

# Patagonia case study

Business



Patagonia is an CEO-conscious retail store in the outdoor apparel industry.

Patagonia product line was composed of four most important parts

Sportswear, Technical Outerwear, Technical Knits and hard goods. It

primarily focuses on producing clothing for outdoor activities while

contributing to environmental organizations to help make a difference in the

world. As clothing and sports knits manufacturing company, Patagonia

targeted customers in every age group mainly age group between 28 to 45

and children younger than 12 years old.

Patagonia had a tough intention from high end products available in market.

The company targeted the consumers who had an average household

income of \$ 160, 000 or higher. The company tries hard to stay in touch with

its market through its catalog, guide line service, picture contest, and toll-

free numbers which illustrate the marketing concept. The company relies on

product innovations that benefit consumers. Although Patagonians products

are higher priced, customer satisfaction is great. Patagonia spends time

analyzing the market for their products and listening to customer reviews.

They strive to design products aligned with their targeted customers

(outdoor enthusiasts) needs and values Patagonia business model worked or

we can say Patagonia developed a sustainable business because of some of

the reason listed below.

1. Innovation in range of products. 2. Patagonia stressed more on quality of product. .

Environmental Effects. Patagonia relies on innovation to sustain sales. For example, it was the first firm to sell products made of polypropylene. Since then, other manufacturers had adopted this product.

Patagonia used their innovation as a source of competitive advantage for the company and would include new technical systems for their apparel and gear.

Patagonia also uses innovative teams to create value and satisfy wants for their customers. Research and development team of Patagonia worked on projects like developing more durable fabric or making zippers 100% recyclable. Even though Innovation is a major factor for business development, Patagonia stressed on delivering quality product as well. Patagonia had a very good mixture of product quality and innovation.

For example, consumer got the feel of skiing Jacket manufactured by the company and even customer was able to use those Jackets in “inter storm”. Patagonia strives to be sustainable without compromising the quality of its clothing.

Because of this innovative and high quality product Patagonia was compared to the very high quality band in the market. Patagonia is known for being environmentally conscious and emphasizing corporate responsibility. CEO-conscious individuals are also a customer segment for Patagonia. These consumers are attracted to the sustainable materials of the Patagonians clothing and its environmental causes.

As people who care about sustainability, they want to support CEO-friendly companies and buy products that will simultaneously contribute to tauter.

Patagonia also decided to manufacture their product from organically produced cotton. Despite loss in profit for some years Patagonia used organic cotton. Patagonia did not limit the environmental conscious within their company but they asked their dealers and suppliers to join their initiative. Sales for Patagonia came mainly from the wholesale section which contributes about 44% of sales, while 33% and 23% is contributed by retail and internet respectively.

Patagonia spends less on marketing than any of the apparel companies, still Patagonia gives a tough fight to their competitors with their line of products.

Patagonia emphasizes on the quality of its product, in terms of uniqueness, re-usability and respectability. The goal of the company is to offer viable products to its customers. This strategy will help to gain customer satisfaction leading to customer loyalty. For long-term sustainability, this is a very important aspect. Another important aspect of Patagonia is its innovation.

They did major investments in Research and Development.

To be a sustainable company, it is very crucial to do active R & D to keep track of the changing customer needs and to come up with other CEO-friendly products. The company's continuous effort and enormous investments make the company very sustainable in the long run. Patagonia is doing a lot for the environment. Its environmental commitment consists of Reduce, Repair, Reuse and Recycle.

Positioning their company for the environment is a good strategy for long term basis. It is often said that what one gives is what one gets. Patagonia tried to produce the most efficient and environmental products.

For example, the use of organic cotton for producing cotton products in the spring of 1996. Also, The Company took initiatives to communicate to the customers the Importance of Reduce, Repair, Reuse and Recycle.

These positioning strategies reasons allow Patagonia to be a sustainable company and have a competitive advantage. Patagonians mission states that the company strives to build the best product without causing significant harm to environment and use the business to inspire and implements solutions to the environment crisis.

Right from the time of its Inception, Patagonia always displayed the concern for environment in all the products it designed. In continuation of its environment initiatives, Patagonia launched an initiative called Product Lifestyle Initiative in 2010 which was an extension of the Common Threads Recycling program. The basic idea of the Product lifestyle Initiative as the name suggests was to enhance the life time of the use of products the company sells.

Patagonia asked its customers not to buy what they don't need. The company always tried to make products that last longer.

In general, if there are any repairs in clothes they bought, customers avoid going for repairs due to lack of service, high repair costs or loss of time due to repair. Patagonia acted in a customer friendly manner to address all the

above concerns. Rhea company offered free repair where it was responsible and charged a fair price for other kinds of repairs. Its new policy is to get repairs unpacked, done and back in the mail to you within 10 business days.

In this way the company encouraged its customers to use the clothes to the maximum extent possible.

If the customers no longer wanted to use the clothes they can give it away, swap or resell. Patagonia took the help of Ebay to enable customers sell their used clothes. Everything natural or maturated comes to the end to its elite. Eve retying natural gives elite to something new, so should the things we make.

As of today – one year behind schedule – anything bought from Patagonia that's finally worn-out, can be returned to the company, so that they can recycle it into new fiber or fabric (or reposes what can't Heat be recycled).

There are no longer any restrictions on what Patagonia products the customers can return for recycling, and it's still as easy as dropping the items off at {Our local Patagonia Retail Store or sending them to our Reno Service Center. There are Pros and Cons to the Product Lifestyle strategy. Pros are like aligning with the core values and encouraging customers to limit their consumption. Cons are like one percent of sales to the planet can be compromised. Increase in reparation, transportation, material and administrative costs.

It is also against using the company's environmental position as a marketing tool to encourage customers to increase consumption. There will also be

acquisition costs of new Patagonia customers. The action plan of Product Lifestyle Initiative is: to leverage knowledge to create functional, simple garments, to integrate refurbishing its already existent manufacturing and distribution centers, easy to use website to connect consumers to Patagonia, create an IT center to support advocating environmental commitment.

The outcome of this action plan is to strive to retain the same core customer and to reinvent the repaired garments to attract new customers. There are risks involved in this new strategy.

The initiative can fail causing significant losses and damages to the brand name of the company thus providing competitors about failing practices. Rehire is a risk of downgrading the quality of products. Overall revenues may be affected in the initial years of implementation. Dependency on the IT department and customer is also high.

The company may also lose market share because of this aggressive plan.

The company can still pursue this new strategy because of several benefits. The decision is in line with the company's core competencies. The initiative can help reach broader customer base. There are tax benefits and overall reduced costs. The company will get a chance to educate and enhance customer knowledge further.

Online network will foster sense of community. The company can maintain the position of innovative and industry leading company.