

Business Model Analysis

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Our group decided to research companies in the clothing industry. All successful clothing companies have very different business models and they attract a certain market of consumers and build loyalty. They provide customer value in different ways, have their own profit formulas, and utilize their own key resources and processes to become a well-known brand. The three company business models we have decided to analyze are Canada Goose, Uniqlo, and Patagonia.

Canada Goose has become a luxury clothing brand during 2010s by selling down jackets to people to withstand temperatures as low as -22 degrees Fahrenheit. Clearly, its customers buy not only down jackets from it but trust and a promise of protection. Patagonia's products might not be that useful for people working in an extremely harsh climate, but because it vows to be an eco-friendly company and continues to innovate their design and production materials, it wins customer loyalty. Uniqlo, also focusing on sustainability, announces to produce simple clothing with high quality. Undoubtedly, people can buy eco-friendly clothing from it at cost-effective prices.





*"We had gathered a cult following in the coldest places on Earth"
"But we were selling to a really small population." -- Dani Reiss*

Canada Goose is a luxury clothing brand that took a series of steps in order to reach the recognition as the worldwide brand it is known as today.

Dani Reiss, the CEO of Canada Goose, was just a child when his family owned a small manufacturer of high-quality outerwear. Metro Sportswear, started by his father achieved most of their revenue from making coats for catalog retailers like L.L. Bean, Eddie Bauer, and Lands' End. The coats were warm but had a boxy, utilitarian appearance, and young Dani refused to wear them. Metro Sportswear also had their own brand of parkas called Snow Goose, which had a loyal, but small following of people that worked on the planet's least hospitable climates. Snow Goose already had a strong quality product and wanted to attract a bigger market.

When Dani took over the business 20 years later, he transformed the company. He pitched his dad the idea of going upmarket—selling to well-heeled urban dwellers who were already paying extra for the North Face and Patagonia coats. He thought they might pay even more to walk around in the garment that Arctic explorers wore. After failing locally, he went to Europe and Japan and found success before importing back to Canada. He renamed the company Canada Goose because Snow Goose was trademarked in Europe.

Their coats had always been of very high quality for cold weather. They were used by Arctic explorers. Originally priced around \$300, they raised prices to around \$1000 for their coats. They raised prices while keeping the product relatively similar giving them operating margins of 23%, nearly double Columbia Sportswear's and higher even than those of luxury giants like LVMH, Burberry and Prada. By changing the price he managed to put his product in a market where there aren't many competitors.

With a heavy dose of influencer marketing (which was before this was a common practice), the company took wing and did \$460 million in sales in 2018, more than triple as 4 years earlier. This marketing style is something that is very commonplace today, but when they began, Canada Goose was one of the first companies to start implementing this market strategy. They became a worldwide known brand that has fashion items that many celebrities are seen wearing, which further boosts their brand. This change in the target market and their model helped transform them into the successful company they are today.

Canada Goose has gone through some controversies because of the materials they use. However, they have been able to resist because of the consumption habits of their customers. It is just not as large of a concern for their target market, so they are not as concerned about environmental issues.

Our group enjoyed learning about the Canada Goose brand and believe the company has done a fantastic job finding its target audience and creating exactly the type of brand and company they were looking to become. By staying focused on who they were targeting and not trying to sell to everyone, they developed an image of a luxury product that boosts your fashion if you have the money to purchase their clothing.



"People shouldn't have to spend a lot of money to get high-quality clothing." -- Tadashi Yanai

Uniqlo is a Japanese casual wear brand, owned by a parent company called Fast Retailing, that prides itself on providing fashionable, quality clothing at affordable prices. The company has been growing at an incredible rate in the past few years against other fast-fashion retailers such as Zara, H&M and Gap.

In 1972, Tadashi Yanai inherited a chain of men's tailoring stores from his father. After seeing the potential of the casual wear market in Japan, Tadashi Yanai switched his family business from suiting to casual clothing. However, Uniqlo initially faced problems where Japanese consumers viewed it as a brand of cheap and low-quality clothing. This perception completely changed when Uniqlo opened a three-storey store in Tokyo in 1998 that helped promote its high-quality fleece jacket.

The company adopts a strategy known as "SPA", where it controls the entire process from product designing, sourcing materials, manufacturing to marketing and retailing. This allows the company to cut down its production costs significantly and have unique products that aren't in other retailers. Based on Fast Retailing's fiscal 2019 report, the operating margin of Uniqlo International is 13.5%. It is not as high as that of any luxury brand, but it's high enough for Uniqlo to sell high-quality products at low prices. This strategy also enables Uniqlo to be innovative, a feature that differentiates it from other brands. The company is known for its innovative and trademarked materials such as HEATECH, AIRISM and SILKY DRY. The emphasis on innovation is part of an effort to implement the Blue Ocean strategy, where a company seeks to create value at a low cost in a new market.

As opposed to other apparel retailers, Uniqlo's philosophy is "Made For All". Its clothing styles are targeted towards all demographic groups. This allows the company to sell high volumes of clothing and achieve high-growth. While Zara and H&M are fast at keeping up with the trends, Uniqlo is all about stable and quality clothing. This allows the company to focus on innovating new materials rather than constantly designing new products. Uniqlo's strategies prove to be valuable in a time where consumers are shifting away from fast-fashion brands.



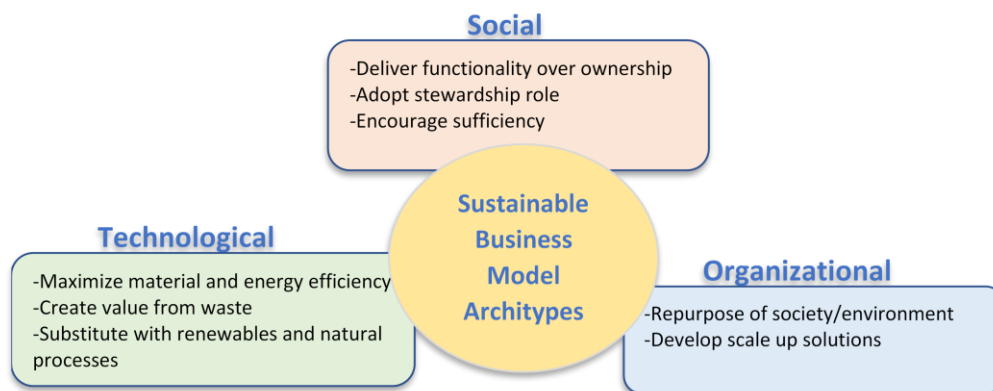
"The more you know, the less you need." -- Yvon Chouinard

Patagonia is one of the oldest American clothing companies focused on outdoors clothing. The company was founded in the early 70s by a seasoned rock climber, Yvon Chouinard who was motivated by his desire to make comfortable clothing for climbing.

Although the founding fathers of the company were relatively environmentally conscious, Patagonia's initial main goal was to sustain the climbing and surfing lifestyle of its founders, hence production of clothing gears targeted at such outdoor activities. However, it soon realized the harmful impact of their business on the environment and successfully converted their business model into a sustainable one, giving them a competitive edge over the competitors. Corporate responsibility has since become a proud tradition at Patagonia. The company now commits 1% of its total annual revenue to nonprofit organizations associated with conservation and sustainability, which consumers find very appealing.

Patagonia has successfully established itself as an activist company due to its commitment to environmental protection through recycling. It also has built a strong customer base around this mission targeting the fast-growing number of environmentally conscious consumers. Some of the company's clothing gears are made from purely recycled plastic bottles without compromising the quality of the product delivered to customers. Another interesting strategy that Patagonia uses to attract a large customer base is the option to recycle used clothing for purchase credit towards new ones. Its partnership with eBay helped launch a brand shopping which created a huge market for customers to buy or sell used or new Patagonia wears. Used clothing returned to Patagonia are cleaned, repaired and resold as "worn wears". Hence, its consumer base was expanded. Furthermore, they also expanded their product line to include surfing gears, backpacks, sleeping bags, and camping food. Based on a report issued in October 19, 2010 by Harvard Business School, the operating margin of Lost Arrow Corporation, the holding company for Patagonia, stays in a stable range of around 5% to 9%.

Through a transparent supply chain and their ecological footprint, Patagonia is able to deliver its value proposition to a targeted consumer base who hold environmental degradation issues very close at heart and don't mind paying more as long as the company's values and goals strongly aligns with their beliefs, while not compromising on quality. Patagonia's mission attracts not only consumers but also talented and committed workers who share the same values and beliefs.



Patagonia Simplified Business Model

Traditional outdoor apparel retailer

Patagonia

Sales of outdoor clothing	Customer value proposition	Sales of outdoor-clothing, repair of products, sales of the recrafted, sales of sustainability
High margins, high inventory turnover rate	Profit formula	Lower margins, lower inventory turnover rate, at a high level of customer loyalty, owning a business image of sustainability
Low-cost manufacturing plants in developing countries, Distributed channel, R&D, ERP systems	Key resources and processes	Low-cost manufacturing plants in developing countries, Distributed channel, R&D, ERP systems, Fair Labor Association, Bluesign Technologies

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