



Patagonia

: A Strategic Analysis

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About Patagonia

- Started back in 57' selling hand-forged mountain climbing gear.
- Partnered in 65' w/Tom Frost to improve throughput.
- Opened first retail store in 73': "Great Pacific Iron Works"
- Patagonia name first comes into existence in 81'
- Expanded to other sports, led to \$750M profit in 2015.
- Founder Chouinard (83 years) transferred 98% of Patagonia to Holdfast Collective.
- Holdfast Collective is a nonprofit that spends appx. \$100 million "fighting the environmental crisis and defending nature."
- Sent 2% voting shares to trust.



Central Products/Industry: Clothing and Outdoor Gear



Mountain Climbing

Patagonia's deepest roots lie in mountain climbing gear and a collared rugby shirt.

Surfing

R&D led to developments in technical fabrics, some of which benefited surfers keeping the cold water out.



Environmentalists

The second continued focus for the company, with an emphasis on low impact, repairable clothing.

Skiers

R&D led to developments in technical fabrics, some of which benefited surfers keeping the cold snow out.



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Why Patagonia?

Business Strategy/Consumer Value

Patagonia utilizes a Niche Differentiation strategy



Research

Patagonia has a robust in-house R&D department, leading to various sustainable/technical fabric initiatives



Global Sustainability

Consumers value the Patagonia's differentiation through sustainability commitments and a global stakeholder mindset



Design

Patagonia actively seeks feedback from clients to further refine existing designs & refurbishes old products to see where failures happen



Upstream Customers: The “Dirtbags”

Customers that love the outdoors and recreational activities, also those willing to pay premium price for eco-friendly clothing

Downstream Customers:

Circularity Customers
Those that seek Patagonia products found at second-hand operations such as thrift stores, clothing exchanges, donation operations, etc. typically are more economical when it comes to spending

Patagonia's Competition

Arc'teryx

A surprising adjacent competitor, Arc'teryx runs in a parallel fashion to Patagonia in terms of their artistic vision.

Arc'teryx focuses on many of the same sports and categories, but with more muted colors and a higher price point.

There is a stronger focus on technical fabrics, but a moderate amount of attention is placed on sustainability, w/multiple garments being Fair Trade Certified.

REI

REI competes with Patagonia by offering a broader range of products and services, appealing to a wide audience, and leveraging its co-op membership model



The North Face

North Face offers Better marketed product, has a larger market segment/target market; burdened w/greenwashing accusations.

Colombia

Adjacent price point and more focused on broad consumer appeal; few garments are sustainable.

Eddie Bauer

Product is relatively affordable, moderate quality; brand is overleveraged and cheapened by bad collaborations.

Patagonia's Competitive Distinctions

CSV and CSR

CSV Initiatives - (Worn-wear, Common Threads, The Responsible Economy)
these initiatives maximize competitiveness and value-delivered by accommodating to socioeconomic conditions through creating shared value

CSR initiatives —(1% for the Planet, Patagonia Action Works, etc.)

Revenue allocation is the lifeline that funds the company's corporate social responsibility

Sustainability

Sustainable Supply-chain programs (Fair Trade, Fair Labor, Regenerative Organic Certified, etc.) and **materials management**

Certified B-Corp, privately held—Transferred ownership from the family of the founder into the Patagonia Purpose Trust and Holdfast collective, and **Climate Benchmarking** (Science-Based Target initiatives, etc.)

Warranty & Remanufacturing

Sustainable and expanding, with a growing remanufactured clothing sector on their website

Competition Alignment Chart



Market/Financial Overview

\$34.8B

Current Outdoor Apparel Market

2021

Global

\$12.7B

Current Outdoor Apparel Market

2021

United States

\$43.0B

Projected Outdoor Apparel Market

2026

Global

\$19.6B

Projected Outdoor Apparel Market

2026

United States

\$1.02B

Global Patagonia Sales

2021

\$1.30B

Global Patagonia Sales

2023

\$1.65B

(Projected) Global Patagonia Sales

2025

(See Figure on Right)

The Size of the Company 'Given Away' to Save the Planet

Estimated global revenue of Patagonia, Inc.
(in million U.S. dollars)



Source: Statista Company DB



statista



Patagonia PEST

POLITICAL

Two main pain points exist here: Tax policy and culturalization. Higher taxes could lead to reduced consumer spending, and culturalization could lead to targeted tariffs.

ECONOMIC

Macroeconomic policy provides a challenging retail environment for all clothing brands via inflation trends along with the possibility of recession.

SOCIAL

The target 25-35 demographic is sensitive to any greenwashing claims, along with rapidly changing social media trends require SM specialists to curate brand image.

TECHNOLOGY

Data analytics may provide further insights into consumer preferences, and with new strides being made in synthetic, sustainable fabrics, tech bodes well for Patagonia.

Porter's 5 Forces: Outdoor Clothing



Supplier Power

Supplier power is generally middle of the road in retail as many nations provide supplies for outdoor clothing, but low for Patagonia due to fair trade agreements in place.



Buyer Power

Buyer Power is usually high in retail, and it is such here with Patagonia. The brand charges a premium for its goods and are even competing against their older products.



Rivalry

Rivalry in retail is fierce, and with competitors like The North Face, Colombia, L.L. Bean, etc., nothing is different here. Patagonia has a strong environmentalism history as a differentiator here.



Subs/New Products

With fast fashion coming into its own, substitutions exist of varying quality in outdoor clothing, but few new companies are sustainably entering the space.



Patagonia VRIO

VALUE

Innovations in highly technical, sustainable fabrics increase customer willingness to pay relatively high prices (99 USD) for a simple vest.

RARITY

Outdoor equipment isn't particularly rare, and the materials used are protected by patents for the most part, but still aren't particularly rare.

IMITABILITY

Very imitable, as brands like the North Face have greenwashed and attempted to replicate and succeeded.

ORGANIZATION

Plenty of organizational support for the value provided by the company, from leadership all the way down to the fair trade paid garment workers.



Why is Patagonia Successful?

Successful Factors compared to competitors:

- A priority on generating capital for environmental causes. Earth is their only shareholder.
- Sustainability being key to all they do.
- A warrantee behind their clothing to the point of repairs/remanufacturing.
- Purpose-driven as opposed to Product-driven --- “in the business to save the home planet”
- Perpetuating a Circular Economy
- Raw Material, Design & Produce, Use, Waste/Recycle
- Proper product quality and labor management practices throughout Value chain

Most important factors:

- Supporting Environmental (CSR), Socioeconomic (CRV), and Grassroot Initiatives through internal financing
- Reducing Carbon Footprint in respect to Consumer expectations and Legislative bodies (SBTI)

Maintaining Patagonia's Success

The bases for this success are sustainable as long as...

- **Patagonia can maintain its competitive advantage by matching it's sustainable and ethical values with an increasing profitability**
 - Improving margins enable more revenue allocation to company's programs, grants, and other investing activities
 - Control over In-house vs. Outsourced activities, making sure there is no disparity between the goals and performance of both
- **Mitigating the effect of P5Fs, especially for forces that exist in the Clothing industry they operate in**
 - detrimental forces: Bargaining Power of Suppliers (High), Competitive Rivalry (Very High), and Threat of Substitutes (High)

Patagonia's Key Strategic Challenge

Financial Sustainability

A challenge for this company is financial health.

The Leadership and commitment is already there, however if profitability falters the chances of CSR programs and other initiatives being cut-off increases. This effects a sustained competitive advantage by hurting the organizational support that delivers value in their business strategy

Patagonia's premium product offering compared to rivals maintains the value it delivers and sales it rakes in, but also hurts their ability to appeal to economical/budget markets. This enables the threat of substitutes to hurt profitability especially in times of economic recession. The looming Threat of Rivals can take away from Patagonia by ensuring More/equal value at a lesser price within their comparable product offerings.

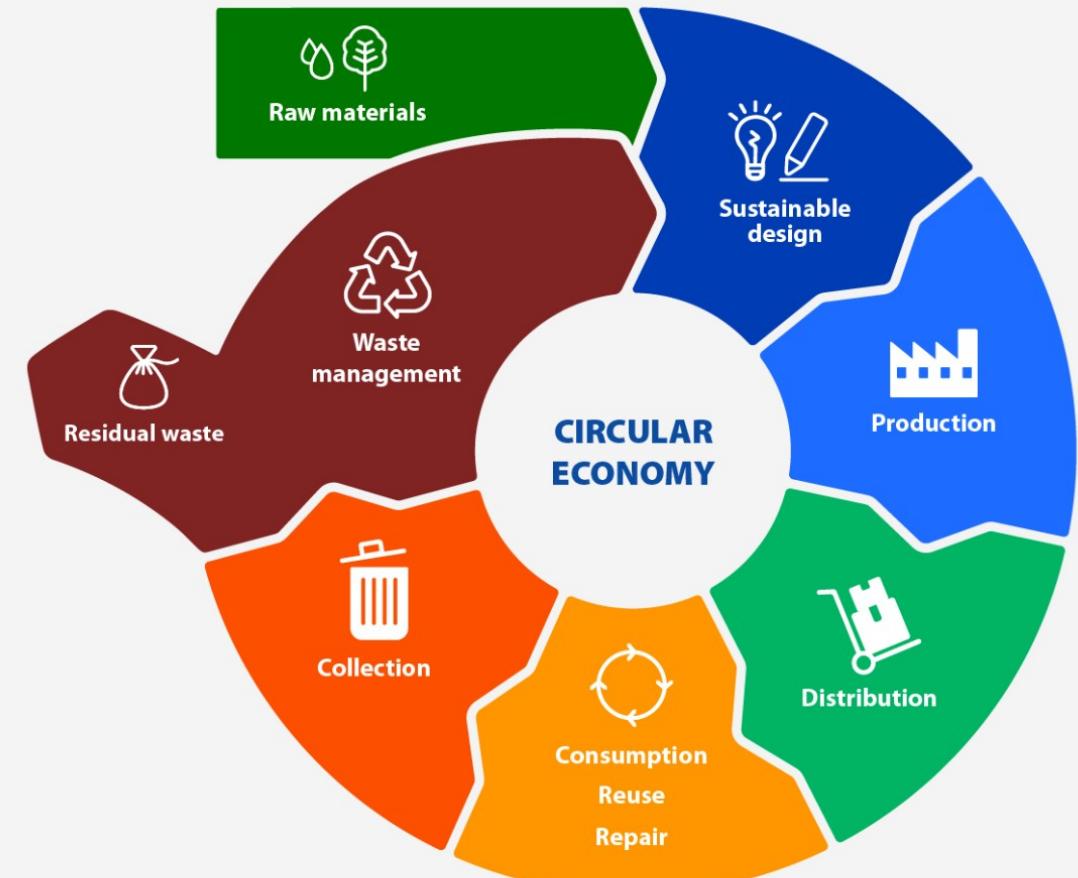


Key Recommendation

This recommendation uses recyclable clothing initiatives and integrates it into Patagonia's marketable products based on around the circular economy model. This strategy promotes circularity through a three-stage process: Recyclable Inputs, Product Transformation, and Marketable Output. Regarding input, recycling initiatives will take in existing Patagonia merchandise that has been sold—such as backpacks, jackets, pants. Transformation entails deconstructing and redesigning these products into a new sellable product. Marketable Output constitutes the marketing of these products to Patagonia's customer segments, hoping to bring more downstream customers upstream. The positioning of this output delivers similar value at a lesser price (Economical). This Recommendation aims to mitigate the threat of substitutes, supplier, & rivals (P5F), and improve upon organizational support (VRIO) by:

- Reducing costs and dependency in the supply chain from outsourced suppliers of manufacturing and materials. This will give more control to Patagonia in its supply chain, and provide more significant advantages when competing with rivals
- Dedicating organizational activities to support efficient recycling practices and quality management, thus creating a viable market of recycled material into new products and designs that will be reliable for consumers while not sacrificing Patagonia's commitment to top-quality .

**The circular economy model:
less raw material, less waste, fewer emissions**



Source: European Parliament Research Service



Thank you

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