

**Background and Secondary Research
Patagonia, Inc.**

Group 4 | Woah! Communications

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Company Profile & Research Question

Sutton Cavalcire

Patagonia is an American clothing company headquartered in Ventura, California, concentrated in the consumer market of outdoor apparel and gear. Founded 46 years ago by Yvan Chouinard, the private benefit corporation employs more than 2300 employees, who are described as being people who regard themselves as actual consumers of the products they produce (Chouinard 168).

As an experienced climber, Chouinard was reluctant to build a large business, so he built his brand through “his love for the environment and a passion for crafting quality goods that enhance humanity’s relationship with it” (DeLeon). Patagonia grew from Chouinard's small shop where he sold his handmade climbing equipment. Realizing his tools were damaging to the mountainous terrain, he developed less intrusive tools and also transitioned to clothing as to not dilute his brand to exclusively hardware. He also wished to expand active sportswear for men to include bright and colorful patterns, different from what was generally accepted during the late sixties (“Beginnings and Blacksmithery”). Today, Patagonia’s exciting patterned apparel is worn by men and women alike, even those who don’t participate in the outdoor activities that the clothes were made for.

By following four core values: build the best product, cause no unnecessary harm, use business to protect nature and to not be bound by convention, Patagonia has become a leader in the economic models of brand transparency and social responsibility. (“Our Reason for Being”). It often appears that Patagonia identifies as an environmental brand before a clothing brand, and yet, with this sentiment Patagonia has seen consistent growth in revenue, making one billion dollars in 2017, “a 25 percent year over year increase from the previous period” (“Patagonia revenue”).

The idea of sustainability and commitment to environmental preservation is also reflected in a continuous campaign created in 2017 called “Worn Wear” which is a program where customers can trade, sell and buy second-hand goods from Patagonia (Martinko). Patagonia has even discouraged overconsumption and reminded consumers to only buy what is needed. Their more recent campaign is not even related to consumption of their products, instead focusing on connecting individual environmental activists with resources and volunteer opportunities in their area (“Patagonia Action Works”). Patagonia shares these attitudes on social media channels including Instagram, Twitter, Facebook and their own blog entitled “The Cleanest Line” where they maintain a daily presence.

Our team will be exploring specifically Patagonia clothing in connection to the primary key public of young adults. We would like to explore the portion of this audience who doesn’t actively participate in outdoor sports, yet still wears the Patagonia brand and whether they align with the fundamental environmentalist philosophy of the company. If this is not the case, we would like to improve social media messaging and cause marketing strategies to relate more to this age group and the activities they participate in to instill ecologically supportive stances and lifestyle changes.

This research question arises out of the “Fratagonia” trend, better known as the popularity of the Patagonia brand amongst college age fraternity members. With this trend, the concern for Patagonia is that anyone going to purchase brand merchandise for the sake of conformity and common fashion, may not be aware of it’s larger meaning (Windell). This leads to people wearing the Patagonia brand whilst possibly participating in activities that harm the environment, not aligning with Patagonia’s stance and not reflecting well on the company.

Strengths & Weaknesses

Caroline Willard

Patagonia is a company with extensive commitments to what they do and what they stand for. This gives them some serious strengths and a strong sense of purpose. Woah! Communications will use these strengths to our advantage, and these weaknesses are at the center of our research.

The first and most apparent strength of Patagonia is their relentless dedication to environmental causes. Their commitment to environmental causes is not limited to their messaging but extends to all of their operations. The company is proud of bringing about numerous social and environmental firsts, including becoming one of the first U.S. outdoor apparel companies to introduce Fair Trade Certified™ garments in 2014 (Patagonia). In regard to public relations, Patagonia regularly establishes themselves as thought leaders in the environmental and social responsibility world. For example, in January 2019, Patagonia made numerous public statements in response to the implications of the U.S. government shutdown on national parks (Poelking 1). The company's "Worn Well" events allow customers to bring old Patagonia garments to be repaired and stimulate traffic within their retail locations (Smith 34). In response to the 2017 corporate tax cuts, Patagonia donated their \$10 million tax cut to environmental groups (Pearl 1). These are only a few examples of Patagonia's dedication to environmental action and thought leadership. The reason this commitment to the cause is so essential is due to its authenticity. In recent years, the practice of "greenwashing" has been on the rise across industries (Gelles 1). Although this disingenuous marketing is proven not to work, the method continues to occur. Because of Patagonia's genuine commitment to the environment, the company never has to worry about accusations of greenwashing, and this contributes to its strong brand image.

Another considerable strength is Patagonia's extremely high revenues. In 2018, Patagonia's online sales grew 12.6% and generated \$356 million in revenue on online sales alone (Eden, et al. 4). Patagonia reported an overall revenue of \$800 million in 2018 (Textile Insight 1). Patagonia's revenue is high. The company has the capital to continue to build their brand, stay true to their values, fund the research to address market concerns, and take risks in their messaging.

The company's high-quality apparel and outdoor accessories maintain their status as a go-to for outdoor enthusiasts, and this is what is most likely driving this \$800 million revenue. The quality of their products is undeniably high, and this is something that will continue to bring customers back to the brand. This allows us to work off the assumption that there is a low risk for losing current customers.

With high-quality products comes a high price tag. Although Patagonia is an extremely down-to-earth company, the price tags associated with their products are certainly not affordable. This provides a challenge for marketing. Ultimately there is an incongruence between traditional, outdoors-centered marketing and a not so down-to-earth price tag. At the same time, Patagonia does not fall in the same "true luxury" category such as Canada Goose. This expensive, but not quite luxury, "hippie" company means that Patagonia's messaging must walk a fine line between the lifestyle they are selling and the price at checkout. This is ultimately an unavoidable challenge that Patagonia will always have to face, and this fine line attracted us to assess their current marketing strategy.

Another weakness of Patagonia is the presence of endless competition in the outdoor apparel industry and how that pertains to attracting younger buyers. In a survey of upper-income

teenagers conducted Fall 2018, only 1% of participants identified Patagonia as their preference active/outdoor apparel company (Jaffray 1). Nike, on the other hand, was the first choice of 60% of participants. Furthermore, although Patagonia held 6% of the market share of all online outdoor purchases in 2017, competitor The North Face held 8% of this market (NPD Group 1). These statistics raise concern over Patagonia's long-term ability to establish brand desire and capture the interest of younger consumers—a fear of many apparel companies. This concern is the basis of our proposed research to address the effectiveness of their current brand strategy and its efficacy for younger consumers.

Opportunities & Threats

Caroline McClatchey

Although Patagonia has thrived in recent years, growth is still highly possible in the future; however, there are potential obstacles for the company as well. Understanding possible paths forward, and having the ability to turn potential threats into greater opportunities will suit Patagonia well in the long run.

Significant potential threats for Patagonia include competition, and an ageing target market. In terms of competition, Patagonia ranks tenth in revenue compared to other apparel brands, with Columbia Sportswear ahead of them as well as VF Corporation (Textile 1). The VF corporation comprises of brands such as The North Face, Smartwool, and Eagle Creek, which provide significant competition (“All Brands” 1). However, the model of the VF company can simultaneously be used to potentially benefit Patagonia. For example, if Patagonia decides to merge with other outdoor apparel companies, they could greatly expand their market share (Murray 1). Although they could also potentially risk tainting their unique image.

An ageing target audience is a slight concern for Patagonia as well. Patagonia has been a company since 1973, meaning that there are multiple age demographics drawn to their products (Murray 1). This proves a significant challenge to Patagonia in some ways because they must learn to adapt to the tastes of future generations accurately. Additionally, ways in which Patagonia adapts to future generations will likely need to be executed differently than those used to target previous generations. If they remain too closely tied to their previous business models then they may risk appealing to other potential consumers. In other words, their past business models have provided much success; however, what has worked for past generations may need to be altered slightly to fit the preferences and beliefs of future generations. Thankfully, the trend towards environmental activism continues to increase among younger consumers, especially for millennials (Wray 1).

Opportunities for Patagonia include increased online consumer spending, paying attention to environmental activism, and expanding their designated target market. Online sales are a crucial market for companies (Murray 1). Due to the state of the economy for online goods, competitors must have the ability to efficiently ship outdoor gear to customers such as REI, L.L. Bean, and increasingly Amazon. Therefore, Patagonia has essentially no choice but to bolster their online and shipping capabilities even further than they currently do.

In terms of consumer environmental activism, Patagonia would be well suited to continue upholding their environmental message through action. For example, Patagonia gained \$10 million in revenue from the 2017 tax cuts, and decided to donate that funding to environmental activist groups rather than to Patagonia directly (Pearl 1). In catering to the environmentally conscious segment of their customer base through action, they stay true to their mission, and gain attention from future customers.

One more significant opportunity that Patagonia should consider is to bolster their international sales profile. Patagonia CEO Marcario believes that by staying true to their environmental mission, Patagonia's customer base will continue to grow exponentially, including internationally (Murray 1). However, focusing on online platforms to ease overseas sales would be wise for Patagonia to consider as well. The future of retail companies such as Patagonia will likely stem mainly from online sales in the future; therefore, investments in online platforms will likely pay off, especially if they hope to expand internationally.

Review of Key Concept/Issue in the Academic Literature

Sara

Young

Patagonia has taken a definitive stance on environmental issues. Today's political climate is highly-charged, and it is almost inevitable to avoid picking one side or the other on a variety of issues. Patagonia has not been shy in its efforts to further sustainability within their company. Millennials appreciate and desire companies to take stances. Nike successfully entered into the cause-related marketing world by signing Colin Kaepernick as its spokesperson. Dove's "Real Beauty" campaign championed the hearts of many consumers. Companies are not guaranteed success, however, simply by incorporating politically-charged advertisements. Gillette challenged the concept of toxic masculinity in its advertisements, but Gillette ultimately suffered a major hit as a result of the campaign. In order to avoid a blunder similar to Gillette, Patagonia must focus on garnering support for its environmental mission, branding effectively and marketing ethically while using sustainability as its core focus.

Just as companies have increased using social causes in their marketing efforts, consumers have had increased skepticism towards these companies (Hamby and Brinberg 387). Consumers have grown to question the true intentions of companies because of greenwashing (Hamby and Brinberg 387). In order for Patagonia to garner support for its mission, it must have a clear mission, it must conduct research, it must take action within the company and it must reach out to its consumers in a creative way. Levi, for example, successfully joined in on the sustainability movement by following these guidelines. First, Levi conducted research to target which part of the jean lifecycle was the most detrimental to the environment (Berfield 26). The study concluded that the manufacturing process had the smallest impact on the environment while the initial cotton production had the greatest impact (Berfield 26). Levi then partnered with the Better Cotton Initiative which teaches farmers in third-world countries more sustainable farming methods (Berfield 27). To make its publics aware of the changes to its products, Levi marketed in several creative ways (Berfield 27). On the care tags on the merchandise, Levi offered a competition about different ways consumers could air dry their denim in efforts to reduce water and energy usage. For Patagonia to become more successful, the company needs to adopt a strategy similar to Levi where they get their consumers more involved and invested in the environmental movement.

Determining the impact of cause-related marketing (CRM) on millennials is imperative for Patagonia to thrive as a brand. A 2016 survey concluded that brands are more effective when the majority of the advertising is done on mobile devices ("Mobile Performs"). A 2019 study done on purchase intentions indicated that millennials have a low awareness of CRM, but they engaged more with CRM when it was done on social media (Eastman, et al.). Patagonia scored tenth out of twenty on the "Ranking of The Leading 20 Fashion Retailers in the United Kingdom. The ranking stems from a compilation of factors based on sustainability and human

rights (Ethical Company). Patagonia's use of CRM has not gone unnoticed as evidenced by this recognition from the UK. To push sales and to push the environmental movement, Patagonia must continue to utilize CRM in its strategy.

Summary of Findings and Ideas for Primary Research

Maris Whitley

Patagonia is a brand founded on passion for the environment and commitment to creating goods that foster a positive relationship between man and nature. However, today the brand is worn by many customers who do not participate heavily in outdoor activities. Analyzing consumers' relationships with Patagonia and their motives for interacting with the company are two of the main factors that will drive our future research of the brand. The findings of our background and secondary research on Patagonia lead to numerous questions and avenues to explore further in primary research.

Due to the significant amount of strengths that Patagonia exhibits as a company, it is worth discovering if the average consumer is aware of the positive programs and environmental outreach that Patagonia facilitates and participates in. All of Patagonia's strengths revolve around providing aid to the environment, which is seen throughout their advertising and operation. Examples of these strengths include, producing fair trade garments and allowing customers to recycle old clothing. Additionally, Patagonia has publicly spoken out against government shutdowns of parks and donated their large tax cuts to environmental groups. Although Patagonia has taken huge steps to be environmentally beneficial, are consumers aware of this dedication and action? Conducting a survey would be an efficient way of gathering data on consumer awareness of Patagonia's outreach.

Although Patagonia exhibits numerous strengths, the company wrestles with weaknesses as well. Patagonia's revenue is strong, but its prices are on the higher end for apparel products of its type. Additionally, the majority of upper-income teenagers prefer Nike over Patagonia for their choice brand of outdoor apparel. This data leads to many questions that could be conducted via interviews to key demographics about how Patagonia is viewed as a brand, from a price and reputation standpoint.

The most significant opportunity that Patagonia has in its future is its ability to latch onto the next generation of consumers, such as Generation Z, who seem to be putting climate change and the environment at the forefront of their concerns. However, a large threat to Patagonia is the continued dominance of other non-sustainable, easily manufactured brands in the market, such as Nike. Will future generations be more inclined to buy from companies that conduct environmentally friendly practices or will other larger corporations continue to use their vast revenue streams to dominate? Both interviews and surveys would be an ideal method of testing this idea.

Since much of Patagonia's advertising the brand identity is centered around the environment, it will also be important to analyze how consumers view Patagonia's environmental messaging in our primary research. When brands latch onto socially charged issues in today's society, it can either come across as a genuine care for society's woes or a way for a company to make more money by praying off of the values of consumers. Through interviews or focus groups, primary research can be conducted to discover how the general public views the overall opinion and effectiveness in which Patagonia ties in their product marketing with the social issue of climate change.

By furthering our research into these new categories will allow us to accurately profile how consumers think and feel regarding the brand of Patagonia. The findings of this further research will allow us to find ways to improve Patagonia's social media and marketing strategies, which will hopefully advance their customer base to further their efforts in leading environmentally supportive lifestyles.

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