

Personal Safety

Hand Sanitizer Sales Jumped 600% in 2020. Purell Maker Bets Against a Post-Pandemic Collapse

Brought To You by The Wall Street Journal | Jan 25, 2021

The company behind Purell hand sanitizer is making a big bet that America's fixation on clean hands will outlast the global Covid-19 health crisis.

Gojo Industries Inc. added both a factory and a warehouse—the family-owned company had just one of each before the pandemic—and restructured its supply chain, all with the expectation that ***demand for hand sanitizer will remain exponentially higher*** than before the pandemic.

The Akron, Ohio, company's investment is an unusual move in the consumer-products world, where the majority of players ***deluged by Covid-fueled demand*** have stopped short of building new factories or making other major long-term investments that could backfire after the health crisis eases.

Behind Gojo's confidence that demand for sanitizer will stick: the dearth of flu cases this season amid Covid-19 precautions.

"Before the pandemic, hand sanitizing was viewed as not necessary, or not necessarily value-added in terms of risk reduction when it comes to health," said Jim Arbogast, Gojo vice president of hygiene science and public-health advancements. "The pandemic is a real wake-up call for everyone globally on the importance of infection protection."

Hand sanitizer, more than almost any other household product, has been in high demand during the pandemic. The cleaners are a must-have product for hospitals and medical practices as well as for offices, schools, factories and businesses trying to operate safely.

U.S. sales of hand sanitizer jumped almost sevenfold to \$1.3 billion for the 52 weeks ended Jan. 2 compared with the same period a year ago, according to Nielsen. That increase, which doesn't include sales to businesses and institutions, is far higher than the jump in sales for other products in the pandemic. For instance, U.S. sales of toilet paper were up 20% over the past 52 weeks compared with a year ago.

"We hadn't planned on adding new facilities for a decade," said Gojo Chief Executive Carey Jaros, who took over in January 2020 as the coronavirus pandemic was sweeping across China.

Finding the right formula to meet ***pandemic-fueled sales surges*** is a high-stakes calculation for companies as the ***health crisis creates new habits for U.S. consumers***. Some are likely to be more fleeting than others.

The market for hand sanitizer is far more crowded than it was one year ago. Last spring, when the sanitizer shortage was at its most acute, a slew of companies cropped up to produce sanitizer, from ***local distilleries*** like the maker of Tito's vodka to major consumer-products companies such as ***Procter & Gamble Co.***

Spending on factories and other big-ticket items could saddle a company with excess capacity and expenses for years to come if demand falls off. Many consumer-products companies cited that risk in explaining why their ***efforts to meet surging demand*** don't include additional factories and warehouses.

In December, K7 Design Group, a New York-based maker of cleaning products, sued ***Kroger Co.*** for \$85

million, alleging the grocery chain ordered more than \$100 million worth of Ultra Defense hand sanitizer but refused to pay or take delivery of much of the product because it ordered too much.

Kroger, in a court filing, said it refused to take delivery of the product because K7 made “serious and material misrepresentations” regarding the manufacturing of the sanitizer. A Kroger spokeswoman said the company intends to “vigorously defend” itself against the accusations.

Companies with some of the most in-demand products, including **Clorox Co.** and Lysol parent **Reckitt Benckiser Group PLC**, are adding production capacity without adding factories. Both companies have hired more workers and are operating factories essentially around the clock. They are also employing third-party manufacturers to make products that they can discontinue if demand dies down.

A Reckitt spokeswoman said the company has focused on growing capacity that allows it flexibility in the future. Clorox has said it plans to add disinfectant-making lines at an Atlanta factory that has extra space.

Gojo invented Purell, an ethyl alcohol-based hand cleaner, in 1988. The company, which also makes dispensers and other cleaners, sold the brand in 2004, and it changed hands before Gojo reacquired full control of it in 2010 from **Johnson & Johnson**.

Ms. Jaros said Gojo, following months of trying to meet demand within its existing operations, decided in late spring that it needed to plan for more permanent growth.

Gojo spent \$400 million on capital investments in 2020, roughly 10 times what it spends in a typical year, Ms. Jaros said. With 2,500 workers before the pandemic, the company has hired another 500 since it began. Gojo declined to discuss its finances but generated \$370 million in revenue in 2018, according to the latest figures from market-research firm IBISWorld.

Gojo now makes its own bottles and pumps rather than buying from suppliers, after a shortage of containers stopped up production last spring. Earlier in 2020, Purell was selling hand sanitizer in repurposed rubbing-alcohol containers and in bottles it bought from P&G intended for Dawn dish soap.

In the fall, Gojo rented 700,000 square feet of Cleveland’s I-X Center, a sprawling convention and exhibition hall near the city’s airport, to store cleaning products. The center had been slated to permanently close due to the pandemic. Earlier this month, Gojo signed a seven-year lease for a warehouse and distribution facility in northeast Ohio. It’s set to open in late spring and will employ 60 to 90 people working on three shifts.

“I don’t foresee any letup in any of the sanitizers, cleaners and wipes,” said Reynolds Cramer, chief executive of Fareway Stores Inc., a grocery chain in six Midwest states.

Mr. Cramer said he expects demand for sanitizer products to remain high over the next several months as the U.S. vaccine rollout expands. Even as people feel safer and start going out again, the sanitizer habit will stick, he said.

“It will become a normal part of everyday lives to have three sanitizers: one in the car, one in your briefcase, one in your coat,” he said.

St. Albert the Great School, a Roman Catholic school about 30 miles from Gojo’s headquarters, began working with the company last summer on a plan to reopen safely while providing insight to Gojo. The company outfitted the K-8 school with hand-sanitizing stations at every doorway.

The school converted a storage room into a second health clinic, so children with physical injuries aren’t treated in the same space as children with fevers or other potential Covid-19 symptoms.

The school, with 935 students, had five absences in the week before Christmas, compared with 40 to 50 absences on a given day in December before the pandemic, said Ed Vittardi, the school’s principal.

He said when the pandemic abates, the school would likely scale back some cleaning, such as spraying down meeting rooms with disinfectant after every use. But he intends to keep hand-sanitizing stations and separate health clinics.

"Attendance has been incredible," he said. Sanitizing and other safety protocols "are something that won't change."

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