

# Patagonia strengths and weaknesses swot essay sample

[Finance](#), [Market](#)



1. Strategy: Patagonia's product differentiation as their strategy, through CSR, which involves sustainability, philanthropic initiatives, moral obligations, and reputation. They operate in ways to secure long-term economic performance by avoiding short-term behavior that is socially detrimental or environmentally wasteful. They do this all while keeping their quality high and having their core consumers in mind. Activities Patagonia employs to support the customer's willingness to pay: Suppliers & Resources

Works closely with suppliers

To create the technical innovations required

Collaborates with fabric and fiber producers to create superior fabrics Does not buy commodity fabrics

Over ½ the products were made in North America & Europe

Production

Paid double compared to competitors for world class professional athletes' feedback on products Invested heavily to maintain a laboratory for developing and testing fabrics Continuously researching new ways to create the least amount of harm to the environment while producing products, i. e. recycled polyester Patagonia considers three main criteria when designing and developing new products Quality- the reason customers pay the premium on the product is because of the guaranteed quality Improved raw materials

Better product design

Attention to detail in the manufacturing process

Defect rate was 1/10th the average industry rate

Impact on the environment

Aesthetics

Global

Japan

Marketing as an American brand is attractive to the Japanese, they use their brand association with the "California lifestyle" Europe

Marketing as an American brand was unattractive to the Europeans

Commitment to the environment was more attractive to the Europeans vs. the Americans Philanthropy

Slow growth act- reduce growth to reduce harm to environment Earth Tax- 1% of sales or 10% of pretax profits (whichever was bigger) to outside grassroots environmental groups. 2002 distributed 1.9 million to about 300 organizations

1985 to 2002 amounted over 17 million

Donated funds to numerous causes that had no direct relationship to its business Non-cash donations to environmental groups

About 200,000 worth of products each year

Lent out their creative service department to environmental organizations To help create advocacy ads and other marketing materials

Company Campaigns

To educate customers and staff about a particular environmental issue Paid full time wages for employees to work with environmental groups 2002, 300 employees took advantage of this offer

Tools for Grassroots Activist conference

### 3-day meeting

Taught activist business and marketing skills 2000, 90 activist attended and cost Patagonia about \$60 K

### Environmental Improvements

Minimizes the environmental harm caused by producing their products

Commissioned a life cycle analysis on polyester, nylon, cotton, wool

Assessed environmental impacts at each stage of the process

From origins of raw materials through the final disposition of a garment

Worked with outside suppliers to find a substitute for the virgin crude oil that was used to make polyester Introduced post-consumer recycled fleeces, made from plastic soda bottles Shifted to 100% organic cotton

Regular cotton had intensive amounts of harmful pesticides

Remodeled retail stores with recycled materials and energy efficient lightings

Some initiatives increased costs

Some initiatives decreased costs

### Opportunity

1. Market to younger target audience
2. Reduce the length of its supply chain so they can react faster to customer demand
3. Replenish goods automatically to meet demand
4. Make a lower end, lower cost product line
5. Backward vertical integration
6. Increase recognition by branding

7. Extend Product line
8. Go into new regions
9. Build more retail stores
10. Increase environmental activism
11. Increase online awareness

#### Threat

1. Competitors(North Face, Timberland, Columbia Sportswear)
2. Columbia Sportswear has a footwear line
3. Northface makes camping gear
4. People that won't pay a premium
5. Competitors enter into their niche
6. Competitors lower prices
7. Competitors have a mainstream presence
8. Competitors entering emerging markets
9. Aging Target Market
10. Competitors economy of scale
11. Scattered supply chain

#### Strength

1. Reputation, Integrity, and Quality
2. Design and development
3. Works close with suppliers
4. Trickle-down effect from innovation
5. ½ the products are developed in N. America and Europe
6. Defect rate 1/10th the industry rate
7. Long-term relationships with producers

8. Able to make people pay 15-20% more for their product
  9. Retail stores are owned by Patagonia so they can control the end result
  10. Return rate for internet and catalog is lower than the industry average
  11. Low employee turnover rate
  12. Environmental initiatives
- 1, 2 Design attractive products to a younger market
- 2, 3 Create a better communication channel between suppliers and dealers
- 4, 2 Create a new brand that consist of a lower cost product line 5, 12 They can work with environmental organizations and have them grow their own organic cotton 6, 12 Increase brand recognition by placing their brand on places that they donate to 6, 1 Increase brand recognition through co-branding and sponsor ships 7, 2 Create a footwear line
- 7, 2 Create a camping gear line
- 8, 1 Create product line for emerging markets
- 9, 1 Raise awareness and build more retail stores
- 10, 2 Increase environmental activism with local farmers, and help them grow a sustainable and organic cotton crops 4, 8 Lower prices to compete with competitors
- 2, 2 Crate a footwear line
- 3, 2 Create a camping line
- 5, 1 Brand their reputation to keep competitors from taking their niche target audience 7, 9 Broaden the scope of where the product is sold
- 8, 9 Build retail stores in emerging markets, and be the product leader in those countries Weakness

1. Aging target market
  2. Does not invest highly in sales and distribution channels
  3. No camping gear or footwear line
  4. Lead time up to 4 months
  5. 200 different suppliers
  6. Outsourced manufacturing
  7. ½ the products are developed in N. America and Europe
  8. Diseconomies of scale
  9. Bill of materials is 2/3 the COGS
  10. Product line is 20% higher than competitors
  11. Recycled polyester requires new supply chain and higher prices for fabrics
  12. The time it takes for development of a new product
  13. Have not realized website potential yet
  14. Too costly to set up international distribution center
  15. Products are not as fashionable
  16. Niche target market, small
  17. Does not give any one distribution channel more attention
- 1, 1 Market to younger target audience to keep business sustainable when older target market becomes obsolete
- 2, 5 Find suppliers and producers that can handle larger batch orders
- 3, 4 Become more technology advanced , to replenish products the moment they are sold
- 4, 10 Lower price of products to compete with competitors
- 5, 5 Acquire their own supply chain and production shops
- 6, 13 Buy online advertisements to advertise their website better
- 7, 1 Create

new product line to attract 14-20 year olds and 25-35 year old 10, 14 make a deal with other countries to extend environmental support to them in exchange for tax incentives to build a new distribution center 2, 3 Create a footwear line

3, 3 Create a camping gear line

4, 10 Lower premium price or create a new lower end brand

5, 16 Design a new line to attract different target markets to broaden their customer base 8, 7 & 8, 14 Have clothes made and sold in emerging markets

4.

Patagonia's view of success:

Reducing environmental harm ,

High quality of work life,

Do not expect to make fortunes,

Carrying the companies mission statement,

Integrity,

Product-driven,

Being able to deliver defect-free products and services,

Share the company's success with employees,

Being able to honor their obligations to each other, the environment, and society, And to continue to earn profit to pursue these objectives.

Public company's view of success:

Growth,

Cut all unnecessary cost that do not have a direct effect on the bottom line,

Business before relationships,



Fast product turnover,

Gaining economies of scale,

Getting everything at the lowest cost available, environmental issues are not of concern until the public backlashes. Patagonia could NOT be a publically held company and still maintain their unique attributes. Employees would lose most of their benefits that were not mandatory for the company to keep. Lower employee morale.

Higher turnover rate.

They would lose their long-term suppliers and switch to large company contact suppliers. They would have to give up their contributions to environmental organizations, due to it having no positive direct effect on their bottom line. They would lose sight of their mission to make products with the lowest amount of harm to the environment Not as much money would be put into developing new, eco-friendly materials.