

Ecover cleans up with green consumers

Case taken from The International Business Environment, second edition (Palgrave, 2006), by Janet Morrison

Ecover is a company which manufactures environmentally friendly cleaning products. It was founded in Belgium in 1979 and since then has had success in its 'niche' market. The company's aim is to produce cleaning products that cause as little harm to the environment as possible. Its products are plant-based and biodegrade rapidly, causing a minimum of harm to the aquatic environment. Detergents and other cleaning products made by the large multinationals, by contrast, contain chemicals such as phosphates, which cause a proliferation of bacteria in waterways. While governments have banned some chemicals, eroding some of the differentiation between Ecover and its rivals, Ecover's managers point out that there are many common ingredients which are potentially harmful, such as optical brighteners and scent.

As Ecover is scrupulous about using only rapidly biodegradable ingredients, its raw materials are more expensive than those of larger rivals, who also benefit from economies of scale. Ecover's commitment to environmentally safe ingredients won it many consumers in the 1980s and 90s, despite the fact that its products are about 10 per cent more expensive than those of its rivals. Taken up by the major supermarkets in the UK in 1990, it had 3 per cent of the British detergent market. In 1992, it built an ecological factory which featured recycled bricks and a grass roof, which kept the building cool in summer and warm in winter, as well as blending in with the environment. The company's fortunes soon took a downturn, however. In the late 1990s, consumers became reluctant to spend premium prices for its products. It was forced to retreat back to the health food shops.

The boom in organic products in the new millennium brought renewed interest in the environment, which presented an opportunity for Ecover to win consumers back to its products. Its marketing stressed a broader appeal, on health as well as environmental grounds, extending beyond the 'pure' green consumer to the more health-conscious consumer. Adjusting to the changing consumer profile, the company stresses that its products must work well. One analyst has said of green products generally: 'To succeed in the marketplace products have to be more than just green. They have to be better products' (Murray, 2001). The EU's strong environmental policies on testing chemicals and recycling packaging reflect renewed concern over the environment. Ecover will hope that changing consumer preferences towards more environmentally and socially responsible products are here to stay and will not evaporate in future economic downturns.

Sources: Murray, S., 'Green products: consumers count cost over ecology', Financial Times, 5 November 2001; Houlder, V., 'Greener brand of cleaner finds organic growth', Financial Times, 16 July, 2004; Wendlandt, A., 'A crushing burden on industry', Financial Times, 24 September 2002; Ecover's website at <http://www.ecover.com>.

Case questions

What problems are faced by a company such as Ecover in consumer markets?

What are its prospects for growth?

@ Ecover's website is at www.ecover.com