



The Clorox Company Goes Green

Introduction

In early 2008, Clorox released a new line of environmentally friendly cleaning products called GreenWorks. The product line was the first new brand released by Clorox in 20 years. Following the success of smaller firms such as Seventh Generation and Method, Clorox targeted the niche market of green products, with an estimated market size of \$150 million.¹ Unlike the smaller firms, Clorox commanded shelf space at big-box stores such as Wal-Mart, Target, and Costco. Using its competitive advantages in distribution and economies of scale, Clorox priced its GreenWorks products below those of smaller competitors. Surprisingly, Clorox's market entry did not steal revenue from smaller players, but instead caused the market for green cleaning products to explode. This result left Clorox with two primary strategic questions: First, should the company continue to build out its GreenWorks product line, and if so, how? Second, having built a dominant market share by being a follower, should Clorox change its strategic position by acting as a first mover and possibly take market share in product categories in which it had not traditionally competed?

Company Background

The history of Clorox stretches back for a century. On May 3, 1913, five entrepreneurs from Oakland, California, invested \$100 each to form America's first commercial-scale liquid bleach company. By August of that year, the new company acquired a suitable plant site in the Oakland area. During the renovation, an employee of an equipment supplier, Abel M. Hamblet, proposed a catchy name for the new product. In combining the names of the product's two active ingredients, chlorine and sodium hydroxide, he suggested the amalgam "Clorox."²

By the mid-1950s, Clorox's annual sales increased to over \$40 million and it possessed the largest share of the US household bleach market.³ A major driver of this tremendous growth was the customer and supplier loyalty nurtured by CEO William J. Roth during the Second World War. Despite the fact that chlorine was in perennial short supply, Clorox, unlike many competitors, chose to curtail production rather than dilute its product. Roth also nullified many pre-war contracts that would have enabled Clorox to purchase scarce chlorine at prices unfair to suppliers during the war. While the resulting production cuts and additional expenses of paying suppliers the going rate were costly in the short run, Clorox emerged from this era with a reservoir of good will and high public regard for the consistent quality of its bleach.⁴

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