

# How Successful is the Marketing Strategy of a Social Enterprise in the Case of Patagonia?

**Sustainability - Part 1/2** In recent years, companies have become increasingly aware of the importance of social responsibility and sustainability in their operations. Social enterprises have emerged as a concept that aims to blend social objectives with profit-making characteristics. For social enterprises to succeed, a well-designed marketing strategy is essential. Ideally, this strategy should clearly communicate unique purposes and future visions, while justifying any high prices associated with their commitment. Patagonia is an example of a social enterprise that implements a purpose-driven marketing strategy.



**P**atagonia is a socially responsible clothing brand founded in 1973. Publicly known for the retail of outdoor clothing for activities like climbing, surfing and trail running. The company's core values lie in its commitment to exceptional quality, environmental protection and integrity. Patagonia is known for producing products that last, rather than participating in the fast fashion industry.

This essay aims to answer the crucial question: "How successful is the marketing strategy of a social enterprise in the case of Patagonia?". By scrutinising Patagonia's marketing strategy, this essay seeks to explore the fundamentals of a social enterprise marketing strategy. Moreover, the subsequent analysis will highlight the impact of Patagonia's marketing strategy on both the customer and the reflection of the brand itself. Porter's generic strategies and Marketing mix will be the tools used as a foundation for the analysis. Lastly, this essay aims to illustrate how Patagonia uses marketing in supporting the transition to a more sustainable and socially responsible business landscape.

## Sustainability

Climate change is at the top of nearly every government's agenda. Nuclear power plants are shut and the move to sustainable energy sources is big. According to the Brundtland report, sustainable development is: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"



Customers want to contribute themselves by making ethical decisions. They want more eco-friendly products, that neither harms the environment nor the people who produce them. Studies by McKinsey in 2023 found that 78% of US consumers men-

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tioned that a sustainable lifestyle is important to them (McKinsey, 2023). Regulators are highly active in formulating laws for all sustainable dimensions. Some businesses may feel burdened by this responsibility. However, there is a significant difference

between a business that engages in greenwashing and one that takes action over a concern. A study conducted in 2023 by PI found out, companies that value sustainability and integrate it into their operations are more likely to experience financial gains in the long run (Publications | Positive Impacts - Creating Societal Value, n.d.).

The Global Entrepreneurship Monitor report for 2020-2021 shows a 40% increase in the number of people starting a social enterprise worldwide ("Global Entrepreneurship Monitor (GEM) Report Authors, 2021). This trend reflects the growing regulatory emphasis on sustainability. Moreover, it can be associated with the recognition of the potential that businesses have in driving positive social and environmental change. According to the European Commission: "A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing

goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed openly and responsibly, particularly, involving employees, consumers and stakeholders affected by its commercial activities.”

Despite this development, profit continues to dominate the agendas of most companies’ shareholder meetings. However, events, like the world’s financial crisis and the emergence of the environmentally-conscious consumer have led to a shift in priorities. Dissatisfied by companies failing to address social and environmental needs, consumers of today have evolved. They are now much more conscious of their purchasing decisions. Good quality and cheap prices are no longer the main criteria. Instead, consumers judge the company

based on the relationship between internal and external stakeholders, including the environment (Deloitte, 2018).

Although Patagonia was originally founded in 1973, it has not always been a social enterprise. In 2022, Yvon Chouinard realised that despite the company’s big effort to challenge the environmental crisis, they simply were not enough. Thereafter, he made

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Patagonia a social enterprise by donating 98% of his stake to a non-profit organisation. As a newly established social enterprise, Patagonia demonstrates that companies can be successful, while also prioritising their values. Environmental commitment has helped Patagonia to stand out in a very competitive market. Additionally, Patagonia provides valuable insights by showing the benefits of identifying with a purpose, rather than only with a product (Yvon Chouinard, 2022).

Social enterprise marketing as Patagonia employs it, focuses on John Elkington’s triple-bottom-line framework, which ranks people, planet and profit equally.

However, meeting all three principles is a challenge, requiring their marketing strategy to be innovative and adaptable (Bandyopadhyay & Ray, 2019).

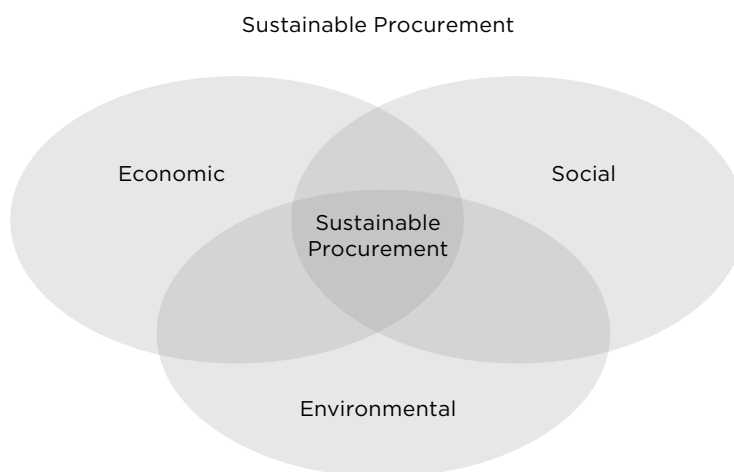
### Patagonia’s Marketing Mix

In an effort to analyse the success of Patagonia’s marketing strategy, marketing mix will be used. This analysis will focus exclusively on Product and Promotion as part of the marketing mix. Through this, we can accurately assess the success, but also the foundation of their customer relationship. Although, Price and Place are equally significant, they do not contribute relevantly towards answering the research question.

### The Product

At Patagonia, quality is prioritised in the production process. Especially, when the company was solely offering climbing

**Figure 1. John Elkington’s Triple-Bottom-Line**



Source: Elkington, J. (1999b). Cannibals with forks: the triple bottom line of 21st century business.





gear. Climbers needed to have trust in their equipment at all times. Since then, the company has expanded in all directions. Nevertheless, the requirements have remained unchanged.

Patagonia focuses on only using the best materials for its clothing. By producing highly-durable clothing, the chances of its repetitive use is significantly increased: “if the product is worn for longer, less new clothing has to be produced,” (Patagonia, 2022).

When creating products that are made to last, design is crucial. However, creating clothing that is both timeless and aesthetically pleasing is challenging. Patagonia uses sustainable design, which focuses on reducing

**Figure 2: Patagonia Apparel Material Sources**

Apparel Material Sources	2018	2019	2020	2021
Virgin petroleum-based products*	49%	48%	20%	18%
Recycled materials	35%	31%	65%	66%
Virgin cotton and other plant-based materials	15%	16%	14%	15%
Virgin wool and other animal products	1%	5%	1%	1%

\*POLYESTER/NYLON

Source: <https://www.patagonia.com/on/demandware.static/-/Library-Sites-PatagoniaShared/default/dw18ad9c7c/PDF-US/Patagonia-2021-BCorp-Report-Updated-2-15-22.pdf>

the environmental impact, rather than enticing consumers to mindlessly buy the newest collection. Sustainable design tries to address two main points. Firstly, to achieve all requirements in the production of new garments, while minimising

pollution and waste. Secondly, after the product has been produced and worn, the intent is to extract its value and reuse it for the production of new products (Xiong & Chen, 2018).

In order to achieve this high quality, Patagonia works conti-



uously to ensure it uses both the best and most sustainable materials for its products. Relatively new is the use of recycled materials, which promise lower net emissions during the production process. Patagonia's 2021 annual report gives a good overview of how the company is adapting its production every year for the better.

As observed from the table above, the use of petroleum-based products has decreased by more than 30%, from 2018 to 2021. On the other hand, the use of recycled materials has nearly doubled during the same time.

By using renewable resources such as waste, both costs and impact can be reduced to a minimum. Hence, all of Patagonia's designs not only take into consideration the need of the custo-

mer, but also the environment, thus achieving the true essence of sustainable design (Xiong & Chen, 2018).

Due to Patagonia's implementation of sustainable design it has been able to benefit from circular economic advantages. These can be gained when residual waste is reduced, by processes that conserve the materials and extend the useful life of a product, namely by reuse, repair and collection (Rattalino, 2018).

Patagonia is using various circularly supply methods as part of their extension strategy. Within the product life cycle, the companies products have reached a saturation point.

Extension strategies aim to prolong the maturity phase of a product, thereby postponing the necessity of introducing a com-

pletely new product. Ideally, Patagonia wants to strategically use these methods to delay the declining stage of the product life cycle. The longer extension strategies can sustain the current stage, the more advantageous it becomes for Patagonia.

Patagonia is experiencing the benefits of its extension strategies in the form of circular advantages, which are reduced material dependence, lower carbon emissions etc.

In an effort to benefit from circular advantages, the company has employed various circular supply methods.

#### Change to Organic Cotton

Among these is the switch from traditional to organic cotton. A study reported the negative im-

pact of traditional cotton on the environment. Despite the heavy premium of up to 100% compared to traditional cotton, Chouinard decided to make the change. Sales increased by 25% and the growing interest of other brands drove down the price. However, Patagonia was forced to reduce its profit margin, because an 8% price increase did not cover all the additional costs.

A sudden shortage of organic cotton required the sports collection to be cut from 166 to 66 products for the time being. Only two years later Chouinard's decision was considered a breakthrough for the cotton industry (Patagonia, 2021). Because this change happened in 1994, marketing from Patagonia was solely limited to its annual catalogue. Instead, this move predicted future consumer needs by speculating on the growing relevance of environmental issues such as climate change.

### Common Threads Initiative

In 2005 Patagonia took efforts further by incentivising customers to return old products made from polyester back to the store. This move marketed Patagonia's first step towards taking full responsibility for their products, from production to disposal and back to production. Patagonia introduced the Common Threads initiative, which allowed the company to produce products, that can return to their life cycle multiple times. Part of these efforts was making products more simplistic and versatile, which decreases the likelihood of owners looking for another outfit (Rattalino, 2018).

At the store, customers were able to get a free repair by dropping off their damaged products. Or they could do it themselves, with detailed instructions provided also on the company's website. Any worn-out garments that are beyond repair can be sent back to Patagonia, where they will either be donated to local charities, or recycled and reused in the production of another product (Patagonia, 2020).

Actively involving customers and working with them has been a vital part of the company's history. Patagonia seeks feedback on

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its products through e-mails, phone calls, blog posts, magazine reviews and surveys. The gathered information serves as a foundation for new product designs and future decision-making.

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Footprint Chronicles is a tool, that allows customers to backtrack their products to factories they have been produced at. Transparency of the entire production chain sets a strong base for collaboration with Patagonia's customers (Patagonia, 2021).

One example marking the strength of collaboration was the reduction of plastic packaging by nearly 50% (Patagonia, 2021).

By actively involving customers in their journey to sustainability, Patagonia fosters a sen-

se of ownership and pride in their products. The strong branding empowers customers to not only identify but also express their beliefs through wearing Patagonia clothing. To wear products proudly, customers have to develop trust in the brand and familiarise themselves with the company's identity. Values such as sustainable behavioural practices, integrity and justice are at the core of Patagonia's identity (Patagonia, 2014).

Patagonia stands at the forefront of driving positive change. While the commitment to their vision and mission might result in short-term losses, it remains an integral part of their business model. Patagonia's product strategy undermines their commitment to environmental sustainability and responsible manufacturing. Their strategy not only addresses the needs of customers but also reinforces its brand identity as a socially and environmentally responsible company.

**Erfahren Sie im zweiten Teil des Beitrags mehr über die Promotion von Patagonia und das Fazit.**



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