



Firm has the elements for success

Jeff Wheeler, Star Tribune

Jon Charles sells Oxygen Plus products at his namesake salon in Minneapolis.

A start-up hopes to pump up the "recreational oxygen" market. Oxygen Plus hasn't taken a breather since it began developing its fatigue-fighting products.

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Starting a company is enough to take your breath away.

Fortunately for the entrepreneurs behind Oxygen Plus, the remedy is right at hand -- and for the rest of us, increasingly available at upscale hotels, spas and retailers locally and around the country.

The Mahtomedi start-up produces lightweight canisters of 90 to 95 percent pure, concentrated oxygen. Three to five breaths from its O+Stick dispenser or the smaller O+Mini, the company says, are enough to restore energy, raise alertness and generally revive a person.

Company President Kevin Berigan likens it to a cup of coffee without the caffeine.

"Oxygen is a primary element in the production of energy in the human body," Berigan said. "This can give you a boost of energy. It can help with jet-lag symptoms, it can help with alleviating the effects of altitude. And if people are feeling tired or groggy or a little dull, it can help boost their performance."

The product launched just seven months after the first discussions, a whirlwind of product, brand and packaging development fueled by \$2.5 million from angel investors. Sales were projected to hit \$500,000 in 2007 and to double in 2008.

The dispensers are on sale at 250 retailers, including the Helly Hansen store in St. Paul and the Jon Charles Salon in Uptown in Minneapolis, and at more than 1,000 e-commerce websites. The O-Stick Elevate pack, with a dispensing shell and two 50-breath canisters retails for \$30; a single 20-breath O+Mini retails for \$5.

Travelers, athletes and outdoors enthusiasts and people interested in a healthy lifestyle are among the early adopters, Berigan said. It's also on the menu at some hotel cocktail bars. Anyone who overindulges while ringing in the New Year also might benefit.

"If a person happens to get overserved, this is certainly something that will help them recover," Berigan said.

Berigan spent 22 years at the Fallon Worldwide ad agency before he left to join what became Oxygen Plus.

The idea for the product emerged after a couple of gatherings of people in marketing, retail, finance and other fields who met to "knock around the idea of recreational oxygen," Berigan said, a product category that exists in Asia and Europe but is only beginning to take shape in this country.

Berigan said, "How many times do you get a chance to work on a new product and brand and also try to pioneer a brand-new category? For me, that was the lure."

The Oxygen Plus products, which dispense oxygen for recreational purposes and for which the company does not make medical claims, are not regulated by the U.S. Food and Drug Administration, said John Benzick, chief operating officer.

The company's website contains the obligatory warnings that its products "are intended for recreational, intermittent use only, not to be used as medical nor life-saving products." Anyone with a health or medical condition "should consult their physician prior to use." There are also the standard cautions about oxygen's flammability.

The Oxygen Plus canisters are not refillable but are made of recyclable aluminum, Benzick said. The plastic shell that comes in the O+Stick Elevate pack is reusable with new canisters.

Cascading influence

With little in the way of a marketing budget, the company has employed a strategy of "cascading influence," finding top retailers in hospital and outdoors markets who would want the product for their customers, who in turn likely would try, and become advocates of, a new product.

In perhaps six months, Oxygen Plus likely will seek \$5 million to \$10 million in additional financing to boost marketing and do more hiring, Berigan said. The company also has other products it would like to develop, and it wants to explore distribution in Europe and Asia. Jon Charles, owner of the upscale Jon Charles Salon in Minneapolis' Uptown neighborhood, said

Oxygen Plus has been a strong seller, especially with health-conscious clients and those who work out.

"This fits in with a healthy lifestyle," Charles said, adding he offered to pay for the Oxygen Plus one employee uses if she stops drinking Coca-Cola. "You get the same energy boost without the calories. It's an amazing product with a really great future."

The design fits in with the top-shelf brands of hair products he carries, Bumble and bumble and Kerastase. "What's in the package is extremely important but it's got to be shiny and pretty, especially if you're going to market to women," Charles said.

Oxygen Plus also has sold surprisingly well since its mid-October introduction at the Helly Hansen store on Grand Avenue in St. Paul, owner George McGowan said. He also carries it at his Sundog Trading Company store in Uptown and introduced it just before Christmas at his Helly Hansen store in Chicago.

Shoppers might try it as a novelty but quickly understand the benefits of a product that McGowan said fits the sporting lifestyle that the Helly Hansen brand represents.

"We don't do gimmicks," McGowan said. "It needs to have a legitimate reason to be here; otherwise, we diminish who we are and our credibility. What the Oxygen Plus guys are doing is exactly along that vein."

The experts say: Prof. Lorman Lundsten, chairman of the marketing department at the University of St. Thomas Opus College of Business, said he believes there's a potential for Oxygen Plus to develop a market for its products.

"There's a brandable aspect to this," Lundsten said. "It's a reliable source of a benefit people want; it's intangible, but people would seek that out. ... The challenge will be to build enough end-user demand to keep the middlemen happy in carrying it."

Lundsten recommended rolling out the product at a measured pace, "to take over the world slowly." The rollout needs to pay for itself, or the company "has to have a lot of money to last a long time while the market grows."

David Alexander, an assistant professor of marketing at St. Thomas, said the company needs to make the product not seem as new as it is. That's because "newness can turn people away," said Alexander, who does research on adoption of new products.

"You can use the newness to attract people, but what you want is to tie the product to things that people already do," Alexander said. "That way, for the individual it's not as big a leap to adopting the product."

In other words, tying the product to something familiar that offers similar benefits, like the morning's first cup of coffee or a post-workout sports drink, might make consumers more comfortable with the idea of Oxygen Plus as an energy boost.

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