
THE MARKET IS PRICE SENSITIVE

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Executive Summary

CleanSpritz, a home cleaning product of MJ Brenner, has had sales decline about 7.5% for five consecutive years and this is believed to be related to the trend in price sensitive consumers and environmental conscience consumers. Vice President of Strategy has requested that its advisory team outline several alternatives that would turn CleanSpritz sales around. The alternatives are 1) Re-launch an existing 3:1 concentrated formula with heavy promotion focusing on the environmental benefits, 2) Add to the product line a stronger, 4:1 concentrated in a lightweight, recyclable pouch for 32 oz. bottle refills, 3) Add to the product line a stronger, 4:1 concentrated in a dissolvable packet for 32 oz. bottle refills and 4) Make no short term changes and consider re-launching the 99% biodegradable spray. Marketing research found in this paper suggest that alterative 3 would be the best plan of action and this paper will explain in more detail.

Key Issues

Revenues have been dropping for five consecutive years for one of MJ Brenner's products, CleanSpritz, due to numerous reasons. Consumers have become more price sensitive after the 2008 financial crash and has resulted in consumers buying cleaning products less often. Some consumers have also shifted to more 'green' products due to their concerns on health risks. Another issue is that retail stores have been using the CleanSpritz, and products alike, as a 'loss leader', as an advertising tactic to attract consumers into its stores and offering a higher priced all-purpose cleaner would dissatisfy retailers.

Environmental Analysis

In recent years, individuals have been concerned with health from food consumption to cleaning products. This demand in greener products has caused house-cleaning-product companies to accommodate consumer demand. Greener products have increase from 16 in 2006 to 164 in 2010¹. Consumers have shown greater interest in the overall environment and the impact household cleaners have on the environment. In addition to that, consumers have said they would be more willing to try concentrated products because of the benefits it would have to the environment. However, consumers' willingness has not reflected the consumers buying behavior. According to Figure 1, a consumer's likelihood to buy a greener product when ever possible has dropped 15% between the years 2008 and 2011.

Figure 1: Consumer Usage Study on Household Cleaners

Selected Results from Household Cleaner Consumer Study*	2008	2011
I am concerned about the impact of chemicals in household cleaners*	55%	70%
I am more worried about the environment than I was a year ago	75%	82%
I have tried, or am aware of, green household cleaners	48%	58%
I like to buy "green" whenever possible (MINTEL)	55%	40%
Cleaning products from natural sources are too expensive	48%	50%
Green cleaners are not as effective as other cleaners	27%	21%
I would be willing to try concentrate:	25%	35%
<i>(of %) Because it's more cost effective</i>	68%	59%
<i>(of %) Because it's better for the environment</i>	32%	41%

Although consumers are more concerned, more aware, and more willing to buy greener products, they perceive price to be more important which has prevented consumers from behaving the way they believe. Between 2007 and 2011, private labels and small independent brands of all-purpose cleaners showed the highest revenue gains² and this was because private labels were offered at a lower price than brand names. The lack of differentiation besides prices has also sparked a price war which has not helped MJ Brenner's revenues.

Company Analysis

The main marketplace for CleanSpritz is supermarkets, which consisted of 36% of its sales volume³. 65% of diluted sales were also purchased at supermarkets and concentrated products were purchased only 45% at supermarkets. Future more, concentrated products were

	Number of Stores	2011 Unit Volume	% 2011 Volume	2011 CleanSpritz Sales Volume Breakdown	
				CleanSpritz Diluted Spray	CleanSpritz Concentrate
Supermarkets	35,200	8,146,356	36.0%	65%	45%
Mass Merchandisers	25,493	3,620,603	16.0%	15%	17%
Warehouse & Discount	747	2,262,877	10.0%	5%	35%
Small Markets	11,565	5,657,192	25.0%	11%	2%
Convenience	70,244	2,941,740	13.0%	4%	1%
Total	143,249	22,628,768	100.0%	100%	100%

purchased at warehouses 35% of the time and Warehouse stores is where consumers go to get discount prices. Supermarkets also report that they only receive about 2-3% of profit from house cleaning products⁴ and that is why sales volume is very important to them. Supermarkets also use house cleaning products as a 'loss leader' to attract consumers into its stores⁵. Supermarkets, CleanSpritz main marketplace, wants the products to be price as small as possible so they can continue using it as a promotional tool. Everything points to having lower priced products, however if CleanSpritz wants to introduce a recyclable pouch or a dissolvable bag they would have to risk the chance of losing control of its product because they would have to trust third-party companies to produce them.

Assumptions

Over the years there has been unclear emotions about green products. Consumers are more concerned with the environment but at the same time they weigh price to be more important. Assuming that consumers continually put price first, companies will continue to fight over price which will bring revenues down. However, if we assume that priorities change, and the environment becomes more important, consumers would be more willing to pay the extra price for the added-value and CleanSpritz would have to redesign its distribution strategy.

Alternatives

After reviewing the information given in the paper, there are four possible alternatives that would improve CleanSpritz revenue around. The options are 1) Re-launch an existing 3:1 concentrated formula with heavy promotion focusing on the environmental benefits, 2) Add to the product line a stronger, 4:1 concentrated in a lightweight, recyclable pouch for 32 oz. bottle refills, 3) Add to the product line a stronger, 4:1 concentrated in a dissolvable packet for 32 oz. bottle refill and 4) Make no short term changes and consider re-launching the 99% biodegradable spray.

Recommendation

Each alternative has its respected benefits but after reviewing all the alternatives, option 3 is the best alternative because it offers low prices, contains environmental features, can be used as a tool to strengthen the brand name, and it is safer to assume that price will continue to be more important than the environment. Although consumers would like to change their behavior to help the environment they still continue to find the cheapest alternative when it comes to cleaning supplies. Introducing a 4:1 concentrated would drop prices lower and give consumers a motive to buy the product.

The decision to choose the dissolvable bag over the recyclable pouch is because of the satisfaction results from prior testing. A consumer panel stated that the dissolvable bag had 95/5 in favorable/unfavorable comments unlike the pouch that had 80/20 favorable/unfavorable comments. Since alternative 3 has a better image, consumers would be more satisfied with the product and, in turn, the company brand which should lead to brand loyalty.

Alternative 1 would have a larger contribution margin per product but overall sales would drop and other products would be cannibalized which would affect the overall revenue.

1 This information was gathered from the Harvard Business Case

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