to recommend NeilMed products. It is estimated that NeilMed spends at least $3 million per year in these efforts.

Blairex: This competitor was #2 in Q4 2008 in the major chains. Their product is Simply Saline Nasal Mist which is a non-CFC aerosol saline solution marketing as "sinus irrigation". Blairex manufactures and sells a variety of other products.

AYR: This brand, owned by B.F. Ascher & Co., markets 11 products in the sinus-nasal remedy category including a sinus-nasal mister, an inhaler, swabs, gels and others. They wrongfully claim that AYR is the bestselling brand of saline nasal products.

***Himalayan Institute*:** This is a holistic healing enterprise which focuses on yoga training, meditation and healing. Their neti pot products have a strong internet presence. As a secondary focus the company sells a variety of related goods including neti-pots, books, audio/video products, sacred gifts and more.

***All Others*:** There are a host of nasal wash product makers, all competing with more or less the same product: saline nasal rinse. The delivery of the rinse varies but the rinse and its effects are about the same. Many competitors appear to be small, mom-and-pop companies with no visible signs of aggressive competitiveness.

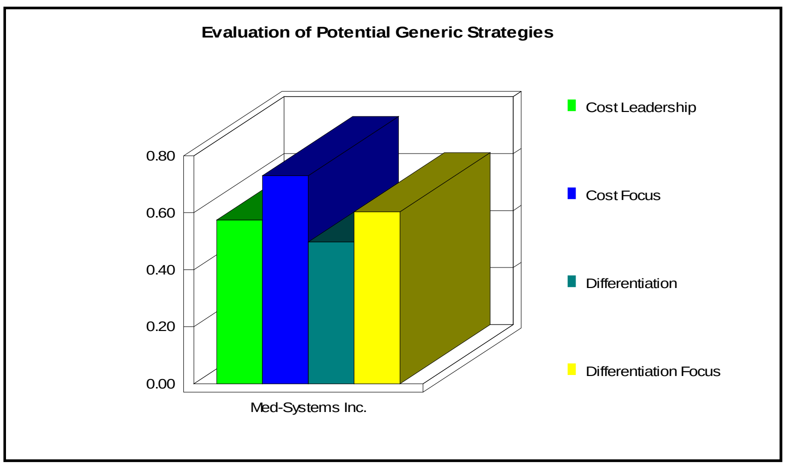
5.0 Company Strategy

What Should We Be Doing About The Trends?

Our customers have a multitude of solutions to choose from in a crowded, over complicated market. Their needs are simple and focus on quality of life (QOL) as noted previously. Sinus suffering brought on by infections, allergic reactions and other causes are debilitating, have an enormous impact on productivity and overall well-being. For example, the highest incidence of sinus suffering brought on by allergic reaction is in the 18-49 age group, the peak years for building careers and raising children. (University of Wisconsin)

5.1 Use a Generic Focused Differentiation Strategy

In late 2007 we did an analysis that compared our company, products and markets to hundreds of other companies of similar scope and market orientation and the strategies that worked for them. The results indicated that, given our specific market and competitive situation, we should pursue a ***focused differentiation*** strategy as opposed to a cost leadership or other strategy. The chart below represents numerical scores of the potential for each of the four generic strategies to improve NEWBRAND sales, marketing and profit.



The chart explains the following:

- ✓ A cost leadership strategy would be less effective than differentiation because the market for nasal wash devices currently does not yet show signs of price sensitivity.
- ✓ A cost focus strategy (continuous focus on cost reduction) is desirable because this is a consumer product with no price barriers. Any competitor could change a price at any time, although today that would not be a sound strategy for reasons noted above.
- ✓ A differentiation strategy (differentiating the product across all potential markets) is not desirable, yet, because it would cost more than it could deliver for a company the size and scope of NEWCO
- ✓ A differentiation focus strategy (focusing our differentiation to appeal to a well-defined market segment) would likely yield the most favorable results.

5.2 Sharpen Product Marketing

- ✓ Education - Sinus and nasal wash is just beginning to move into mainstream culture. Consumers need to be educated and the competitor who does that best will win loyal customers and market share.
- ✓ Differentiation - There is little that separates NEWBRAND from its competitors.
- ✓ NEWCO must stick to a pre-defined marketing plan for at least one year, making minimal changes
- ✓ NEWCO must measure the success of each campaign to begin understanding where to make future marketing investments

5.3 Support The Strategy Organizationally

NEWCO must organize itself for sustainable market success. At a minimum the company must create a dedicated marketing leader, whether by assigning the execution of the new plan to a current employee, hiring a new full time or part time employee, or contracting the work.

Today, NEWCO' organization cannot support the strategy and tactics in this plan. Ways to create the proper level of support include:

- ✓ Adding a well-defined product development/differentiation function.
- ✓ Adding a dedicated marketing operations function (can combine with #1 above)
- ✓ Gradually disengaging the CEO from day-to-day marketing activities

Since the nasal wash category has grown dramatically in the past 12 months, it's possible that existing and/or new competitors will try to encroach on NEWBRAND. Monitoring of market conditions is critical for 2008. Weekly review of POS data and competitive press releases will help. Presence at the major shows to "meet and greet" industry influencers is also critical in 2008 [this does not necessarily imply having a booth].

Once the function is in place and the person/persons trained, the NEWCO CEO needs to begin disengaging from directing day-to-day marketing activities. At this stage of the company's evolution the CEO's role is to ***make final decisions*** based on intelligent recommendations from marketing. It is up to marketing to execute successfully and report results to the CEO.

6.0 NEWBRAND Marketing Strategy

What Should We Be Doing About The Trends?
Here we bring the four areas of the SWOT analysis together to formulate critical issues affecting the marketing plan. The objective is to leverage the strengths of the organization, offset or improve the weaknesses, take advantage of available opportunities and minimize risk from potential threats.

The strategic analysis done in this project recommends that the company follow a <u>focused differentiation strategy</u> due to specific market and competitive factors that emerged from the analysis:

- ✓ We have a well defined target market

- ✓ The overall market for sinus nasal *remedies* is fragmented.
- ✓ A strong potential for differentiation exists
- ✓ The current distribution network is strong, which is necessary for a successful differentiation focus
- ✓ Our competitors are not well differentiated.

6.1 Create A Quality Of Life Positioning

NEWBRAND is not selling a nasal wash remedy. NEWBRAND is selling a *remarkably improved* quality of life (QOL) to people who are suffering and whose lives are disrupted due to problems the company's nasal wash remedy can solve. Our ability to discern these problems is easily covered by primary research already conducted and secondary research available through the internet and other means.

In order for us to speak to QOL issues for sinus sufferers the entire company, not just sales and marketing, must transition from a products-benefits marketing orientation to a QOL marketing orientation. This is accomplished through:

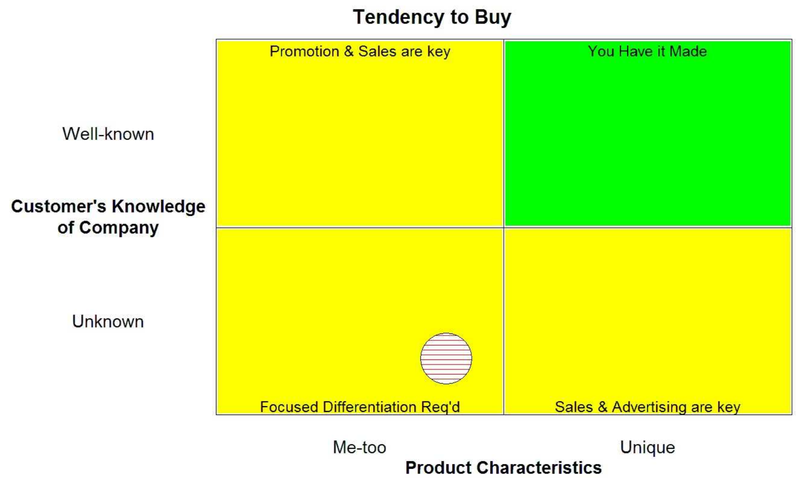
- ✓ Frequent endorsement and support by the CEO
- ✓ Noticeable changes in website and collateral material content
- ✓ Specific training for the sales team

6.2 Create Barriers For Our Competition

NEWCO must dig a deeper moat around its NEWBRAND brand. Today the risk is that any competitor can force NEWCO to compete on the level *they* choose, thus directing NEWBRAND toward the successful execution of the competitor's strategy. For example, since there is very little product or marketing differentiation, any substantial competitor can provoke a price war if its goal is to totally disrupt the market. NEWBRAND will have no choice other to focus on defending itself from the competitor's attack rather than executing its own strategy. Some examples of creating barriers include:

- ✓ Differentiating our product and messaging
- ✓ Creating marketing partnerships with high profile companies in the sinus and nasal remedy industry
- ✓ Deploying creative, noticeable sampling programs

Differentiating our product line, our company, our messaging and our advertising. At this stage a cost leader strategy would not make sense since the category is showing little price sensitivity, even though our main competitor is actually giving the product away. Since this is a medical product, there is likely a strong association in the customer's mind between remedy value and cost.



Expanding our internet marketing efforts. The internet is, by far, the most cost efficient and ubiquitous form of marketing and conforms particularly well to our target customer demographics.

Creating partnerships with other in-category companies such as Kleenex, Sudafed, and others. It appears that no competitors have attempted to form these associations. Capitalizing on a larger company's brand, market presence and marketing resources can produce a return far in excess of the time and resource invested.

An aggressive sampling program, similar to the one used by Red Bull when it first entered the U.S. market. Red Bull had a very unique product that could effectively cannibalize a segment of the soft drink market. Yet in its early days the company's resources were limited and the market was fragmented. So Red Bull focused on bringing the product directly to the target market that could produce the most rapid "diffusion of innovation" effect: college students in California. The company deployed college students trained as company representatives to hand out free samples at some of the more popular off-campus hangouts including nightlife spots. This tactic addressed directly a market notorious for needing energy boosters for studying and "the morning after". The strategy was brilliant and Red Bull was able to establish itself as a first-mover in the energy drink marketplace prior to spending significant resources on print and TV advertising.

6.3 Continuously Optimize Our Internet Marketing

This is a must for 2008. Our research shows that most of our customers use the internet to research nasal wash remedies and then go to their local retailer to purchase. We must improve our SEO results and start driving promotions through this channel that our customers value highly and visit often. This is also an excellent, low-cost channel for viral marketing campaigns.

The cornerstones of our marketing plan in 2008 are:

7.0 NEWBRAND Marketing Plan 2008

7.1 Mission

NEWCO is in the business of quickly improving sinus sufferers' quality of life. Whether the customer is a chronic sufferer or a temporary sufferer, our team thoroughly understands the relief they want, often desperately. We design and manufacture truly affordable, easy-to-use devices that deliver a soothing, gentle nasal wash experience. Our specially designed saline solution sooths raw or blocked sinuses by softly circulating warm salt water throughout the nasal cavities. The rinse helps loosen and wash out mucous, bacteria, pollen and pollutants that cause or worsen nasal problems thereby opening the nasal passages and providing instant, sustainable relief.

NEWCO also creates and nurtures a healthy work environment with strong communications among employees and an easy-to-access CEO. The company seeks fair and responsible profit, enough to keep us financially healthy for the long term and to fairly compensate owners and investors for their money and risk.

7.2 Marketing Objectives

Our marketing objectives support the focused differentiation strategy.

- ✓ Image - 2008 will be a transition year in marketing, moving from a humor/cartoon messaging strategy to customer, pharmacist and doctor education about the gentle, soothing, safe experience of nasal washing with instant QOL benefits.
- ✓ Keep up with demands from the retailers which require focus on manufacturing, sales, customer service and operations.
- ✓ In order to grow with the market we must sharpen and refine our marketing using this marketing plan.
- ✓ At this time we are focused only on <u>opportunistic</u> market share wins which include adding new retailers, adding new channels of distribution and diversifying our products and target markets. We will not engage in a price war for market share.
- ✓ Advertising ROI goals by channel - Internet, Direct Mail
- ✓ Increase our PR "hits"

7.3 Brand

Because the nasal wash market is growing rapidly and still fragmented, it is not yet necessary to make substantial investments in brand building. Consumers seem to be purchasing neti pots without much thought to the brand and none of the brands has any noticeable differentiation. Because the consumer does not understand what the NEWBRAND brand stands for, in 2008 it is better to invest in awareness and market reach, which will simultaneously carry some brand building benefit.

In 2008, however, we will build the platform for future brand investment by differentiating our product line, our company, our messaging and our advertising. Once *we* understand what the brand stands for and have these building blocks in place and well-integrated it will make sense to begin investing in brand building.

In 2007 there were dramatic increases in brand value for several brands in the personal care category, mainly driven by an increase of disposable income in fast growing countries. Brands with premium price and positioning, such as Clarins ($1.1 billion), Lancome ($3.1 billion) and Shiseido ($1.8 billion), have grown more significantly relative to their less prestigious, mass market competitors.

Growth segments have included premium products, anti-aging products and products based on natural/organic ingredients. Companies have increased marketing spend as well as frequency of new products as strategies to boost performance and compete for market share.

The NEWBRAND brand, like the brands of all its sinus wash competitors, was relatively unknown at the beginning of 2007. Although not yet measured, we believe that the significant positive press we had in 2007 noticeably increased NEWBRAND's brand awareness.

7.4 Strategies

Our marketing strategy must be defined by the fragmented market in which we compete. We know that mass market techniques, like TV advertising, do not work in a fragmented market. Or they work but at a very low or negative ROI. Nasal wash, like hemorrhoid cream, is an intensely personal product which implies that our messaging must be on the personal level. Porter defined 5 market strategies for a fragmented market:

- ✓ Create economies of scale - operations (manufacturing and marketing)
- ✓ Standardize diverse market needs - marketing
- ✓ Neutralize aspects most responsible for fragmentation - marketing
- ✓ Make acquisitions for a critical mass - M&A
- ✓ Recognize and react to industry trends early - marketing

7.6 Target Markets

Our target market is middle class sinus sufferers. However "the middle class" is a fuzzy term open to many interpretations. For our purposes we define the middle class as baby boomers living in households with an income of $75K to $99K, male and female, educated and favors mass market media such as CNN and soft rock radio. Our market strategy is to reach them through channels that they respect the most, according to our market research: internet, doctors, family, friends and media they invite into their lives [Hale: Final Analysis of Internet Survey].

We will reach them with messaging that focuses on information (vs. persuasion, entertainment, etc.). Our information will be factual and rely heavily on *educating* them that using a neti-pot is easy, safe and delivers far more benefits than typical medications with fewer side effects.

We may use imagery such as the sea, steam and showers/baths to evoke thoughts of things that open the sinuses. We may use imagery such as delightful smells, productive workers, energetic people, and others to evoke thoughts of the benefits of sinus washing.

Our messaging will include customer testimonials, published reports in respected media and medical endorsements.

Our market typically makes purchase decisions based on some combination of their knowledge of the company and the product's characteristics. Today, all competitors in the sinus-nasal rinse category are relative unknowns with little product differentiation. Clearly a strategy that combines creating a unique perception of NEWBRAND's products with increasing awareness of the company will be positive for NEWBRAND.

Internet
The internet represents the biggest opportunity to educate and convert potential users of our products. Lately the internet has been helping us by delivering information to consumers that prescription medications do not work as a remedy for sinus/nasal congestion. Some ways we may better leverage the ubiquity and cost efficiency of this marketing channel include:

- ✓ Turn our website into an in-demand information source for sinus washing
- ✓ Drive traffic to our website through search engine optimization (SEO), pay-per-click (PPC), links to our site from other websites
- ✓ Positive product reviews spread to blogs, medical portals, medical provider websites, etc.

Doctors
Reaching doctors through doctor detailing and other techniques should not be ignored because our most dangerous competitor is investing heavily in this area and doctors are strong influencers of our customers.

Pharmacists
Pharmacists are a key influencer target for us in 2008. We believe we have an advantage over our competition through our heavy investment in direct marketing to this segment and we intend to expand our efforts in 2008.

Family & Friends
Focusing on encouraging recommendations to family and friends by current customers. This can be done by incentivizing our current customers with free product, re-fills, contests, viral marketing techniques, beneficial information, samples, etc.

7.7 Positioning

What Should We Be Doing About The Trends?
It is quite difficult to change a consumer's impression once it is formed. Consumers cope with information overload by oversimplifying and are likely to shut out anything inconsistent with their knowledge and experience. In an over-communicated environment, the advertiser should present a simplified message and make that message consistent with what the consumer already believes by focusing on the perceptions of the consumer rather than on the reality of the product.

The perceptions of our consumers revolve around the significant negative impacts that sinus congestion has on quality of life. Work suffers, the home suffers, kids and spouses suffer, and school suffers.

Today the NEWBRAND products are positioned as "me-too" products. They have little or no differentiation from the competition.

The most important target is middle class sinus sufferers. Their most important need is a safe, easy-to-use solution to ease sinus and nasal suffering better than traditional prescription and OTC solutions.

7.8 Marketing Research

NEWCO, is actively engaged in researching the market for competitive advantages. We have an outside market research firm which has conducted several studies of consumer and market behavior for our flagship product and other products.

For 2008 we will continue to assign market research projects based on need.

8.0 Marketing Mix &Tactics

The marketing mix encompasses our various marketing programs. It includes positioning, pricing, distribution channels, advertising and promotion, service, delivery, and other factors. The toll-free telephone number, the website, the sales literature, the advertising, and many other marketing programs are all part of the marketing mix.

Our marketing mix in 2008 complements our focused differentiation strategy. It is designed specifically to drive awareness, market reach preference and unit sales.

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The perceptions of our consumers revolve around the significant negative impacts that sinus congestion has on quality of life. Work suffers, the home suffers, kids and spouses suffer, and school suffers.

Today the NEWBRAND products are positioned as "me-too" products. They have little or no differentiation from the competition. While the product category is still in its generic market growth stage the lack of differentiation is not much of a factor. When the market shows signs of becoming saturated, however, it will matter a great deal.

What position would appeal to our target audience? The most important target for NEWBRAND is middle class sinus sufferers. Their most important need is a *safe*, *easy-to-use* solution to ease sinus and nasal suffering better than traditional prescription and OTC solutions. The only other targets available to NEWBRAND in the U.S. are the blue collar market and upper class markets. Typically we would not target either market until we knew that our existing market is saturated. The NEWBRAND marketing dollar will produce a higher ROI in a target market that is both unsaturated and responding well to its efforts.

8.1 Product

Clearly our biggest weakness is product and product line differentiation. In 2008 we will start to minimize these weaknesses by promoting our squeeze product, offering different form factors of the neti pot and adding 2-3 complementary products.

For the neti pot product we will introduce 1-2 of the following:

- ✓ A ceramic neti pot
- ✓ A stainless steel neti pot

For the squeeze product we will continue to promote our current offering.
For complementary products we will choose 1-2 of the following:

- ✓ Nose swabs
- ✓ Travel/convenience kit
- ✓ Pre-mixed saline solution

It is critical that we connect these products to the NEWBRAND brand in a way that makes sense to both retailers and consumers. The goal is to offer a *full product line* in the nasal wash category to the retailer. This not only may potentially boost sales, it helps defend our brand at the retailer by making our line more difficult to replace. Another goal is to be perceived by both buyers and consumers as the most innovative company in the category. This requires that we have a diverse, innovative product line.

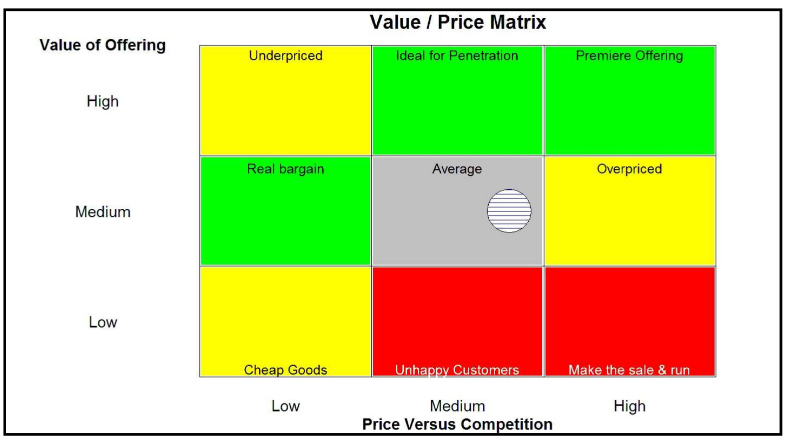
8.2 Price

We do not plan to make substantial changes in price in 2008.
Today the market is showing very little price sensitivity for nasal wash solutions. The products deliver a very high margin (in the area of 80%). However the competitors are small companies and the instinct will likely be to reinvest the money in other areas of the company versus engaging in a price war.

Therefore there should be little *profit* motivation for a competitor to initiate a price war to gain share, especially since the market is growing quite rapidly and profits are strong. We believe they will use other tactics first. However, in 2008 we intend to monitor market pricing very closely to detect any shift in pricing strategy on the part of our competitors.

This value/price matrix shows that the value we deliver for the price would typically be thought of as average when compared to that of our competitors. It is likely that all competitors have the approximate same position because the market is not driven by price.

The data points were arrived at empirically.



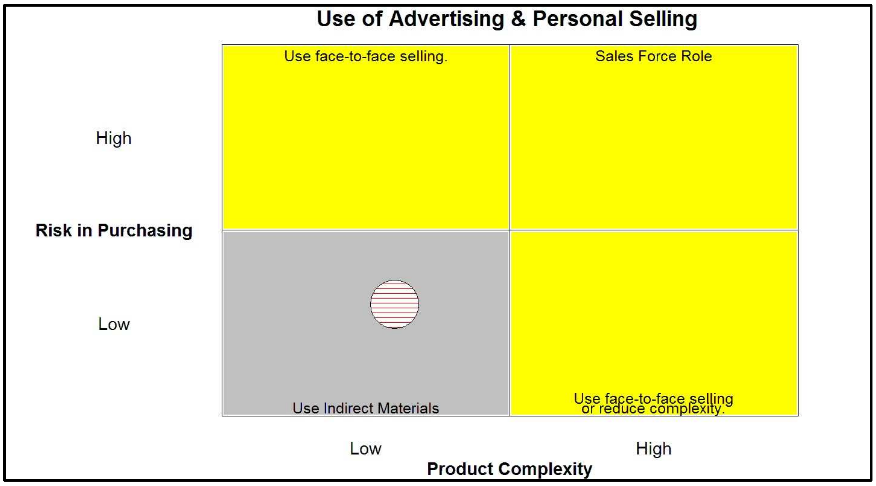
8.3 Place

Distribution has been identified as one of our key strengths. We have achieved impressive national distribution in large pharmacy chains, independent pharmacies, grocery chains and others. The trends look favorable for gaining shelf space in superstores. We plan to make no major changes in our distribution strategy in 2008.

8.4 Promotion

Many companies make costly mistakes in this area, especially consumer goods companies. Often, ad agencies will promote the use of heavy frequency in multiple, expensive channels without truly analyzing the market and the client's competitive position.

Our recent analysis suggests that heavy use of promotion is not required at this point. The product is low in complexity and the purchase risk to the consumer is low. In 2008 we will use our promotion budget to educate prospects and encourage word-of-mouth. Our primary channels will be public relations and the internet. Our recent research indicates that monies spent in advertising and personal selling (to the consumer) should be reasonable by anyone's definition. A detailed budget is presented along with corresponding tactics in this plan.



8.4.1 Advertising

We have five potential groups to whom we can advertise: Consumers, physicians, pharmacists, PAs1/NPs2 and retail buyers. We know from primary research that, besides the effectiveness of the product itself, word-of-mouth (family/friends) is the most influential factor in the purchase decision followed by internet search and physician recommendation. We also believe that pharmacist recommendation is important.

In 2008 we will focus on making it easier for NEWBRAND customers to recommend our products to family and friends. We also will have plenty of positive research findings, physician comments and customer testimonials on our website. We will have an optimized program for SEO including metatags, title tags, keywords, backlinks, etc., to help drive *the right traffic* to our website. Once we have our internet marketing program optimized it may make sense to start experimenting with rich media internet advertising in the 2nd half of 2008.

Consumers
We believe that mass marketing to consumers (print, TV) is not preferable for 2008 because:

1. It's expensive and difficult to measure. Consumer advertising requires multiple repeat exposures in the *same media* to be effective. This can quickly drain a marketing budget.
2. According to research, consumer advertising does not impact the brand in our category. It impacts the entire category which also helps our competitors.
3. The sinus and nasal remedy category is fragmented but our sub-

category is growing rapidly. This is not a good scenario for consumer advertising because they do not yet have brand preferences for nasal wash. According to well-recognized marketing experts, television and print advertising to consumers in a fragmented market are not profitable tactics. The audience may or may not know the brand and there's little differentiation to allow them to hone in on a preference.
4. We have not yet identified what our brand stands for.
5. Other techniques such as using the internet to encourage positive word-of-mouth have far greater reach for substantially less cost.

For consumers, public relations coupled with internet marketing and spot techniques such as couponing and temporary price reductions (TPRs) are better tactics for NEWBRAND in 2008.

However, there is an excellent opportunity to create instructional videos on using the neti pot, squeeze bottle or perhaps a new product in 2008. The use of these videos will be on the website, as mobile content [part of a larger message focused on nasal wash], PR distribution, offered to medical websites, etc. There is plenty of material for clever creative. Everything from "making it fun" to "poking fun" to "the grossology factor" to "serious stuff" can be material for a NEWBRAND video(s).

Also, it is important to push viral marketing as much as we can. In 2008 we will begin a trial of one of the new internet viral tools like Digg.com. We will also encourage word-of-mouth through promotions.

Physicians
We need to actively market to physicians in 2008. Data from The Nielsen Company yields insight that our best bets for 2008 will be attending medical events. Our second priority is making sure we have plenty of engaging physician-oriented information available on the website and that it's easy to find.

<u>Insights Into Physician Media Usage 2007</u>

Most important sources of information for staying abreast of new medical developments1 (Copyright 2007 The Nielsen Company):

1. Medical Journals (4.10/5)
2. Colleagues (3.83/5)
3. CME: Attendance at Meetings (3.68/5)

Highest reach among sources of information2 (ibid):
1. Medical Journals (98%)
2. Colleagues (95%)
3. CME: Attendance at Meetings (94%)

Top media for annual exposures3: (ibid)
1. Colleagues (164.51)
2. Prescription Pads (154.61)
3. Patient Record Forms (123.95)
4. Medical Journals (93.68)

Physicians' Professional Use of Internet4: (ibid)
1. Use Internet (83%)
2. Don't Use Internet (17%)

Choices For Advertising to Physicians: (ibid)

1. Traditional detailing
2. Journal advertising
3. Medical education events
4. Direct-to-consumer promotion
5. Non-traditional advertising (guerilla)
6. Other types

Recent research indicates that unless a company spends millions of dollars a year (in excess of $3.5 million in 6 months) in journal advertising there is no effect seen in new prescriptions for that product. This rules out medical journal advertising for smaller companies like NEWCO and its competitors. Strategically it makes more sense to detail both pharmacists and physicians however it is recommended that the company initiate a trial e-detailing program for physicians since this is new for us. Medical education events are also recommended.

Pharmacists
It is important to advertise to pharmacists in 2008.

Pharmacist's Referral Market – Recommended Approach [from Robert Hale & Associates, Jan. 2007]:

- ✓ "We feel that the Pharmacist market offers a strategic advantage to NEWBRAND
- ✓ NeilMed has conducted little marketing efforts n the Pharmacist market (and they have not gone to any pharmacist trade show events).
- ✓ Pharmacists are heavily influenced by reps and brochures (but less information and smaller brochures as provided by NeilMed)
- ✓ NEWBRAND has a very strong Pharmacist referral network in Madison, which was one of the key reasons for its success in Madison

"We believe that NeilMed focused on the doctor referral program because the company is run by a doctor and his family (but one can tell that the doctor is controlling most of the marketing decisions). However, for OTC products, nearly all OTC drug manufacturers strongly target the pharmacist (and we would especially think so for natural medications as doctors have some bias to natural medications)."

In 2007 we used a direct mail program called Pharm/alert, which targets pharmacists in retail stores, hospitals and managed care with education-oriented advertising. Pharm/alert has been in business 30 years and has a direct mail database of at least 130,000 and a current e-mail database of 165,000 pharmacists. The company claims an average open rate of 80.5%.

In 2008 we plan to continue with Pharm/alert and synchronize that effort more closely with our website. We will offer promotions, samples, research and other information pharmacists may use in evaluating products in our category and subsequently making recommendations to consumers.

PAs/NPs
Pharmacists' Assistants
Nurse Practitioners (RNs, LPNs)

Pharmacists' assistants and nurse practitioners represent a secondary advertising opportunity for us. However, these groups are far less concentrated and have less influence on the purchase decisions of consumers, according to our market research. But it is important that we begin to address these influencers in 2008 as we do not know for certain how important they are as influencers for our specific products. There are more than 3 million NPs in this country, which is a substantial potential influencer group.

We intend to market to PAs and NPs on a selective basis by geography and specialty. Primarily we will use direct marketing with direct response mechanisms to educate these highly trained professionals on the Quality Of Life improvements offered to sinus sufferers by NEWBRAND products. Most of our efforts to this audience in 2008 will be test marketing which will be closely monitored for results, especially ROI.

Retail Buyers
Most of NEWBRAND's sales come from a handful of large pharmacy chains. Today we market to them primarily through personal sales calls which are, by far, the most effective means of marketing to this market. In 2008 we will continue to use personal sales calls to influence retail buyers.

8.4.2 Public Relations

Public relations is mainly about managing editorial material in the media. The more romantic notions of public relations include the media spin of organizations and politicians and the publicity stunts of celebrities. The more practical elements include press releases, interviews, articles, and speeches.

In 2007, NEWBRAND benefited greatly from frequent and positive exposure in the press. In 2008 it is important that the company adopt a PR strategy that:

- ✓ Continues to generate attention from the press
- ✓ Positions NEWBRAND’s Dr. Diane Heatley as the expert in nasal wash
- ✓ Creates an unmatchable competitive advantage over NeilMed by focusing on Quality Of Life improvements through NEWBRAND products

To achieve these goals, NEWBRAND will deploy a "category expert" strategy. We will create a PR message around Dr. Diane Heatley as the person singularly responsible for popularizing the neti pot in the U.S. We will use Dr. Heatley's testimony and that of her patients. We will perfect the story of how Dr. Heatley's experimental use of the neti pot with her patients eventually led to the huge surges in market demand, media coverage and significantly improved QOL for millions of Americans.

We will pitch this story first to mass market, general interest media including Time, Newsweek, the 7 Sisters, broadcast networks, selected popular cable channels, big city newspapers and more. We will also incorporate this into our brand positioning messages in all outward facing marketing programs. We plan an aggressive schedule of press briefings for 2008 (see attached marketing activities plan and budget.

In addition, it is important that doctors and pharmacists see our brand associated with clinical research as often as possible. Research has shown that clinical research results impact their recommendations more than any other factor. We will create a monthly opt-in e-newsletter for doctors, pharmacists, media and other influencers to distribute existing primary and secondary research to this audience. In addition we will focus on patient testimonials to help educate this audience on the safety and reliability of this practical alternative to traditional remedies.

8.4.3 Direct Marketing

In 2008 we plan to use direct marketing to reach industry influencers including doctors, pharmacists, pharmacist assistants and nurse practitioners (RNs, LPNs). Our highest priority is pharmacists. Direct marketing is not cost efficient for consumer marketing in our case.

Our biggest competitor has focused significant resources on doctor detailing programs however pharmacist detailing programs are not yet being used by any of our competitors. We plan to "capture" the pharmacist detailing market by being the first competitor with a program for both pharmacists and pharmacists' assistants.

Physicians now spend more time online researching medical topics than they do with sales reps, according to Harris Interactive/Boston Consulting Group. We believe this same trend holds true for pharmacists. To meet this demand, pharma marketers have increased their online marketing spend to an average 9 percent of their total professional marketing budget (Jupiter Research).

Online direct marketing programs for pharmacists would give us the ability to track the success of our efforts and to collect information that would help us better define different customer segments. NEWBRAND will need to purchase a clean, up-to-date database of pharmacists. It's worth the investment in scrubbing, enhancing, and maintaining a proprietary database. This will allow NEWBRAND to create targeted messages and to deliver them at optimal frequency. A proprietary database also can be leveraged across other key initiatives, including recruitment to events, local and medical education programs.

Since we have little experience in direct marketing to pharmacists, we will experiment with various methods of direct marketing in 2008. These may include internet only or a combination of internet and mail. The creative will focus on positioning Dr. Heatley as "the physician expert" in nasal wash remedies. This ought to help our credibility with pharmacists.

Our program will be interactive and will allow the pharmacist to benefit from contacting us directly. Our support to the pharmacists in 2008 will primarily be in education about nasal wash in general and neti pots in specific.

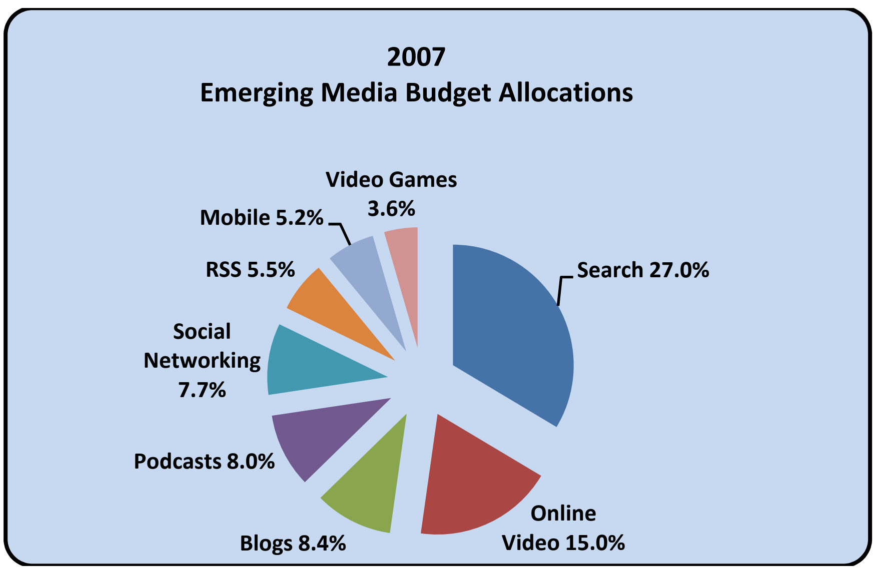
8.4.4 Internet

The internet is the most ubiquitous and cost efficient method of marketing available to NEWBRAND. NEWBRAND's internet marketing strategy will focus on building awareness, increasing reach and positioning our brand as an immediate improvement in Quality Of Life for sinus and nasal sufferers.

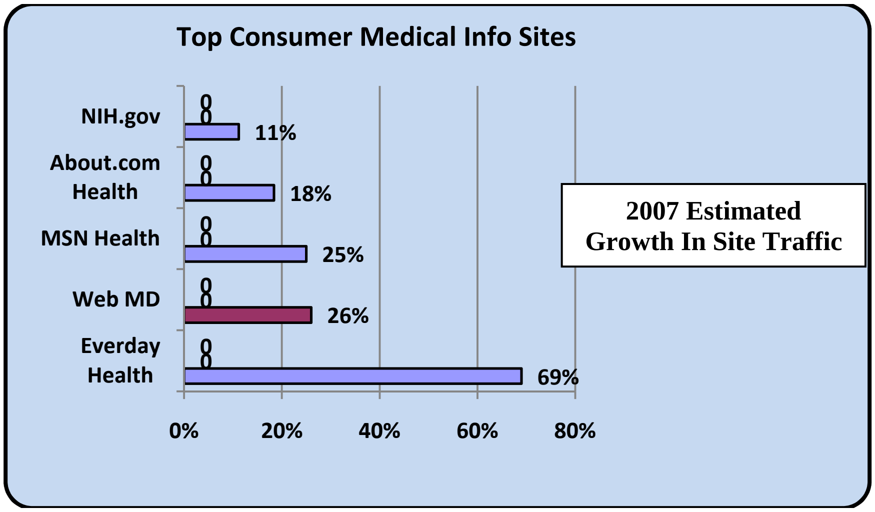
According to e-Marketer, $27.5 billion will be allocated to online advertising in 2008, which is 9.3% of *all estimated media spending*. This is up from $21.4 billion, or 7.4% of all media spending, in 2007. Some of the growth is being driven by advertising on social networks and online video. However these two will account for only 10% of total online advertising spending this year.

A newly emerged trend is that the internet is now recognized as the central hub of most media and marketing campaigns. This is primarily because the internet allows dialogue between the advertiser and customer. The internet is now used extensively by every major demographic group and allows rich media advertising on demand that is highly targeted. Finally, internet marketing presents the greatest opportunity for measuring return on investment than any other category, which has ranked as the #1 concern of chief marketing officers for the past 2 years (CMO Council).

According to AdAge (2007), U.S. advertising executives say their media budgets being allocated to emerging media break out like this:



Medicines and remedies, the 9th largest internet advertiser category, was forecasted to account for an estimated $379.3 million in online ad spending in 2007. The top health websites in Feb. 2007 and their visitor percentage increases from the previous year were:



8.4.4.1 Website

In 2008 we plan to conduct a professional audit of our website, focusing on assessments of graphics, content and navigation. From that assessment we will plan which improvements to make and in what priority.

Rich media content, especially online video, represents a good opportunity for NEWBRAND to promote itself. Our strategy in 2008 centers on *showing* (as opposed to telling) our audiences the positive impact on Quality Of Life provided by our NEWBRAND products. As nasal wash is a highly visible process requiring education to get customers past their squeamishness we plan to create an educational video focusing on demonstration and a testimonial video focusing on Quality Of Life improvements. Both of these will be posted on our website and we will invest additional resources in advertising the availability of these videos and where to find them.

We will also focus on improving dialogue with our audience via our website and the internet. Virtually all of our online and offline advertising will feature a direct response opportunity asking the reader or viewer to click on a link, which will go to a dedicated landing page. On that landing page will be a special offer targeted specifically for that target market. In this manner we hope to encourage visitors to engage with us in a manner that encourages them to try neti-pots and squeeze bottles and to ask for the NEWBRAND brand wherever they shop. In 2008 we plan to test a variety of landing page formats to better understand our audience's website behavior and conversion triggers.

8.4.4.2 Search Engine Marketing (SEM)

Search Engine Marketing (SEM) is still changing at breakneck speed and will continue the pace in 2008. There are several overall predictions for SEM in 2008 from a variety of sources:

- ✓ **Mobile search explodes** *[only because investors will pour a ton of money into it...it is not a 2008 opportunity for NEWBRAND]*
- ✓ **Social media marketing** (YouTube) explodes *[good stuff overall for*

its ability to rapidly increase brand awareness and spread innovation. Facebook, however, is not a good marketing platform and can't compete with Google AdWords]

- ✓ **Social networks** will emerge as a powerful and effective marketing tool because they influence other platforms
- ✓ The jury's still out on marketing capabilities of **vertical search engines** as a category
- ✓ **New paid search channels** will emerge
- ✓ **Search engine consolidation** will continue
- ✓ **Heavier integration of user data** in personalized search

It's important to remember that these are predictions, not statements of fact. SEM will continue to be important to NEWBRAND marketing as the market is fragmented and the product requires education and demonstration for consumers to get over the squeamishness factor. It is important for us to address the trends in 2008 through research, discussions with SEM experts or other means that will lead us to conclusions about how to address these trends.

In 2008 we will continue with efforts in both paid and unpaid search, using them to increase measurable traffic at our promotional and educational landing pages. In 2008 we plan to engage an outside resource to advise us of changes we need to make in keywords

8.4.4.2.1 Search Engine Optimization (SEO)

TBD

8.4.4.2.2 Paid Search

TBD

8.4.5 Collateral Materials

As we shift from a feature-benefit orientation to a quality of life (QOL) orientation it will be necessary to re-design the company's collateral materials to support the new positioning. *No changes are planned for the NEWBRAND logo*.

The following are identified for re-design in early 2008:

1. Media Kits - Including backgrounder, FAQ, U. of Wisconsin research paper, CEO bio, reprints from NY Times and others

2. Corporate Folder for Media Kit and Sales Materials - update with new look and feel when available

3. Product Packaging - Packaging should appeal to middle class males

and females. A family-oriented approach design is generally a safe bet. It is important to remember the product is <u>not</u> positioned as an "*all natural*" product. It is positioned as a Quality Of Life improver. The package needs to convey the following:

•Neti pot image
•Colors that denote energy
•Safe
•Easy-to-use
•Adults & kids

4. Product Insert - Should follow same guidelines as packaging.

5. Company Brochure - Should follow same guidelines as packaging.

6. Pharm/alerts - Should follow same guidelines as packaging.

9.0 Additional Marketing Ideas

1. Partner with Advil, Benadryl - complementary products, not competing products
2. Sampling - Free with response from Clipper Magazine, e.g. Allow us to send you a survey...
3. Partner with Kleenex, Scott Tissue - natural neti pot complements
4. How did Airborne and Ocean Nasal products gain traction?
5. Nasal wash as a remedy for air pollution irritation
6. Target lower middle and working class households once the middle class segment is penetrated
7. Run negative ads emphasizing the side effects of prescription and OTC meds
8. Sub brands = *NEWBRAND NetiFlo, NEWBRAND SqeezeFlo, NEWBRAND KidsFlo*
9. Contest - Write a description of your neti-pot experience....best one wins ______.
10. QOL - "Take Control", "Empower Yourself", "Take Charge"
11. QOL - "Instant Relief", "Immediate Relief", "Start Enjoying Life Again"
12. QOL - Stop The Pain (Suffering), Huge Weight Lifted Off, Hope
13. QOL - Stop The Side Effects (Dizziness, drowsiness, drug interactions)
14. QOL - No need to stop everything to go see a medical professional, no waiting rooms, no sitting in the exam room and being forgotten
15. Must actively cultivate contacts in the media - need a PR plan.
16. QOL - Get Rid Of The Clutter (pills, nasal sprays)
17. QOL - Create a chart showing QOL scores after 1 day, 1 week, 1 month, 6 months, 1 year [Rabago_Otolaryngology_July_2005]
18. Barriers - *Instruction*, Easy-To-Use, So Simple A ____ (kid?) Can Do It, Do It In The Shower, Do It After You Brush Your Teeth
19. Testimonials [NEWBRAND_Testimonials.PDF]
20. Data - Antibiotics Not Effective [Study_Most Sinus Suffers..._CNN.com]
21. Grossology Factor - Make It Funny, "Fun To Use!", "Weird But Fun", "Giggle When You Neti-Pot", "It's Not Glamorous But It Sure Works", "I Wouldn't Let My Boyfriend Watch!" [stage a beautiful young woman hiding something, stage a man in a closet, stage someone in the shower], "A Well Washed Nose Is A Happier Nose"
22. Hire a medical ad agency
23. Put together a local panel of docs to review the ads before placing
24. Label samples "For Physicians' Use Only, Not For Resale"
25. Customization?
26. Must educate prospects
27. New solutions such as scented: "refreshing menthol", "springtime"; etc. Follow the room and car freshener examples?

10.0 Financials

10.1 Financial Objectives

Our key financial objective for 2008 marketing will be to capture as much data as possible about the effectiveness of our various marketing efforts. This will help us allocate marketing spending more effectively.

10.2 Marketing Expense Budget & Forecast

See attached 18 Month Rolling Marketing Plan.

Table: Marketing Expense Budget

Marketing	FY	FY	FY
Name me	$0	$0	$0
Name me	$0	$0	$0
Other	$0	$0	$0
	------------	------------	------------
Total Sales and Marketing Expenses	$0	$0	$0
Percent of Sales	0.00%	0.00%	0.00%

Table: Break-even Analysis

Break-even Analysis	
Monthly Revenue Break-even	TBD
Assumptions:	
Average Percent Variable Cost	0%
Estimated Monthly Fixed Cost	TBD

11.0 Controls

We will use two key controls in marketing this year:

1. The most important control is the budget. It is critical to know whether we are over or under budget at any given time.
2. Marketing ROI. We can measure the return on our marketing investments by linking all our promotional efforts to dedicated website landing pages. We intend to put a direct response mechanism in everything we do in the way of promotion in 2008.

12.0 Contingency Planning

TBD by the company.