

Entrepreneurs

Passion Play

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Two ex-consultants bring a bankrupt ointment maker into America's bedrooms.



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Seeking satisfaction: Rachel Braun Scherl and Mary Jaensch have raised millions to revive women's sex lives.

Pharmacologist Martin Crosby spent much of the 1990s developing a female counterpart to Viagra. Crosby had made a pile with patents on two pain-management drugs, for patients with terminal cancer and multiple sclerosis. Five years and \$1 million later he came up with Zestra--a topical potion, made from evening primrose and borage oils and two extracts, that enhances sexual stimulation. Sensing a hit, Younis Zubchevich, a New York investment banker, agreed to help Crosby bring Zestra to the frustrated masses. He rustled \$3 million and hired a mostly male management squad; in 2006 he raised \$6 million more in a convertible-preferred stock deal that valued the Charleston, S.C. company, called Zestra Laboratories, at \$35 million.

The pleasure didn't last. In 2006 Zestra Labs lost \$4.8 million on \$3.2 million in sales. Two prime-time television ad campaigns dug a deeper hole--as did a \$2 million, 200-patient study commissioned by the company in 2005 to give the ointment a dose of credibility with medical professionals. (The study concluded that the stuff performed better than a placebo, and increased

"desire, arousal and satisfaction" in seven out of ten women.) Walgreens, CVS, [Wal-Mart \(WMT - news - people \)](#) and Kmart made room on their shelves for the over-the-counter preparation but charged hefty placement fees. As the red ink flowed, Crosby fired Zubchevich, who filed a suit (later dropped) for \$200,000 in back pay. When a \$15 million round of new funding never materialized, Zestra filed for Chapter 11 in 2008.

To the rescue come Mary Jaensch, 57, and Rachel Braun Scherl, 44, owners of the Spark Group, consultants to companies like [Wyeth \(WYE - news - people \)](#) selling o-t-c products such as Advil and Robitussin. All Zestra needs, they figure, is a little marketing and management, not to mention some cash. "There are a lot of women out there who are not necessarily sexually satisfied who would never think about bringing it up with their doctor or taking a [prescription] drug for it," says Scherl.

There is, at any rate, a gender gap. Sales of prescription and o-t-c sexual aids for men run to \$6 billion a year, thanks in large part to Viagra, Cialis and Levitra. The treatments for women bring in only \$150 million to \$200 million, according to research from Cowen & Co. Says Scherl: "We think the market for women trying to enhance their sex life should be a multibillion-dollar business."

Scherl and Jaensch shelved their consulting gigs and put up a \$250,000 debtor-in-possession loan while Zestra, obligated by the bankruptcy court, shopped itself to the highest bidder. The twosome managed to land \$8.5 million in venture funding, most of it from Quaker BioVentures in Philadelphia, and were the sole bidder, at \$2.5 million, for Zestra's assets, which they reassembled into a new entity called Semprae.

The old Zestra was several months behind on rent, but Scherl and Jaensch persuaded the landlord to lease half the amount of space for half the price. (The company moved a few months later to more modest quarters in Saddle Brook, N.J.) They reassured suppliers, and even some of their retailers, of their viability by sending out copies of Semprae's financial statements.

Next the pair lined up 19 focus groups, at \$3,000 to \$3,500 apiece. Their big discovery: Women wanted something to improve their lives, not a fix for a problem. "They liked the idea that we're about sexual satisfaction, not a better relationship, better intimacy," says Scherl. Some customers didn't like Zestra's sharp, earthy odor; Crosby, who stayed on as a consultant, whipped up a more neutral scent. A study of 800 women online helped Semprae refine its pitch of sexual satisfaction. In all, the research tab topped \$100,000.

Then came the marketing makeover. Zestra's orange-and-purple packaging smacked of a porn shop. After shelling out another \$100,000 for design work, they settled on a more subdued presentation that highlighted Zestra's natural ingredients. Instead of spots on national television networks, Semprae ran targeted advertisements on female-oriented cable stations like we TV, Soapnet and Discovery Health. Each week's worth of ads, which ran 20 to 30 times, ate up \$20,000.

As for distribution, the company was spread too thin. Semprae now sells through only 4,000 locations, versus 40,000 under Crosby and Zubchevich. "We need to show on a month-to-month basis that we're growing per-store volume," says Jaensch. "The best consumer products companies don't just put their products in distribution and hope they work." Also, they dropped most of their drugstore contracts, as Wal-Mart and [Target \(TGT - news - people \)](#) agreed to charge less for shelf space.

The first new batch of Zestra hit stores in May, at the original price of \$10 for three 1-milliliter packets, one usage each, or \$23 for nine. (Semprae is testing different pricing schemes online.) Sewell, N.J. resident Margie Levins is one happy customer. Suffering difficulties from menopause and a recent hysterectomy, the 59-year-old tried Zestra on the advice of her gynecologist. "It brought me back to feeling like I did when I was in my 20s," says Levins. "I gave it to my friends and got a lot of thank-yous."

Shoring up Zestra's credibility with the medical community may take some time. In March Semprae assembled a 12-member medical advisory board to raise awareness among doctors. Scherl and Jaensch also persuaded the 2005 study's researcher and statistician--still owed \$250,000 and holding the data hostage--to cut their remaining bill in half. The largely positive results are slated to appear in the *Journal of Sex & Marital Therapy* this fall, says Editor in Chief Robert Segraves, M.D.

Scherl and Jaensch hope Semprae will turn a profit in 2011. Says Scherl: "So far we've found that once you start women talking about it, they won't stop."