

Green-Marketing Revolution Defies Economic Downturn

Sustainable-Product Sales Rise as Eco-Friendliness Goes Mainstream and Value Players Join the Trend

By Jack Neff

BATAVIA, Ohio (AdAge.com) -- Green marketing is turning out to be surprisingly recession-proof.

Datamonitor shows 458 launches so far in 2009 of package-goods products that claim to be sustainable, environmentally friendly or "eco-friendly." If that pace holds all year, it will triple the number of green launches last year, which in turn was more than double the number in 2007. Seventh Generation CEO Jeffrey Hollender said his company's sales were up 50% last year and 20% in March year over year despite Clorox, Church & Dwight and now SC Johnson entering the space. "The good news is that in general these products are faring better than most categories," he said. "A lot of people would be desperate to have 5% growth."

Consumers are still buying sustainable lines despite their higher cost. Nielsen Co. data show sales growth of organic food at 5.6% year over year in December from a year ago, though that's down from the double-digit pace of years past, and its SPINS tracking service showed sales at natural-food stores up 10.9% to \$4.2 billion last year. Though growth slowed in the fourth quarter, it was still more than 7% in December, far healthier than the rates at even top-performing grocery retailers such as Walmart or Costco.

"It looks like this green trend is going to survive the recession," said Tom Vierhile, general manager at Datamonitor's Product Launch Analytics.

"If you go back 10, 20, 30 years, other green movements ultimately have had the air taken out of them by recessions," said Aric Melzel senior brand manager at Kimberly-Clark's Scott paper company. "This one is acting differently than we've seen in the past. In looking at national tracking studies, it does appear that this time the green mind-set is very much being more solidified."

'Respectful stewards'

Mr. Vierhile's read is that the interest in green products has reached beyond the vanguard of eco-enthusiasts. Indeed, Information Resources Inc. research found sales of green products growing fastest in the 52 weeks ended Jan. 25 in a predominantly Hispanic segment labeled "respectful stewards" and a predominantly white-male segment labeled "proud traditionalists." Sales actually remained flat in the "eco-centric" segment with the highest interest in green issues.



Part of the secret to green products' survival, Mr. Vierhile said, is manufacturers' desire to save on commodity costs. What's also helped is retailers -- particularly Walmart -- furthering the cause by working to keep green products affordable, as well as the entry of private-label and value-brand marketers into the category.

The test of whether green can really go mainstream is shaping up with a new offering from Scott: toilet paper, paper towels, napkins and wipes made from 40% to 80% recycled content. The launch is from a \$2 billion-plus global value brand that reaches 41 million households, or one in three U.S. consumers. You can't get more mainstream than that.

The premise is that consumers don't have to sacrifice either performance or price to make a positive environmental impact, said Mr. Melzel. The launch springs from research showing Scott's value-minded consumers still want to minimize the environmental impact of their products: 86% said they're interested and 41% said they're very interested in products with recycled content. Mr. Melzel said he believes recycled products can become a \$500 million business, or about 5% of the \$10 billion retail paper-products business in the U.S., up from less than 1% today.

Walmart is looking to go Scott one better with White Cloud private-label toilet paper from 100% recycled fiber. And while the retailer hasn't been beating the sustainability drum in its PR efforts as loudly as in the past, it has put some substantial weight behind its Earth Month marketing and merchandising efforts, billed as bigger than last year, with ads from Martin, Richmond, Va., touting 10 green products for under \$10 and rollbacks on products such as Clorox Green Works and Procter & Gamble Co.'s Tide Coldwater.

Cleaners grow

K-C, which this month is launching Huggies Pure & Natural, positioned as having more natural ingredients and post-consumer content than other products, found one sure sign of consumer interest during pre-launch buzz building. When Edelman, Chicago, reached out to 500 mommy bloggers about the product line, they generated close to 200,000 requests for samples, said Huggies Senior Brand Manager Tim Abate.

Sales of water-filtration devices and filters -- which have been positioned as a more eco-friendly alternative to bottled water by Clorox Co.'s Brita and Procter & Gamble Co.'s Pur in recent years -- soared 22.2% and 15.2%, respectively, in the four weeks ended March 22, according to Information Resources Inc. data from Deutsche Bank, continuing the torrid double-digit pace they've been on the past two years despite the recession and relatively high price points.

Green cleaners, too, continue to grow as more mainstream manufacturers, such as SC Johnson with its recently launched Nature's Source lineup, pile into the category. Clorox Green Works became the best-selling natural-positioned cleaning brand during its first year last year, said Jessica Buttmer, global domain leader for the brand, and roughly tripled an already robust green-cleaner-category growth rate of 35% in 2006 and 2007 to 108% in 2008. "In recent months, with the economic downturn, we are seeing some slowing growth in certain product categories where we've lapped our launch," Ms. Buttmer said. "But in categories such as natural liquid dish soap, growth continues to be strong at 143% [for the 13 weeks ended Feb. 22, relative to total dish-soap growth of 7%]."

Seventh Generation's Mr. Hollender said he does believe bigger players in the organic- and natural-products space are seeing their growth slow. An informal survey he did of five players in the \$150 million to \$500 million sales range have seen year-over-year growth in the single digits this year vs. double-digit growth last year -- but all were still growing, he said.

With more mainstream marketers expanding into more categories, Mr. Hollender said, every consumer-package-goods category will soon have some kind of green alternative. "Increasingly, it will be a choice between light green and dark green," he said.

Four tips for green marketers

1. Combine environmental with economic sustainability.

Consumers define sustainability more broadly than the environmental concerns marketers mainly have tended to focus on, and they care more about social and economic issues such as poverty, employment and health care more than environmental concerns by a substantial margin, according to research by shopper-marketing agency Saatchi & Saatchi X. The agency is pitching the idea that green marketing is tired but that "blue marketing," which encompasses environmental with other social causes, will work better.

2. Retailer support matters.

With 298 different environmental certifications for consumer brands, consumers often don't know what to believe regarding green claims, said Curtis Munk, VP-insights for shopper marketing at Saatchi X. As a result, they look to retailers to be the arbiters, placing the most trust in more-green-positioned retailers such as Whole Foods and Trader Joe's, but also some others, such as Walmart, that have been working hard to burnish their green credentials.

3. Opportunities remain.

Research by Nielsen's concept-testing service Bases shows that environmentally focused Lifestyles of Health and Sustainability consumers have above-average purchase intent for personal care, pet products, and refrigerated, shelf-stable and frozen foods but perceive only average current product availability in those categories.

4. Address skepticism about price and quality more than the actual green claims.

Bases found more than 80% of consumers in all categories—including 89% of those most inclined to buy green but also 80% of those unconcerned about green claims—found green claims completely or somewhat believable. Only 9% to 16% of consumers said they believe green products aren't as green as claimed—fewer than half the proportion who said they completely believe such claims. Yet a vast majority of consumers said they believe green products cost more and don't perform as well as others.