

# Patagonia case study essay sample

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Patagonia is one of the best companies in the world that produces outdoor clothing and gear. They make organic cotton clothing, sportswear, travel clothing, and technical Regulator. What we found amazing about Patagonia is that they are producing high quality products while in the same time helping the environment. Moreover they define their products as long lasting and strong. In this report, we will analyze the case and provide our recommendations about Patagonia.

The core value of Patagonia

Patagonia always emphasis on three values: quality, environmental impact, and innovation. First, quality is crucial to Patagonia, the company sought to create products that were simple, functional, and multifunctional. The goal for them is to offer only viable excellent products that are as multifunctional as possible so a customer can consume less but consume better. In order to ensure excellence in quality, Patagonia spent \$1, 000, 000 annually on field-testing. Patagonia updated models only every couple of years, to ensure that each product had a distinct function and represented a significant improvement from older models. Second, Patagonia was committed to reduce the environmental impact of its products at every step of the production process. The company made many business decisions based on environmental considerations. For example, in spring 1996, Patagonia made a major decision to manufacture all of its cotton products, which made up one-fifth of its business, from organically produced cotton, due to the greater environmental footprint of conventionally grown cotton.

Finally, Innovation is a vital value for Patagonia, which makes them invested annually in research and development, which included maintaining a  
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laboratory to develop and test raw materials. Engineers in Patagonia worked on projects like developing more durable fabrics or making zippers 100% recyclable. Moreover, Patagonia had patented numerous technology and designs, such as Synchronilla and Capilene. In addition, Patagonia gives their customers more value by reduce, repair, reuse, and recycle.

Reduce: company would encourage customers to limit their consumption to only essential products and to take responsibility for that consumption by choosing well-made garments with the smallest possible footprint and caring for them in an environmentally conscious way. \* Repair: customers were asked to repair their product as many times as possible to lengthen its lifetime. \* Reuse: once they no longer wanted it, to facilitate its reuse by giving it away, swapping, or reselling it in order to fully support the reuse of products, Patagonia planned to establish an online swap market, hold retail swap events, and donate still useful products to environmental activists and charities. \* Recycle: customers were asked to return it to Patagonia to recycle in the most efficient way. For all repair and recycle requests, Patagonia promised to provide post-paid return.

#### Patagonia's business model

The values of Patagonia business model are closely aligned with the values they expect in their customers – a love of the outdoors, an appreciation of the wild world. Patagonia has found innovative ways to demonstrate those values at the core of the business not just as a side effect. There is a direct link between buying a making, selling or buying a Patagonia product and some beneficial effect on the natural world, and this is strong motivator for

employees and customers alike. Patagonia made their brand more eco-friendly not only because they want to be differentiated from other competitors, but they want to encourage their customers and suppliers to work on the environment protected actions. Because they want to be implement ideal business model and also need to be different from other competitors. The company's philosophy is forming every decision based on environmental protected or produce products with lower impact of the earth. They also use the organic cotton instead of normal cotton as their raw materials; moreover, they dedicated themselves in developing new material from recycled plastics bottle that is not only a way to use the wastes but also a way to show their eager to being an environmental protector.

They use only selected supplier who have the similar philosophy of the environment and also willing to make action of protecting the earth. Furthermore, Patagonia even has great influence on their employers and has their employers participant in environmental protected actions. The employers also enjoy good warfare in the company which made they work for Patagonia longer than work in other company. Patagonia is a company with very good reputation and highly well known even they do not have budget for advertisement for TV, Internet or newspapers. However, they spend amount of money in charity or donation in organizations which working on environment improvement, which is the company philosophy and also brings a positive image to the company. Though the company donated some money, their sales and margin grow constantly from 2002 to 2010 (exhibit 1), their Operating Margin is \$26, 963, 000 million in 2010 and the

net profit is about 6 %, which shows higher than the net profit of Columbia Co. in 2010 – 5. 5%.

#### Exhibit 1 Financial Growth (in \$000)

#### Patagonia and its competitor's position

Patagonia is growing constantly in the market and with a very respectable differentiation value. In the following, writer will position the company in considering of Porter's five forces. Bargaining Power of Suppliers

The relations with the suppliers right now are in a balance. In the article the writer mentioned Patagonia reduced the amount of the suppliers in order to show its company core value. This choice makes the manufacturing more effective now. But both parties have limitations. Fewer suppliers might cause higher cost in the future. And the company needs to have the control of the technology. While for Patagonia's competitors, they do not care much about the special material, they have more choices for suppliers and easier to change them if need. Bargaining Power of Buyers

Because of the differentiation value of Patagonia the company itself has more power on the price decision after considering the marketing price. They might have more saying on the price other than their competitors. Though Nike has more broad market for example for the all star limited editions they have control of the price. Threat of New Entrants

For the company and their competitors are basically do not need to worry too much about the new entrants. Because they are filling the market needs

pretty well. Also each different brand has its own values and strength. They are more like leading brands and they are in good financial condition.

### Substitutes

They are not facing much pressure on substitutes, because they focus on niche market. Their R&D develops new products around 3-5 years with very different design or techniques. It makes the product very different and hard to be replaced. Also competitors like North Face and Columbia also have more power and control. Rival

Patagonia has their own customers who care about environment while other brands' customers are care more about " price". If Patagonia is a public company? The business model would change if they were a public company. First thing is they need to think about profit and have more responsibility for their stockholders, and have to balancing decisions on the charity and care less on environment. For example, Patagonia stopped making plain white organic cotton T-shirts " as more and more companies began offering [them]." To rise to the challenge, Patagonia continued to develop numerous technologies and design patents for its own products. If the product line is still competitive and profitable the company might still have to keep the product line. In order to make sure the stockholders benefits. Also the company needs to start doing more marketing to increase awareness rather than only do charity to raise the reputation. Right now we could hardly see any commercials from the Patagonia. Then, they might need to think twice about how to better their financial balance in order to get more increase for the following years.

## Recommendation on Product Lifecycle Initiative

From the perspective of environmental, Patagonia's Product Lifecycle Initiative is a really good idea to reduce impacts on our planet and do some contributions on saving our clean community. However, from standing of the profit, we recommend to change the plan slightly to make it profitable and feasible. We give suggestions from three parts that consider environment and profits and make the win-win situation. Recycle

In the article, it mentions that Patagonia will not encourage customer to buy its product too often because Patagonia want to tell its customers consuming less and think carefully before you purchase. This idea will make customer less consuming on Patagonia's products so we recommend that Patagonia can combine the idea with the recycle plan, which is return the garment when customers don't want it anymore or garments are too worn out to use. When customers return its worn out clothes, Patagonia would like to offer coupon or discount for next purchase. This method is more efficient to collect the worn out clothes and make customers keeping purchase our products to make Patagonia profitable. Maintain the product line

Patagonia usually shut down product lines when its competitors start to produce same products, " the cotton t-shirt" is an example. However, the product lines still profitable and the company invest lots of money on developing products. If the Patagonia shut down the product line just because of other rivals also produces same products, Patagonia will spend too many costs on R&D and will condense its profits. We suggest Patagonia can keep the product lines until no profits anymore. Reuse

Patagonia want to set up an online swap markets to make customer to exchange their garments, however, it is costly because Patagonia needs to hire more people to manage website and probably customer will prefer use other familiar website such as e-bay or Amazon to sell their clothes. In this situation, we would advise Patagonia cooperate with these online shopping website to create a channel to let its customers exchange their clothes.

### Repair

From the essay, Patagonia offers repair service to its customers but Patagonia doesn't have enough staff to repair and usually replace the garments to instead. Some clothes' damages are made by artificial and if Patagonia offers lifetime repair service will cost more. We suggest that Patagonia can offer two-year repair guarantee instead of whole life, which will cost less and will make the project more reasonable. Offering good service to extant products life, reduce the impacts on environment and make our planet better is Patagonia core values. Being a profitable business not a charity, however, Patagonia needs to figure out the balance method on its core value and revenue.