



Teaching Note

DuPont Cleaning Products Division¹

Case Overview

Stuart Heggie, business manager of DuPont Canada's Household and Institutional Cleaning Division, is pondering the future direction of the division in light of growing concern over the environmental and social implications of the chemical ingredients of cleaning products. Based in Mississauga, Ontario, Canada, the DuPont cleaning division already has demonstrated substantial commitment to green chemistry.

DuPont has experienced major transformations throughout its history. Once known as one of the greatest polluters on the planet, the company has developed expertise in life sciences, produced biomedical products and agricultural chemicals, and integrated chemistry and biotechnology. DuPont's culture revolves around safety, business ethics, and respect for people. Its core strengths lie in its focus on science and technology. DuPont has tremendous breadth of involvement in areas ranging from biology to traditional materials science to electronics-related applications. The company also leads in product stewardship in safety and regulatory compliance.

The high-level decision or problem presented in this case study is to help Mr. Heggie understand how he should best position the cleaning products division strategically, given marketplace opportunities and DuPont's internal capabilities. Should DuPont take on a leadership role in the green chemistry movement with regards to cleaning products? Should it diversify into a systemic solution center? Included in this decision is whether DuPont should move downstream and partner with retail outlets throughout Canada to supply cleaning products to consumers.

¹ Unless otherwise noted, case data are based on interviews and review of company documents. All people and events are real.

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The case leaves students to diagnose DuPont's internal and external environments and assess how the cleaning division should position the company in the green cleaning products market in the future.

Teaching Objectives/Purpose

This case can be used for different sections of a strategic management and/or marketing class while playing a rather central role in a business sustainability class. From a strategic management point of view, this case would be especially useful in assessing a firm's external and internal environment for the purpose of strategy formulation. The underlying question of the case is: *how should the division position itself with regard to the green cleaning movement that has emerged in the last decade?* By assessing the external and internal environments, students should be able to come up with some solid recommendations on the division's future strategy. Students should offer recommendations for both the industrial and end-consumer markets and product and/or service diversification.

From a marketing perspective, the division's ability to penetrate the end-consumer market through partnerships with retail corporations such as Loblaw is questionable. Market knowledge of the end-consumer is certainly not an area of expertise for DuPont, so students should grapple with the opportunities and threats associated with such a partnership. The most pressing question from a marketing point of view, however, is whether the consumer market is willing to pay for a green cleaning product. Unlike industrial customers, for whom green cleaning agents are becoming mandatory and who view green cleaning products as an opportunity to mitigate risks, end-consumers might not be ready for this product line. Students should recognize the dramatic differences in marketing to each of these target markets. Also, business-to-business relationships also could be drawn from this case.

From a business sustainability point of view, this case is ideal for understanding some of the links between operations and marketing. While DuPont has the operational and intellectual capacity to develop these green products, revenue is only generated if the market accepts these items. Is DuPont ignoring this crucial link? Would Loblaw or a major retailer help them address this question? This case also provides some interesting insight into some of the challenges of responding to shifting environmental policies in developed countries.

Discussion Questions

1. How would you characterize the competitive landscape of the cleaning products industry? Is the competitive landscape any different in the green cleaning product industry? What other factors should DuPont consider?

At a high level the cleaning products industry is quite mature. Porter's Five Forces would vary somewhat depending on whether we're looking at the industrial or the end-consumer market. The green cleaning products industry represents a variation to the

Porter's Five Forces as the movement is still in the growth stage, which represents opportunities for positioning a company as the leader in the field. Students should recognize the difference between the traditional and the green cleaning industry and the difference between the industrial and end-consumer markets.

Porter's Five Forces

Buyer Power—For the cleaning products division, buyer power is moderate to high as few competitors provide industrial cleaning products. From an end-consumer market, the buyer power is high. A similar conclusion can be made with the green cleaning products; however, industrial buyer power would be lower given the regulatory influences present.

Supplier Power—DuPont supplies raw materials for green cleaning products, so the supplier power is low. The same would be said for the green cleaning productions industry.

Threat of Substitutes—Certain technologies may exist that could very well dismiss the need for cleaning products, but generally speaking, cleaning products are mainstream. That being said, the green cleaning products industry faces a substantial substitute in the form of traditional cleaning products and vice versa. This is an important point that students should recognize.

Threat of Entry—Threat of entry is quite low as DuPont and its competitors have established a system to supply ingredients for the cleaning products industry. That being said, the threat of entry into the green cleaning products industry is quite high through competitor mobility barriers, especially in the end-consumer market, where switching costs are minimal.

Competitive Rivalry—Rivalry in the industrial cleaning products industry is moderate, but it is high in the end-consumer products industry. Many existing cleaning product companies could very well attempt to penetrate the green cleaning market, so competitor rivalry is high.

Overall, the Porter's Five Forces analysis indicates that the industrial products market is much more lucrative than the end-consumer market. The green cleaning products division faces some substantial threats that students should be aware of through the above analysis.

PESTE Analysis

The PESTE analysis is also an important framework to use here given the alarming statistics associated with many of the cleaning products' impact on human health and, more generally, the environment. Consequently, students should very well pick up on the social and political influences evident in the case.

The fundamental social element that must be discussed is whether or not the end-consumer is ready for green cleaning products. Are consumers ready to accept products that kill germs but are environmentally friendly? Some students may recognize that this is an oxymoron: cleaning products are only doing their job if they are harming the environment—and killing bacteria. Thus, not only is this a philosophical question but from a marketing point of view, will consumers be willing to sacrifice the strong ingredients that are typically and perceptually known for killing the worst of germs in exchange for a better environment? When looking at the need for cleanliness at home, with children and pets around, will these consumers remain conscious of the surrounding environment?

Students also should recognize the divergent external factors important to the industrial and consumer markets. Whereas substantial risk mitigation helps grow the green cleaning marketing in the industrial world, it is irrelevant in the consumer market. Consequently, while DuPont could target its cleaning products to both markets, undoubtedly, the marketing strategy would be different.

Lastly, students may be interested in discussing how ambiguous cleaning product labels present DuPont with an opportunity to influence environmental policies.

2. How successful has the cleaning division been to date? What factors account for the division's success?

The cleaning products division has been quite successful thus far. Since Mr. Heggie began, the division has drawn from DuPont's existing capabilities to offer a selective group of cleaning products. Thus, rather than attempting to use a mass market approach, the division only develops and sells industrial products that leverage existing competences: supplying raw materials with attractive environmental profiles for chemical solutions. This approach has created somewhat of a niche market for DuPont and has differentiated them from competitors. Students really need to pick up on this fact. More specifically, DuPont is only tapping into those raw materials they produce and that have attractive environmental profiles.

DuPont's partnership with ServiceMaster appears to have been a success, which hints at the importance of partnerships in this approach to green cleaning products.

3. What are the cleaning division's strengths and weaknesses? What competencies and capabilities does the division have that its rivals don't have?

It's clear that the company has a competence of supplying raw materials for chemical solutions. The company also possesses an environmental profile that garners them important intellectual knowledge around green chemistry. Ultimately, the company has expertise in the upstream raw materials market. It does not possess the marketing skill required to penetrate the end-consumer market and should be wary of this weakness.

The cleaning division and DuPont have high production costs, which require charging premium prices for cleaning products. This is not conducive to a competitive and mature industry. DuPont presently does not possess the required infrastructure and marketing expertise to tap into the end-consumer market.

The partnership with ServiceMaster is an example of the potential associated with combining complementary capabilities. Students should foresee a similar arrangement with a downstream retailer with the required marketing expertise.

The company already has been successful at reducing ingredients that have negative environmental implications (NPEs and VOCs).

4. What's DuPont's organizational paradigm? What does the company stand for? Does this differ from the cleaning division?

Clearly, DuPont desires to be a leader in sustainable business. DuPont, as a company, does not source any raw materials or formulations that are deemed environmentally unsafe. The cleaning products division's culture reflects DuPont Canada's culture, which revolves around safety, business ethics, and respect for people. These principles have permeated the business and its divisions; as employees explain, the company has an extraordinary core belief in the ethical conduct of business. Consequently, DuPont's sustainability paradigm resonates quite well with the green cleaning products movement.

As mentioned in the case, the historical inertia of being a company that provides raw materials may be detrimental to the division's ability to integrate downstream. This is an important facet of the beliefs and values of the senior management team that many students will probably underestimate when they formulate downstream strategies.

5. How should DuPont position itself in the cleaning products industry? What internal capabilities should it leverage in this positioning strategy?

At this point, students should still be grappling with whether DuPont should enter the end-consumer market and to what extent it should enter the green cleaning market. Should Dupont play the role of a leader in this market? Should the company diversify to other product lines or remain a niche player? Should it also be a service provider? If DuPont was to enter the end-consumer market, should it team up with retailers or go it alone?

Students should start to figure out that where DuPont possesses the innovative capabilities for product development, Loblaw or a retail store does not, and where these retail stores possess the marketing expertise, DuPont does not. This implies a rather complementary partnership that represents a strategic alternative for the company. But the question of whether or not DuPont has the capabilities to be a leader in the industry is another question and should be a point of discussion among the students.

6. If you were asked by Mr. Heggie to recommend specific strategies for DuPont's cleaning division for the next five years, what strategic options would you consider and what options would you recommend? Why?

The instructor should list a number of alternative strategies that the company could pursue given the information in the case. Students should then be asked to come up with some criteria to evaluate these alternatives and identify key factors of success for the company and the industry more generally. With these criteria in mind, the instructor might want to ask students, in small groups, to discuss the best alternative or combination of alternatives.

7. How would you suggest that DuPont implement these recommendations?

The implementation plan is entirely dependent on the recommendations, but a few important points should be considered. DuPont would need to be aware of the substantial gap associated with marketing expertise. It does not know the end-consumer market. If students recommend that DuPont pursue the end-consumer market, they should consider some of the structural characteristics of a partnership with a company like Loblaw.

Additionally, the case mentioned that DuPont lacked policies and principles to help define what products should be pursued and what products should not. Students should consider this important point in the implementation section. How does the company ensure that lower levels of the organization are making decisions that demonstrate DuPont's commitment to the environment?

Whatever the recommendations, students should be aware of the implications for structure, reward systems, processes, culture, and capability development, among others. Because this is discussed near the end of the class, students should be left with the somewhat daunting task of implementing recommended strategies.