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Making the leap into emerging markets: An interview with Clorox's Beth Springer

The executive driving the US household products company's international growth discusses its strategy to expand beyond North America.

Amy Howe

Five entrepreneurs founded the Electro-Alkaline Company in 1913 by creating a bleach product with chlorine and sodium hydroxide as its main ingredients. Fifteen years later, the company listed on the San Francisco Stock Exchange and changed its name to Clorox, a loose acronym formed from the names of its ingredients. It remained a one-product company until the 1970s, when it aggressively expanded into everything from cat litter to salad dressings. Yet its geographic expansion has been much more modest: just $1.2 billion of its fiscal 2010 sales of $5.53 billion came from international markets, with the remaining 80 percent from Canada and the United States.

Clorox's international presence is currently limited to Australia and Latin America. Yet the incentive to expand geographically is obvious: pretax earnings growth from international markets was 23 percent in fiscal 2010, compared with 7 percent for the core North American cleaning-products business. The executive charged with spearheading Clorox's expansion effort is Beth Springer, who joined the company in 1990 in brand management and is now executive vice president, international. In this interview with McKinsey's Amy Howe, she discusses how the history of Clorox has shaped its decision making and the way it evaluates potential growth markets.

The *Quarterly*: *Where is Clorox's growth most likely to come from?*

Beth Springer: Well, our intent is certainly to keep growing in North America—our core market and our largest—and we have strong brands and capabilities here. But it's no secret that developing markets have been driving disproportionate growth for us and most of our peers. Our sales in those markets have grown twice as fast as our North American business for much of our recent history, and our outlook is for continued higher growth. So we're sharpening developing-market strategy and plans for how to drive performance.

The *Quarterly*: *Walk us through that process.*

Beth Springer: We're taking a disciplined approach to answer some core questions: Where do we want to play? How do we win? How do we deliver profitable sales growth? That requires using a combination of hard data and judgment. We start by looking for opportunities in categories we know well where growth is projected to remain above the company average, there is a profit pool or at least good indicators that the category can be profitable, and the competitive dynamics are attractive. It comes down to whether or not we see a way to achieve a number-one or number-two share position in our targeted categories and to command a price premium through the reapplication of category and brand insights, technology, and initiatives.

Then we develop a detailed business case, including a P&L and an entry plan that addresses local competitors and other local dynamics. If this opportunity is in a country where we already play, we will most likely expand organically. If the opportunity is in a new region or a more sophisticated country, we usually enter with a local partner, via acquisition, or both.

The *Quarterly*: *Many multinationals have shied away from emerging markets or only entered them in a limited way. Why?*

Beth Springer: For the kind of consumer goods we sell, markets have remained more local than global in a number of dimensions. It's also more complicated and risky to expand farther from home. We all know stories of companies that have struggled entering emerging markets, especially if they were among the first.

Clorox is almost 100 years old, and for much of that time we were a US bleach company. When we made our first significant international investments, we were later than some of our larger consumer-packaged-goods peers and found out the hard way that we had a lot to learn. Managing the volatility, the country risks, and getting the right talent were difficult. Also, the US market was still growing faster than it is today. So we moved into developing markets more incrementally and primarily via acquisition and partnership.

We chose to concentrate in Latin America, where competition had not yet consolidated our core categories and we could build capabilities and scale. Now that we see the continued outlook for faster growth in developing markets, and so many peers are expanding there, it has become more necessary for us to seek additional opportunities in Latin America and beyond.

Beth Springer

Vital statistics

Born in Berkeley, California

Married, with 1 daughter

Education

Graduated with a bachelor's degree in economics in 1986 from Bryn Mawr College

Earned an MBA from Harvard University

Career highlights

Clorox (1990–present)

- Executive vice president, international and natural personal care (2009–present)
- Executive vice president of strategy and growth (2007–09)
- Vice president and general manager of Glad Products (2002–07)

Braxton Associates (now Deloitte)
Management consultant (1986–88)

Fast facts

Trustee of Bryn Mawr College

Member of the Catalyst Western Region Advisory Board and the board of Business for Diplomatic Action

The *Quarterly*: *Are there similarities between emerging-market consumers and your traditional customers?*

Beth Springer: There are numerous universal insights about consumer attitudes and behaviors in our core categories. But there are often meaningful differences based on income, culture, history, and other factors, and it's critical that we identify and respect those. One important way we seek to accomplish that is by retaining strong local brand names that we acquire, hiring local talent, and doing our market research first.

Let me give you an example. In the past, in emerging markets we focused nearly exclusively on meeting the primary functional benefits in a category, with basic products and lower costs. That's still fundamental, but we're also learning that we shouldn't underestimate the aspirations of developing-market consumers. For instance, we assumed that lower-income consumers wouldn't have a high demand for cleaning wipes, so they were deprioritized for launch in Latin America. We figured most consumers there would prefer regular bottles of cleaner that are less expensive on a per-use basis. Yet we've found pockets of strong demand for wipes among lower-income consumers driven by a desire for fast and easy disinfection. So the real key for us was getting the total price point down rather than the price per use.

The *Quarterly*: *What about the two factors that seem critical for multinationals to succeed in emerging markets: acting quickly and at scale?*

Beth Springer: One way to get speed, scale, and confidence is to more systematically leverage our experience around the world. We've always done this with acquisitions and partnerships but remained highly decentralized in how we operate, in order to be fast and locally competitive. This year, we took major steps to apply our functional best practices more globally. We are already seeing improved results, most notably from more sophisticated sales approaches with the growing modern trade in developing markets. As most of our competitors have done, we also set up international category-development units to boost both speed and scale.

Our shareholders want us to grow and know that we have to take risks to do so, but they also look for the consumer-packaged-goods sector to deliver predictable and consistent performance. At Clorox, we pride ourselves in being analytical and actually worry that we may be too slow. So we are working on placing calculated bets and on how to keep moving in the face of uncertainty without taking huge losses. We're looking at what we can learn from our past, from our competition, partners, and testing in representative markets.

The *Quarterly*: *Can you elaborate on the strengths that a company such as Clorox brings to the table?*

Beth Springer: I mentioned our historic focus on categories where we already know how to win, as well as the recent creation of category-development units to better share what we know across geographies. Those are the key ways we'll leverage our core market strengths in developing markets, and we'll selectively move management talent across too.

Last year, we also took a hard look back at our successes and failures in developing markets, as well as those of our competitors. This confirmed a lot of things we knew and also gave us new insight, particularly on what it takes to deliver profitable growth in emerging markets. We articulated some general success principles, which we're now applying. We also dug deeply into why our market shares and profitability varied in the same category across countries. It was eye opening and led to our more sophisticated approach to sizing each category and country combination that we consider entering.

The *Quarterly*: *What kind of challenge do local competitors present?*

Beth Springer: They're one of the most challenging differences we face. We really have to understand them and figure out how we win and earn a good return. Typically, this means entering or creating the premium segment of the market and leveraging insights, technology, and know-how that a smaller player might not have. In particular, modern retailers have sophisticated expectations about category advisory services and innovation. We are often better equipped to meet them.

Local market leaders aren't in that position by accident. If they have market share, they're doing something right, and we need to learn what's driving that. Some are also very low-cost and scrappy, and especially effective in the traditional trade and outside urban centers, where multinational corporations tend to enter. We sometimes find that local players look good on the surface but don't deliver what we consider a decent return on investment. These guys can spoil a market, and we won't enter if we can't build a leadership share and earn a good return.

The *Quarterly*: *Where do you see Clorox internationally ten years from now?*

Beth Springer: The plan is to continue growing organically in developing markets where we already compete. There are natural tailwinds not only in terms of growing disposable incomes but also total households and category usage. When it comes to new emerging markets, our game plan is clearer than it has been in years—it's focused on additional opportunities in Latin America and Asia.

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At the end of the day, I aspire for us to double our international business. That will help us stay competitive and create opportunities for our employees. It requires some bigger moves into new emerging markets, and we know the competition sees the same opportunities. So we're aiming to strike the right balance between not getting too far ahead of ourselves and not being satisfied with a purely incremental approach.

Amy Howe is a principal in McKinsey's Los Angeles office.