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Green Marketing and Patagonia, Inc.

By

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ABSTRACT

This report summarizes the results of an independent study project undertaken at the University of Michigan Business School. The project was sponsored by Patagonia, Inc. and enabled by the Corporate Environmental Management Program (CEMP) at the University of Michigan's Business School and School of Natural Resources and Environment.

At the request of Patagonia, approaches to "green" marketing were investigated and, within the strategic business context, ways that the company can improve the communication of green messages to their customers were analyzed and recommended.

The scope of the project consisted of three major tasks: 1) an extensive literature search and review on green marketing, 2) a thorough evaluation of Patagonia and their major competitors' environmental activities and efforts, and 3) holding two focus groups on the topic of green marketing.

The project was carried out over a 28-week period from August 1998, through April 1999. Primary research included interviews with 15 Patagonia employees, four competitor employees, and 15 specialty outdoor customers through two focus groups. Secondary research included the literature search and review on green marketing, and extensive Internet searches on Patagonia and their competitors in the context of environmental activities and green marketing.

The project summarized by this report was conducted by two University of Michigan Business School students. The author of this report participated for the purpose of completing the MK750 independent study course for which this report is submitted. The other student participated for the purpose of completing a Masters Practicum as required by the graduate degree program at the University of Michigan School of Natural Resources and Environment.

EXECUTIVE SUMMARY

Patagonia's management believes that the company does more for the environment than its competitors. However, recent market research demonstrated that customers do not perceive Patagonia as more concerned for the environment than its competitors. Market research also indicated that concern for the environment is a secondary but non-trivial purchase consideration for customers. Patagonia's historical marketing strategy was very understated when it came to environmental issues. This project investigated how Patagonia could change its green marketing strategy and improve the communication of environmental messages to customers, and whether this improvement will lead to differentiation from its competitors with regard to concern for the environment.

In this analysis, the environmental activities of Patagonia and its key competitors were identified and compared. Focus group research was conducted to better understand the reactions of specialty outdoor clothing customers to green marketing in general as well as to different types of print advertisements as defined in the literature. The results of the competitor analysis and focus groups were then used to highlight key findings of interest to Patagonia and recommend an approach to improve the company's green marketing efforts.

In the past decade, many companies have misused green marketing. Customer mistrust and cynicism regarding the corporate motivations represents a substantial risk and barrier to this communication. Defined as the "corporate use of environmental concerns in the promotion of goods and concerns," green marketing has emerged as one unique approach to marketing. For some, it is a reflection of their values and concerns about their impact on the natural environment. For others, it is a tool to wash over the degradation caused by their products and processes. Over the past decade, customers have developed an attitude of skepticism toward green marketing rooted in a general mistrust toward the relation between business and environment in general. Print environmental advertising is one of the tactical devices used by companies pursuing a green marketing strategy, however, relatively little academic research has been conducted on the perception of this advertising by consumers.

Patagonia, Inc. practices a deep commitment to environmental improvement and issues, as demonstrated by their mission statement "to inspire and implement solutions to the environmental crisis." In the past, management of the company held fast to the belief that "actions speak louder than words" and did not emphasize communication of their environmental activism in the marketplace.

Patagonia does indeed do more for the environment than competitors, however REI is significantly more active than expected. Because of Patagonia's favorable position with regards to the environment, their proactive environmental commitment and its motivations, green marketing represents a significant opportunity for the company to differentiate from competitors. Through the focus groups, it was found that participants tended to prefer green print advertisements that were tangible, included factual content, and offered an avenue for customer involvement in the issue. These factors reduce the skepticism among participants.

Patagonia should develop a comprehensive green marketing campaign, which includes (1) educating customers on issues before using them in print advertising, (2) enlisting the use of free media and third parties to "spread the word" about Patagonia's environmental efforts, (3) developing a specific and proactive print advertising campaign, and (4) including messages that link key company and product attributes such as quality or innovation with environmental concern.

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INTRODUCTION AND METHODS

Patagonia Statement of Purpose:

"Patagonia exists as a business to inspire and implement solutions to the environmental crisis."

Project Description

Patagonia's management believes that the company does more for the environment than its competitors. However, recent market research demonstrated that customers do not perceive Patagonia as more concerned for the environment than its competitors. Market research also indicated that concern for the environment is a secondary but non-trivial purchase consideration for customers. Patagonia's historical marketing strategy was very understated when it came to environmental issues. This project investigated how Patagonia could change its green marketing strategy and improve the communication of environmental messages to customers, and whether this improvement will lead to differentiation from its competitors with regard to concern for the environment.

Research Questions

Specifically, this project intended to answer the following questions:

1. What are the "environmental activities" of Patagonia and its key competitors (i.e., Recreational Equipment Incorporated, Columbia, The North Face)?
2. What is Patagonia's environmental marketing strategy (with a focus on messages) and how does it compare with competitors' strategies?
3. How does Patagonia and its competitors communicate their environmental messages in the marketplace?
4. How are Patagonia and its competitors' environmental messages perceived by customers and related to the purchase decision?
5. What changes or improvements can Patagonia make in its communication of environmental messages to increase the customer perception of its environmental efforts?

Project Scope

The scope of this project included conducting primary research on Patagonia, its competitors, and customer response to green advertising messages and doing secondary research on green marketing and Patagonia's competitors.

The goal of this project was to analyze Patagonia and its competitors in the context of green marketing, and then provide general related recommendations to Patagonia. It was not to design a fullgreen marketing campaign or to provide specific recommendations for changes to Patagonia's environmental strategy.

For purposes of this project, Patagonia's competitors were assumed to be Recreation Equipment, Inc. (REI), The North Face (TNF), and Columbia Sportswear.

This project also involved several peripheral activities including the publication of an article in the University of Michigan Business School Newspaper *The Monroe Street Journal* and directing discussions and exercises in undergraduate classes in the Business School and the School of Natural Resources and Environment. The full scope of project activities is given in Appendix A.

Project Methods

Site Visit and Management Interviews

During the week of August 23 - August 29, 1998, the project team visited Patagonia, Inc. corporate headquarters in Ventura, California and two Patagonia retail locations - one in Ventura and one in Santa Barbara, California - to gather first-hand information on Patagonia, its environmental efforts, and its marketing and communication efforts. Interviews were conducted with 15 employees in the areas of communications, marketing, sales, product line management and other disciplines. Table 1 lists the name and title of each person interviewed.

Table 1 – Patagonia Employees Interviewed

Date	Name	Title
8/24/99, 8/25/99	Kevin Sweeney	Director of Communications
8/24/99	Jeff Wogoman	Manager, Catalog Circulation and Database
8/24/99	Jil Zilligen	Manager, External Environmental Programs
8/25/99	T.J. Whelan	Product Line Manager, Fly Fishing
8/25/99	Mike Brown	Manager, Internal Environmental Programs
8/26/99	Adam Ziegelman	Product Line Manager, Hard Goods
8/26/99	Stacy Davis	Product Line Manager, Insulation
8/26/99	John Sterling	Group Leader, Environmental Messages, External

Table 1 - Patagonia Employees Interviewed

Date	Name	Title
		Environmental Programs
8/28/99	Bob Holding	Product Line Manager, Paddle Sports
8/28/99	Betsy Hay good	Content Webmaster
8/28/99	Steve Rogerson	Measurement and Reporting Webmaster
8/28/99	Rick Fredland	Store Manager, Santa Barbara
8/28/99	Jen Wass	Retail Sales Manager
8/28/99	Alan Crumbaker	Store Manager, Ventura
8/28/99	Sarah Munroe	Regional Wholesale Account Manager

Following these interviews, informal visits were made to the Patagonia, and REI retail stores in Seattle, Washington and The North Face retail store in Chicago, during which additional information was gathered. Columbia Sportswear has only one retail store (in Portland, Oregon) and it was not visited for this project. Transcripts of the Patagonia interviews are included in Appendix B.

Literature Search and Review

A thorough literature search and review was conducted using various on-line databases and other journal searches. Major search terms included green, environmental, marketing, and advertising. Results of the literature review are included in the next section.

Patagonia and Competitor Analysis

The following tasks were performed to analyze Patagonia and its competitors with regard to their environmental efforts, green marketing strategy, and communication of environmental messages:

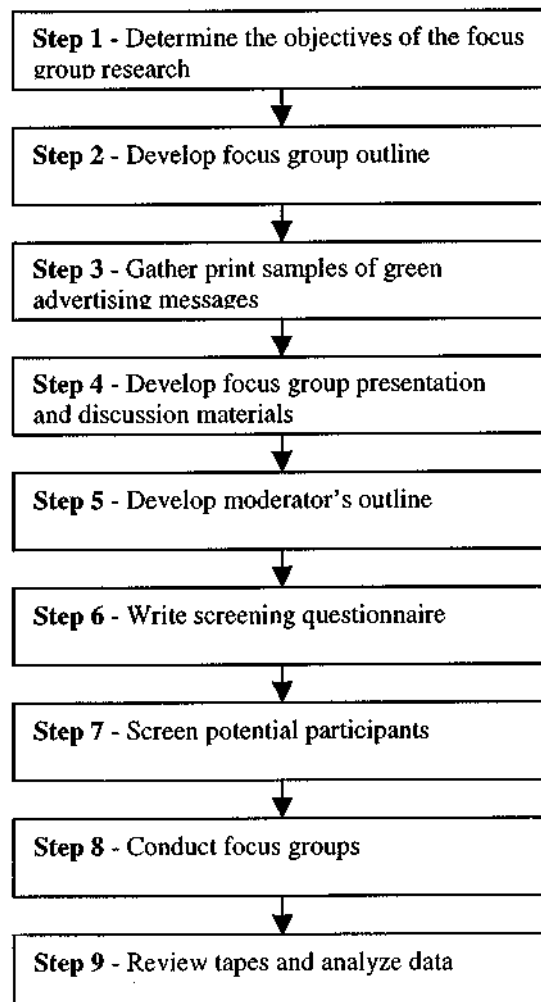
- Interviewed Patagonia staff about their marketing strategy regarding environmental messages (as discussed above).
- Interviewed competitor staff about their marketing strategy regarding environmental messages.
- Collected internal Patagonia information from Patagonia staff and publicly available information from outside sources.
- Collected competitor information from publicly available sources.
- Contacted competitors directly to discuss their marketing techniques regarding environmental messages.
- Performed qualitative assessment and quantitative evaluation of each company's environmental activities.

- Examined environmental messages in all distribution channels - catalog, print, retail, wholesale dealers, Internet, and any other advertising mediums.
- Compared actual environmental activities with customer perception of environmental commitment as revealed by Patagonia's existing internal market research data.
- Investigated the methods employed to convey environmental message to different customer segments.

Focus Group Interviews

Two focus groups were conducted to analyze the customer response to various green advertising messages. The process involved in conducting the focus groups is shown in Figure 1 and further described below.

Figure 1 - Procedure for Planning and Conducting Green Marketing Focus Groups



As shown in Figure 1, the focus group process involved nine steps:

- Step 1 - The objective of the focus groups was to learn how typical outdoor clothing purchasers respond to various green advertising messages.
- Step 2 - The focus group outline included a brief discussion of green marketing, a review and discussion of various green advertising messages, and a discussion of Patagonia's Louder Than Words catalog insert.
- Step 3 - Samples of print green advertising messages were gathered from magazines such as Outside, Mother Jones, E: The Environmental Magazine, and others.
- Step 4 - The focus group presentation was developed and presented in Microsoft PowerPoint and is included in Appendix C.
- Step 5 - The moderator's outline is included in Appendix D.
- Step 6 - The screening questionnaire was written to gather data that could be used to help identify a group of "similar strangers" for the focus groups. It is included in Appendix E.
- Step 7 - Potential participants were screened using the intercept method at three local outdoor retail stores: Bivouac in Ann Arbor, Wilderness Outfitters in Ann Arbor, and REI in Northville, Michigan.
- Step 8 - Focus groups were conducted on weekday evenings from 7:00 to 9:00 p.m. in a market research conference room at the University of Michigan Business School.
- Step 9 - The analysis of the focus groups is included in this report.

GREEN MARKETING

Definition of Green Marketing

While marketing itself has contributed significantly to the ecological crisis, mitigation of this crisis may be found within the domain of the marketing process as well.¹ Green marketing is "the corporate use of environmental concerns in the promotion of goods and services."² Green products have "lessened or negligible harm to the environment from a product's manufacture, consumption, or disposal."³ As consumers become increasingly concerned with the consequences of industrial activity on the environment, some companies have responded by including green marketing as a central component of their marketing strategy.⁴ It is important to note that using marketing techniques to promote products that deliver environmental benefits is not always green marketing. If environmentally preferable products are promoted based on their non-environmental attributes or functionality, that is not green marketing, even if these same attributes or functionality contribute to the environmental benefits.

Green advertising is one of the tactical devices used by companies pursuing a green marketing strategy. Environmental advertising is defined as any advertising medium that meets one or more of the following three criteria:⁶

1. Explicitly or implicitly addresses the relationship between a product/service and the biophysical environment.
2. Promotes a green lifestyle with or without highlighting a product/service.
3. Presents a corporate image of environmental responsibility.

Relevant academic research on the subject of green marketing and environmental advertising is somewhat limited⁷ and this discipline has seldom been examined systematically.⁸ Furthermore, minimal attention has been devoted to understanding how the design of advertising copy for the green claim itself affects the processing of its message and its effectiveness.⁹ These findings support the need for applied green marketing research, such as that conducted in this study.

The Rise of Green Marketing

Although Fisk's seminal book *Marketing and the Ecological Crisis* was published in 1974, green marketing really took hold in the U.S. in the early 1990s. In the wake of Exxon Valdez oil spill and increased news coverage of environmental issues such as climate change, rainforest destruction, and ozone depletion, increased consumer awareness of and response to environmental concerns led companies to believe that a significant new green target segment and market opportunity existed. Starting in 1989, the number of new products making environmental claims increased dramatically.¹ Almost overnight, the environment became "the life-and-death PR battle of the 1990s."¹¹ Faced with this deluge, consumers were often confused by generic environmental claims,

many of which were blatantly unclear or misleading. During this time period, critics of environmental advertising coined the term "green washing" to describe advertising in which "environmental claims are trivial, misleading, or deceptive."¹² Lawsuits emerged as environmental groups and customers grew more confused and distrustful over green marketing claims. As will be discussed further, much of this distrust remains today.

In response to this confusion, the Federal Trade Commission established *Guides for the Use of Environmental Marketing Claims* in 1992. While not legally enforceable themselves, FTC guidelines provide guidance and examples to marketers to help conform to other legal guidelines.¹³ The FTC guidelines provide general criteria stating that environmental claims should:¹⁴

- Be substantiated.
- Be clear as to whether any assumed environmental advantage applies to the product, the package, or both.
- Avoid being trivial.
- Make the basis for comparisons clear if comparisons are used.

During the same time period, same third-party "eco-labeling" programs were established to make credible, unbiased, and independent judgments in certifying a claim or product.¹⁵

Green Marketing and the Company

Green marketing has been found to be an applicable approach when the environmental strategy of a firm is proactive or creative (i.e., if the firm is actively seeking opportunities for green differentiation or new environmental technologies). It is not recommended when a firm's environmental strategy is reactive or anticipatory with only a compliance focus. In addition, claiming to be green can be counterproductive if there is not a strong commitment to a proactive environmental strategy from the whole organization including top management.¹⁷ Green differentiation strategies are effective only if a product has genuine environmental advantages and if the firm is capable of communicating these advantages to the public.¹⁸

Firms adopt a green marketing strategy for different reasons. Companies often highlight the environmental benefits of green products. Alternatively, companies may strive to portray an image of overall corporate environmental responsibility. Which ever approach is used, companies that decide to pursue a green marketing strategy run several major risks, including:¹⁹

- The risk of being viewed as exploitative and deceptive if any gaps or perceived gaps exist between marketing claims and environmental realities.

- The risk of a fickle green market, where customer preferences are not well defined and their preferences and actions may not always seem to be in concert.
- Because the market is still evolving, there are risks associated with market pioneering.

Green Marketing and the Consumer

For consumers, being "green" involves making decisions and living in a way that minimizes adverse effects on the biophysical environment. Green consumers routinely assess the environmental impact of a products in making purchase decisions as well as modify their behavior with regard to the purchase, consumption, and disposal of products.²⁰

A 1995 study by Shrum et. al. found that the "green consumer" tends to:²¹

- | | |
|--|---|
| • Have an interest in new products | • Consider themselves opinion leaders |
| • Seek information | • Pay close attention to price |
| • Pay close attention to detail | • Be less brand loyal than those less green |
| • Talk with others about products | • Be skeptical of advertising in general |
| • Be careful shoppers not prone to impulse purchases | • Be more receptive to print rather than television advertising |

Based on these characteristics, it is apparent that companies that target this segment must work hard to retain customers they attract and be careful not to alienate customers with misleading, inaccurate, or non-defensible claims. However, given the word-of-mouth potential of this group, a focused environmental effort and careful scrutiny of related advertising claims has the potential to pay off.

In 1990, Roper Starch identified and characterized five distinct customer segments in terms of their environmental purchasing behaviors. Data for these segments has been tracked since then and these segments are mentioned numerous times throughout the green marketing literature. A description of these five segments and their estimated percentage of the U.S. population in 1996 appears below:²²

1. True-Blue Greens (10%). Hold strong environmental beliefs and live them. Believe they can personally make a difference in bettering the environment. Dedicate time and money to environmental causes and encourage others to do the same. Politically and socially active.
2. Greenbacks (5%). Willing to pay extra for environmentally preferable products. Worry about the environment and support environmentalism, yet too busy to change their lifestyles. Generally not politically active and express beliefs with their wallets.

3. Sprouts (33%). Considered the "swing group," willing to engage in environmental activities from time to time but only when it requires little effort. Won't generally choose a green product if it is more expensive than others on the shelf.
4. Grousers (15%). Do not believe that individuals play any significant part in protecting the environment. Instead, feel that responsibility belongs to the government and large corporations. Likely to use excuses to rationalize their lax environmental behavior (e.g., too busy, hard to get involved, products cost too much, everything is inconsequential anyway).
5. Basic Browns (37%). Not tuned in or turned on to the environment. Simply not convinced that environmental problems are serious. Do not make excuses; just don't care. Demonstrate complete indifference toward green products.

Green consumerism is limited today in large part because of consumers' mistrust of generic environmental claims, past negative experiences, and high environmental price premiums.²³ In addition, objective knowledge is relatively low among environmentally-concerned consumers and is not related to perceived knowledge, which means that many consumers may not have the requisite knowledge to make sound ecological decisions. This finding suggests that educating the consumer on environmental issues will be important in encouraging ecologically conscious purchase decisions.

Types of Green Marketing Claims and Advertisements

A number of researchers have classified green advertisements according to various characteristics. These classifications are shown in Table 2 along with a description and the source of the classification.

Table 2 - Advertisement Characterizations

Characteristic	Category	Claim/Message Description	Source
Specificity	Tangible	Concrete, more easily perceived	Manrai, Lascu, and Ryans, Psychology & Marketing, 1997
	Intangible	Abstract, more difficult to grasp	
Emphasis	Primary	Environmental is central	Davis, Journal of Consumer Marketing, 1993
	Secondary	Environmental is ancillary	
Strength	Strong	More powerful	Goldberg and Hartwick, Journal of Consumer Research, 1990
	Moderate	In between powerful and trivial	
	Weak	More trivial	

Table 2 - Advertisement Characterizations

Characteristic	Category	Claim/Message Description	Source
Orientation	Product	Focuses on environmentally friendly attributes of a product	Carlson, Grove, and Kangun, Journal of Advertising, 1993
	Process	Deals with internal mechanism yielding environmental benefit	
	Image	Associates organization with environmental cause or activity	
	Fact	Involves independent statement of fact about environment	
	Combination	Multiple facets	
Appeal	Well Baby	Affirms individual's action and its potential for significant effect	Obermiller, Journal of Advertising, 1995
	Sick Baby	Focuses on environmental problem, emphasizes severity	

Consumer Response to Green Marketing Claims and Advertisements

As more companies attempt to project an overall green corporate image, claim to use manufacturing and marketing processes aimed at preserving the environment, and position their products as meeting the needs of environmentally conscious segments of the market, consumers have questioned their honesty.²⁷ Evidence suggests that consumers are not only confused by environmental advertising claims, but also distrustful of them.²⁸ In a 1993 Roper Starch Worldwide survey, only 30% of adults said they would believe comparative environmental brand claims.

There are a number of reasons for the suspicion and confusion among consumers concerning green advertising, including:

- Many terms used in environmentally advertising have no clear meaning (e.g., environmentally-friendly, recyclable, ozone-friendly).
- Scientific knowledge required to understand issues underlying many environmental claims is often complex and subject to change.
- Comparisons made between products are frequently limited to a single environmental benefit and are therefore incomplete and potentially misleading.
- Consumers mistrust advertising information from businesses in general. In a 1991 Hartman Group survey, only 13% of Americans believe companies are trustworthy sources of information about environmental matters.

Customers do respond more positively to advertisements from which they believe that they can be effective in solving an environmental problem, an approach known as the "well baby" appeal.³² When public concern for an environmental problem is high, the

opposite approach - further promotion of the severity of the problem or the "sick baby" appeal - may make the problem seem too large to be solved and disengage the consumer.

A 1997 study examining the influence of environmental concern on human behavior³³ found that when respondents were asked to rank their three most important sources of information about environmental aspects of consumer products, they named newspapers and magazines most often (71%); followed closely by television or radio news (69%). Of somewhat less influence were print literature (41%), print advertisements (35%), friends (20%), and family (15%).

Although very little research has been completed on environmental advertising claims, a 1993 content analysis by Carlson et. al. indicated that:³⁴

- Product-oriented and image-enhancing claims tend to be misleading and deceptive more often than process-oriented and advertisements containing environmental facts.
- Advertisements with environmental facts were more acceptable than those with vague or ambiguous elements.

Other studies that have examined consumer response to environmental advertisements showed the following:

- Consumers are able to distinguish between specific and vague claims.
- Environmental claims perceived to be specific result in positive perceptions of the product as well as the advertiser, whereas vague claims result in negative perceptions.³
- Claim extremity/strength as well as advertiser reputation has a significant effect on product evaluation.

Influence of Environment on Purchase Decisions

Public concern for the environment peaked in 1991, and has since stabilized at a new plateau that is higher than in any previous decade.³⁸ In a survey conducted in 1991, 83% of the respondents indicated that they preferred buying environmentally safe products and 79% reported they considered a firm's environmental reputation in purchase decisions; however, only 15% said that environmental claims were "extremely or very believable."³⁹ Polls consistently show that a large majority of U.S. citizens consider themselves to be "environmentalists."⁴⁰ Survey research also shows that many consumers are likely to choose one company over another if they believe the brand will help the environment.⁴¹ Although it is impossible to know the exact role the environment plays in making purchase decisions (other than the fact that it is usually of secondary importance), it is a reasonable assumption that consumers are more likely to react favorably to companies that are thought to be responsive to environmental concerns. Consequently, many organizations are striving to improve their environmental position through green advertising.

Customer response to green marketing - in terms of willingness to pay a price premium - is also affected by outside factors, such as the condition of the economy versus the state of the environment. If the economy is doing well but the environment is shown to be degrading, willingness to pay increases. When the economy falters, willingness to pay inevitably decreases.⁴³

GREEN MARKETING AND PATAGONIA, INC.

Patagonia, Inc.

Patagonia, Inc. is one of the top manufacturers and retailers of specialty outdoor goods in the U.S. The company designs and markets highly functional and stylish clothes and gear for outdoor sports including backpacking, mountain biking, rock climbing, paddle sports, and skiing. Table 3 lists some vital statistics about the company.

Table 3 - Patagonia, Inc. Vital Statistics

Patagonia, Inc.	
1998 Revenues	\$170 million
Sales Growth (insert year)	7.3%
Employees	900
Headquarters	Ventura, California
Other Corporate Locations	Distribution Center - Reno, Nevada Research Center - Bozeman, Montana
Sales Channels	Retail - -30 Patagonia stores -1800 dealers Catalog - Phone / mail order Internet - Patagonia web site Numerous on-line resellers

Background

History

Patagonia, was founded by Yvon Chouinard in 1976 as a spin-off of Chouinard Equipment Company. Chouinard founded his equipment company in Ventura, California in 1964 to sell the climbing equipment that he started making mainly for himself and his friends a few years before. By 1970, Chouinard Equipment had captured 80% of the U.S. climbing market.⁴⁴ A few years later, the company added a line of clothes to its offering, which were eventually branded Patagonia.

Chouinard collected his various businesses under one umbrella in 1984, the Lost Arrow Corporation. The mid- and late-1980s brought tremendous growth (up to 30% per year) for Patagonia, causing Chouinard and Patagonia to struggle with their focus. Professional managers were brought in and expanded the Patagonia line up to 375 products, including a line of casual wear. The growth turned out to be short-lived and the expansion was unsuccessful. By 1989, expenses were out of control and inventory was piling up. A series of liability claims forced Chouinard Equipment into Chapter 11 bankruptcy and that company was sold off to employees. Patagonia, Inc. remained privately held.

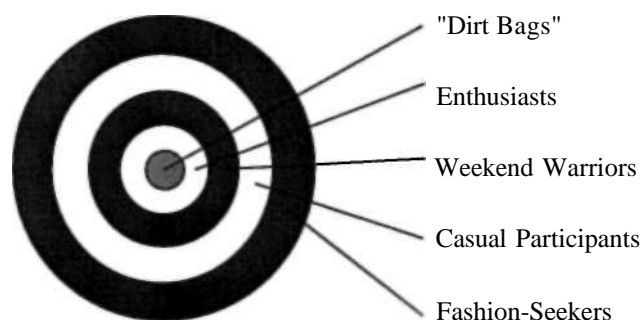
In 1991, Lost Arrow restructured operations by downsizing staff by 20%, cutting the clothing line by 30%, and reducing the number of catalog issues per year from four to two. This move was partly a response to the poor financial situation of the company, but also partly due to a significant change in strategy. Chouinard had become increasingly disenchanted with the direction his business was taking and how it was contributing to the negative environmental effects of American consumerism, which he felt would ultimately destroy the planet. After considering the option of selling out, he decided that he would instead try to use the company as a tool for social change. This was, in his mind, the only way to reconcile the company's values with its impact on the environment.

Since that time, the company has expanded operations again, but this time more slowly. In the past few years the company has introduced new lines in children's clothing, fly fishing, sailing, and surfing. Today, Patagonia boasts sales of \$170 million, a strong brand name, reputation for quality, and a presence on five continents.

Strategy

Patagonia's product and marketing strategy come together in what they call their "bulls-eye" diagram. This diagram, shown in Figure 2, represents concentric circles of customer segments, with technical needs and sporting expertise increasing from the outside in. The diagram starts with the casual consumer who most likely wears Patagonia clothes for the style and brand characteristics, and moves inward toward the center, or bulls-eye, of the diagram, which represents the most extreme and elite class of outdoor sportsmen and sportswomen. Patagonia refers to these core customers as "dirt bags."

Figure 2 - Patagonia's Bulls-Eye Strategy



Patagonia's product strategy, in general, is to make the highest quality gear possible and meet the needs of the world's most elite climbers, paddlers, bikers, and other outdoor sport experts (i.e., hit the bulls-eye). The company designs their products based on an ethic of simplicity - constantly striving to come up with functional, stylish, simplistic gear that can meet any challenge that a customer or the natural elements could present to it. They offer a full range of products suitable for all types of customers,

however, including \$75 fleece vests as well as \$750 ice suits. Patagonia feels that each customer group represented by a circle in the bulls-eye diagram looks inward at least one circle to see what to buy and wear. Therefore, by designing products primarily for the "dirt bags," yet offering some less technical gear, Patagonia will capture all customers at all participation levels.

Patagonia's marketing strategy fits well with its product strategy. Prices are high, signaling quality and giving the brand an elite status. Gear is seldom "on sale" and advertising emphasizes the soul of the sport, showing exotic places and activities that are primarily reserved for the "dirt bags" and enthusiasts. They have limited distribution to only a fraction of the number of company stores and dealers as some competitors have, and tend to concentrate retail and dealer locations in areas where the "dirt bags" and enthusiasts live and play - California and the Rocky Mountain States. Patagonia prides itself on hiring from the center circles of its customer base; so as to keep a close pulse on its core customers' wants and needs. They also have a discount program for professional climbers, bikers, paddlers, etc., and the top guides of those same sports. These are inner circle customers that are seen and emulated by outer circle customers. Lastly, they have shied away from mass marketing techniques in recent years. Patagonia spends about 0.5% of sales on marketing and sends catalogs only to active customers, not to names on rented mailing lists.

Operations

Patagonia conducts research on new fabrics and materials at its Advanced Concepts Design Center in Bozeman, Montana. Product design is done at corporate headquarters in Ventura, California. Material supply and manufacturing are contracted out to some 60 different contractors around the world, though 70% of the raw materials and more than half of the total production is domestic. About 25% of Patagonia's products are produced in Asia. All products are distributed through one central warehouse in Reno, Nevada.

Patagonia currently has four different sales channels: company stores, dealer stores, catalog, and Internet. Patagonia and dealer stores account for approximately 70% of sales, while the catalog accounts for about 30%. The Internet, while growing quickly, is currently less than 1% of total sales.

Patagonia operates 17 retail stores in the U.S. and 12 more internationally. Retail store locations are identified in Table 4.

Table 4 - Patagonia Retail Locations

U.S. Locations		International Locations
<ul style="list-style-type: none"> • Atlanta • Boston • Central Valley (New York) • Denver • Dillon (Montana) • Freeport (Maine) • Hale'iwa (Hawaii) • New York • Reno 	<ul style="list-style-type: none"> • Salt Lake City • San Francisco • Santa Barbara • Santa Cruz • Santa Monica • Seattle • Ventura • Washington D.C. 	<ul style="list-style-type: none"> • Argentina • Australia (2 stores) • Chile • France • Germany (2 stores) • Ireland • Japan (4 stores)

Patagonia's largest sales channel is its dealer network of over 1,800 specialty outdoor stores spread throughout all 50 states, the Caribbean, and seven Canadian provinces. Dealers stock a limited selection of Patagonia products usually alongside their competitors' products. Patagonia provides support such as education on products and sales/merchandising advice to their dealers.

Patagonia's most effective marketing and sales tool is its renowned catalog, from which customers can order by mail or over the phone. The Patagonia catalog has won numerous awards and was described by one competition judge as evidence that "Patagonia's merchandising is absolutely the best there is."⁴⁶ The company does not rent mailing lists; instead they mail to previous and existing customers as well as those who request one. Total annual circulation is approximately three million catalogs. Currently, there are four catalogs per year representing the entire product line. Individual lines such as fly fishing, sailing, and children's send smaller catalogs to target customers on a less frequent basis. Cold accounts are kept active for 54 months before being dropped from the mailing list. Their targeted strategy seems to have paid off. They generate approximately \$47 per catalog from recent customers compared to the industry average of about \$10 per catalog.

Patagonia has recently opened an on-line store at their web site, www.patagonia.com. It is designed to be very easy to use and provide good gear information as well as a large selection. By August of 1998, the site was generating 3,000 hits per day and \$90,000 in monthly sales.

Products

Patagonia has reduced the number of stock-keeping units (SKUs) in recent years for a number of reasons. For one, the cash flow crisis of the early 1990s required a significant scale-back of products and product lines. In addition, there is a new design ethic in the company that values simplicity and multi-functionality, reflecting Yvon Chouinard's vision of a future where people will "demand better and demand less."

However, new product lines have been introduced in recent years including surfing, fly fishing, sailing, and children's wear. This expansion has brought the number of SKUs back up near 300. Patagonia's major product lines and SKU estimates are listed in Table 5. Numbers are approximated because product lines are change over time and because many products are multi-functional and could be categorized in more than one product line.

Table 5 – Patagonia’s Products

Product Line	Approximate Number of SKUs
Sport Specific	
Alpine	15-20
Endurance (running, biking, climbing, hiking)	15-20
Fly Fishing	10-15
Paddle Sports	20-25
Sailing	5-10
Skiing	25-30
Snowboarding	5-10
Surfing	5
General	
Sportswear	40-50
Casualwear	40-50
Luggage	10-15
Footwear	5-10
Insulation	25-30
Children's	25-30

Customers

In general, there are two broad segments of Patagonia customers. The first segment is men and women who are very active in outdoor sports like climbing, skiing, or biking and who need high quality, functional gear for use in those activities. The second type of customer is a fashion-conscious consumer who is looking for stylish clothes to wear casually.

Both of these types of customers can be found on the bulls-eye diagram shown in Figure 2, however they are not exclusive sets. Many customers who use their Patagonia gear on the mountains or in the water also wear their clothes casually.

In 1998, Patagonia hired The Gallup Organization to conduct a study of Patagonia's customers to identify their characteristics, their purchase drivers, and ways that Patagonia can meet their needs better. Gallup found that Patagonia's customers can be divided into four segments based on psychographic traits. These are:

1. Naturalists
2. Athletes
3. Active Families
4. Occasional Buyers

Naturalists make up 34% of Patagonia's customers. They spend the most on outdoor clothing of any segment and are most willing to pay more for high quality craftsmanship. They also have very strong opinions about preserving and protecting the environment. Naturalists make up the oldest, best educated, and highest earning segment of Patagonia's customers. They were also found to have the highest Patagonia ownership and intent to purchase Patagonia in the future.

Athletes constitute 25% of Patagonia's customers. They engage in the widest variety of different activities and devote the most time to outdoor activities of any segment. This group contains a large number of runners, skiers/snowboarders, and rock climbers, and most consider themselves an expert in at least one activity. Athletes are typically young males, and have the lowest income and educational levels of any segment. Their awareness of, ownership of, and intent to purchase Patagonia is at the average for all Patagonia customers.

Active Families make up 17% of Patagonia's customers and typically include the entire family in outdoor activities like fishing. The majority of these customers are married and have children under the age of 12 in the household. This group has a high level of Patagonia ownership and future purchase intent. This group is relatively young, but with high incomes.

Occasional Buyers constitute 24% of Patagonia's customers. This segment is entirely disengaged and uninvolved from the sporting culture. This group consists mainly of females and likes to purchase at a discount. Occasional Buyers have a low awareness and interest in buying Patagonia. They buy casual Patagonia clothing.

Environmental Efforts /Activities

Patagonia's current existence revolves as much around a deep concern for the protection and preservation of the environment as it does around a love for outdoor adventure. To that end, Patagonia and its employees have made significant efforts to improve the state of the natural environment - almost since the company's first years of existence. Yvon Chouinard took the first step by phasing out steel pitons (at that time 30% of sales) from his Chouinard Equipment business in the early 1970s after he began to see the devastating impact that they were having on the mountains he loved to climb.

In 1984, Patagonia started its tithing program, which Chouinard calls the "earth tax." Through this program, Patagonia gives away 1% of revenues or 10% of pre-tax profits (whichever is greater) to small, grassroots-level environmental organizations.

Through 1998, Patagonia has given over \$14 million to 900 organizations from around the country.

The two other most notable environmental achievements of Patagonia are the introduction of PCR Synchronilla Fleece and the company's switch to organic cotton. PCR Synchronilla Fleece is fleece fabric made from recycled plastic soda bottles. In 1993, Patagonia developed this innovation and worked toward its implementation with Wellman Mills and Dyersburg Fabrics. Today it is branded by Wellman under the EcoSpun label. Since its introduction, the use of PCR Synchronilla Fleece in Patagonia's products has diverted over 110 million plastic soda bottles from landfills.⁴⁷ The total effect is magnified when one considers the fact that many of Patagonia's competitors, such as Marmot, have also used Wellman's EcoSpun fabric for a number of years.

In 1994, after learning of the harmful effects of conventional commercial cotton farming, Patagonia made a decision to switch its entire line of cotton products to organic cotton. Organic cotton is produced without the use of chemical pesticides or fertilizers and using techniques that preserve biodiversity and topsoil. This decision posed a serious risk considering both the increased cost of organic cotton and the limited and potentially unstable supply.

Patagonia has and continues to make numerous other environmental efforts, which are categorized and listed in Table 6.

Table 6 - Patagonia's Environmental Efforts and Activities

Environmental Activity Categories	Subcategories	Examples
Product Design	Life Cycle Assessment	<ul style="list-style-type: none"> Qualitative scoring of all products is done to highlight areas of potential improvement
	New Products	<ul style="list-style-type: none"> Organic cotton jeans T-Shirt blanks (new business)
	Material Substitution	<ul style="list-style-type: none"> PCR Fleece uses fleece made from recycled plastic soda bottles Organically-grown cotton is used in all cotton products Non-Chlorine bleach is used Some non-heavy metal based dyes have been substituted for more toxic ones
Suppliers / Manufacturing	Environmental Management Systems / Auditing	<ul style="list-style-type: none"> Contractor audits are done to identify ways for suppliers to improve environmental performance
	Material Use Reduction	<ul style="list-style-type: none"> Computerized fabric markers minimize cutting waste

Table 6 - Patagonia's Environmental Efforts and Activities

Environmental Activity Categories	Subcategories	Examples
		<ul style="list-style-type: none"> • "Seedlings" line makes clothes from scrap
	Process Improvement	<ul style="list-style-type: none"> • ACDC develops low impact manufacturing processes
	Supplier Education	<ul style="list-style-type: none"> • Supplier conference focused on reducing environmental impacts
Operations / Facilities	Recycling / Waste Reduction	<ul style="list-style-type: none"> • Paper is: recycled, printed with soy ink, made of organic cotton, hemp, and chlorine-free • Smaller hang tags are used to minimize material usage • No size stickers are used • Office recycling / composting are in operation
	Construction practices / Energy	<ul style="list-style-type: none"> • Energy audit was done on all operations • Renewable energy contracts have been signed for all California facilities • Energy efficient and "green" building and construction practices were used on the Reno Warehouse
Distribution	Transportation	<ul style="list-style-type: none"> • Use of rail instead of trucks
	Retail	<ul style="list-style-type: none"> • Employee training is done on organic cotton, PCR, and other environmental initiatives • Customer education is done informally • Meeting space is provided for local non-profits • Environmental and activism information is posted on store kiosks
	Wholesale / Specialty	<ul style="list-style-type: none"> • Employee training is done on major product-based environmental efforts (organic cotton, PCR fleece)
	Catalog / Warehouse	<ul style="list-style-type: none"> • Enviro Updates and Essays in every catalog • "Louder Than Words" catalog insert describes all environmental efforts • Saves paper by mailing catalog to targeted list • Patagonia Environmental Activism Telecommunication Center helps people get involved » Meeting space is provided at the Reno warehouse for non-profits
	Internet	<ul style="list-style-type: none"> • Environmental commitment is clearly

Table 6 - Patagonia's Environmental Efforts and Activities

Environmental Activity Categories	Subcategories	Examples
		displayed <ul style="list-style-type: none"> • Enviro Updates and Essays are published and archived • Company sponsors environmental section of www.exploremag.com • Environmental quizzes
Organization	Community Outreach	<ul style="list-style-type: none"> • Tools for Grassroots Activists Conference
	Monetary Donations	<ul style="list-style-type: none"> • Tithing Program (Earth Tax) - 10% of pre-tax profits donated to small grassroots NGOs • Outdoor Industry Conservation Alliance
	Product Donations	<ul style="list-style-type: none"> • Donations to environmental groups
	Other Donations	<ul style="list-style-type: none"> • Art services for environmental organizations
	Employee Programs	<ul style="list-style-type: none"> • Bail program / civil disobedience training • Internship program • Environmental speaker series
	Management Commitment	<ul style="list-style-type: none"> • Mission statement • Public speaking engagements by staff • Environmental NGO's sit on Board of Directors • Management often makes contrarian business statements (ex: climate change)
	Organizational Structure	<ul style="list-style-type: none"> • Environmental Programs staff • Environmental Message Group
	Environmental Reporting	<ul style="list-style-type: none"> • "Work In Progress" • "Louder Than Words" catalog insert
Partnerships / Alliances	<ul style="list-style-type: none"> • Outdoor Industry Conservation Alliance • Supplier Conference 	

Green Marketing Strategy

Historical Approach

As stated earlier, Patagonia's statement of purpose is "to inspire and implement solutions to the environmental crisis." Historically, Patagonia has focused on the "implement" part this statement rather than the "inspire" part. The company and its employees made significant environmental efforts, but didn't seek public recognition or directly convey these efforts to its customers.

Significant marketing campaigns accompanied the PCR fleece and organic cotton product introductions, but beyond that, Patagonia's green marketing efforts were

arguably non-existent. The feeling was that their customers would somehow learn about all the great things Patagonia was doing for the environment; they didn't need to be told. Some at the company felt (and some still feel) that anything resembling "green" marketing should be avoided altogether - either because of the potential for being critically "exposed" or because marketing these activities to sell more products would somehow corrupt the activities themselves.

The PCR Synchronilla Fleece and organic cotton product introductions involved employee and customer education programs, catalog essays, and feature articles in trade and mainstream press. Customer education was done primarily with point-of-purchase (PoP) displays and hang tag information. PoP displays included fact cards, signs, hanging banners, and other special items such as trash cans filled with plastic soda bottles and soda bottles filled with chips and EcoSpun polyester fiber. Patagonia received significant positive press for the introduction of PCR Synchronilla Fleece and organic cotton. All retail stores and many dealers took advantage of this by using some sort of PoP display to highlight these introductions.

Other activities that have been done in the past that could be considered green marketing include the following:

- Publishing Enviro Updates, Essays, and other environmental features in their catalogs and on their web site
- Making their employees available for news magazine, newspaper, and industry magazine features highlighting their environmental activities
- Publishing their first environmental report, "A Work in Progress" in 1992

Recent Developments

In 1998, Patagonia began to consider the need change their green marketing strategy. They explored some ways to be more direct in communicating their environmental message to customers and conducted limited market research. Then, in 1999, they rolled out a new - and more direct - green marketing tool. These three results of Patagonia's change in attitude are described below.

Green Values in the Marketplace - In early 1998, Patagonia solicited the opinion of a number of thought leaders outside the company to get their perspective on Patagonia and green marketing. They asked them to respond to the following four questions:

1. How can Patagonia be more effective at inspiring environmental activism?
2. How far should Patagonia push in telling its green stories and in sharing its green values?
3. What limits should define how we raise these issues with our customers and the public?
4. What is "green marketing?" How do we push to tell our stories while at the same time avoid green marketing?

Those polled came from a wide variety of backgrounds, so it was not surprising that the responses to these questions varied quite a bit as well. For the most part, everyone agreed that Patagonia was not green washing, and given their statement of purpose and all their efforts, should not worry about being categorized that way. One person put it well by noting essentially that "old customers trust what you say, new customers need to know what you do yet don't know enough to question you on it, and critics will always be critics." As a corollary to that, they also thought Patagonia should be even more vocal - they should do more green marketing. One person quoted Nelson Mandela, saying "your playing small does not serve the world." Suggestions on how to "play bigger" were varied. Some of the strategic and tactical suggestions are listed below.

Strategies for Green Marketing:

- Understand your company, your products, your customers, and how they use your products better before you decide on how to do green marketing
- Focus more on "inspiring" solutions
- Attempt to communicate your values
- Focus on affecting other businesses
- Retell the same old stories, because people forget quickly
- Empower the customer, use positive messages, and continue to emphasize Patagonia quality

Green Marketing Tactics

- Deliver clearer, simpler, and more focused messages - potentially by dividing activities into three categories: supporting citizen groups, changing business practices, and changing consumer habits, and promoting them in this context
- Tell the Patagonia story in the mainstream media through Yvon, the CEO, or the Board - exploit their modesty
- Publicly acknowledge shortcomings (this short-circuits claims of green washing)
- Do public service announcements on issues and use Patagonia phone banks to take calls
- Use free media campaigns to promote PCR Synchronilla or organic cotton
- Consider third-party certification of products or processes
- Educate the customer directly on environmental issues
- Facilitate word-of-mouth customer education - through the web and in other ways
- ® Develop a tools conferences for CEOs and business leaders
- Use three dimensional PoP displays (cotton bales, PCR stuff are better than signs and handouts)
- Start "Patagonia Books" or "Patagonia Press" to highlight environmental stories, causes, and authors
- Work with national parks, forests, etc. give them money - gain public acknowledgment

- Create a product line or a product endorsed by a leading environmentalist
- Sponsor a major human-powered sporting event where Patagonia's name becomes part of the title
- Don't create mail order inserts - put the message on the box or the packaging itself
- Use marketing to make people re-think the way they understand clothes - tell customers to make sure they really need the piece of clothing before they buy, keep it as long as possible, and recycle it or dispose of it responsibly at end of life - give people a repair kit, show people in old duct-taped, faded Patagonia stuff in catalog, allow people to send back old stuff for reconditioning, redesign less frequently so people feel less out of date

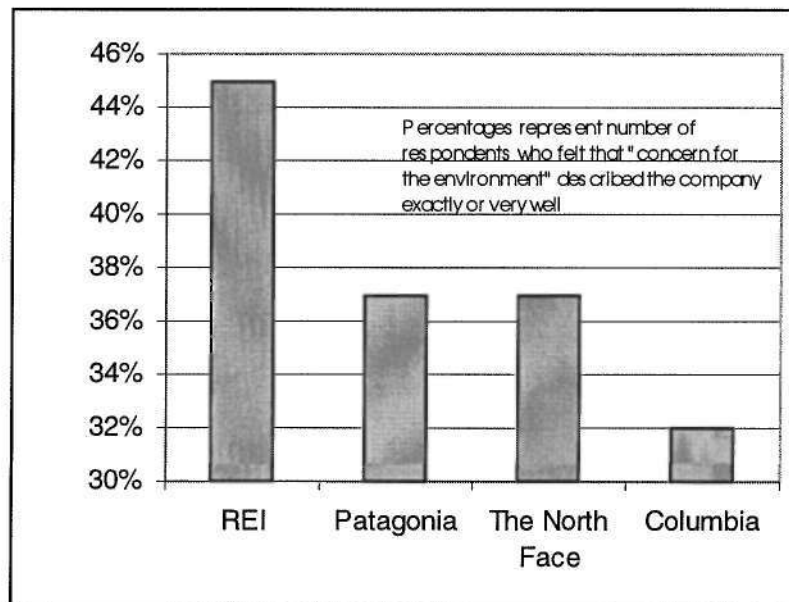
These suggestions were used as starter topics at a discussion that was convened in March of 1998 between a number of Patagonia managers and some outside experts from communications, marketing, journalism, NGO management, and public relations to talk about "Green Values in the Marketplace." From this discussion, Patagonia identified eight action steps to increase their green marketing activities. These steps were:

1. Focus the messages
2. Be more aggressive in obtaining mainstream PR
3. Create - and widely distribute - a booklet describing all of the company's activism
4. Allot a FULL 5% of catalog space to environmental issues
5. Increase internal environmental education
6. Increase use and scope of in-store displays
7. Define the total investment in environmental activities
8. Seek out academic case studies

Step 8 developed into the project that this report summarizes. Step 3 is described below. The Environmental Message Group was tasked with Steps 1 and 5. The other steps have been undertaken as well.

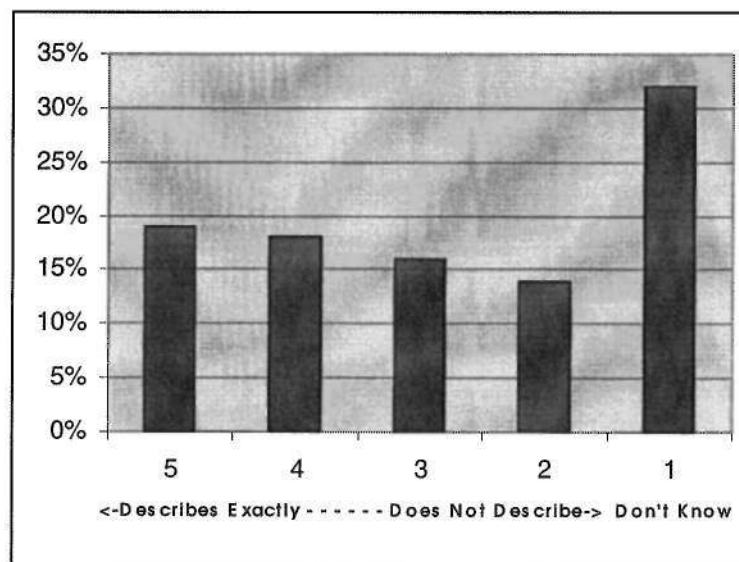
Market Research Results - Following the advice of some of the thought leaders that were polled, Patagonia decided to commission a market research study for the first time in their history. They contracted The Gallup Organization to perform this work. The study revealed shocking results to Patagonia. As highlighted in Figure 3, this study showed that Patagonia was not perceived as being more environmentally-proactive than its competitors.

Figure 3 - Competitive Brand Image: Concern for the Environment



However, other results showed that disconnect may have more to do with a lack of knowledge of what Patagonia does for the environment rather than a feeling that REI does more for the environment than Patagonia. This is highlighted in Figure 4; nearly one-third of respondents didn't know how to describe Patagonia's concern for the environment.

Figure 4 - Patagonia Brand Image: Concern for the Environment



Surprising as it was, this study further confirmed that their environmental message was not getting communicated as effectively as it should be.

Louder Than Words Campaign - In response to the market research, as well as the "Green Values in the Marketplace" discussion, Patagonia developed a booklet describing all of their environmental activism. This booklet took the form of a 16-page insert that was placed at the staple page of the Spring 1999 catalog. The booklet was titled "Louder Than Words" and highlighted the company's environmental efforts using pictures, stories describing their efforts, and highlighted phrases. Major sections are described in Table 7. The full document can be found in Appendix F.

Table 7 - Patagonia's "Louder Than Words" Catalog Insert

Title of Environmental Effort	Description	Highlighted Text
Igniting Passions	One-page introduction of booklet framed with the statement of purpose.	Patagonia exists as a business to inspire and implement solutions to the environmental crisis.
Funding the Fray	Two-page description of tithing program.	Patagonia has given more than \$14 million to 900 grassroots environmental groups. Every 18 months, we host a conference for environmental activists from all over the country, along with dozens of our own employees, to teach organizing skills as a way to boost the effectiveness of direct action groups.
Into the Fray	Two-page description of employee and activist programs.	Patagonia employees can work for a non-profit organization for two full months - and we'll still pay their salary. Patagonia also posts bail for employees with Ruckus training who are arrested in nonviolent actions that are consistent with our company's values.
Cleaning House	Two-page description of product and process-related activities to reduce Patagonia's impact on the environment.	We've developed alternative production methods and continue to find new ways to reduce environmental impact. In other words, we sweat the small stuff, the big stuff, the indoor stuff, the outdoor stuff, and the stuff that is produced by other companies to make our stuff.
Fleece from Bottles, Clothes from Scrap	Two-page description of PCR Synthilla Fleece and Seedlings line	We were the first to use fleece made from recycled fibers. For a while, we had company; today, nearly all outdoor firms are back to using fleece made from virgin crude oil.

Table 7 - Patagonia's "Louder Than Words" Catalog Insert

Title of Environmental Effort	Description	Highlighted Text
Dumping Pesticides, Going Organic	Two-page description of move to organically-grown cotton.	In one season, we converted our entire sportswear line to 100% organically-grown cotton. The risk was worth it. The move had no impact on quality, improved the feel of our fabric, and provoked a fundamental change in our attitudes about agriculture. Our goal of diversifying our fiber selection is to reflect the diversity of nature.
Building Smart	Two-page description of green building activities in Ventura and Reno	Our commitment takes interesting twists: we even recycled an entire building.
Fan Mail	One-page description of controversial nature of some of Patagonia's activities and a call for feedback.	Patagonia - Greetings from Grant Pass, Oregon. Saw your ad in the Daily Courier. I have a suggestion. Why don't you bastards keep your nose out of our business. And our lives!! Come around here and we will take care of pukes like you! YOU LIE AND YOU WILL BE STOPPED. STAY OUT AND STAY HOME. MIND YOUR OWN BUSINESS.

Current Green Marketing Tactics

Patagonia does market its environmental efforts and green agenda currently in a number of ways. These include direct methods, such as displays in stores, essays in catalogs and on their web site, and print advertising; as well as indirect methods, such as free media (features and articles on the company or Yvon).

Direct Methods

Retail Stores - Patagonia sends environmental messages to its customers through the retail stores in several ways. First, and foremost, is through the knowledge and awareness of Patagonia employees. Employees spread the word in response to direct questions regarding PCR, organic cotton, or any other environmental-related question a customer might have.

Second is through in-store displays for PCR Synchronilla Fleece and organic cotton, and non-product specific environmental messages displayed in the store. These had been used extensively immediately following the product introductions, but are used to a much lesser extent today.

The third way that Patagonia does direct green marketing through its retail stores is the information / activism kiosks that are used to display environmental information and opportunities for taking part in environmental activism. In addition, many stores provide meeting space for local environmental groups.

Dealer Stores - Patagonia's options for marketing their environmental efforts through their dealers are few. They do provide product and merchandising training for dealers who request it, and many of them are interested in the Patagonia story. This story, and the mythology of Yvon Chouinard, is often told to sales employees at the dealers by Patagonia wholesale account representatives during visits to explain product lines and features. Many dealers feel that these stories help them sell Patagonia goods. Dealers can also request product display materials, such as those for PCR Synchilla Fleece and organic cotton, but due to space constraints most dealers that turn a small volume of Patagonia goods (which is the majority of dealers) can't afford to sacrifice floor space for non-product materials.

Catalog - The Patagonia catalog is more than just a typical outdoor clothing and gear catalog. It has long been renowned for its great photography and copy by catalog experts and regular customers alike. It has also been Patagonia's greatest marketing tool. It has been used to communicate with customers about every major step or change of direction the company has made. When, in 1992 they were forced to take a hard look at their company and where it was going, Yvon wrote an essay in the catalog explaining why there were now fewer product and color choices. The same type of approach was used to introduce PCR Synchilla Fleece and organic cotton. Most recently, the "Louder Than Words" report on Patagonia's environmental efforts was distributed almost exclusively through the catalog.

Since 1989, every issue of the Patagonia catalog has included an appeal for support of or information on at least one environmental cause through the Enviro Update and Environmental Essay sections of the catalog. From the Fall 1996 through the Summer 1998 catalogs, 16 pages out of a total 472 catalog pages were dedicated to Enviro Updates or Essays.⁴⁸ This represents over 3% of the total catalog space. Recent causes have included salmon, old growth forests, organic farming, wildlands conservation, and river restoration. Other topics have included information on Patagonia's environmental efforts at home, such as their push to connect product quality with environmental quality, the "Q = E" campaign.

The recent decision to start publishing specialty catalogs - for fly fishing, sailing, surfing, etc. - raises some difficult issues for Patagonia with regard to its commitment to use the catalog to raise awareness. Because the specialty catalogs are much smaller and contain a more limited selection of products than the main catalog, they can less afford to allocate space to non-product issues like the environment. However, at least one

specialty catalog has decided to allocate one page of a 15-20 page catalog to an environmental issue.

Internet - The Patagonia web site is used in a similar manner as the catalog in terms of green marketing, although the web site contains much more information than a typical catalog. The web site is split into two pieces - the corporate web site and the on-line store. All the environmental information is on the corporate web site. All Enviro Updates, Essays, and numerous other environmental information pieces are posted and archived on the web site. In addition, the index page is kept fresh every two weeks and contains a section on environmental information and features on the site. Visitors can also find information on the Environmental Grants Program (tithing), search for "hot spots" of environmental activism to participate in, or search a "Tool Box for Activists" to find out how to be effective once involved.

Patagonia also sponsors another web site at www.exploremag.com. This web site doesn't sell products, but it reviews them, helps users plan trips, and provides access to interesting feature articles about climbing, mountain biking, and other sports that fit well with Patagonia's product line. It also contains a section devoted entirely to the environment and its connection to outdoor adventure. Patagonia's sponsorship is explicitly called out in this section of the web site. A number of articles are straight from the Patagonia web site, while others are original, but in the same vein.

Print Advertising - The majority of print advertising focuses on product or "soul of the sport" image attributes of Patagonia. However, ads have been run in selected magazines in the past that highlighted organic cotton blue jeans. In addition, two of 16 print ads that Patagonia has planned for Outside magazine in 1998 and 1999 have an environmental focus. The first of these showed a picture of tree sitters in the Headwaters Forest of Northern California trying to protect the last old growth Redwood trees.

Indirect Methods

Patagonia is one of the most chronicled companies in terms of mainstream media feature articles relating to the environment. A Lexis/Nexis search using the terms Patagonia and environment yielded over 30 articles from the last five years alone. Articles on the company's activities in general, as well as specific articles on organic cotton, PCR, or Yvon appeared in a wide variety of industry publications, newspapers, and magazines. Patagonia's activities have also been highlighted in several case studies and mentioned in some books in recent years. This media exposure is indirect green marketing, and may actually be as potent as some of the direct methods.

The Specialty Outdoor Retail Industry

Industry Analysis

Industry Trends

Growth - Industry growth is cyclical and has slowed in the last few years. This follows a five to six year period of higher growth starting in about 1992. Prior to that a number of firms had been in serious trouble (The North Face in 1988-1990 and Patagonia in 1991-1992) after having experienced incredible growth throughout the 1980s. The recent stagnation has less to do with volume dropping as it does with margins dropping due to new entrants, especially in the fleece market

Changes - Changes in the specialty outdoor market in recent years have included new entrants from fashion companies, expansion into new markets through acquisitions and new product development, and the advent of e-commerce. Winning companies in the future will differentiate through development of new and innovative products and continue to focus on technical features and providing good value. Companies who can't differentiate will be forced to compete on price.

Competitive Analysis

The specialty outdoor retail industry is highly competitive in some respects and not competitive in others. There are hundreds of suppliers to this industry, and millions of buyers (customers). This gives the competitors (specialty outdoor firms) tremendous power over their suppliers, allowing them to keep their costs low; and some power over buyers, allowing them to keep their prices somewhat high; although competition from new entrants and substitutes have hurt margins in recent years. Barriers to entry are falling as technology advances and the market expands into segments where technical quality is not as important as style. This is evidenced by the headway that fashion retailers like Eddie Bauer, L.L. Bean, and Old Navy have made into the market. However, at the technical end of the scale only a few firms compete and they are able to extract significant margins based on their brand image and quality. In this area, industry rivalry is low. Patagonia and The North Face consider their largest competitor, REI, a key partner and one of their largest dealers.

Marketing Analysis

Place: Distribution Channels - The specialty outdoor industry includes manufacturers, designers, and retailers. Some companies like REI are all three. Others like Patagonia only design and retail their goods, as well as sell to a large dealer network. Still others like The North Face and Columbia Sportswear only design clothes - they contract out manufacturing and sell only through a dealer network.

Distribution takes place in company retail stores, dealer-only stores, and mixed breeds like REI, who sells their own branded merchandise along side Patagonia, Columbia, and The North Face products. Patagonia and REI also have very successful

catalog mail / phone order businesses. Other non-design, non-manufacturing cataloguers exist as well, such as Mountain Gear and Early Winters. On-line there are dozens of companies who have set up e-commerce sites. Patagonia and REI run their own on-line stores, while Columbia and The North Face only have home pages that send you to other sites (REI.com or The Mountain Zone) to find their products.

Promotion: Advertising - Patagonia and its major competitors (REI, Columbia, and The North Face) all advertise in outdoor magazines such as Outside, Backpacker, Rock and Ice, and Climbing. Columbia and The North Face both have long running campaigns that are recognizable and have been very successful. Columbia uses the matriarch of the family business, Gert Boyle, and her son Tim (President of the company) in their ads to highlight the toughness and durability qualities of their products. The North Face places well-known climbers in photographs of attractive but intimidating far-away places, and is able to highlight the highly technical and dependable qualities of their products while at the same time selling the "soul of the sport" better than any other competitor. Patagonia has placed small product ads in these magazines for some time, but very recently expanded on this strategy with a series of image ads showing someone using their gear in extreme but attractive conditions with a catchy tag line. REI places small ads that usually suggest that the reader call for a catalog or check out the web site, rather than trying to market directly with a product or image ad. None of these ads, except the Patagonia ads discussed previously, focuses on or even addresses environmental issues or environmental efforts of the companies.

All of these competitors also advertise on-line at web sites like The Mountain Zone, Mountain Gear, ExploreMag, REI.com, and others.

Columbia and The North Face also have television ads; Columbia's campaign is well-recognized and somewhat mainstream. The North Face ads, although consistent with the print ads, are new and shown only in niche contexts, such as outdoor events on ESPN or the Discovery Channel.

Patagonia's Competitors

REI

Recreational Equipment, Inc. (REI) was founded in 1938 by a group of mountain climbers in Seattle who were looking for high quality climber gear at affordable prices. The company was formed as a co-op and today boasts over 1.7 million members. These members are entitled to a share of company profits that are returned as an annual dividend.

Today REI is the largest specialty outdoor retailer in the U.S. with revenues over \$540 million. REI operates nearly 50 retail stores in more than 20 states including three flagship stores in Seattle, Bloomington, Minnesota, and Denver. REI has a successful

catalog business as well with a history nearly as long as the company's. However, over 80% of the company's sales still come from their retail stores.

REI also has the biggest on-line outdoor equipment and gear store on the World Wide Web. REI.com annually turns a volume about as large as a typical store. The company has also launched an off-priced on-line store called REU-Outlet.com that sells overstock, out of season, or previous season's goods.

Recently REI has begun to experiment with mall-based stores that sell a scaled-down version of their merchandise lines.

Environmental Efforts /Activities

Primary research included phone interviews with REI employees at the co-op's headquarters in Seattle to gather information about REI's environment efforts. The employees interviewed are listed below Table 8.

Table 8 - REI Employees Interviewed

Date	Name	Title
4/27/99	Melissa Sell	Public Affairs
4/28/99	Jerry Chevassus	Director of Store Development
4/28/99	Eryn Gregory	Senior Apparel Designer

Information on REI's environmental efforts were also gathered through secondary research on REI's web site and Lexis/Nexis. REI and their employees conduct a number of environmental efforts and activities that are categorized and listed in Table 9.

Table 9 - REI's Environmental Efforts and Activities

Environmental Activity Categories	Subcategories	Examples
Product Design	Life Cycle Assessment	<ul style="list-style-type: none"> • Informal only
	New Products	<ul style="list-style-type: none"> • Hemp-based casual-wear coming soon
	Material Substitution	<ul style="list-style-type: none"> • Less heavy metals in fabrics: Pb, Cd • Attempt to avoid PVC
Suppliers / Manufacturing	Environmental Management Systems / Auditing	<ul style="list-style-type: none"> • Required suppliers have low heavy metal in fabrics: Pb, Cd
	Material Use Reduction	<ul style="list-style-type: none"> • Fabric cutting waste minimization • Using less material in some products
	Environmentally-friendly products	<ul style="list-style-type: none"> • Numerous "environmentally-friendly" products are stocked

Table 9 - REI's Environmental Efforts and Activities

Environmental Activity Categories	Subcategories	Examples
	Process Improvement	<ul style="list-style-type: none"> • None
	Supplier Education	<ul style="list-style-type: none"> • Guidelines to minimize packaging waste are given to suppliers
Operations / Facilities	Recycling / Waste Reduction	<ul style="list-style-type: none"> • Paper is recycled and printed with soy ink • Office recycling
	Construction practices / Energy	<ul style="list-style-type: none"> • Recycled materials and other "green" building and construction practices used in the Seattle flagship store
Distribution	Transportation	<ul style="list-style-type: none"> • None
	Retail	<ul style="list-style-type: none"> • Employees have access to intranet which provides information on environmental issues and REI's efforts • Event Outreach Coordinators are assigned to each region (12) and tasked with integrating business activities with local environmental groups' activities • Meeting space is provided for environmental groups like the Sierra Club • Sponsors and hosts lecture series on environmental issues • Environmental and activism information is posted on store kiosks - Environmental Resource Center
	Wholesale / Specialty	<ul style="list-style-type: none"> • NA
	Catalog	<ul style="list-style-type: none"> • Reduced number of catalogs per year to save paper
	Internet	<ul style="list-style-type: none"> • Environmental awareness is described as one of the company's corporate values • REI News articles focus on environmental issues • REI Great Places program, Community Service Projects, REI Grants Program, Community Involvement, and The Conservation Alliance are described • REI Viewpoints (on environmental issues) are published
Organization	Community Outreach	<ul style="list-style-type: none"> • Annual community service projects are organized in each store community; employees and volunteers work together on projects that increase local recreation opportunities

Table 9 - REI's Environmental Efforts and Activities

Environmental Activity Categories	Subcategories	Examples
	Monetary Donations	<ul style="list-style-type: none"> • Grants program (for conservation or community recreation organizations) funded by a percentage of pre-tax profits • Outdoor Industry Conservation Alliance
	Product Donations	<ul style="list-style-type: none"> • Community recreation grants often donate products • Expedition program donates to groups, partially based on environmental aspect of expedition
	Other Donations	<ul style="list-style-type: none"> • None
	Employee Programs	<ul style="list-style-type: none"> • None
	Management Commitment	<ul style="list-style-type: none"> • Environmental awareness is part of corporate philosophy
	Organizational Structure	<ul style="list-style-type: none"> • No environmental staff other than Outreach Coordinators
	Environmental Reporting	<ul style="list-style-type: none"> • Annual history of grants program is available in public affairs department
	Partnerships / Alliances	<ul style="list-style-type: none"> • Founding member of the Outdoor Industry Conservation Alliance

Green Marketing Strategy - REI's green marketing strategy involves positioning the company as an environmentally-friendly company through contributions to and support of nature conservation, trails preservation and rehabilitation, and other uncontroversial outdoors environmental efforts. A cohesive, strategic plan for environmental or green marketing does not exist. There is no formal "environmental" staff at the company, and a number of significant environmental activities done by the company are either understated or not marketed at all.

The REI Grants program is the most highly publicized environmental effort at REI. Since inception in 1976, the program has contributed over \$6 million to protect the outdoors for recreation. The annual budget is over \$850,000 today, representing about 5% of pre-tax income.⁴⁹

There are two kinds of grants in the program - conservation grants and community recreation grants. Conservation grants support grassroots, regional and national organizations and programs working to protect outdoor recreational resources. Grants target efforts dedicated to ensuring trails, rivers, and public lands are and will continue to be safe and accessible. Community recreation grants help support recreational organizations in the communities where REI stores are located, and whose activities are linked to the muscle-powered sports that REI sells clothes and gear for.

Also well known, but more so at the local level, is REI's support of community service projects. Volunteers join REI staff and community groups to work in efforts to increase local recreational opportunities. In 1997, REI stores coordinated 30 service projects involving nearly 2,500 volunteers and 22,000 hours of work.⁵⁰

Communication of Environmental Messages - REI does not actively promote itself as an environmental company through direct means, such as paid advertising or free media. One REI employee stated that, as a co-op, REI feels its net operating margin is better "spent" as dividend payments to members or direct impact activities like the REI Grants Program.⁵¹ Print advertisements focus on the image of the company as a friendly and fully-stocked outdoor products company. Ads often include pictures of outdoor scenery with hikers or mountain bikers, promotion of the catalog or web site, and a tag line that has to do with getting outdoors.

A search of Lexis/Nexis uncovered about 15 articles in the mainstream press about REI that somehow referenced the environment. Most referred to the environmental ethic of the company in general, while others described particular environmental efforts. Most notable of these efforts included the award-winning green design of the Seattle flagship store and the REI Grants Program.

Although a web surfer can get to a page describing REI's environmental commitment in just two clicks from the REI.com home page, REI's environmental stance and a description of their activities are really not that easy to find on their web site. REI.com is first and foremost an on-line store, and is not used as a billboard to highlight REI's values. In addition to the environmental commitment, the REI Grants Program, the Outdoor Industry Conservation Alliance, and other environmental efforts are described on the web site. Another aspect of REI.com's web site that involves green marketing is the product descriptions that accompany each product sold on-line. A quick search of the on-line store for products with the term "environmental" in the description revealed nearly 50 items that were being marketed on-line with "environmentally friendly," "environmentally safe," "recyclable," "environmentally improved," or "environmentally sensitive" product descriptors.

Less direct methods that may affect the environmental image of REI in the mind of consumers include things they find in REI stores and catalogs as well. These include information kiosks in their stores highlighting or promoting environmental causes or activities that customers can get involved in, the green tree in the company logo, and green employee vests. REI also devotes one page of each major catalog to its "REI Viewpoint" where the company's commitment to the environment as exemplified through the REI Grants Program is described.

Columbia

Environmental Activities - Columbia is involved in a number of environmental activities from its corporate office in Portland, Oregon. They donate 'recycled' (returns, samples, etc.) clothing to various non-profit, human assistance organizations in the Portland area. They also sponsor Ducks Unlimited, Trout Unlimited, Rocky Mountain Elk Foundation, Pheasants Forever and other organizations dedicated to the preservation and restoration of ecosystems and wildlife habitat. Columbia is also a member of the Outdoor Industry Conservation Alliance.

Green Marketing Strategy - Columbia has no green marketing strategy to speak of, beyond posting the activities mentioned above on their web site.

Communication of Environmental Messages - This is done only through their web site. Their flagship retail location in Portland and their eight outlet stores are not used to highlight their environmental activities at all. Their print and television advertising is focused entirely around the "Mother Boyle" theme and does not allude to environmental issues in any way. Virtually no mainstream press articles have been printed which deal with Columbia and environmental issues since 1995.

The North Face

Environmental Activities - The North Face is a member of the Outdoor Industry Conservation Alliance.

Green Marketing Strategy - The North Face has no green marketing strategy.

Communication of Environmental Messages - The North Face does virtually no green marketing. Their retail locations are not used to highlight any environmental activities the company or its employees do. They have no web site or catalog, and their print and television advertising is strictly limited to their "soul of the sport" images and product descriptions. Virtually no mainstream press articles have been printed which deal with The North Face and environmental issues since 1995.

GREEN MARKETING FOCUS GROUPS

Focus Group Objectives

A "focus group" is a planned, focused discussion designed to obtain qualitative data regarding the perceptions and feelings of customers towards a product, idea, or message. Focus groups are a particularly applicable method for in-depth exploration of a topic about which little is known⁵², which is the case for green advertising. For this reason focus groups were used in this study to explore customer perceptions of print green marketing advertisements and customer attitudes towards green marketing in general.

A number of specialty outdoor clothing customers were recruited and convened as a group to learn more about their reaction to different types of environmental advertisements, hear their thoughts on the use of environmental issues in marketing, and gauge their response to companies that have chosen to use this type of advertising. Analysis of the participant discussion will provide input into Patagonia's environmental communications strategy, build upon the existing body of green marketing literature, and also give rise to areas for further research.

Focus Group Design

The focus groups were held at the University of Michigan Business School Collaboratory for Research on Electronic Work on March 25, 1999 and April 13, 1999 from 7:00 to 9:00 p.m. The focus group methods followed in this study relied heavily on detailed procedural guidelines presented in Morgan and Krueger's Focus Group Kit. This resource provided in-depth knowledge in the areas of planning, recruiting participants, developing questions, moderating, and analyzing results which the research team used as the basic framework for focus group design. As suggested by Krueger, a detailed focus group agenda was developed. It included the following three major segments:

- Segment 1: Introduction
- Segment 2: Green Marketing in General and in Outdoor Clothing Industry in Particular
- Segment 3: Direct Response to Patagonia's "Louder Than Words" Catalog Insert

Copies of the research questions and moderator script for both focus groups are attached as Appendices E and F respectively. Initial questions posed to participants were relatively unstructured with more detailed questions used to follow-on and probe further. A less structured format was selected in order to avoid "leading" the participants in any particular direction. The questions were pre-tested with a smaller trial focus group prior to the initial focus group, and modifications were made based on this pre-test.

Segment 1 involved a description of the purpose of the focus group, an explanation of the agenda and some of the ground rules, and included a planned ice-breaker for participants to get to know one another a little before the discussion began.

Segment 2 involved showing participants approximately ten green advertisements from both outdoor clothing and non-outdoor clothing companies using an overhead projection system. Images were also passed around for a close-up view, and the ad copy read to the participants. The participants discussed their feelings and attitudes toward the images, messages, and companies shown in the advertisements.

In Segment 3, the participants were asked to comment directly on material from Patagonia's "Louder than Words" catalog insert. During the first focus group, written messages from Louder than Words were taken out of context (i.e., black letters on a white background) and the participants didn't know which company the messages were associated with. In addition, some similar messages used by other outdoor clothing companies were included to get a response to things Patagonia was not saying, as well as what they were saying. In the second group, the actual insert was distributed to participants to provide a sense of context. This resulted in the participants being aware that the messages were from Patagonia and necessarily resulted in only Patagonia messages being discussed.

After each focus group, the moderators distributed the incentive, thanked each participant, saw them out of the building, and then debriefed and noted the key points and areas of interest that emerged during the session.

A copy of the ten green advertisements discussed in Segment 2 can be found in the Focus Group Presentation included as Appendix C. Table 10 shows the characterization of these ten advertisements using the categories described in Table 2.

Table 10 - Characterization of Advertisements Discussed in Focus Groups

Advertisement	Specificity	Emphasis	Strength	Orientation	Appeal
Ford	Tangible	Primary	Moderate	Image/Process	Well Baby
Honda	Tangible	Primary	Moderate	Image/Product	Well Baby
IBM	Tangible	Primary	Weak	Image	No appeal
Deep E Co	Tangible	Primary	Moderate	Image/Product	Well Baby
Havana Joe	Intangible	Secondary	Weak	Image	No appeal
The North Face	Intangible	Secondary	Weak	Image	No appeal
Patagonia Tree Sitter	Intangible	Primary	Strong	Image	Sick Baby
EMS	Tangible	Primary	Moderate	Image	Well Baby
Nike ACG	Tangible	Primary	Strong	Image	Sick Baby
Patagonia Organic Cotton	Intangible	Primary	Moderate	Image/Product	Well Baby

It should be noted that the characterization process is not exact; however, it is a viable method to distinguish between the different advertisement types in the relation to the comments made during the focus group discussion.

Focus Group Participants

The targeted group of participants was frequent purchasers and users of outdoor clothing roughly representing the athlete, naturalist, active family, and occasional buyer customer segments. Participants were recruited at local specialty outdoor clothing stores - Recreational Equipment Inc. (REI) in Novi, MI, Wilderness Outfitters in Ann Arbor, MI, and Bivouac in Ann Arbor, ML The "intercept method" was used to identify and approach potential participants as they exited the retail establishment. Potential participants were asked to complete a short screening questionnaire, which is attached as Appendix E. They were also offered a fleece jacket from a major manufacturer valued at \$85.00 as compensation for their participation.⁵⁴ Fifteen out of the 19 people (79%) who completed the screening questionnaire were invited and agreed to participate in a focus group. Nine individuals participated in the first group and six participated in the second, representing a 100% attendance rate. These numbers fall within the recommended optimal size of focus groups.

Summary demographic and other relevant information describing the make-up of the focus group in terms relevant to this study was gathered from each participant, and summarized for the entire group in following exhibits. As shown in Figure 5, Columbia is slightly more common in the closet than the other brands. The most frequent unaided responses were L.L. Bean, Marmot, Sierra Designs, Land's End, and Eddie Bauer.

Figure 5 - Do you currently own any outdoor clothing made by?

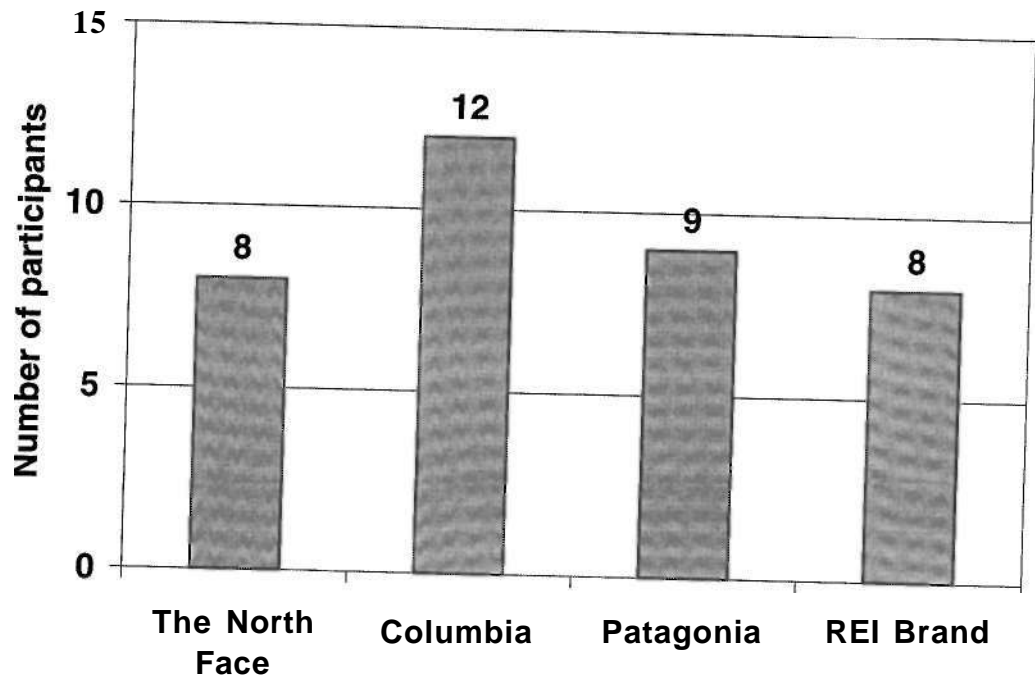
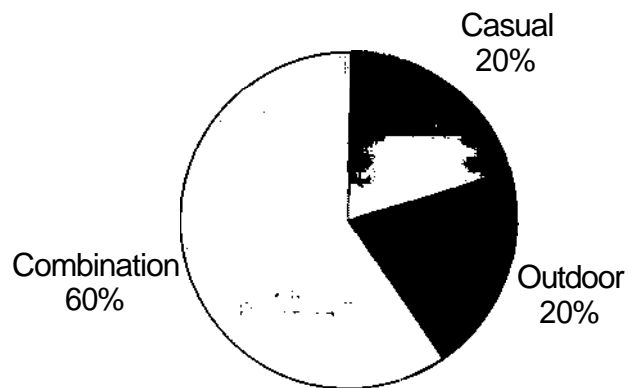


Figure 6 shows that a strong majority (80%) use their outdoor clothing for casual as well as outdoor activities.

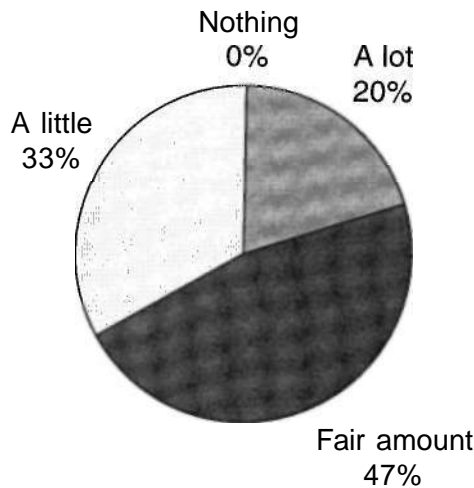
Figure 6 - How is your outdoor clothing used?



In addition, 87% of all focus group participants had purchased outdoor clothing in the past year, with an estimated average expenditure of \$345.

Questions were asked of participants regarding their environmental knowledge. Responses to these questions are presented below for the entire group. Figure 7 shows that about two-thirds of the focus group participants felt they knew a fair amount or a lot about environmental issues. This is slightly higher than national averages for the general population. According to a Roper-Starch survey, 10% of the general population knows a lot, 58% a fair amount, 27% only a little, and 5% practically nothing.⁶

Figure 7 - In general, how much do you feel you know about environmental issues and problems?

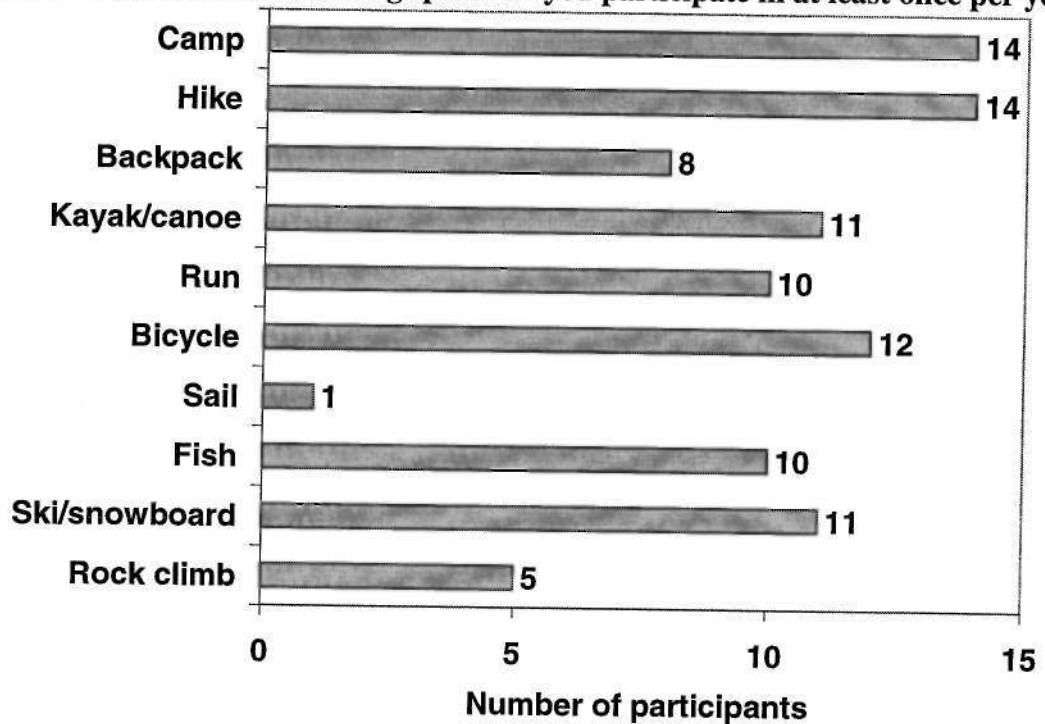


When asked what they considered the most important environmental issues today the most common response of focus group participants (slightly over 50%) were pollution issues related to air, water, or waste. Endangered species, habitat loss, sprawl, deforestation, global warming, landfill space, and rainforest destruction were also mentioned by single respondents.

When asked about the term "green marketing," 67% of the participants recognized the term. In giving an unaided definition of the term, most respondents stated that green marketing in some way involves "using environmental issues to sell products." In addition, 60% of participants claimed to have purchased products (not just outdoor clothing) based on their environmental attributes or the environmental practices of the manufacturer.

As shown in Figure 8, the focus group participants were active in outdoor sports, with camping, hiking, biking, and skiing as the most popular pursuits. On average, each participant engaged in slightly over six of the 11 outdoor sports at least once per year.

Figure 8 - Which of the following sports do you participate in at least once per year?



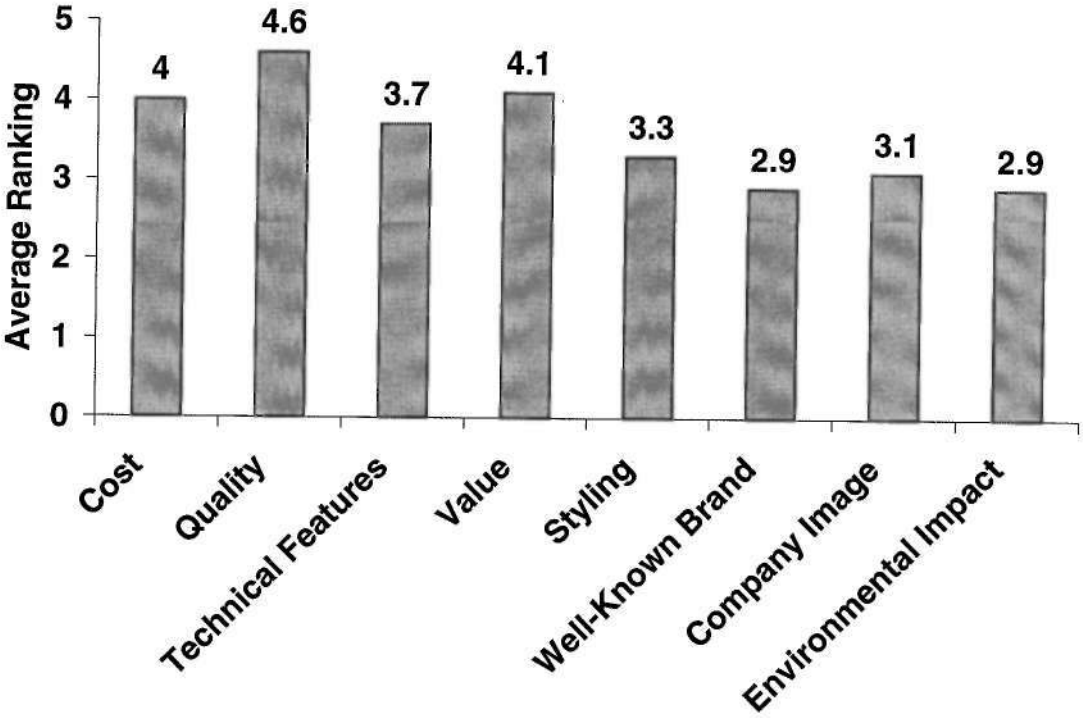
The total annual household income of the group varied from less than \$25,000 (student) to over \$100,000. Most of the focus group participants - 40% - were in the \$50,000 to \$75,000 range. Additional demographic data such as age, gender, marital status, education, and residence are summarized in Table 11.

Table 11 - Additional Demographic Data for Focus Group Participants

Average age	36 years old (range: 23 to 56 years old)
Gender	93% male - 7% female
Marital status	60% single - 40% married (73% with children in household)
Education	93% college graduates 33% graduate school or beyond
Home Addresses in Michigan	Ann Arbor (4), Canton (2), Hartland, Northville, Novi, Plymouth, Pinckney, Rochester Hills, Ypsilanti (3)

During the focus group session, each participant was also asked to complete a second survey that requested information on customer preferences regarding types of outdoor clothing owned, purchasing habits and criteria, and outdoor-related magazine interests. A copy of the survey can be found in Appendix G. The findings related to purchase criteria and are shown in Figure 9 below.

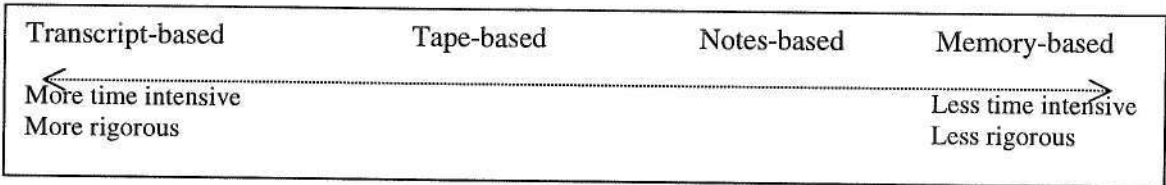
**Figure 9 - What do you look for in the outdoor clothes you buy?
(1 = Unimportant to 5 = Very Important)**



Consistent with previous findings within the industry, quality, cost, and value were viewed as most important when buying outdoor clothes. Well-know brand and environmental impact of products ranked last in contribution to purchase decision. Brand image is rarely self-scored as important even though it does play either an overt or covert role in product selection. Environmental impact is rarely considered a top priority.

Results

Krueger identifies four major ways to analyze focus group data.⁵⁷ These are shown on a continuum of time intensity below:



Transcript-based analysis, where a word-for-word transcript of the focus group discussion is prepared and analyzed, is the most time intensive and rigorous of methods whereas memory-based analysis, relying primarily on moderator recall after the event is the least time intensive and rigorous. For this study, a hybrid approach between tape-based and note-based in which the focus group videos were reviewed and detailed notes taken, however, a formal abridged transcript was not prepared.

The analysis of focus group video and notes could have take a wide variety of forms, ranging from very rapid, highly subjective impressionistic analyses to sophisticated computer assisted analyses.⁵⁸ Because of the fairly open and free-flowing nature of the green marketing discussion, a rigid, data coding approach was not appropriate in this situation. Instead, a pragmatic and thematic content analysis was conducted. The pragmatic approach focused on probable cause and effects (e.g. the emphasis is on why something is being said in response to green marketing messages as opposed to precisely what is being said).⁵⁹ The thematic element emphasized recurring systems of beliefs or explanations (e.g., the most frequent comments that arose in discussing a company's motive for engaging in environmental advertising) as well as the more infrequent "golden nugget" insight.⁶⁰ The videos and notes were analyzed question-by-question, looking for themes within questions, and then across questions.⁶¹ Particular attention was paid to the frequency of themes, the relative balance of favorable and unfavorable attributions, and the kinds of qualifications and associations made with respect to the green marketing messages.⁶²

After identifying major themes, findings emerged that are relevant to green marketing in general and the situation at Patagonia. These findings are presented below along with selected anecdotal examples from the focus groups that support the findings and a brief look at the green marketing strategy implications of the findings.

Major Finding #1

Preconceived notions about a company or industry significantly impact customer attitudes about and interpretation of environmental print advertisements regardless of the truth or validity of the perception or the claim. When a participant held a positive existing image of a company prior to seeing a green marketing message the advertisement strengthened or maintained this belief. For participants who had an unfavorable prior impression of a company or its industry, environmental advertisements evoked feelings of mistrust or cynicism.

Examples

- The Ford Motor Company advertisement sparked participant comments about the fact that the "auto industry is sketchy" and can't be trusted as well as participants

associating Ford with its recent introduction of the low fuel-economy Excursion. One participant pointed out that the Ford advertisement takes on an apologetic tone which is an admission of their guilt. Preconceived notions of Ford Motor Company trumped all other factors in processing the advertisement as evidenced through comments such as "the auto industry knows what they are doing is bad - they are just trying to gloss over it, much like the tobacco industry."

- In contrast, Honda does not apologize for their actions, an approach which was better received by the participants. Several participants had the "notion of Honda being a clean vehicle" as well as a "technology and innovation leader" which is one reason why this ad was more believable to participants than the Ford advertisement. Honda also reinforces their consistent marketing theme that its vehicles are "fun cars to drive."
- The Tom's of Maine advertisement raised the preconceived notion of "what's the big deal about toothpaste" among participants. Other participants who used the product provided vivid first-hand descriptions of its differences from regular toothpaste. This word-of-mouth description resulted in great participant interest in the product. The print advertisement alone probably wouldn't have changed the "toothpaste is toothpaste" preconceived notion.
- The Patagonia tree-sitting advertisement appealed to those with prior knowledge of what Patagonia does for the environment. In one participant's words, "the ad is too obscure for someone who doesn't already know Patagonia." For those who knew little about Patagonia, they were very uncertain about the company and what the picture represented.
- The Nike ACG advertisement exemplified the existence and influence of preconceived notions about a company. One participant commented that "as soon as I saw the name Nike, my reaction was negative because of their labor practices." Another "liked the ad and then saw the Nike symbol and thought 'what a load of bull.'" This sentiment was expressed by multiple participants.
- In responding to the IBM advertisement which touted the company's environmental awards, one participant demonstrated his preconceived notion with the comment "computers aren't a terribly dirty industry anyway" and discounted the strength of the claim made in the advertisement.

Implication

Considering the influence that preconceived notions have on the evaluation of green marketing ads, these messages might be best targeted to current customers instead of potential new customers. In one participant's words, "the Ford ad is trying to make owners feel good about their purchase." If this approach were followed, environmental

print advertisements would predominantly function to reinforce existing perceptions. This would require the use of communication tools that create positive initial perceptions before environmental print ads could begin to be successful. The outdoor clothing industry, for example, must overcome the perception exemplified by one participant who said "what it takes to keep you warm, dry, or cool is not natural, you just happen to use it in nature." Another strategy is to combine positive preconceived notions of a company - e.g., Honda vehicles are "fun to drive" - with an environmental message. In this vein, one participant accurately noted that "Patagonia is a quality company selling quality goods *and* they support worthy causes."

Major Finding #2

Participants required a baseline level of environmental knowledge about the issue or action in order to connect with the advertisement. Multiple participants expressed the need to recognize the existence an environmental issue before they could see it as something with which a company should be involved. In general, environmental actions taken by companies and depicted in the advertisements require previous knowledge of the action's importance or the issue at hand for a participant to view it as worthwhile. Moreover, without prior understanding of an issue or education in the advertisement content, unfamiliar issues or actions evoked skepticism by participants regarding its validity.

Examples

- Participants were confused and cynical about Deep E Co.'s efforts to prevent overgrazing and their support of sustainably managed cattle. "Sustainable managed cattle made me laugh, I didn't know it was an issue." Besides the preconceived notion that "leather is leather," participants' lack of knowledge about overgrazing issues and the term "sustainably managed cattle" disengaged them from the advertisement and caused serious doubts. Their unfamiliarity with the "Dutch eco-label" exacerbated this reaction.
- With the Patagonia tree sitter advertisement, participants in both focus groups did not recognize the activity taking place. One person ventured a guess that "it's either a logger or tree-sitter." This lack of understanding, combined with almost non-existent text describing the activity, made for an interesting photograph but did not elicit a positive response from participants.
- There was similar confusion over the Patagonia organic cotton jeans advertisement. Most participants did not know about the environmental benefits of organic cotton. In one person's words, "I'm not eating my jeans, it doesn't matter." Another stated that "organic simply means that it contains carbon." Without prior knowledge, buying organic cotton jeans was not seen by participants as an opportunity to "change

[their] world" because the link between the product, production process, and environmental/health impacts was not presented or understood.

Implication

Environmental issue recognition is essential for the customer to connect with a green advertisement. Developers of green advertisements should not assume that customers have a prior understanding of the issue being discussed. As in the case of Deep E Co. or Patagonia, issues such as overgrazing or organic cotton may be commonplace to the advertisement designers but may not be with the average customer. As one participant insightfully pointed out, "whereas the Tom's of Maine ad told us why buying natural toothpaste is good, Patagonia fails to explain the benefit of organic cotton." Although education may not be the primary role of green print advertisement, this result shows that education may actually be a key to success in green marketing. It may be done primarily through means other than print advertising, but a minimal threshold of explanation should be included when introducing an unfamiliar environmental issue or action in a print ad. In the case of organic cotton, the link between the environmental benefits of the product and production process must be strengthened. Even 100% "organically-grown" cotton is more descriptive than 100% "organic" cotton.

Major Finding #3

Participants identified with green advertisements that present familiar situations or environmental actions in which they could become involved. While participants were "drawn into" extraordinary activities sensationalized by bold photographic images such as tree-sitting or removing oxygen canisters from Mount Everest, they found it difficult to make the leap from these images to taking steps to improve the environment in their everyday lives.

Examples

- The Honda advertisement resonated with several participants because they could relate to sitting in traffic and thinking about the negative environmental and health impact of automobile emissions.
- Participants reacted positively to the EMS advertisement because it provided an example of not only the company's sponsorship and involvement with National Trails Day, but also offered an avenue for individual action. Trail clean-up was very tangible whereas tree sitting to protect old growth forests, for example, was not.

best route for communicating facts and comparisons to gain the highest level of believability may be through a third-party, such as the media or environmental groups.

Major Finding #5

Although participants had varying levels of baseline environmental knowledge, most were able to distinguish between specific and vague claims. Specific claims were much more believable and appreciable to participants. Furthermore, advertisements that were primary and tangible resulted in more positive perceptions of the product or company. Advertiser reputation had an impact on participant evaluation of a green marketing message.

There was a noticeable relationship between the level of focus group participant cynicism of environmental advertisements and message type. Participants tended to be more trustful of specific claims, well baby appeals, and some combination of product, process, and factual information. Where ads presented factual information in combination with an avenue to learn more about the claim (e.g., web site, phone number), it improved the credibility of the claim and the potential for individual action. The degree to which an advertisement was perceived as image-enhancing depended in large part on preconceived notions regarding the company. When image-enhancing advertisements were construed as misleading or deceptive, it was primarily because of the advertiser reputation. For example, many saw the Ford and Nike advertisements as green washing not because the ads were image enhancing (as was implied in Carlson et al) but instead because a predisposition of mistrust existed toward the company or industry.

Examples

- The Havana Joe boot advertisement was viewed by participants as vague and unsubstantiated especially with regard to the claim of "natural" boots. Many weren't certain that the intent of this advertisement was green marketing, however, if so, it was seen as too esoteric and unspecific in its connections, leading to skepticism.'
- The Patagonia tree sitter advertisement was seen as intangible and lacking any environmental fact until the moderators pointed out the small text on the left edge of the page which gave a brief description of the activity. Many participants voiced their opinion that the text should be more visible and detailed in order to make the ad more tangible and factual. The strength of the message appealed to most participants, however, one participant clearly expressed the opposing view - "Admittedly, I'm not 'one of those 'green people' and this ad might push me away."
- Although several participants pointed out that the EMS ad may have gone "overboard" with its presentation of information, most liked the tangible, primary aspect of the advertisement and its level of factual content. Because trail clean-up

was seen as an activity that was "close to home," participants connected with this well baby appeal.

- Ford was the only true process advertisement that was shown. Because preconceived notions (e.g., "they are trying to pull the wool over our eyes") dominated all other factors in participant reaction to this ad, it was tough to gauge how the process element contributed to their perception. Limited positive comments about the ad did focus on the fact that process elements were included. In presenting the out of context Louder than Words environmental activities, however, customer reaction was very favorable to the statement "We've developed alternative production methods and continue to find new ways to reduce environmental impact" because it was concrete process-oriented and "showed something the company had actually done."

Implications

Consistent with the existing body of green marketing research, the focus groups revealed that companies that decide to use green marketing advertisements should be aware that consumers can and will distinguish between specific and vague claims. Companies that decide to use environmental advertising should be aware of factors such as specificity, emphasis, strength, orientation, and appeal in the advertisement development process. Customers react to these factors individually as well as their interaction in an advertisement.

Although it may seem obvious, environmental advertisements should be pre-tested with several focus groups prior to their use in order to confirm that the advertiser's perception of the ad classification is consistent with customer perception. A mismatch between the advertiser's level of knowledge or understanding of the issue may cause them to categorize the ad differently than the "average" customer. For example, an advertiser that is well versed in an environmental issue may think that an ad is tangible and provides useful factual information whereas a less knowledgeable customer could discount it as abstract and confusing.

Because of the exploratory nature of focus group research, this finding opens up the need for further research regarding the response of consumers to various types of advertising claims. This research could take the form of analyzing advertisements with identical photographic images and then adjusting the amount and types of text to test response to changes in process information, factual information, product descriptions well baby versus sick baby appeal, and other green advertisement methods. Company names could also be used as a variable to investigate the relationship of preconceived notions to environmental advertisement type.

Other Findings

- If an environmental group or organization was mentioned in an advertisement, participants wanted to know specific details about the level of involvement and type of support provided by the advertiser. Donation of a percentage of profits seems to be moving from a "surprise and delight" attribute of a company or product to an "expected" attribute. When asked whether they thought that donations were typical of companies, a substantial majority thought so.
- Although 67% of the focus group participants claimed to know the term "green marketing," comprehension of its meaning didn't go beyond a very rudimentary definition. Several of the participants defined green marketing as "advertising around environmental attributes" or "donating a certain percentage of sales to environmental causes." Others described their association of the term with organically-grown vegetables, lead-free ammunition, reusable containers, Greenpeace, and simply being outdoors.

Participants gravitated toward environmental activities that are proactive and go beyond regulatory requirements or obvious financial gain. Whereas the Ford and IBM advertisements boasted activities that participants viewed as "reactive and required," the Honda advertisement took on a much more "proactive" tone which participants recognized and appreciated.

At the conscious level, advertisements with impressive environmental aesthetics (i.e., captivating nature photographs) do not elicit a connection between the company and environmentalism. In fact, for The North Face advertisement, a stronger link was made by participants between the environmental degradation of the climbing activity rather than a positive association with environmentalism. One participant did mention that image-based advertisements such as The North Face provide an appreciation for nature which in turn spur environmentalist thoughts as an individual, but the photography does not make him think better about the company's environmental commitment.

Environmental claims, such as those made in *Louder Than Words*, must be presented with as much context as feasible. When the text from *Louder Than Words* was presented in a detached format (black lettering on a white background), participants were taken aback and cynical because of the lack of context. For example, the environmental activist conference rose suspicion about the cause being supported (described by one participant as a potential "eco-warrior training camp"). The statement "we've donated over \$14 million to 900 environmental grassroots groups" raised questions of time horizon and the types of groups that were sponsored.

Limitations

Focus group research provides very useful exploratory data to better understand the viewpoints of customers.⁶³ The qualitative methods of this study offered a breadth of opportunity for exploration and discovery, context and depth, and interpretation.⁶⁴ It is important to note that the results of focus groups such as this should be extrapolated to a broader population of customers with extreme care. The goal of qualitative research is simply to understand and communicate, not to control or replicate a study.⁶⁵ Although the research team made every effort to follow systematic focus group procedures, there are several limitations to the analysis that should be kept in mind when interpreting the results:

- *Comfort level.* Participants in focus groups tend to reveal only what they are comfortable discussing amongst a group of strangers. Focus group participants sometimes give "canned, socially acceptable answers," a phenomenon that has an even greater potential to occur when discussing topics such as environmental issues.⁶⁶ Although the focus group discussions appeared very open and candid, the issue of comfort level must be considered when interpreting the results.
- *Demographics.* A guiding principle of facilitating focus group discussion is to bring together "similar strangers" in order to increase their trust based on shared experiences and perspectives. In addition, having "like individuals" enables the research to delve deeper into a particular customer segment. Under ideal research conditions, focus group participants would share nearly identical demographic characteristics such as gender, race, age, income level, and residence. Because of the time intensity of the intercept recruiting method, the participants in this study represent a fairly wide range of demographic characteristics, as shown in Table 8. The gender and race of participants (93% male and 100% Caucasian), although beneficial from a comfort level perspective, must be considered a limitation when analyzing the results. On one hand, it was good to have multiple perspectives in terms of price sensitivity when it comes to outdoor clothing purchases. On the other hand, it may have been an area where the "similar strangers" principle of focus groups may have given better results.
- *Moderator bias.* Although every effort was taken by the moderators to lessen their personal biases in leading the discussion, it is inevitable that some degree of influence occurs. This is true for most focus groups but nonetheless worthy of recognition here.

PROJECT RESULTS

Green Marketing

- Green marketing represents a significant opportunity for a company to differentiate from its competitors based on its environmental values and performance. However consumer skepticism poses a real barrier to success. In general, consumers are wary of print environmental messages because of the history of environmental marketers to make raise or misleading claims.
- Proactive environmental commitment and education are two keys to breaking the cycle of mistrust by consumers and increasing the potential success of green marketing. Effective green marketing requires a strong environmental commitment by the company. In the final assessment by consumers, actions will speak louder than words. A comprehensive green marketing strategy should emphasize educating customers about environmental issues through non-print advertisements mechanisms. Print advertising can then be used to reinforce this knowledge or education. Education must come not only from the company itself but also from third-party or word-of-mouth sources which customers perceive as credible. Education of customers enhances their ability to connect with the company's environmental values activities, and advertising messages.
- The motivations behind green marketing initiatives differ across companies. From the literature review and focus group research, five broad categories of motivations emerged conceptually:
 1. *Well-Meaners*. Companies that take measured steps to become more environmentally friendly through actions such as reducing emissions, recycling donating time or money to environmental causes, and implementing an environmental management system. In general, these companies are taking incremental steps toward environmental improvement.
 2. *Deep Greens*. Companies in which environmental values are at the core of their existence as a business. These organizations will strive to be green whether it is popular or not, try to integrate environment considerations into all areas of decision-making, and seek out opportunities to meet the needs of green consumers.
 3. *Greentrepreneurs*. Companies producing only environmentally preferable products. Selling green products primarily in an effort to capitalize on environmental value in the marketplace.

4. *Fashion Greens*. Established companies looking to take advantage of the latest fad by jumping on the green product or service bandwagon, usually making vague or incomplete claims and/or modifying existing products slightly in order to classify them as environmentally-friendly.
 5. *Green Washers*. Companies with less than adequate environmental performance, typically in industries with a poor environmental track record, that misrepresent their environmental performance through glitzy advertising; questionable, incomplete, or deceptive claims; or by highlighting legitimate but marginally significant achievements.
- Deep Green companies, although few and far between, are best positioned to take advantage of green marketing strategies because they have the lowest risk of gaps or perceived gaps between marketing claims and environmental realities. In addition, companies in this category are more likely to conduct the required level of scrutiny of environmental messages and claims in order to capture the trust of consumers.

Patagonia and Competitor Analysis

- REI does more in terms of environmental activities than anticipated, however, the company does not actively communicate these efforts in the marketplace. Patagonia clearly does the most for the environment of any outdoor clothing company. Columbia and The North Face were not found to be making any significant environmental efforts or doing any green marketing.
- Patagonia's commitment in all environmental activities and efforts tends runs deeper both quantitatively (e.g., donate greater percentage of sales to more groups than competitors) and qualitatively (e.g., exist as a business to inspire and implement a solution to the environmental crisis) than REI and other competitors.

Focus Groups

- Participants processed environmental advertisements based on preconceived notions of the company and/or industry's environmental performance. As evidenced by the discussion of focus group participants, consumers might not have enough pre-existing or readily available information to make sound decisions in relation to the environmental attributes of a product or company.
- Regardless of their level of environmental knowledge about an issue, focus group participants were able to distinguish between specific and vague environmental claims. Participant response tended to be favorable to advertisements that provided an avenue for customer involvement (i.e., well baby appeal), an opportunity to obtain more information if desired (e.g., web site or phone number), offered visible facts to explain an issue or company activity, and used bold photographic images. Although

only one process advertisement was shown, participants often wanted to know more about the process behind product or image advertisements in order to decrease their level of skepticism. For example, a lack of clarity about the process behind organic cotton confused participants with regard to the Patagonia organic cotton jeans advertisement. In addition, knowing the context behind environmental activities significantly reduced participants' skepticism.

RECOMMENDATIONS TO PATAGONIA

Primary Recommendations

Based on the information gathered in the green marketing literature review, specialty outdoor retail industry analysis, and green marketing focus groups, the following recommendations are made to Patagonia:

1. Patagonia should expand the use of green marketing.

Patagonia is one of the few companies in the U.S. that meets the suggested criteria for green marketers. These include:

- Commitment of the entire organization to be environmentally sound,
- A long and well-documented history of a proactive environmental strategy and resultant positive environmental efforts, and
- An understanding of their shortcomings and a desire not to oversell themselves.

Given the following facts:

- The Gallup research showed that “concern for the environment” was a non-trivial purchase consideration for specialty outdoor retail customers,
- Competition in the industry is increasing and successful firms will be ones find new ways to differentiate, and
- Patagonia does more for the environment than their competitors;

A well-planned green marketing campaign could provide a strategic advantage to Patagonia.

2. Patagonia should develop a comprehensive green marketing campaign.

Based on the research reviewed and conducted during this project, the following components are recommended for Patagonia’s green marketing campaign:

- *Educate customers on issues before using them in green print ads* – this will provide them with the knowledge they need to understand the ads and connect accordingly. The advertisement can reinforce this education but should not be the primary source of information about an environmental issue or activity.
- *Enlist the use of free media and third-parties to “spread the word” about Patagonia’s environmental efforts* – this will develop a positive attitude toward the company with regard to the environment and make customers more predisposed to believe statements made in green advertising. An example of this type of message

communication was developed as part of this project and can be found in Appendix H.

Use green print ads that are specific, well baby appeal, and process or fact-based – these are the ad characteristics that generated the best response in the focus groups and are recommended by the literature.

Find ways to combine Patagonia's environmental concern with purchase considerations of higher priority, such as quality, value, technical features, etc. in green print ads – this will allow the green marketing ad campaign to mesh well with the existing image campaign, and use environmental concern as the additional component of value that differentiates Patagonia from the rest. This approach will likely be more successful than focusing only on environmental concern and suggesting that customers buy solely on that criteria. Patagonia may want to consider the advertisement ideas presented in Appendix I as bases for the green advertising messages suggested in the fourth bullet point above.

APPENDIX A - PROJECT ACTIVITIES / TIMELINE

<u>1998</u>	
August	Week-long visit to Patagonia's headquarters in Ventura,CA Conducted 15 interviews at corporate and retail locations
September	Presented findings from initial site visit and discussed project with company representatives at Corporate Environmental Management Program Advisory Board Meeting
September December	Performed literature search & review and Patagonia situation analysis
October	Wrote and published article in Monroe Street Journal.
<u>1999</u>	
January March	Designed and planned focus group
March	Presented Patagonia materials and held discussion with undergraduate students in NRE 306 "Environmental Decision Making in Business"
March April	Recruited focus group participants and conducted green marketing focus groups
April	Presented Patagonia discussion and conducted green marketing print advertisement development exercises with undergraduate students in MKT 313 "Consumer Behavior"
April	Conducted competitor analysis

APPENDIX B - INTERVIEW TRANSCRIPTS

Summary Notes from Patagonia visit

Overview

During the week of August 24 through August 28, the project team visited Patagonia's corporate office in Ventura, California to kick off the project. 15 Patagonia employees were interviewed, relevant data was gathered, and several options for the project were brainstormed. Employees at the Ventura Store (Great Pacific Iron Works) and the Santa Barbara store were also interviewed. This note summarizes the highlights and key learnings from the kick-off week.

Patagonia employees interviewed:

Kevin Sweeney, Director of Communications
Jeff Wogoman, Catalogue Circulation and Database Manager
Jil Zilligen, Environmental Programs, External
T.J. Whelan, Fly Fishing Product Line Manager
Mike Brown, Environmental Programs, Internal
Adam Ziegelman, Hard Goods Product Line Manager
Stacy Davis, Insulation Product Line Manager
John Sterling, Environmental Programs, Environmental Message Group Leader
Bob Holding, Paddling Sports Product Line Manager
Betsy Haygood, Webmaster – Content
Steve Rogerson, Webmaster – Measurement and Reporting
Rick Fredland, Santa Barbara Store Manager
Jen Wass, Retail Sales Manager
Alan Crumbaker, Ventura Store Manager
Sarah Munroe, Regional Wholesale Account Manager

Interview Summaries

Jeff Wogoman

- Has been at Patagonia 5 years, started in Bozeman, MT
- Describes his job as getting the catalogue to customers who want to buy Patagonia products
- Feels that the catalogue is an image piece and is not really designed as a sales tool (which makes his job tougher)
- Patagonia has found that people keep the Patagonia catalogue longer than some other catalogues
- Historically, Patagonia has produced four catalogues per year (seasons)

- Now also have specialty catalogues for sailing, fly fishing, kids “back to school”, sportswear, are considering others
- Are pretty selective in who they send catalogues to; they have used a direct marketing firm (Abacus) to identify people who match a profile and have used that list.
- Have not done a lot of thorough analysis to investigate whether their procedures for selecting a mailing list are optimal – RNW
- Their “sales/book” ratio is way above industry average
- Patagonia’s best mail order customers (those who have purchased Patagonia in the last 6 months) spend an average of \$47/book
- People receive catalogues up to 54 months after their last order before being dropped
- Currently Patagonia does NOT track retail store customers for inclusion on catalogue mailing lists
- Historically, Patagonia has devoted 3% of catalogue space to environmental issues – and some of it is prime space
- Spring ’99 catalogue will include a 16-page insert fully devoted to Patagonia and the Environment – no sales content at all
- Catalogues usually contain enviro updates (half page description of an issue, usually including contact info on an environmental group associated with the issue) and enviro essays (full 2-page spreads, usually focused on an issue but more of a stirring essay than an informative call to action)
- Catalogue space is allocated mostly based on product line sales, teams decide what will be in their space with a little guidance from Jeff
- The catalogue is made of completely recycled materials
- The catalogue costs approximately \$1 to produce plus \$0.35 postage each
- Approximately 1 million catalogues are sent per issue
- All catalogues will have some enviro content (even specialty ones)
- Jeff sees LL Bean and Land’s End as primary competitors in the mail order channel
- Most mail order sales are sportswear – mainly because other products (especially technical products) people are not as comfortable buying without getting their hands on them
- Currently there are no plans to connect the environmental insert with the essays and updates in any way

Jil Zilligan

- Environmental programs are divided into two categories: internal and external
- Internal programs are things like life-cycle assessments, product impact scoring, and renewable energy
- External programs are things like the grants program, Ruckus training, and 16-page insert
- Organic cotton and PCR Synchilla are programs that are both internal and external
- Customer education is currently a major external issue

- See Patagonia Environmental Grants Program brochure
- The Clothing Donations Program gives away approximately \$150,000 worth of clothes per year
- The 16-page insert for the Spring '99 catalogue is an update of a brochure titled "A Work In Progress" that was put out in 1993 - See A Work In Progress brochure
- There is no method for choosing what environmental activities to do as a company - decisions are made somewhat arbitrarily
- The Conservation Alliance is a grant-making group of outdoor equipment companies that was started by Patagonia in 1989; it consists of Patagonia, REI, Kelty and some others (53 total); dues are based on sales (each co. is on its honor); 100% of dues collected go out as grants
- REI has its own grants program; it differs from Patagonia in that donations are "low-risk" - hiking trails, and the like
- Other external activity has been to work with other companies to advance the use of organic cotton and PCR
- Jil's feeling on environmental marketing is that people don't know enough about what Patagonia does environmentally and if it is true (and perspective rather than prospective) it is not green washing

T.J. Whelan

- Fly fishing line has 12-13 products
- The strategy behind these products is to use them to get into a new set of outlets (fly fishing gear stores) and then sell insulation, sportswear, etc. fly fishing line is entry lever
- There will be a fly fishing only catalogue this fall
- T.J.'s take is that it will be an information piece first, then a sales piece that drives people into stores to buy
- T.J. sees direct competitors in Ex-Officio, Columbia, Sims, and a number of small players
- Orvis is not much of a competitor because they are big in the NE and Midwest where Patagonia is not as big and fly fishing is not as popular
- T.J. sees the fly fishing market as being behind the rest of the outdoor market when it comes to an environmental message; he's tremendous opportunity
- The catalogue will have content on Whirling Disease (parasite that attacks nervous system of some breeds of trout, kills them, and prevents them from spawning)
- The enviro content will be formatted in three parts: here's the issue, here's what we do, here's what you can do and why you should support us

Advertising

- There will be a Patagonia page in every issue of Outside and Backpacker for the next 18 months

- Patagonia has a presence at over 300 outdoor events every year
- Patagonia has a ProPurchase program that results in the best pros and guides wearing Patagonia gear
- They have a goal to utilize the free media more (stories / features) as an advertising tool

Mike Brown

- Mike deals with internal environmental activities
- He sees his roles as: understand the environmental impact of activities and products, define goals to improve (using industrial ecology and Natural Step tools), and educate Patagonia people about internal environmental activities
- Life-cycle analysis is used to analyze each product
- For the most part, product quality won't be compromised when making trade-offs to reduce environmental impact of products
- There are some significant roadblocks to making improvements; not the least of which is convincing suppliers to develop alternatives without a clear market (outside of Patagonia)
- No R&D dollars are spent on non-product design innovations (process technology)
- Patagonia is 5% or less of any one supplier's business
- Their largest supplier is Wellman Mills
- The textile milling business is highly diffuse; most mills are privately owned
- Most textile suppliers are very good environmentally
- Some suppliers - particularly those who supply technical fabrics - are known to be pretty bad; they can not be easily replaced and won't be for quality reasons
- Patagonia may move to Third Party verification of suppliers operations
- Each Patagonia product is scored through a life-cycle analysis; there are six stages graded on a 1-5 scale; grading is done perspective - not for potential products; the information is provided to designers so they know what the impact of their products is
- Mike's take on internal education is that it is needed on a constant basis and must be provided through multiple channels or approaches
- What has been done to educate internally? Written (emails, brochures, postings) materials, Eco-Jeopardy, Wheel of Cotton, Cotton Roadshow (video, posters, handouts)
- Employee education has been done both at the retail level and at the phone center (mail order)
- Fabric development has a 3-6 season lag from concept to stores

In-store communication meeting

- Will be facilitated through customer service rep education and kiosks in stores

- Plans are for a training group to visit each retail store in Sep., Oct., and Nov. to teach CSR's about Patagonia's environmental efforts and how to talk about them with customers
- Some issues can not satisfactorily be addressed - response to customers has to be "we are working on it"

Adam Ziegelman

- Hard goods consist of luggage and shoes
- Patagonia has had this line for 8-9 years
- Products are designed to be very functional and have a 'clean aesthetic'
- One major problem in hard goods is tarmac - a material made of PVC that is used for rugged gear (bottom of duffle bags, etc.)
- Tarmac is about \$8/sq. ft.; substitute product ballistics cloth (not as aesthetically pleasing) is \$18/sq. ft.
- Never-the-less the decision has been made to phase out tarmac - the new product material may only be a minor environmental improvement

Stacy Davis

- The insulation line includes Synchronilla (fleece products), Capilene (underwear), and socks
- PCR was first introduced in 1994
- Wellman Mills and Dyersburg are the two suppliers of PCR fleece
- The introduction of PCR was all over the news and got a lot of good publicity
- Other companies jumped on-board (-20), now there are only 3-4 left; this is because the 'green' cache associated with it has disappeared
- Europeans were not very receptive to the product surprisingly
- PCR fleece moved from pull-overs to all fleece products to socks ... and now to underwear (starting Fall '99)
- The education and marketing campaign associated with PCR fleece was significant; it included PCR kits that the retail stores could display - they had a plastic bottle and a bag of plastic chips; and also included a banner to hand and 'tech tags'
- Sales actually went up initially
- Because others jumped in, the environmental message associated with PCR fleece has been diluted - people think that ALL fleece is made from recycled soda bottles
- The underwear roll-out is planned to be a less noisy release; there will be a new kit though

John Sterling

- The environmental message group idea was conceived 6 months ago, but they met for the first time only 2 months ago

- They are looking for a rallying point, a slogan, a tag line - something that pulls it all together so it can be communicated
- They have a 7 member team
- Learnings so far - there hasn't been one core motivation for all activities - activities have been incremental
- They decided to take the core purpose as primary motivation "Use business to inspire solutions to the environmental crisis"
- The plan is to decide on a tag line or slogan ("Let the beauty you love, be what you do" - Rumi has been suggested), use it to communicate today, and use it to guide activities / efforts in the future
- There is still a need to sell this internally
- The environmental message group is working at the same time others are working on a branding campaign and others are working on defining the corporate strategy; all three of these will be coming together in October to coordinate and sink up

Bob Holding

- Bob is in product development for paddling sports
- Patagonia's effort to connect with the paddling sports community is through the 'Magic Bus' that tours the country and attends paddling events promoting Patagonia products
- Bob wants a new technical development in one of the three segments (ww kayak, sea kayak, canoeing) every year
- Paddling sports will stay in the main catalogue
- There are environmental issues that are important to paddlers - the enviro update in Sp '99 will be on hydro power - coordinated with the American Whitewater Association
- They also have a program through which Patagonia will match any customer's donation to the AWWA (to fit dams) up to the price of the purchase
- Kayaks are made of polyethylene which can be recycled

Betsy Haygood and Steve Rogerson

- Betsy coordinates all web content - the web site and the on-line store
- They work with the catalogue team to coordinate the catalogue and the on-line store
- ® The home page (Fresh Tracks) is kept up to date as much as possible (never more than 2 weeks old)
- Feature articles and all environmental essays are archived on the web
- Often recipients of environmental grants are highlighted
- In August '98 Patagonia will do ~\$90k through the on-line store
- Patagonia co-sponsors an environmental related web site with Exploremag.com
- Patagonia's URL is on receipt tape and in catalogues

- The web site contains a store listing with store events listed
- Patagonia does some advertising on the web through banners and links
- Rants and Raves is a customer feedback section - comments are product related but some are also from environmental groups
- There is an Enviro Action section on the web that describes some efforts - earth tax, essays
- Plans are to put in: list of activities (from Jil), 16-page insert, others?
- They have investigated the potential for an email list-server to connect regularly with customers and interested parties
- REI also has an on-line store
- They have done some customer surveys via the web site

Rick Fredland

- Some of the most important things that retail CSR's do are talking to people in the community about environmental issues and Patagonia's environmental efforts
- - 5 % in the summer know about Patagonia's environmental efforts
- Store events are also a good way to communicate to customers and community about environmental issues - the focus of the event is some environmental issue many times
- Store displays are not "in your face" - customers have to find them (hang tags, videos, reading / info center)
- Rick's strategy for selling products and environment is as follows: customers are greeted, needs are discovered (could be to leave them alone), then the selling process begins
- The selling process is geared toward meeting their needs (sell), the product guarantee usually makes it in, the environmental aspect of the product or the company is usually harder to get in
- There is always the tension of trying to sell the product and be an environmental evangelist
- Secret shopping to determine the effectiveness of training is not real effective in Rick's opinion
- The feeling is that overall, employees' comfort level in talking about environmental issues could be better

Jen Wass

- The best way to find out how to communicate with customers about the environment (and measure the effectiveness of this communication) is to ask the employees themselves
- Measurements of retail locations are currently made in the following areas: how much \$ is given (clothing donations, grant recipients in area), how many store activities are performed, and how effective are groups that get \$\$
- Budgets are set for each store for \$\$ given and clothes given
- Notice of store performance in these aspects is given in newsletters and the CEO end of year summary
- It needs to be celebrated more!
- More work needs to be done to help stores balance the need for financial performance and environmental performance (activities, donations, communication, etc.)
- Ultimately, service is the key to the whole retail experience
- Talk to Katherine Crawford in Denver re: mapping process

Sarah Munroe

- Sarah's job is to sell products to wholesale accounts and provide buying support (how to sell Patagonia products, and how to merchandise in general)
- Some customers don't want to hear the environmental message; some are interested in the Patagonia story (of which the environmental message is a part)
- Sarah does do clinics to provide technical information on products, environmental message is best done through another setting
- There is no systematic measurement of anything with regard to wholesale customers

APPENDIX C - FOCUS GROUP PRESENTATION



University
of Michigan
Business
School



**University of Michigan Business School
School of Natural Resources and Environment**

Green Marketing Focus Groups

March 25 and April 13, 1999

**Welcome!!
And Thanks for Coming**

Some Things To Keep In Mind

- We are looking for ALL opinions - there are no right or wrong answers
 - Moderators will direct the discussion, but please talk to each other
 - Be respectful of all other opinions
 - Allow everyone to complete their thoughts
 - Disagreement is o.k.
-
- All information is confidential
 - We will be done by 9:00pm

What is "Green" Marketing??

RECYCLING

We put these **K E Y S**

in your brand-new car.



From the *Life of*
ALPHONSO WHITE

PO. 412

Millions of old soda bottles,
batteries, telephones and tires
bear down the hill. They're
your old, old materials.
Not trash. They're raw materials.

At Ford Motor Company, we have
them melted down and recycled
into brand-new parts like splash
shields, lamp bodies and battery
housings. Then, of course, we test
to make sure that the recycled
materials are the same quality as
brand-new ones.

It makes good business sense.
But we don't just do it to save
money. We do it to save the planet.
I'm glad about that. After all,
I live here too.

Alphonso White

75% of every one of our vehicles is recyclable.

BETTER IDEAS. DRIVEN BY YOU.
Ford Motor Company

Keep America beautiful with a
"recycle for the price of a pack"



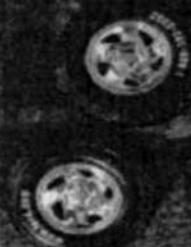
The 2-liter bottles we recycle each
year would fill a 400-acre lake.

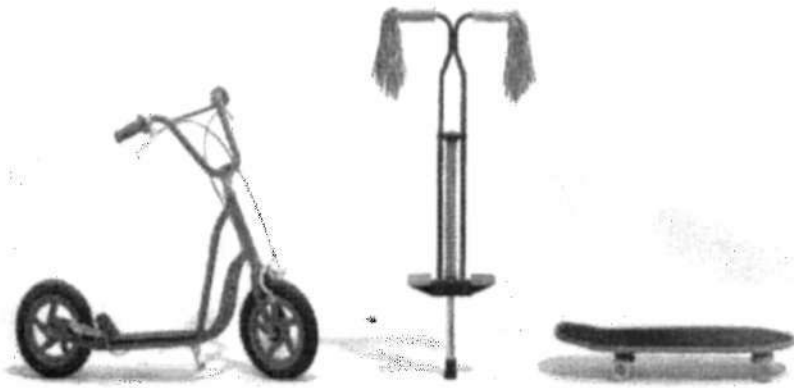
The more we recycle, we
could save 200 million trees a year.



In name of Ford Motor Company
and the environment, get it back.

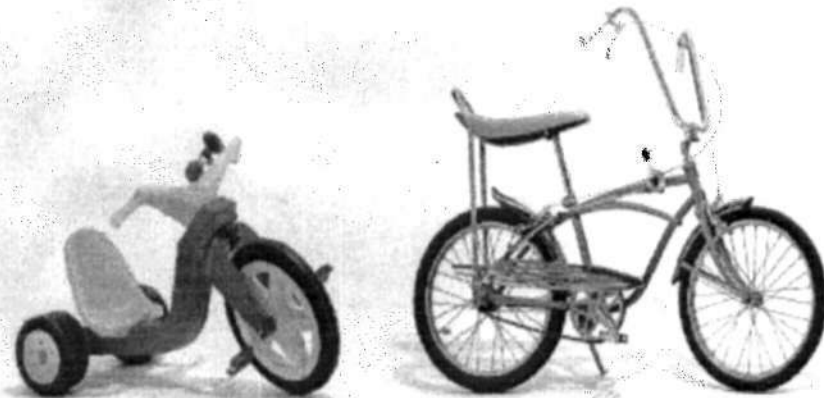
Old rags make new auto parts.





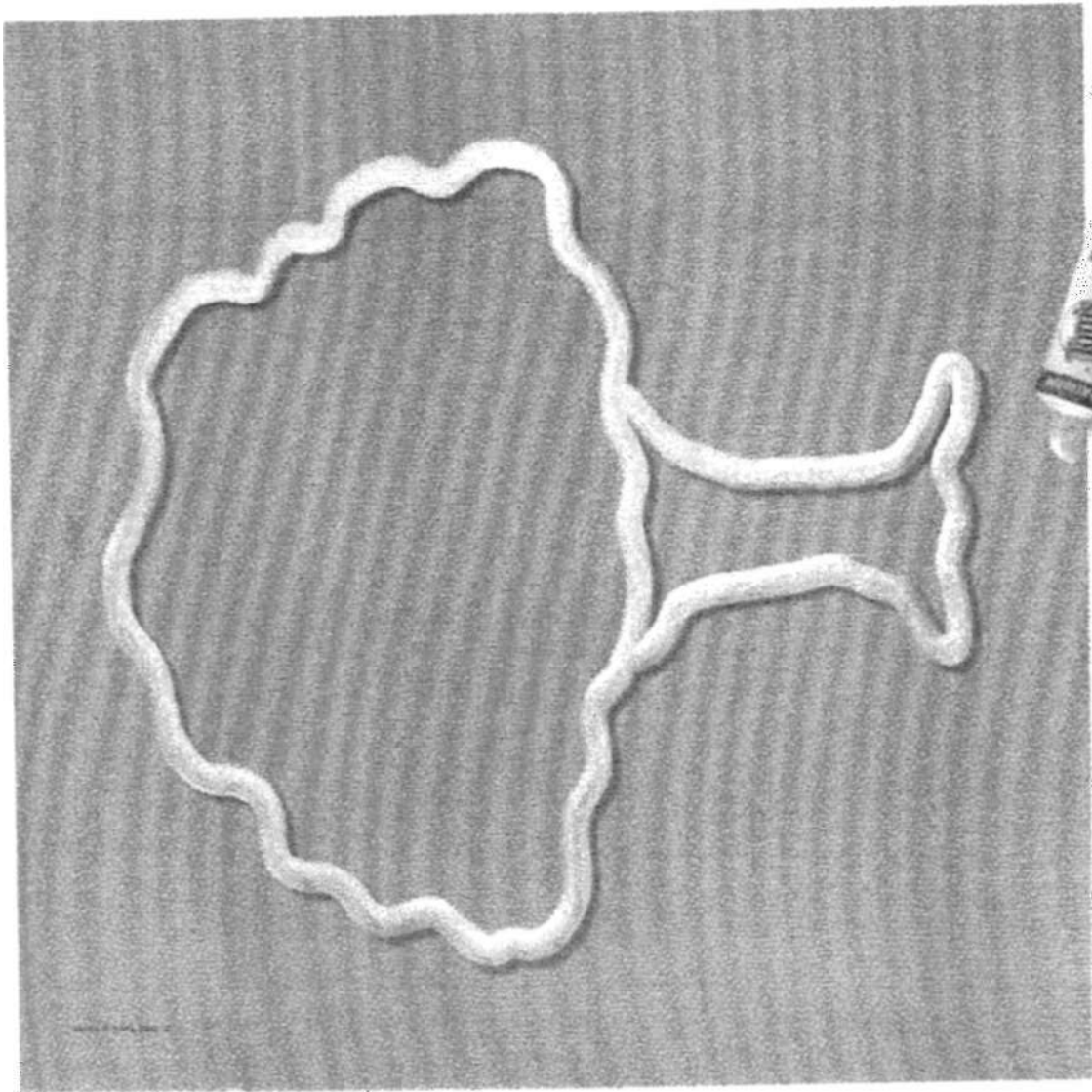
Sure, there are cleaner vehicles than a Honda.
But how long is your commute?

If the idea of sitting in bumper-to-skeboard traffic doesn't appeal to you, we have a better idea. In fact, several. The clean and fuel-efficient vehicles from Honda. Our low- and ultra-low-emission Accords and Civics now comprise the majority of cars we sell in America. And our natural-gas Civic GX and electric EV PLUS are



remarkably clean alternative-fuel vehicles. Best of all, these cars perform like, well, Hondas. You see, we've always been committed to balancing your desires for fun and performance with society's need for cleaner air and improved fuel economy. Which can be just about as difficult as balancing on a skateboard. With a briefcase. In a suit.

HONDA
Thinking.



Tom's helps care for more than just your teeth.



Contains toothpaste, fluoride, and natural ingredients. Tom's Natural Toothpaste is a natural toothpaste that helps fight plaque, prevent cavities, and freshen breath. It's made with natural ingredients like baking soda, coconut oil, and essential oils. It's gentle on your teeth and gums, and it's free of harsh chemicals, parabens, and artificial flavors. It's the perfect choice for anyone who wants to take care of their teeth and gums naturally.



Tom's Natural Toothpaste is a natural toothpaste that helps fight plaque, prevent cavities, and freshen breath. It's made with natural ingredients like baking soda, coconut oil, and essential oils. It's gentle on your teeth and gums, and it's free of harsh chemicals, parabens, and artificial flavors. It's the perfect choice for anyone who wants to take care of their teeth and gums naturally.

© 2013 Tom's of Maine, Inc. All rights reserved. Tom's of Maine is a registered trademark of Tom's of Maine, Inc. Natural is a registered trademark of Tom's of Maine, Inc.

journey

of a thousand miles

must begin with a

single step.SM

—Chinese proverb

IBM is honored to receive the "Alliance to Save Energy's 1998 Star of Energy Efficiency"SM and the "U.S. EPA's Computer Partner of the Year"SM Awards for its significant steps in energy-efficient operations and products.

IBM

Solutions for a small planetSM

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DEEP E



Our waterproof Sargento® Hiker boots are the highest quality Sargento® leather made from sustainably managed
leather to meet the highest standards of environmental protection. In tanning, we use only the finest, most natural environmental
standards. And in production, we work to provide the highest quality of workmanship.
Call 1-888-211-3373 or visit our website, www.deepe.com, for more information and to locate your nearest dealer.

HELP PREVENT
OVERGRAZING

POUNCE. STOMP. TRAMPLE.

CAN YOU *believe* YOU'RE

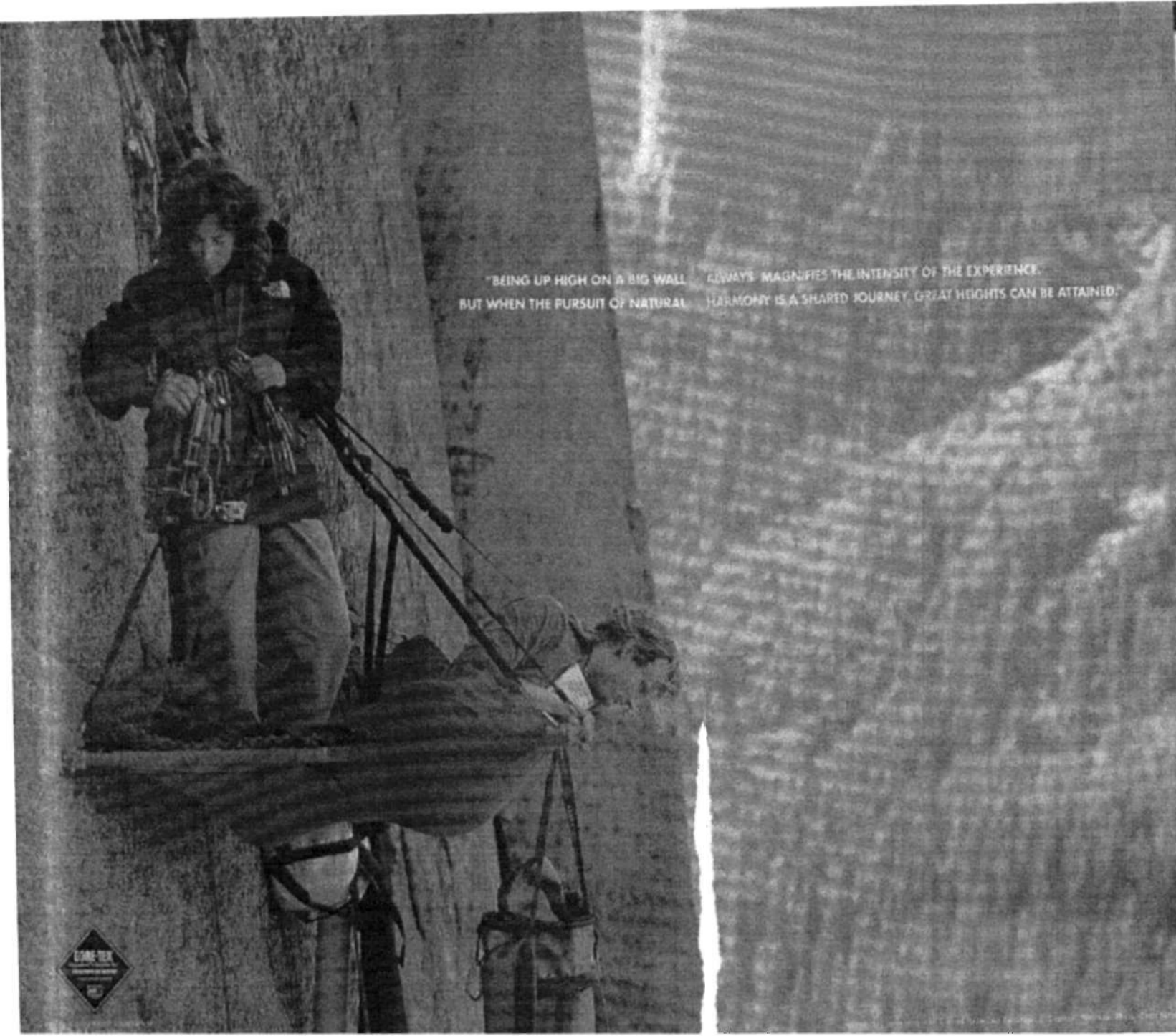
DOING THE EARTH A FAVOR?

Nature wins



Natural Boots,

800-848-2774



"BEING UP HIGH ON A BIG WALL ALWAYS MAGNIFIES THE INTENSITY OF THE EXPERIENCE.
BUT WHEN THE PURSUIT OF NATURAL HARMONY IS A SHARED JOURNEY, GREAT HEIGHTS CAN BE ATTAINED."



Big wall climbers like Lene Fall are on the mercy of wary deluge and frost storms that slatter into the precipice they're scaling home. To protect them from this exposure, The North Face developed the Eoliano jacket. Made from a unique Gore-Tex 3-Ply fabric, it's rugged, waterproof, breathable and shell is the ultimate protection. Its ergonomic, minimalist design has made it a favorite of world-class athletes. For the dealer nearest you, or to receive a free catalog, in the U.S. call 1-800-774-NORTH, ext. 45. In Canada, 1-800-211-2742.



EXPEDITION PROVEN
CLOTHING AND EQUIPMENT



LET THE
BEAUTY
WE LOVE
BE WHAT
WE DO

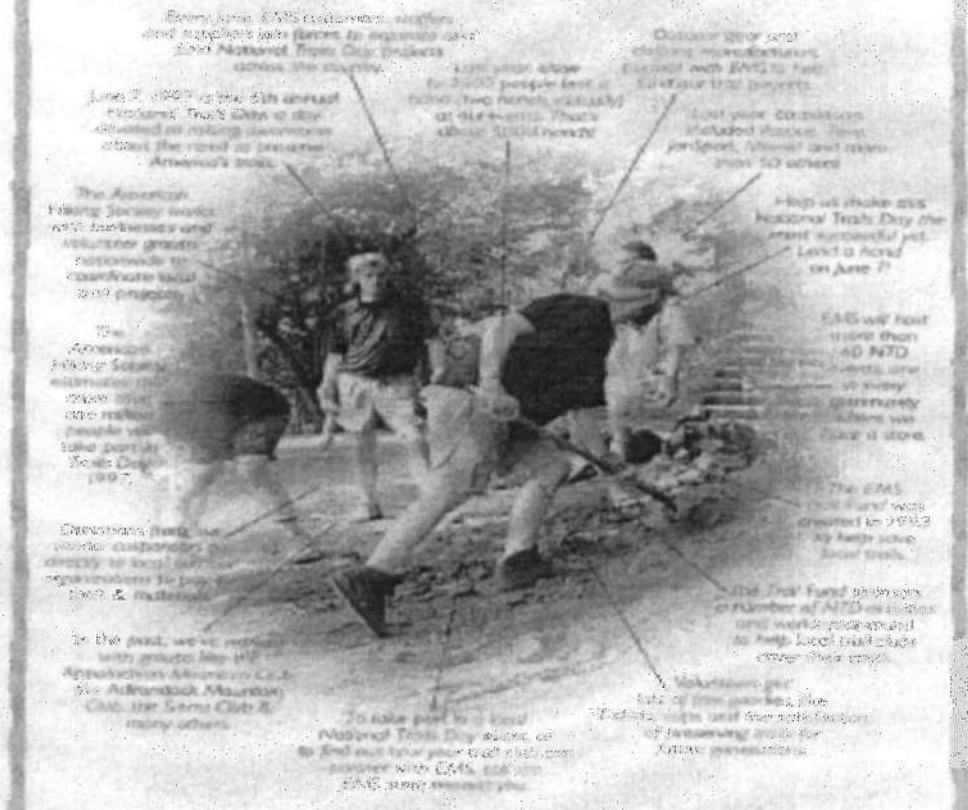
HUMI

patagonia

patagonia and the mountain peak logo are registered trademarks of Patagonia, Inc. © 1998 Patagonia, Inc. All rights reserved. www.patagonia.com

100% COTTON

Thanks to the hard work of EMS customers, the beaten path looks a little less beaten.



Every year, EMS customers, staff and suppliers join forces to improve over 2,000 National Trails Day projects across the country.

June 7, 1987 is the 5th annual National Trails Day. It's dedicated to raising awareness about the need to preserve America's trails.

Let your store be one of the 2,000 people that's at the heart of this about 200 projects.

Outdoor gear and clothing manufacturers partner with EMS to help take care of these projects.

Let your customers included shovels, rakes, pickaxes, gloves and other trail gear.

The American Hiking Society works with landowners and volunteer groups nationwide to coordinate local trail projects.

Help us make this National Trails Day the most successful yet. Let's do it on June 7!

The American Hiking Society estimates that there are over 100,000 miles of trails in the United States.

EMS will host more than 100 NTD events nationwide. It's every store's chance to help make a difference in the way we take it home.

Customers find the products customers need to keep their trails in good condition.

The EMS Trail Fund was created in 1987 to help solve local trail problems.

In the past, we've worked with groups like the Appalachian Mountain Club, the Sierra Club & many others.

The Trail Fund provides a number of NTD materials and work programs to help local trail clubs carry their work.

To take part in a local National Trails Day event, or to find out how your trail club can partner with EMS, call 1-800-EMS and we'll help you.

Remember, get lots of free samples, plus special gifts and the satisfaction of knowing you're making a difference.



Proud to sponsor National Trails Day.

Contact the Eastern Mountain Sports store nearest you for information on how you can take part in a local trail project:

CO Denver, Colorado Springs, Denver, Fort Collins, Greeley, Westminster • CT Hartford, Plainfield, Stamford, Wallingford, Waterbury • DE Delaware • IL Chicago, Evanston, Naperville, Schaumburg • IN Indianapolis • MD Baltimore, Bethesda, Gaithersburg, Silver Spring, Takoma Park • MA Boston, Burlington, Framingham, Hingham, Lynn, North Andover, North Attleboro, North Attle, Norwell, Quincy, Weymouth • ME Bangor • MI Ann Arbor, Dearborn, Farmington Hills, Grosse Pointe Woods, Livonia, Westland • MN Minneapolis, St. Paul • MO Kansas City, St. Louis • NE Omaha • NJ Aspinwall, Bridgewater, Cranford, Fairview, Gladstone, Little Ferry, Lodi, Madison, Montclair, North Plainfield, Passaic, Roseland, Scotch Plains, Springfield, Union, Wayne • NY Albany, Binghamton, Buffalo, Elmira, Ithaca, Oswego, Poughkeepsie, Rochester, Syracuse • OH Columbus • OR Eugene, Medford • PA Allentown, Erie, Harrisburg, Lehigh Valley, Lancaster, York • RI Providence • TN Memphis • VA Charlottesville, Charlottesville, Charlottesville, Charlottesville • WA Tacoma, Seattle • WI Madison, Milwaukee, Racine, Waukesha

ALL MT. EVEREST NEEDS NOW
 IS SOME OLD TIRES AND COCKROACHES
 AND IT'LL LOOK JUST LIKE
 A VACANT LOT IN QUEENS.



These pictures were taken on Mount Everest during Brent Bishop's 1994 expedition. It was the first of his expeditions to remove the garbage and oxygen containers left on the mountain over the years. Brent has organized many of these excursions which pay people for the containers they bring down. And in the Karkoram, he teaches porters environmentally friendly climbing techniques. Since the beginning we've supplied Brent with whatever he's needed for these expeditions including a lightweight, versatile shoe he can wear to 17,600 feet, the air gap. We hope you notice the difference, next time you're up there.



CHANGE YOUR
WORLD
100% ORGANIC COTTON
DENIM JEANS



catalogs and dealer info: 800-336-9090 • www.patagonia.com

Photo: William Green © Patagonia Films L. Victoria Johnson © Patagonia 1993

**“We exist as a business to inspire and
implement solutions to the environmental
crisis.”**

"Every 18 months, we host a conference for environmental activists from all over the country, along with dozens of employees, to teach organizing skills as a way to boost the effectiveness of direct action groups."

“We post bail for employees with civil disobedience training who are arrested in nonviolent actions that are consistent with our company’s values.”

"Our employees can work for a nonprofit organization for two full months - and the company will still pay their salary."

"We've developed alternative production methods and continue to find new ways to reduce environmental impact."

"We were the first to use fleece made from recycled fibers. For a while, we had company; today, nearly all outdoor firms are back to using fleece made from virgin crude oil."

"In one season, we converted our entire sportswear line to 100% organically grown cotton. The risk was worth it. The move had no impact on quality, improved the feel of our fabric, and provoked a fundamental change in our attitudes about agriculture."

**“We are the first outdoor company to
commit 100% wind energy for all of our in-
state needs.”**

We have given more than \$14 million to 900 grassroots environmental groups."

"Hundreds of company employees have helped to maintain a large section of the Appalachian Trail."

"We organize annual service projects in each retail store market, which includes recruiting volunteers to perform local, hands-on conservation work."

Thanks again for your time.

APPENDIX D - MODERATORS OUTLINE

Green Marketing Focus Group

**University of Michigan Business School
School of Natural Resources & Environment**

March 25, 1999

April 13, 1999

Moderator Script

Version 5

Ryan Waddington and Rob Frederick

Background

The purpose of the focus groups is to learn what a targeted group of specialty outdoor clothing customers think of "green" marketing in general, and how it relates to the specialty outdoor clothing industry.

The format of the focus groups will include the following major segments:

- 1) Introductions
- 2) Discussion of "green" marketing in general and in specialty outdoor clothing industry in particular
- 3) Direct response to Patagonia's "Louder Than Words" catalog insert

The focus group session will last approximately 2 hours, at the end of which each participant will be given a Patagonia Snap T Synchronilla fleece jacket as compensation.

The following document is to be used as a guide by the focus group moderators. It contains questions to generate and direct discussion in each segment, as well as some deeper, more pointed questions that may be asked if they fit into the flow of the particular conversation. ** indicates the key questions of the focus group.

Introductions - Segment 1

Time: 00:00 - 00:10

- Welcome all participants and thank them for their time. Introduce ourselves.
- Offer/distribute refreshments. Set up name placards.
- Briefly describe the purpose and format of the focus group (as above).
- Explain that role of moderator is to guide the discussion; feel free to talk with each other; we'll be done by 9:00.
- Assure participants that the video tape is only being used for data analysis and will be kept strictly confidential. No names will be attached to any report.
- Express our interest in comments made by the group as a whole, not on individual participants. Would like ALL opinions - there aren't any right or wrong answers, only differing points of view. All comments and thoughts are important to us.
- Write out "strategies that will encourage a good conversation" on the flip chart (respect each other, allow each other to complete their thoughts, agree to disagree).
- Collect completed surveys. During the screening phase, each candidate was given a short survey (including purchase criteria and demographic information) to complete in the event that they were selected and willing to participate in the focus group.
- Ask the participants to pair up and briefly get to know the person sitting next to them. Ask them to introduce the person they talked to the group and share the following facts about them:
 - 1) Name
 - 2) Hometown
 - 3) Occupation
 - 4) Favorite outdoor sport / activity

Green Marketing in General and in Specialty Outdoor Clothing Industry in Particular - Segment 2

Time: 00:10-01:30

The moderators will begin the discussion around "green" marketing by asking for an unprompted response defining or describing the term. They will then show the participants some "green" marketing print messages - both general industry images and ones from the specialty outdoor industry - and lead a discussion around each one of these. They will then wrap up the discussion.

"Green" Marketing - What is It?

- 1) Have you ever heard the term "green" marketing? If so, in your own words, what is your one or two sentence definition of "green" marketing? When you hear the words "green marketing," what comes to mind? What do you think the term "green" marketing means?
 - Using environmental attributes of a company or product to help sell products or improve the company image.
 - Green advertising explicitly or implicitly addresses the relationship between a product/service and the biophysical environment. Promotes a green lifestyle with or without highlighting a product/service. Presents a corporate image of environmental responsibility.

Discussion of "Green" Advertising Messages - What do They Say?

The moderators will then display electronic images of "green" advertising messages (i.e., print advertisements from magazines) on overhead slides and ask the participants the following questions about each advertisement. Don't get too sidetracked on company messages.

- 1) **What does this advertisement say to you?
Opening question - could naturally lead to other areas for exploration
- 2) **What do you like about the ad? What do you dislike?
 - Specificity - intangible versus tangible
 - Emphasis - primary versus secondary
 - Extremity/strength - weak versus strong
 - The reader should do something (e.g., save the environment) - well baby
 - The problem is severe - sick baby
 - Product orientation/process orientation/image orientation/environmental fact

- 3) ** What does this advertisement say to you about the company? How does this advertisement make you feel about the company? Positives? Negatives?
- Company is green
 - Company makes green products
 - Company is green washing - vague/ambiguous, omission, false/lie, combination
 - Doesn't say anything - doesn't make sense

Wrap Up

- 1) ** We have now seen many different "green" advertisements. In your opinion, what is the main reason that companies use this type of advertising? From the company's perspective, what do you believe is the rationale for these ads?
- 2) Think back to times when you may have seen other company or product advertisements that mentioned the environment. Have these ads had an effect on you in the past? Do you remember a specific ad? Have they affected your purchase decision?

Direct Response to Patagonia's "Louder Than Words" Catalog Insert - Segment 3

Time: 01:30-02:00

March 25,1999 Focus Group

The moderators will then display and read overhead text to describe to the participants each section of Patagonia's "Louder Than Words" catalog insert, and ask them related questions without revealing the source of the information.

These slides are all actual messages/advertisements from real outdoor clothing companies - rather than trying to guess who they are, we can tell you who is behind each one of them after we are done if you are interested.

Statement of Purpose

- 1) If an outdoor clothing manufacturer said that they "exist as a business to inspire and implement solutions to the environmental crisis," what do you think?
- 2) In your opinion, is a mission statement like this believable?

Environmental Activities

The moderators will then display and read overhead text of one-sentence statements describing environmental activities that a company could perform. They will then ask participants to respond to the following questions for each statement:

- 1) ** If an outdoor clothing company advertised this activity, what would you think?
In your opinion, should an outdoor clothing company be engaging in this activity?
- 2) How would this claim affect your impression of the company?
- 3) Do you think this type of activity is unique?
Or is everyone doing it?

April 13,1999 Focus Group

The moderators will then display and read overhead text to describe to the participants each section of Patagonia's "Louder Than Words" catalog insert, and ask them related questions.

These slides are all actual messages/advertisements from real outdoor clothing companies - rather than trying to guess who they are, we can tell you who is behind each one of them after we are done if you are interested.

Environmental Activities

The moderators will then display and read overhead text of one-sentence statements describing environmental activities that a company could perform. They will then ask participants to respond to the following questions for each statement:

- 4) **If an outdoor clothing company advertised this activity, what would you think?
In your opinion, should an outdoor clothing company be engaging in this activity?
- 5) How would this claim affect your impression of the company?
- 6) Do you think this type of activity is unique?
Or is everyone doing it?

Louder Than Words Insert

Distribute Louder Than Words to provide context to environmental activities.

- 1) ** What do you think of Louder Than Words? the activities described? the fact that Patagonia is doing these things? the fact that they are telling you about it?
- 2) What else do you like? dislike?
- 3) Would you take the time to read this if it were in a catalog? sent with your order?
- 4) Is this new information about Patagonia? If not, where have you seen or heard about these activities before?

Wrap Up

The moderators will then thank all the participants for their time and distribute the Patagonia Snap T Synchilla fleece jackets.

Debrief

Moderators debrief and discuss the session together.

What are the most important themes or ideas discussed?

How did these differ from what we expected?

How did these differ from what occurred in previous focus group?

What points or quotes are particularly memorable?

Were there any unexpected or anticipated findings?

Did we make specific errors that may have introduced bias into the group's discussion?

Should we do anything differently for the next focus group?

Text Copy of Advertisements

Ford Motor Company

The 2-liter bottles we recycle each year would fill a 400 acre lake.

Keep America Beautiful called us "a model for the entire nation."

The steel we recycle would build 200 Eiffel towers a year.

For more on Ford Motor Company and the environment, get in touch.
www.ford.com 1-800-392-5252

Old rugs make new auto parts.

Ford Motor Company. Better Ideas Driven By You.

75% of every one of our vehicles is recyclable.

From the desk of Audrey White

To: ALL

Millions of old soda bottles, beer cans, telephones and tires. Even over-the-hill PCs. They're not trash. They're raw materials.

At Ford Motor Company, we have them melted down and recycled into brand-new parts like splash shields, lamp bodies and battery housings. Then, of course, we test to make sure that the recycled materials are the same quality as the brand-new ones.

It makes good business sense. But we don't just do it to save money. We do it to save the planet.

I'm glad about that. After all, I live here too.

Honda

Sure, there are cleaner vehicles than a Honda. But how long is your commute?

If the idea of sitting in bumper-to-skateboard traffic doesn't appeal to you, we have a better idea. In fact, several. The clean and fuel-efficient vehicles from Honda. Our low- and ultra-low-emission Accords and Civics now comprise the majority of cars we sell in America. And our natural-gas Civic GX and electric EV PLUS are remarkable clean alternative-fuel vehicles. Best of all, these cars perform like, well, Hondas. You see we've always been committed to balancing your desires for fun and performance with society's need for cleaner air and improved fuel economy. Which can be just about as difficult as balancing on a skateboard. With a briefcase. In a suit.

Honda. Thinking.

For more information about Honda's commitment to the environment, call 1-888-CC-HONDA or visit us at www.honda.com.

Tom's of Maine

TOM'S HELPS CARE FOR MORE THAN JUST YOUR TEETH.

Caring for teeth is in our roots. For over 25 years, we've used safe, effective ingredients from nature to help people protect their teeth. In fact, our fluoride toothpaste has been tested and proven effective in fighting cavities. And you get that protection without any of those bright color dyes, artificial preservatives and sweeteners, like saccharin, that are common in most other toothpastes. What's more, Tom's also helps care for trees and other precious resources. That's why we use only 100% recycled paperboard for our boxes. It's also why we dedicate 10% of our profits to worthy causes, like the environment. So look for Tom's wherever toothpaste is sold. We'll help take good care of your teeth and a whole lot more. Come visit us at www.toms-of-maine.com. Thanks for reading.

Tom's of Maine Natural Fluoride Toothpaste has been shown to be an effective decay prevention dentrifice that can be of significant value when used as directed in a conscientiously applied program of oral hygiene and regular professional care. Council on Scientific Affairs-American Dental Association.

IBM

"A JOURNEY of a thousand miles must begin with a single step." - Chinese proverb

IBM is honored to receive the "Alliance to Save Energy's 1998 Star of Energy Efficiency" and the "U.S. EPA's Computer Partner of the Year" Awards for its significant steps in energy-efficient operations and products.

IBM

Solutions for a small planet

Deep E Company

POUNCE. STOMP. TRAMPLE. CAN YOU believe YOU'RE DOING THE EARTH A FAVOR?

Help Prevent Overgrazing

Our waterproof Saguache Hiker uses the highest quality Sustana leather, made from sustainable managed cattle to avoid the harmful impacts of overgrazing. Its tanning process even meets Dutch Ecolabel environmental standards. And a portion from every sale will go to organizations working to prevent the impacts of overgrazing. Call 1-888-233-3373, or visit our web site, deepeco.com, for more information and a retailer near you.

Havana Joe

Nature wins

Havana Joe Natural Boots
1-800-848-2774

Patagonia

LET THE BEAUTY WE LOVE BE WHAT WE DO

-RUMI

Keeping the chainsaws at bay, tree sitters defend old growth redwoods, Headwaters, CA

Patagonia

catalogs and dealer info: 800-336-9090

www.patagonia.com

Eastern Mountain Sports

Thanks to the hard work of EMS customers, the beaten path looks a little less beaten.

Every June, EMS customers, staffers, and suppliers join forces to organize and fund National Trails Day projects across the country.

Last year, close to 2500 people lent a hand (two hands, actually) at our events. That's about 5000 hands!

Outdoor gear and clothing manufacturers partner with EMS to help fund our trail projects.

Last year, cosponsors included Vasque, Teva, JanSport, Merrell and more than 50 others!

Help us make this National Trails Day the most successful yet. Lend a hand on June 7!

EMS will host more than 60 NTD events, one in every community where we have a store.

The EMS Trail Fund was created in 1993 to help save local trails.

The Trail Fund sponsors a number of NTD activities and works year-round to help local trail clubs cover their costs.

Volunteers get lots of free goodies, like T-shirts, caps and the satisfaction of preserving trails for future generations.

To take part in a local National Trails Day event, or to find out how your trail club can partner with EMS, call the EMS store nearest you.

In the past, we've worked with groups like the Appalachian Mountain Club, the Adirondack Mountain Club, the Sierra Club & many others.

Donations from our vendor cosponsors go directly to local outdoor organizations to pay for tools & materials.

The American Hiking Society estimates that more than one million people will take part in Trails Day 1997.

The American Hiking Society works with businesses and volunteer groups nationwide to coordinate local trail projects.

June 7, 1997, is the 5th annual National Trails Day, a day devoted to raising awareness about the need to preserve America's trails.

EMS - Proud to sponsor National Trails Day.

Nike ACG

ALL MT. EVEREST NEEDS NOW IS SOME OLD TIRES AND COCKROACHES
AND IT'LL LOOK JUST LIKE A VACANT LOT IN QUEENS.

These pictures were taken on Mt. Everest during Brent Bishop's 1994 expedition. It was the first of his expeditions to remove the garbage and oxygen canisters left on the mountain over the years. Brent has organized many of these excursions which pay people for the canisters they bring down. And in the Karakorams, he teaches porters environmentally friendly climbing techniques. Since the beginning, we've supplied Brent with whatever he's needed for these expeditions including a lightweight, versatile shoe he can wear to 17,600 feet, the Air Gasp. We hope you notice the difference, next time you're up there.

Patagonia Organic Cotton

CHANGE YOUR WORLD
100% ORGANIC COTTON DENIM JEANS

Patagonia
catalogs and dealer info: 800-336-9090
www.patagonia.com

Text Copy of Environmental Activities for March 25,1999 Focus Group

Environmental Activities

"We have given more than \$14 million to 900 grassroots environmental groups."

"We've developed alternative production methods and continue to find new ways to reduce environmental impact."

"We organize annual Service Projects in each of our retail store markets, which includes recruiting volunteers to perform local, hands-on conservation work."

"We post bail for employees with civil disobedience training who are arrested in nonviolent actions that are consistent with our company's values."

"Hundreds of employees have helped to maintain a large section of the Appalachian Trail."

"Every 18 months, we host a conference for environmental activists from all over the country, along with dozens of its own employees, to teach organizing skills as a way to boost the effectiveness of direct action groups."

"We were the first to use fleece made from recycled fibers. For a while, we had company; today, nearly all outdoor firms are back to using fleece made from virgin crude oil."

APPENDIX E - FOCUS GROUP DATA QUESTIONNAIRE

Outdoor Clothing - Green Marketing Focus Group

March 25 and April 13, 1999

Participant Screening Questionnaire

My name is [Ryan/Rob] and I am a student researcher from the University of Michigan Business School. I am working on a project with another student to find out how people who shop at outdoor clothing stores feel about outdoor clothing companies, environmental issues, and marketing. As part of our research, we will be holding focus groups this Wednesday and Thursday from 7:00 to 9:00 p.m. to bring together customers like yourself to talk about your common interests in outdoor clothing and gear. The group will meet at the Business School in Ann Arbor.

Would you be willing to take a few minutes to answer several questions for us to determine whether you would be a good fit for participating in one of these focus groups? Will you be available on either Wednesday or Thursday of this week between 7:00 and 9:00 p.m.?

If you are selected for the focus group, we will contact you in the next 48 hours to provide details about the event. In addition, if you do participate, you will receive a free fleece jacket from one of the major outdoor clothing manufacturers valued at \$85.

What is a focus group? It is a group interview where we bring seven or eight people together to talk about things that you all have in common. We'll have some questions for you to answer, but mostly you will be talking with each other.

Thanks for taking the time to complete the survey.

1. In the past year have you purchased any outdoor clothing?

Yes	No
-----	----

2. If so, how is it used?

A. Mostly casual wear	D. REI
B. Mostly for outdoor use on mountains, in water, or in the woods	E. Other: _____
C. A combination of casual and outdoor use	

3. In the past year, approximately what is the total amount you have spent on outdoor clothing?

4. Do you currently own any outdoor clothing made by:

A. The North Face	D. REI
B. Columbia	E. Other: _____
C. Patagonia	

5. Which of the following sports do you participate in at least once per year?

A. Rock climbing or mountaineering	G. Running or jogging
B. Skiing or snowboarding	H. Kayaking, canoeing, or rafting
C. Surfing	I. Backpacking
D. Fishing	J. Hiking
E. Sailing	K. Camping
F. Bicycling	L. Other: _____

6. Do you consider yourself an expert in one or more of these sports? If so, which one(s)?

7. In general, how much do you feel you know about environmental issues and problems?

A. A lot	C. Only a little
B. A fair amount	D. Practically nothing

8. What do you consider to be the most important environmental issues today?

9. In the past year, have you purchased any products (not just outdoor clothing) based on their environmental attributes or the environmental practices of the manufacturer?

Yes	No
-----	----

10. Have you heard of the term "green marketing"?

11. In your own words, could you describe green marketing?

12. What is your age?

13. What is your marital status?

- A. Married
 - B. Single (including divorced, widowed, separated)
14. How many children live in your household?
15. What is the last grade or class you completed in school?
- A. High school graduate
 - B. Some college or technical school
 - C. College graduate
 - D. Post graduate work or degree
16. What is your household's total annual income?
- A. Under \$25,000
 - B. \$25,000 to \$50,000
 - C. \$50,000 to \$75,000
 - D. \$75,000 to \$100,000
 - E. Over \$100,000
 - F. No response
-

Name:

Phone Number:

Fax Number:

When is the best time of the day to reach you? Morning Afternoon Evening

Email address:

Street Address:

Town and Zip Code:

APPENDIX F - PATAGONIA'S LOUDER THAN WORDS CATALOG INSERT

APPENDIX G - FOCUS GROUP SURVEY

Outdoor Clothing - Green Marketing Focus Group

March 25 and April 13, 1999

Customer Preferences Survey

Please complete this survey and bring it with you to the focus group on Wednesday or Thursday.

1) What kind of outdoor clothing do you own? (circle all that apply)

- | | |
|-------------------------------------|---|
| A. Alpine jackets, parkas, or pants | C. Raingear, waterproof gear |
| B. Fleece jackets or vests | D. Sportswear, light jackets, shirts, or shorts |
| | E. Stretch tops or pants |

2) Where do you typically buy your outdoor clothing? (circle 2)

- | | |
|--|---|
| A. Large outdoor chains (like REI) | C. Small specialty stores (like Bivouac) |
| B. Large sporting goods chains (like Dunham's or Oshman's) | D. Through catalogs (like Patagonia or L.L. Bean) |
| | E. Over the Internet |

3) What catalogs do you regularly get sent to your house? (circle all that apply)

- | | |
|--------------|-------------------------------|
| A. REI | D. Campmor |
| B. Patagonia | E. Other (please list): _____ |
| C. L.L. Bean | |

4) What outdoor-related magazines do you read regularly? (circle all that apply)

- | | |
|---------------|-------------------------------|
| A. Outside | D. Ski |
| B. Backpacker | E. Mountain Bike |
| C. Climbing | F. Other (please list): _____ |

5) What do you look for in the outdoor clothes you buy? Please circle how important each of the following criteria are to you (with 1 being unimportant and 5 being very important)

	Unimportant			Very Important	
Cost	1	2	3	4	5
Quality	1	2	3	4	5
Technical features	1	2	3	4	5
Value	1	2	3	4	5
Styling	1	2	3	4	5
Well-known brand	1	2	3	4	5
Company image	1	2	3	4	5
Environmental impact of product	1	2	3	4	5
Other (please list): _____	1	2	3	4	5

6) Do you consider the environmental performance of the makers of the outdoor clothes that you buy?

Yes No

7) In what ways have you learned about the environmental impact of outdoor products and environmental performance of outdoor product manufacturers? (circle all that apply)

- | | |
|-------------------|---------------------------------------|
| A. Store displays | D. Internet |
| B. Advertisements | E. Other sources (please list): _____ |
| C. Word of mouth | F. N/A - Haven't learned |

APPENDIX I - GREEN MARKETING PRINT ADVERTISEMENT IDEAS

On April 6, 1999, two advertisement development brainstorming sessions were conducted with undergraduate students in a Dr. Aaron Ahuvia' Consumer Behavior class at the University of Michigan Business School. Background information on Patagonia's marketing strategy and environmental commitment was presented to the students, including a description of the four customer segments (athletes, naturalists, active families, and occasional buyers) and examples of past Patagonia print advertisements which utilize a brief attention-grabbing quote combined with a vivid outdoor image.

The students were asked to design an ad campaign targeted at one of the four customer segments that combined one of Patagonia's traditional emphases - e.g., soul of the sport, quality, innovation, durability - with one of the company's environmental activities. The results of this "dual message" approach to green marketing print advertisements were quite impressive. Several of the better examples are presented below, along with names of the students who came up with the idea.

Advertisement Idea #1

Target: Naturalists, Athletes

Caption: The Power of Wind or 100% Wind Powered

Image: Racing sailboat, spray of water, crew in Patagonia gear. (or wind surfer)

Copy: Since the beginning of time, man has struggled to harness the power of the wind. Patagonia has finally done it. All of our California facilities use 100% wind-powered electricity.

Created By: Dana Reed

Advertisement Idea #2

Target: Naturalists

Image: Windmill; around the windmill are smaller images and/or text of the many ways in which man has tried to capture the wind - an evolution of sorts - kites, gliders, wind surfers, sailboats, early airplane, early sailing ship

Copy: Since the beginning of time, man has struggled to harness the power of the wind. Patagonia has finally done it. All of our California facilities use 100% wind-powered electricity.

Created By: Dana Reed

Advertisement Idea #3

Target: Active families

Caption: Show Them the Way

Image: A clear winter day, sun shining. Father and young son wearing Patagonia jacket, pants, etc. and snowshoes standing and/or walking on the edge of a field or frozen lake about to enter a lush virgin forest. Their bodies cast both a large and small shadow. Dad is holding his son's hand. Son is looking up at dad. View is from behind.

Copy: Text regards Patagonia's support of preserving old growth forest. Or Patagonia pledges 1% of sales to efforts to preserve and protect the environment.

Created By: Dina Goldwasser, Natalie Tabacchi, Ariane Finkel

Advertisement Idea #4

Target: Active families

Caption: Do you ever wonder what your child will be climbing in 20 years? We do.

Image: A father and/or mother and their child are climbing a mountain of trash in a landfill, wearing Patagonia gear.

Copy: Our Synchronilla fleece is made 100% recycled soda bottles

Created By: Michelle St. Jacques

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- ²¹ Shrum, L.J., John A. McCarty, and Tina M. Lowrey, "Buyer Characteristics of the Green Consumer and Their Implications for Advertising Strategy," *Journal of Advertising* 24 (Summer 1995): 80.
- ²² Ottman, Jacquelyn, *Green Marketing: Opportunity for Innovation* (Chicago: NTC Business Books, 1997), 22.
- ²³ Azzone, 71.
- ²⁴ Ellen, Pam Scholder, "Do We Know What We Need to Know? Objective and Subjective Knowledge Effects on Pro-Ecological Behaviors," *Journal of Business Research* 30 (January 1994).
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- ²⁸ Shrum, 71.
- ²⁹ Stisser, Peter, "A Deeper Shade of Green," *American Demographics* (March 1994): 27.
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