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“Ethical” Brands Allow U.S. Consumers to Fight Global Poverty

Ethos Water uses portion of profits to advance safe drinking water

By Elizabeth Kelleher | Staff Writer | 22 May 2008



Ethos Water donates profits to water projects and helps bring safe water to this Honduran boy. (Courtesy Starbucks)

Washington -- Two young business school graduates started a company with the sole purpose of tapping into charitable impulses.

Their company, Ethos Water, places its brand name on clear bottles of water. The label does not promise flavor, vitamin-enhancement or water from a pristine mountain spring. It bears the simple mission statement, “Helping children get clean water.” Every bottle sold results in a 5-cent donation to help a water-stressed community somewhere in the world.

“Enlisting people in your cause is better than having some fancy fjord produce your water,” said Jonathan Greenblatt, co-founder of Ethos Water, mentioning Evian, Fiji and Voss brands in a disdainful tone. Ethical brands are flourishing in America, according to Greenblatt. He and co-founder Peter Thum looked to Newman’s Own food company and Ben & Jerry’s ice cream as models of consumer companies that devote some or all profits to fighting poverty.

Thum speaks of Paul Newman, the actor behind Newman’s Own, in a tone of awe, referring to him as the “grandfather” of social entrepreneurship. But Newman had unique advantages. “He *is* a brand. He didn’t have to build a brand,” Thum said.

Instead of focusing on celebrity appeal -- although recently Ethos partnered with Hollywood’s Matt Damon -- the entrepreneurs built the brand by connecting consumption to cause: “Drink this water, help someone get water.” According to UNICEF, 1.1 billion people lack access to safe drinking water.

“In a world with only so much air and water, corporations and nonprofits have a role,” Greenblatt said, explaining increasing social entrepreneurship.

CHASING A DREAM

Greenblatt and Thum were roommates in business school at Northwestern University near Chicago. They graduated in 1999 and went their separate ways, not imagining they would start a company together. Thum took a job with a winemaker and, later, jobs with a soda manufacturer and a consulting firm. When on a job in South Africa, he saw people struggling without clean water.

Thum knew from working for bottlers that consumers in developed countries were willing to pay a premium for bottled water. It frustrated him that the same consumers were not aware of water problems in Africa.



Peter Thum, co-founder of Ethos, visits children in Sumatra, Indonesia, who were getting water thanks to Ethos. (Courtesy Starbucks)

So in 2002, while on a train, he drew up the business plan for Ethos Water on a paper napkin. He left his job to start Ethos and recruited Greenblatt to recruit as a partner.

The two men ran the company for a year without funds. But by 2004, they had won the confidence of Pierre Omidyar, the founder of eBay Inc. The Omidyar Network made a significant investment in Ethos Water, giving Greenblatt and Thum a path to success.

Even after Omidyar's help, Ethos Water was not profitable. The company was making donations from its revenues. The company gave \$100,000 toward charitable water projects and considered it a "marketing cost," Greenblatt said. The two founders approached Starbucks Corporation to ask if it would sell Ethos Water in its coffee shops, which are visited by 40 million people every week.

Starbucks uses water in its coffee drinks, so it seemed a natural fit. Starbucks also had a lot it could teach Greenblatt and Thum about making a commodity into a hot-selling item.

Starbucks not only agreed to allow Ethos Water into its shops, it bought the company. It promised to set aside 5 cents for every bottle sold for charitable water projects. Thum and Greenblatt had not dreamed beyond a level of 2 cents per bottle for charity.

"It's more than we could have done," said Thum, who has taken a position as a vice president at Starbucks and continues to develop the Ethos brand. (Greenblatt has moved on to other ventures.)

To date, Ethos Water has committed more than \$6.2 million in grants to help an estimated 439,000 people in water-stressed countries.

Greenblatt makes a point of saying Ethos funds "programs, not projects" -- clean water is a first step, he said, but sanitation equipment and hygiene training follow. "Teaching germ theory is as important as providing hardware," he said.

Ethos has paid for water-related work done by CARE in Rwanda, Project Concern International in Tanzania, International Medical Corps and UNICEF in Kenya, Water Aid in India and in Ethiopia, Mercy Corps in Indonesia and Water Partners International in Honduras.

Sales of Ethos are expanding beyond Starbucks through a joint venture with Pepsi-Cola North America. The deal will mean that Ethos Water will be sold in more than 40,000 convenience, grocery and drug stores. That is a big difference in reach, compared to the 7,000 Starbucks stores where it is sold today.

Thum admits a personal toll from his long hours as a social entrepreneur. A relationship with a girlfriend went sour. There were months when neither he nor Greenblatt earned a salary. There were friends who called them crazy. "I couldn't count that number. It was huge," Thum said.

But recently, an equal number recognize the entrepreneurs' success.

Thum has been asked to speak to students at Stanford University, Harvard University and the University of California, Berkeley. "Business school students definitely understand success," he said.

Greenblatt, for his part, says he offers this advice to students: **"The conventions they teach you in business schools are the classic constraints of what a company can do. A company can do a ton."**

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