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DEJA SHOE (B): Product Launch

The Spring '93 Season

Envirolites and Eco-sneaks were shipped to Deja's accounts in March 1993. Many stores had prepared special displays to showcase the innovative product or had tied promotions of Deja shoes to Earth Day (the third week in April). Yet despite the retailers' efforts to push the shoes, sell-through did not occur in many mainstream retail stores. MacGregor dryly characterized the situation in the spring of 1993, "The product shipped, and the product sat."

Despite the displays and the product's environmental attributes, consumers opted for canvas shoes in the traditional \$20 to \$30 range. Quality problems also plagued the product. Because Eco-Fibre's canvas was recycled and its fibers were shorter than in virgin canvas material, the fabric didn't wear very well. On some pairs, the canvas upper became detached from the sole and the material was ripping out in the back of the shoe. As a result, many shoes were returned. MacGregor explained, "What we constantly heard from consumers, through the retailers, was, 'People loved the concept, people don't like the shoes.'"

Mainstream retailers reacted by dropping their focus on the environmental footwear. Nordstrom's Earth Day display was pulled down the day after, and many other stores removed Deja shoes from window displays. Sell-through in the green stores was "O.K.," according to Lewis. However, relative to the large orders that the green stores placed with Deja sales representatives, their inventory turnover was low.

Deja's Reaction

Management decided not to introduce a new line for the fall '93 season, as was the industry norm. Although for a pre-existing business, missing a season could lead to consumers drifting towards a competitor's product, that was not a concern for Deja. Rather, the company was concerned with obtaining financing to invest in product development. Much of the first round of venture capital had been spent, yet the company did not have a product which would be viable in the mainstream market.

The company was successful in securing a second round of equity financing in May 1993 totaling \$1,320,000. The second round was financed principally by the existing investor group with smaller sums invested by management. Deja finished 1993 with \$1.5 million in sales, well below the \$5 million that



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