

## Clorox: A Green-Market Breakthrough

By John Maas

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**The Move:** By leveraging its brand and capitalizing on its retail muscle, the company became a major player in green products.

This year, The Clorox Company launched its first new brand in 20 years — the Green Works line of natural household cleaners. The eco-friendly products, derived from coconut and other plant and mineral sources, were a significant departure for the \$5.3 billion juggernaut famous for mainstays like Pine-Sol and Formula 409. The big question that hung in the balance: whether to openly use the Clorox name on the new brand, or hide it altogether. On a green product, the Clorox badge could have been a liability: Died-in-the-wool environmentalists, long mistrustful of Clorox's flagship bleach, had little interest in the company's products, and Clorox's core customers wanted sanitation on a budget, not green gimmicks.

In the end, says Emmy Berlind, a Green Works brand manager, Clorox chose to stick with its own name and logo because they convey the dependability people associate with the company's conventional bleach products. Clorox was betting that its brand's dependability would attract the kind of customer who didn't ordinarily buy eco-friendly products. "She may not be doing the whole [green] package," Berlind says of this consumer. "She might still own an SUV." Joel Makower, executive editor of [greenbiz.com](http://greenbiz.com) and a consultant to Clorox on the Green Works launch, says that the brand has successfully drawn newbies. "The Clorox name gave them assurance," he says, that the product would still clean effectively.

To further convince those tentative consumers to put Green Works in their shopping carts, Clorox priced the line cheaper than competing green cleaners, harnessing its longtime clout with big-box retailers like Wal-Mart, Costco, and Target to do so. Green Works products still cost about 20 to 25 percent more than traditional brands; comparable green products from Seventh Generation and Method cost twice as much as traditional cleaners. For example, in late November, the price of a 24-ounce bottle of Clorox's traditional bleach-based toilet bowl cleaner was \$2.14, the Green Works version was selling for \$2.89, and Method's offering was \$4.29. That price advantage gives Green Works an extra boost among reluctant green consumers, cementing the company's access to previously untapped demand. "They brought greener products to the masses," Makower says. "Now *that* was strategy."

Meanwhile, to tempt skeptical environmentalists with little previous interest in the company, Clorox sought out an important ally: For an undisclosed portion of revenue, the Sierra Club allows its logo to appear on every Green Works bottle, the organization's first product endorsement. "The Sierra Club helped alleviate the concerns of anyone who felt the words 'Clorox' and 'green' were a disconnect," Makower says. The move was a PR disaster for Sierra, whose members criticized the sponsorship fee, but for Clorox it was a strategic boon. "It protects their backs," says Andrew Winston, author of the book *Green to Gold*. "It focuses their marketing on selling products, not on defending them."

Green Works was among the drivers that put Clorox in the black for its first quarter in 2009, which ended Sept. 30. Revenues climbed 12 percent and net income rose 15 percent to \$128 million, up from \$111 million in the same quarter last year. Competitors with similarly timed green-product introductions, such as Church & Dwight Co., which owns the Arm & Hammer brand and launched its green Essentials line in May, posted more modest revenue gains — just 4 percent in its third quarter, which ended Sept. 26.

These results were better than Clorox's third quarter, when Green Works first launched and profits were off by 22 percent. But that was partly due to Clorox's acquisition of another green endeavor — Burt's Bees, a natural personal care line. Overall, despite the slide in profitability, CEO Donald Knauss noted that Green Works had helped increase domestic sales by 8 percent that quarter, a time when economic conditions might suggest that consumers would shy away from premium-priced products.

But they haven't, and cash register bells are ringing for Clorox. Excluding Wal-Mart, club store, and convenience store sales, Green Works sold \$5 million worth of glass cleaner in the year ending on Nov. 2, 2008, according to Information Resources, Inc., a Chicago-based market research firm. In the same period, Seventh Generation's glass cleaner netted \$1.1 million and Method's earned \$939,000. Meanwhile, overall sales of Method and Seventh Generation products have not declined since Clorox entered the game. Since Clorox wasn't poaching sales from green stalwarts, its launch of Green Works seems to have successfully grown the green marketplace.