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Patagonia: Encouraging Customers to Buy Used Clothing (A)

There is no business to be done on a dead planet.¹

—David Brower, also etched into the front door of Patagonia's headquarters²

Patagonia will never be completely socially responsible. It will never make a totally sustainable nondamaging product. But it is committed to trying.³

—Yvon Chouinard, founder of Patagonia

As Yvon Chouinard, founder and owner of Patagonia, sat at his desk in Ventura, California, he pondered the possible impacts of a new business venture. His Vice President of Environmental Initiatives, Rick Ridgeway, was proposing that Patagonia partner with eBay and launch a revolutionary program that would encourage its customers to purchase used Patagonia apparel through eBay instead of buying new clothing.⁴ Ridgeway had argued that this partnership would complete Patagonia's environmental mantra of reduce, repair, reuse, recycle, and reimagine by providing a mechanism for its customers to sell or trade used Patagonia attire. Chouinard knew that this would be a radical move for a retailer, as it directly threatened to undermine the company's revenue base. However, Chouinard also knew that the partnership could serve as a unique opportunity for his company to influence the consumer apparel industry for the betterment of the planet.

Although Chouinard had a successful history of incorporating sustainability into the heart of Patagonia, this new partnership would go further than any prior effort. Would promoting secondhand purchases undermine his company's source of revenue? Would doing so have little effect because his affluent customers shun used clothing? Would it open a new customer base with those who had less disposable income but who could now afford Patagonia attire? Or would it revolutionize the consumer industry by starting a movement to decrease consumption, which would ultimately benefit the planet at the expense of Patagonia? As Chouinard looked around the office at the bicycles, surfboards, solar panels, and Tibetan prayer flags,⁵ he wondered how this venture would affect his loyal customers, employees, and the company's status as an industry leader in environmental sustainability.

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The Outdoor Gear and Clothing Industry

Since the backpacking and camping craze in the 1960s and 1970s, the outdoor equipment and gear market exploded. Many hippies and outdoor adventurers founded companies in university towns such as Berkeley, Seattle, and Boulder.⁶ Well-known companies in the market, including Patagonia, The North Face, Columbia Sportswear, Recreational Equipment Inc. (REI), Marmot Mountain Ltd., and Mountain Hardware, were founded by avid hikers, climbers, and mountaineers who valued nature and the environment. These companies “were dedicated to making good products, but weren’t profit-oriented.”⁷

It was not until the market flooded in the 1980s with prominent companies supplying hard-core expedition and climbing gear that outdoor companies shifted to produce apparel and fashion to accompany their products.⁸ The apparel part of the industry attracted a much broader market, and the most attractive aspect to the public was the functional innovations aimed at making outdoor sports easier and safer.⁹

The outdoor industry grew steadily over the years. The core customer base was people in high-income brackets, but since the economic recession in 2008, it expanded to include a broader range. According to Frank Hugelmeyer from the Outdoor Industry Association (OIA), more people seemed to want to get away from the recession by exploring the great outdoors. While people cut back on spending during the recession, one area remained strong—sales in outdoor gear and apparel.¹⁰ The outdoor industry dipped 2% in 2009 but increased more than 8% during 2010, topping overall retail sales.¹¹

The OIA provided trade services for over four thousand manufacturers, distributors, suppliers, sale representatives, and retailers in the outdoor business.¹² Prompted by the changing market toward sustainable practices, the OIA, coupled with companies interested in improving their environmental performance, established the Eco Working Group. The group consisted of more than one hundred outdoor businesses, including Patagonia, The North Face, REI, and Columbia. Collaborative efforts to develop a standard environmental assessment eco-index for apparel, footwear, and gear would allow companies to incorporate environmental considerations into product design and manage supply chains.¹³

Competitive Shifts toward Sustainability

While Patagonia was the first to lead an effort toward more sustainable industry operations, competitors were not far behind. The North Face was passionate about protecting the environment and recently began conducting life cycle assessments on its product manufacturing process. The company found that a significant portion of operations was negatively affecting the environment. Energy reduction and efficiency initiatives helped improve the manufacturing processes, and the company established corporate goals and strategies to continue reducing its environmental impact.

REI was the nation’s largest consumer co-op and most trusted retailer for manufacturers of outdoor gear. The business was passionate about outdoor recreation and was equally enthusiastic about protecting and maintaining the environment. REI continued to stay true to these roots, as the co-op had extensive commitments to environmental stewardship. It gave back to communities through donations to nonprofits and coordinated restoration service projects across the nation.

REI conducted sustainable operations in its manufacturing process. In 2007, the co-op began producing products that contained organic cotton, organic wool, hemp, recycled materials, and bamboo fabric. The REI ecoSensitive label was established to inform customers about product contents. The label indicated if REI ecoSensitive products consisted of 50% recycled materials, 85% renewable materials, or 95% organic cotton. The company pursued such additional sustainability practices as being more energy efficient and incorporating the phrase “reduce, reuse, and recycle” into all of its business operations.¹⁴

Columbia Sportswear Company was committed to mitigating its environmental impact across its business operations, but it had more to do before becoming fully sustainable. The company had ongoing sustainability projects, e.g., installing solar photovoltaic panels on the roof of its headquarters, practicing energy efficiency at facilities, and earning Leadership in Energy and Environmental Design (LEED) certifications at some of its retail stores. The company also had a limited eco-conscious product line whose materials and manufacturing processes caused less environmental damage than conventional materials and manufacturing processes.¹⁵

A relatively new company called Mountain Hardware aimed to create products that would “stay in your kit longer—and out of the landfill.”¹⁶ About 65% of its cotton products used organic yarns, while other products used recycled polyester and reclaimed ethylene-vinyl acetate foam cores. The company was constantly researching new sustainable materials and processes to reduce its environmental impact.

ARC'TERYX, however, was unwilling to sacrifice technical performance for environmentally sustainable business practices. Its products were made with synthetic materials derived from nonrenewable, petroleum-based resources, e.g. oil.¹⁷ The company's core values lay within building the finest products possible that would perform and outlast other companies, but it was becoming more aware of sustainable practices. It thereby pursued a partnership with Wisent Environmental Inc. to evaluate operations and reduce its environmental impact.

The Founder of Patagonia

Growing up in Southern California, Chouinard spent most of his youth exploring the outdoors. As a member of the Southern California Falconry Club, he learned how to rappel down from raptors' cliff-top nests.¹⁸ This instantly excited Chouinard and his peers, as they began climbing all over Southern California, eventually reaching the big walls of Yosemite.¹⁹

He joined the famed '60s subculture base camp, Camp IV, where climbers tackled Yosemite's 2,000- to 3,000-foot granite walls.²⁰ At Camp IV, the culture was anti-establishment with an absolute reverence for nature and a genius for climbing.²¹ Their heroes were Muir, Thoreau, and Emerson.²² By his twenties, Chouinard was a world-class climber, making first ascents of some of the world's most notorious faces.²³

Chouinard's life quickly became a tour of passions with minimal time for school or work but ample time for climbing, surfing, fly-fishing, and other outdoor activities.²⁴ To Chouinard, this minimalistic lifestyle was freedom.²⁵ Climbing was ideal except for the fact that the standard soft-iron pitons were left behind in the rock by each climber's ascent. After meeting a Swiss mountaineer, Chouinard learned of the possibility of hard-iron pitons.²⁶ He decided to make his own chrome molybdenum steel pitons and purchased the necessary equipment from a local junkyard.^{27,28} Word quickly spread of his new pitons, and demand followed. Before Chouinard had time to process it, he was a businessman, making two pitons an hour and selling them for \$1.50 each to fellow climbers.²⁹

Before long, demand for pitons exceeded Chouinard's capacity to make them by hand.³⁰ In 1965, he partnered with aeronautical engineer and fellow climber Tom Frost to form Chouinard Equipment. During their nine years as partners, Chouinard and Frost redesigned and improved on almost every climbing tool to make it stronger, lighter, simpler, and more functional.³¹ Their design principle was reflected by the French aviator Antoine de Saint-Exupéry, who stated that “in anything at all, perfection is finally attained not when there is no longer anything to add, but when there is no longer anything to take away, when a body has been stripped down to its nakedness.”³²

By 1970, Chouinard Equipment became the largest supplier of climbing hardware in the United States.³³ As climbing became more popular, Chouinard and Frost reflected on the extensive damage done to rocks by their pitons and decided to phase out the equipment.³⁴ This was risky and radical, as pitons comprised the majority of their revenue. The business partners agreed on replacing them with chocks and promoted this new product in their 1972 catalog, accompanied by an essay written by Sierra climber Doug Robinson:

There is a word for it, and the word is clean...Clean because the rock is left unaltered by the passing climber. Clean because nothing is hammered into the rock and then hammered back out, leaving the rock scarred and the next climber's experience less natural. Clean because the climber's protection leaves little trace of his ascension.³⁵

Within months of the catalog's release, Chouinard and Frost revolutionized the climbing industry. As the piton business dwindled, demand for the alternative skyrocketed, and a new movement called "clean climbing" took off.³⁶

After a climbing trip to Scotland in 1970, Chouinard came back to Yosemite wearing a colorful team rugby shirt.³⁷ Fellow climbers instantly wanted one, as it was not only aesthetic but also more functional.³⁸ Chouinard Equipment ordered shirts from England, New Zealand, and Argentina, which quickly sold out.³⁹ Clothing sales helped support the company's marginally profitable hardware business.⁴⁰ Not wanting to sell their clothes solely to the mountain climbing community, Chouinard and Frost needed a new name for their clothing line.⁴¹

Patagonia

With fond images of glacier-topped mountains and gauchos riding on windswept peaks, Chouinard and Frost settled on the name Patagonia.⁴² As the company grew, it experienced several events that were as eccentric and unorthodox as its founders (see **Exhibit 1**). Although Chouinard was embarking on a business venture, he knew that he could never be happy playing by the normal rules of business. His decision to operate outside the standard business model to maximize profits was deemed radical, but Chouinard saw another opportunity for Patagonia—encourage customers and other companies to become more environmentally and socially responsible by proving that "business can make a profit without losing its soul."⁴³

A Company Built on Values

Although Chouinard wanted to build a company that was not solely focused on maximizing profits, he recognized that Patagonia was a product-driven company. If Patagonia was going to make a difference, the company had to sell products and make money. Drawing on lessons that he had learned when climbing, Chouinard also knew that reaching the summit had nothing to do with where you arrived, but everything to do with how you got there.⁴⁴

Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis.⁴⁵

—Patagonia Mission Statement

Patagonia's mission statement was formed around four core values: quality, integrity, environmentalism, and innovation, which formed the basis for all strategic and operational decisions.⁴⁶ In its essence, Patagonia's goal was to sell the highest-quality product possible that was multifunctional, and, as Chief Operating Officer Ed Schmults explained, "environmental aspects are part of that [goal]."⁴⁷

Despite the criticism of many, deeply rooting Patagonia's environmental and social impacts into the overall culture and strategy of the company was something that Chouinard never considered up for debate. He acknowledged that every company has an environmental footprint and that Patagonia could never be completely socially responsible. Nonetheless, he affirmed that the company would be committed to trying.⁴⁸

Significant Growth Challenges

In the 1970s, Patagonia started to face challenges stemming from the rapid success of the company. The rugby shirts were selling so quickly that Patagonia could not keep them in stock. The product almost brought the company to bankruptcy in 1974 when Chouinard's monthly order of three thousand shirts from Hong Kong arrived late and proved to be of poor quality. The shirts shrank, and some did not even have full-length sleeves.⁴⁹ Chouinard sold the shirts at a loss to redeem as much revenue as possible. Severe cash flow problems emerged, and Chouinard started to buy products on credit. The business was not functioning well, and the Chouinard-Frost partnership ended in 1975. Chouinard and his wife became the sole owners of both Chouinard Equipment and Patagonia.

As they grew, Chouinard's companies became more susceptible to lawsuits. Chouinard Equipment was the focus of several in the 1980s. Its insurance company settled all of them out of court, and Patagonia's insurance premiums increased by 2,000% in a year.⁵⁰ The lawsuits weren't based on faulty equipment, but rather on the lack of proper warnings for uses that the company could not have foreseen. One person, for example, sued the company because he broke his ankle while playing tug-of-war with one of the climbing ropes.⁵¹ Another suit came from the family of a man who died in a beginning climbing class because he did not properly tie himself into one of the harnesses.⁵² Due to these lawsuits, Chouinard Equipment filed for bankruptcy in 1989.

Patagonia was facing serious challenges from its rapid growth. Chouinard decided to break up the line into eight product divisions, each one headed by a different manager. This new organization was not effective because the lack of proper training hindered the managers from working in unison. The company restructured five times in five years, but each reorganization proved as ineffective as the last.⁵³

During the recession in 1991, Patagonia's bank recalled its revolving loan.⁵⁴ To pay off the debt, Patagonia drastically cut costs, dumped inventory, and laid off 20% of its workforce.⁵⁵ Patagonia managed to stay in business by removing several layers of management, merging inventories into a single stream, and consolidating the sales channels under a main control.⁵⁶ From this experience, Chouinard learned the lesson of sustainable growth. He would never again pursue 40% to 50% annual growth, but instead would aim to achieve a more modest, natural rate of 20%.⁵⁷ Since this painful experience, Patagonia has been committed to an agenda of modest borrowing and controlled growth.

A Leader in Corporate Social Responsibility

Despite the changes Patagonia faced, the company realized that an environmentally responsible business model—a core company value—was as important as ever. In the early 1990s, Patagonia managers explored the life cycle impacts of the four major fibers used in the company's products: polyester, nylon, cotton, and wool. The managers were surprised to learn that cotton had significant environmental, social, and economic costs (see **Exhibit 2**). Cotton was important to Patagonia; 20% of its products were made of the material.⁵⁸ Chouinard knew his product line needed to change.

Aware of the environmental damage associated with conventional cotton, Chouinard gave managers eighteen months to substitute conventional cotton for organic cotton starting in 1994. To raise awareness and gain support for this new initiative, Patagonia sent over 350 employees and suppliers to different manufacturing sites that used conventional cotton. This allowed the employees and suppliers to see the

impact of the conventional cotton industry. The company unveiled its environmentally responsible shift from conventional cotton to organic cotton, publishing an article in its catalog titled “Everything we do pollutes.”⁵⁹ Despite the efforts, the idea experienced tremendous resistance because it meant Patagonia’s suppliers would have to buy organic cotton, which cost 50% to 100% more than conventional cotton. Some suppliers even canceled their contracts with Patagonia. But Chouinard stood his ground and delivered his ultimatum: “Do it, or we never use cotton again.”⁶⁰

In 1996, the first year in which Patagonia sourced 100% organic cotton, there were significant changes. Production costs of Patagonia’s cotton products had increased about 20% from the previous year, but the company had raised its prices by only about 5%. The company also had to drop some lucrative products entirely because it could not source the fabrics.⁶¹ Despite all these risks and added costs, the gamble paid off. Patagonia’s cotton sales rose 25%, but more important, the company established an organic cotton industry to serve as a model for other brand-name companies such as Nike, Timberland, and Wal-Mart.

Patagonia took another step toward becoming a more environmentally responsible company in 1993 when it introduced a new line of products made from Synchilla, a unique, fleecelike fabric woven from recycled soda bottles. Patagonia was the first outdoor clothing manufacturer to adopt this material into its product line. By 2011, Patagonia has saved over 86 million soda bottles from the landfill by using Synchilla.⁶² This innovative move proved its success when Patagonia made *Inc. Magazine*’s list of fastest-growing private companies.⁶³

Patagonia examined its entire production process to ensure it minimized its impact on the environment. The company discovered its neon dyes, which were used to dye nylon, were toxic. Prompted by this startling discovery, Patagonia switched to a German supplier that provided less-toxic dyes. Even after the change, Chouinard discontinued the use of the color orange because of its persistently elevated toxicity levels.⁶⁴ Chouinard did not stop his investigation with dye colors, also studying the environmental consequences of dying different materials with different chemicals (see **Exhibit 3**).

As Patagonia pursued these initiatives, the company ensured that its actions and its decision-making process were available to its customers. In 2007, the company launched the Footprint Chronicles, an interactive area of its Web site allowing customers to track the environmental impact of some products. For example, one down sweater would require about thirty-four megajoules of energy for manufacturing and transportation, in the process producing seven pounds of carbon dioxide and five ounces of solid waste—not including liquid, hazardous, or packaging waste⁶⁵—which was half the weight of one men’s down sweater. On average, each sweater traveled about 20,555 miles.⁶⁶ Chouinard always stressed transparency as a key component to doing business. He thereby published Patagonia’s annual factory list (see **Exhibit 4**) so that nongovernmental organizations, customers, and other stakeholders could more easily communicate and monitor the social and environmental aspects of the products.⁶⁷ By making this information publicly available, Chouinard chose to decrease the burden of obtaining this information, allowing Patagonia to make positive future changes to itself based off the public’s feedback.

Sustainability Initiatives beyond the Products

Chouinard’s desire to minimize Patagonia’s environmental impacts surfaced not only in the company’s products but also in its daily business operations. Chouinard called for an energy audit within Patagonia’s facilities, which resulted in more energy-efficient lighting, repainting wooden ceilings in white to increase reflectivity, and installing skylights and advanced heating and cooling technologies. These changes achieved a 25% savings in electricity expenses.⁶⁸ Patagonia’s California facilities used Green-e certified wind for power, while the Ventura offices used solar photovoltaic panels, first installed in 2005.⁶⁹ While the upfront

investment in solar panels cost \$1 million, Patagonia estimated the investments would break even within a few years due to lower electricity bills and greater tax rebates.

Chouinard also tried to minimize Patagonia's impact when reaching out to customers. Patagonia was the first American company to print its catalog on recycled paper. Even though it was disastrous the first year because the ink did not hold well on the paper and the images were blurry, the company saved 3.5 million kilowatt hours of electricity and 6 million gallons of water. This amounted to preventing 52,000 pounds of pollutants from being emitted into the air, 1,560 cubic yards of solid waste from being sent into landfills, and 14,500 trees from being cut down.⁷⁰

Employees were strongly urged to live environmentally conscious lifestyles outside the workplace. Patagonia encouraged its staff to drive fuel-efficient cars and subsidized \$2,000 toward the purchase of a hybrid or electric vehicle.⁷¹ The company also allowed employees to bring goods from their homes to be recycled at work.

While Chouinard was the initial person to decrease Patagonia's environmental footprint, the employees of the company were also effective drivers of social and environmental change. For instance, in 1989 Patagonia's Salt Lake City staff took the recycling initiative to a higher level by making their parking lot the first recycling station in Utah.⁷² One staff member recommended removing the plastic bags in trash cans because they went directly to the dump. Chouinard calculated \$1,200 in savings from no longer having to purchase plastic bags.⁷³ Another employee suggested removing the foam and paper cups by the water fountain. As a consequence, employees brought their own reusable cups to the water fountain and offered mugs to guests. This resulted in savings of \$800 annually.⁷⁴ Throughout these initiatives, Chouinard stated that "these amounts may not seem like much, but the important point is that each time we tried to do the right thing for the environment, regardless of the cost to us, we ended up saving money."⁷⁵

Besides internal savings, Chouinard has donated a significant amount of money to environmental grassroots movements. Since 1985, the company has donated 10% of its pretax profits or 1% of sales (whichever is greater) to environmental groups each year. This payment, Chouinard adamantly states, "is not a charity, it's a cost of doing business. We use [the environment] to support civil democracy."⁷⁶ To date, the company has donated over \$40 million to domestic and international nongovernmental organizations.⁷⁷

Patagonia's Customers

Patagonia's customers were not a homogenous group. However, most were athletic and had a reverence for nature and wild places.⁷⁸ They often considered themselves mountaineers, climbers, hikers, or skiers.⁷⁹ Some wanted the apparel because they were aware of the company's environmentally friendly decisions, while others were looking solely for high-quality attire. Due to its focus on quality, Patagonia was able to mark up its products about 15%–20% more than other specialty outdoor-wear manufacturers.⁸⁰ Thus, Patagonia's customers tended to have ample disposable income. In 2002, the median age of Patagonia's customers was forty-four.⁸¹ Nevertheless, it was difficult to attribute a specific demographic to Patagonia's customers; what was more common was the following set of values: commitments to the soul of a sport, to an uncommon culture, to environmental activism, and/or to clean, authentic design.⁸²

The Potential Partner: eBay Inc.

eBay, an online marketplace to buy and sell goods and services, was founded in 1995 by programmer Pierre Omidyar. Starting out running a small auction Web site named AuctionWeb, Omidyar sold his first item—a broken laser pointer for \$14.95—as a test.⁸³ Little did he know that eBay would be the beginning of a radical transformation in e-commerce. Within two years, eBay grew to \$700 million in gross merchandise value. In 1998, eBay went public, listing shares on NASDAQ.⁸⁴ By 2011, eBay had more than 94 million users globally and a total worth of goods sold at \$62 billion, which amounted to more than \$2,000 every second.⁸⁵

Sustainability at eBay

eBay jumped on the environmental wave in the late 2000s and started practicing sustainable operations. By partnering with nonprofit organizations, eBay promoted sustainability through its philanthropic programs, e.g., eBay Giving Works and the eBay Foundation. eBay Giving Works allowed charities and NGOs to sell goods on eBay as a way to raise funds, while the eBay Foundation donated to organizations around the world.

In 2007, a group of passionate eBay employees who valued eco-friendly business environments created an internal grassroots organization called the eBay Green Team. The mission of the team was to make business operations more sustainable while simultaneously encouraging and empowering individuals to buy, sell, and think green.⁸⁶ The team grew rapidly from 40 original employees to over 2,400 members, and their dedication sparked a bigger idea within eBay's sustainability team—why not involve the 95 million-plus people who use eBay in the team? In 2009, eBay opened up the doors to the Green Team, which had over 300,000 community members by 2011 involved in buying, selling, and thinking a little greener every day. Since 1997, eBay has been a carbon-neutral company through commitments to energy efficiency, alternative power, green buildings, and carbon offsets.⁸⁷ By 2012, the eBay Green Team had committed the company to a 15% reduction in corporate emissions, using 2008 as a base year.

As part of a comprehensive sustainability strategy that also includes managing the company's environmental footprint and leveraging its brand, the eBay Green Team has launched a number of initiatives to drive more sustainable forms of commerce by extending the useful life of goods. The eBay Box was a reusable, trackable box made of 100% Cradle to Cradle-certified materials that encouraged customers to reuse shipping materials between eBay buyers and sellers. The box could withstand multiple shipments and, if all the boxes were used at least five times, they would save nearly four thousand trees and 2.4 million gallons of water and conserve enough energy to power forty-nine homes for a year.⁸⁸

eBay also established the “eBay Instant Sale” trade-in program for used electronics in which eBay offered cash to customers who discarded their old electronics in an environmentally responsible manner by reselling, reusing, or recycling them. Other initiatives included projects ranging from banning foam cups to installing solar power on rooftops.

eBay partnered with other eco-friendly companies whose values and sustainability ethos were similar to those of the eBay Green Team. The partnership with World of Good Inc., an online marketplace for ethically sourced, eco-friendly products, helped eBay sell organic, free trade, and up-cycledⁱ goods. The company also partnered with Recycle Bank to reward consumers fifty bank points for recycling and reusing products. Customers could then redeem their accumulated points at a variety of stores and outlets.

i “Up-cycling” is the process of converting trash into a usable product.

Credibility Issues for Green eBay

The eBay Green Team Web site encouraged its customers to pursue two behaviors that would positively affect the environment: reselling old items rather than throwing them out, and buying used merchandise rather than making new products. The team also began to discuss how people could shop green.⁸⁹ The point was to persuade the eBay audience to change its behaviors. Environmentalists had qualms with the way eBay marketed its green credentials.

Greenpeace conducted a research study that measured people's perception of eBay as a "green" company. Greenpeace discovered that while people recognized the environmental benefit of eBay's attempts to reuse products, they also recognized that rewrapping products in a nice, green marketing scheme did not necessarily make eBay a sustainable company. Others argued that eBay still sold new items, a practice that did not align with the values of the eBay Green Team to reuse and recycle. Extreme environmentalists even condemned eBay for using the Postal Service as its primary carrier because it used fossil fuels to power its fleets.⁹⁰ Finally, it seemed counterintuitive that the Recycle Bank program encouraged recycling but rewarded customers with points that enticed more consumerism and waste.

Looking Forward: Patagonia and the Proposed Partnership

In 2007, Patagonia reported annual revenues of \$270 million.⁹¹ In addition to this financial success, Chouinard gained fame as an unconventional businessman who intimately wove environmental and social responsibility into the fabric of his business strategy. Patagonia served as a successful business model for managing the additional risks surrounding social benefit initiatives.

Always seeking to minimize the environmental impacts of consumerism and corporate America, Patagonia launched a program in 2005 called the Common Threads Garment Recycling Program, which focused on the four Rs: reduce, repair, recycle, and reuse. In 2011, the program was rebranded with a fifth R—reimagine—to encourage a "world where we take only what nature can replace"; the program was renamed the Common Threads Initiative (see **Exhibit 5**).⁹² This program helped Patagonia take major steps toward its goals of "reuse" and "recycle." Since its launch, the company had repaired gear free of charge or at minimal cost. By 2011, the company had over seven hundred products that were fully recyclable.⁹³ Achieving the "reduce" goal, however, proved more elusive. In 2011, Ridgeway remarked, "[Reduce] is the thorniest one of all. If we aim to reduce our impact, we have to reduce the amount of stuff Patagonia sells. We have to tell customers to buy stuff only when [they] really need it."⁹⁴ Because of this dilemma, Ridgeway decided that a partnership with eBay would be the most effective means to address the last R.

On August 28, 2009, Ridgeway read an article in the New York Times about how the recession was shifting consumers' purchasing behavior.⁹⁵ The article argued that consumers' satisfaction from impulse buys was waning, with consumers "putting value in vogue" and saving more, and that this trend would carry on even after the recession.⁹⁶ From this article, Ridgeway drew his inspiration to create a marketplace for used Patagonia attire with a focus on customer engagement.⁹⁷ His idea was to formulate a partnership between Patagonia and its customers that aimed to reduce the environmental impact of a product.⁹⁸ To successfully do so, Ridgeway knew, the program must account for the life cycle of the product, from cradle through use to the end-of-life phases.⁹⁹ Four months later, Ridgeway presented a paper to the company describing his idea to reintroduce the concept of conscious consumerism and to incorporate it into the Common Threads Initiative.¹⁰⁰ This was not an entirely new concept to Patagonia, as in 2004, the company's summer catalog included an essay titled "Don't buy this shirt unless you need it."¹⁰¹ And in 2006, Ridgeway had proposed that Patagonia close its stores on Black Friday to increase awareness of unnecessary consumerism, but the idea was not

implemented.¹⁰² Moreover, Patagonia was not the first clothing company to promote conscious consumerism. In 1990, the Esprit company's advertising campaign was called "A Plea for Responsible Consumption," and it encouraged customers to reduce conspicuous consumption by buying only what was necessary.¹⁰³

As Ridgeway reviews the papers on his desk, he is aware that his revolutionary concept will be high profile and heavily scrutinized. Thus, choosing the appropriate partner will be key. Ridgeway is pushing for a partnership with eBay, given that it was the leading seller of used items and clothing in the country.¹⁰⁴ The two companies agreed on the concept of selling Patagonia's used products through eBay mechanisms on the Patagonia Web site. Ridgeway slips his report into a manila envelope before submitting it to Chouinard's office.

Very familiar with the founder's history of radical business decisions, Ridgeway realizes this partnership will challenge even Chouinard's commitment to sustainability. Advising Patagonia customers to buy used clothing will align with the company's core mission more than ever, but will this ecologically sustainable business plan be economically unsustainable in the long run? Did the company make a mistake when it included "reduce" in the five Rs? Could it ultimately attract even more customers by again proving that Patagonia looks beyond the bottom line? Should Patagonia move forward with this initiative, and if so, should the company partner with eBay, or should it try to pursue this initiative independently? Ridgeway anxiously awaits Chouinard's final verdict.

Exhibits

Exhibit 1 Patagonia Timeline

1957	Chouinard starts making his own climbing hardware.
1966	Chouinard moves to Ventura and goes into partnership with Tom and Doreen Frost. Chouinard Equipment is created.
1972	First Chouinard equipment catalog.
1973	Creation of the "Patagonia" label.
1975	End of Chouinard/Frost partnership.
1979	Kristine McDivitt becomes general manager of Patagonia.
1986	Commitment to donating 10% of profits each year to nongovernmental organizations.
1987	Patagonia opens first European store in Chamonix, France.
1988	Patagonia initiates its first national environmental campaign.
1989	Chouinard Equipment files for Chapter 11. Patagonia opens retail store in Tokyo.
1991	20% of the workforce laid off in order to cut costs during economic recession.
1994	First internal environmental assessment report.
1996	All cotton sold is 100% organic.
1997	Creation of Water Girl USA Inc. to make surfing- and water-inspired clothing for women.
2001	Creation of 1% for the Planet organization.
2004	Patagonia is ranked fourteenth in the "Top 25 Medium Sized Businesses" by the Great Place to Work® Institute and the Society for Human Resource Management.
2005	The Common Threads Garment Recycling Program is launched.
2007	The Footprint Chronicles Web site is launched.
2011	Partnership with eBay to sell used clothing.

Source: Let My People Go Surfing¹⁰⁵

Exhibit 2
Environmental Impacts of Conventionally Grown Cotton

- Cotton accounts for approximately 25% of the world's insecticide use.
- 8%–10% of world pesticides (fungicides, herbicides, insecticides, and defoliants) are applied on cotton fields; 40 million lb of pesticides are applied to cotton fields worldwide every year—13 million lb per year on California's cotton crops alone.
- Conventional cotton crops in six California counties alone are dusted every year with 57 million lb of chemicals, including both pesticides and fertilizers.
- Pesticides used on cotton are among the most hazardous.
- Children are particularly vulnerable to pesticide-related health problems.
- Farm workers exposed to excess toxins are at risk from poisoning and health problems.
- Other problems include: over-spray from aerial delivery; run-off into irrigation ditches; leaching through soil, contaminating the groundwater; soil erosion; loss of biodiversity; ecosystem damage.

Source: Patagonia—First Ascents

Exhibit 3
Patagonia's 'Impact Matrix' for Dyes

Patagonia has created a concise overview of the environmental impacts of modern fabric-dyeing techniques for designers, suppliers, and customers to serve as a guide for decision-making about material sourcing. The overview contains an "Impact Matrix" table for each major fabric type—nylon, polyester, cotton, and wool—to summarize the relative impacts of various dye types and dyeing methods on water usage, energy consumption, toxins (primarily metals, chlorine, azo dyes, and sulphides), and biodiversity.

Wool					
Method	Water	Energy	Toxins	Biodiversity	Comments
Acid-metallicised	High	Med	High	Med	
Acid reactive	High	Med	Med	Med	
Acid milling	High	Med	Med	Med	
Acid leveling	High	Med	Med	Med	
After chrome	High	Med	Very high*	High	*Due to metals
Natural	High	Med	Med	Low	
Nylon					
Method	Water	Energy	Toxins	Biodiversity	Comments
Disperse	Low-med	Med	Low-med	Med	
Acid	Low-med	Med	Low-med	Med	
Direct	Low-med	Med	Low-med	Med	
Polyester					
Method	Water	Energy	Toxins	Biodiversity	Comments
Disperse	Low-med	High	Very high*	High	*Due to carriers
Basic	Low-med	Med	Low-med	Med	
Cotton					
Method	Water	Energy	Toxins	Biodiversity	Comments
Reactive	Low-med	Low-med	High*	Med	*Due to salt
Vat	Low-med	Med	Med	Med	
Direct	Low-med	Med	Med	High*	*Due to oxidation
Sulphur	Low-med	Med	High	High*	*Due to oxidation

Source: Patagonia—First Ascents

Exhibit 4
2010 Patagonia Factory List

Factory Name	Factory City	Factory Country
Al Masera		Jordan
Alba's Garment Works	Ventura	USA
American Printworks	Vernon	USA
Arvind LTD	Bangalore	India
Avid Ink	Corona	USA
Brighton	City of Industry	USA
Brooklyn Manufacturing	San Marcos	El Salvador
Castle Peak Holdings Public Co., LTD	Bangkok	Thailand
Chenfeng (Kunshan) Apparel Co., LTD	Kunshan	China
City Screen	San Francisco	USA
CPG Garment Co., LTD	Bangkok	Thailand
Dong-In Mountaineering Inst.	Marivele	Philippines
Ercan Kancar Tekstil (Egedeniz)	Ismir	Turkey
Esquel Garment Manufacturing	Thuan An District	Vietnam
GE Apparel Solutions	Cali Valle	Colombia
Grand Union Trading Co., LTD	Quanzhou	China
Group Home	Belfast	USA
Guangdong Esquel Textiles Co., LTD—Yangmei Garment Factory	Foshan City	China
Hong Ho Mexico SA DE CV	Merida	Mexico
Hwa Shun Shoe Company	Zhong Shan City	China
Industrias Atlanta SA	San Jose	Costa Rica
Inter Tekstil San TIC LTD STI (Egedeniz)	Ismir	Turkey
JCK	San Francisco	USA
Kanaan Saigon	Duc Hoa Town	Vietnam
KCK-Shanghai Kailian Garments Factory LTD	Nan Hui	China
Kwang Viet Garment Co. LTD	Ho Chi Minh	Vietnam
Lotus Textile & Garment Co., LTD		Vietnam
M&G Apparel	Southgate	USA
Manuel Castillo Cutting	Hialeah	USA
Maxport	Thai Binh City	Vietnam
Maxport JSC	Hanoi	Vietnam
Nan Hua Textile Co., LTD	Nanan City	China
Nature USA	Rancho Domingue	USA
NC Accessory	Nanxiang, Jiading	China
Nester Hosiery	Mount Airy	USA
Ningxia Zhongyin Cashmere Co.	Lingwu	China
Northridge Mills	San Fernando	USA
October Industry Co. LTD	Dong Guan City	China
Onsmooth	Chiangmai	Thailand

Factory Name	Factory City	Factory Country
Pacific Eagle/ Hangzhou Chuan Yi Rubber & Plastic Co. LTD	Hangzhou	China
Palace Industries (Vietnam) Co.	Ho Chi Minh City	Vietnam
Petratex	Pacos de Ferreira	Portugal
Quang Viet Garment Co., LTD	Ho Chi Minh	Vietnam
Ready One	El Paso	USA
Rivercross Sewing	H. Matamoros	Mexico
Roll Sport	Dong Guan City	China
Sand Mountain Cutting & Sewing	Bryant	USA
Shantou Yong May Garment MFG FTY Co., LTD	Shantou City	China
Sheico Thailand	Pluakdang	Thailand
Siam Knitwear & Garment Co., LTD	Huamarak	Thailand
Simona Footwear Manufacturer (Stella)	Dong Guan City	China
Supertex	Cali	Colombia
Tefron—Dingo LTD	Yavne	Israel
Tefron—NTC	Yavne	Israel
Tefron—Yarca	Yarka Village	Israel
Tefron LTD/ Hi Tex & Tamam	Misgav	Israel
Thai Garment Export Co., LTD (TG 1/3)	Omnoi	Thailand
Thai Garment Export Co., LTD (TG 2-4)	Pakkred	Thailand
Thai Jichodo Co., LTD (TJC)	Amphur Muang	Thailand
Thanulux	Yannawa	Thailand
Todd Rutkin	San Fernando	USA
V.T. Garment Co.	Bangkok	Thailand
Viet Ha Garment JSC		Vietnam
Youngone Namdinh Co., LTD	Namdinh City	Vietnam
Youngone Sportswear Co., LTD—China	Qingdao	China
Yue Yuen Industrial Co., LTD	Zhu Hai City	China

Source: Patagonia106

Exhibit 5

The Five Rs

Repair

WE help you repair your Patagonia gear.

YOU pledge to fix what's broken.

What we have should be things we can repair. If you have the skills to turn a frayed collar or darn the worn heel of a sock, good for you. For our part, we should make clothes that wear out as evenly as possible and repair quickly what you send back to us to be fixed. Our policy is to get repairs unpacked, done and back in the mail to you within 10 business days.

We pay for repairs that we're responsible for and charge a fair price for repairs due to normal wear and tear. In addition, many of our stores have relationships with local tailors capable of working on our clothes.


Join us.

Become a partner in the Common Threads Initiative.

TAKE THE PLEDGE

Become a partner in the Common Threads Initiative

- › Repairs & Returns
- › Wetsuit Repair Form
- › [Wet-Suit Repair Guide](#)



PATAGONIA REPAIRED OVER
12,000 GARMENTS
LAST YEAR

Reduce

WE make useful gear that lasts a long time.

YOU don't buy what you don't need.

We design and sell things made to last and to be useful. But we ask our customers not to buy from us what you don't need or can't really use. Everything we make – everything anyone makes – costs the planet more life than it gives back. The biggest, first step we can all take to reduce our impact is to do more with what we have. Much of the energy consumed over the course of the life of a garment – about half – goes into laundering, ironing and drying, activities that shorten the life of your clothes as much as wearing them does. Check out our Patagonia Care Guide for tips on cleaning and care to extend the life of your garment.

Join us.

Become a partner in the Common Threads Initiative.

TAKE THE PLEDGE

Resources

- › Read "Don't Buy This Shirt Unless You Need It" by Yvon Chouinard and Nora Gallagher
- › Watch *The Story of Stuff* Trailer with Annie Leonard

Reuse

WE help find a home for Patagonia gear you no longer need.

YOU sell or pass it on to someone who needs it.

Nothing wearable should be hoarded; useful things should be in circulation. Reuse what you no longer need, whether you've given up climbing or no longer wear brown. Donate unused clothes to a charity or sell them through the Patagonia Common Threads Initiative site on eBay or on our website, (where you can also buy used rather than new, eBay handles the purchase). We donate our own factory seconds to activists working in the field and send some of last season's unsold goods to people who lose their belongings in disasters.


Join us.

Become a partner in the Common Threads Initiative.

TAKE THE PLEDGE

Become a partner in the Common Threads Initiative.

- › Browse the Patagonia eBay Common Threads Initiative website
- › Browse the Patagonia Used Clothing Store



THE AVERAGE U.S. CITIZEN throws away
68 POUNDS
OF CLOTHING every year

Recycle

WE will take back your Patagonia gear that is worn out.

YOU pledge to keep your stuff out of landfills.

Everything natural or manufactured comes to the end of its life. Everything natural gives life to something new, so should the things we make. Whatever you've bought from Patagonia that's finally worn-out, you can return to us, so that we can recycle it into new fiber or fabric (or repurpose what can't yet be recycled). Since 2005, we've taken back 45 tons of clothing for recycling and made 34 tons into new clothes – thanks to our customers who have become partners.

Join us.

Become a partner in the Common Threads Initiative.

TAKE THE PLEDGE

Resources

- › Learn about our Recycling Program
- › Learn about E-Fibers

THE POPULATION OF THE UNITED STATES DISCARDS

11.9 MILLION TONS

OF CLOTHING, SHOES AND TEXTILES per year

Reimagine

TOGETHER we reimagine a world where we take only what the planet can replace.

Two-thirds of our economy is based on the purchase of consumer goods. But to blindly purchase what's good neither for the planet nor ourselves to keep the game going is the very definition of unsustainability. Let's buy what's healthy and useful; let's stay away from what we don't need and what causes unnecessary harm. Every action we take together to protect the land and waters we love adds to our knowledge and confidence that we can reimagine, then help bring about, a sustainable world for those who come after us.

Join us.

Become a partner in the Common Threads Initiative.

TAKE THE PLEDGE

Resources

- › Watch *The Story of Stuff* Trailer with Annie Leonard

reimagine a

SUSTAINABLE WORLD

for those who come AFTER US

Source: Patagonia

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