



## **Company Snapshots: “Don’t Buy Our Products” – Ethics at Patagonia**

When asked what he thought made a good company, Yvon Chouinard replied with one word: responsibility.

Despite being the founder of a retail consumer brand company Patagonia, Chouinard is also a conservationist who advocates for anti-consumerism. He believes that Patagonia has “made a contract with our customers to make clothing as responsibly as possible.” To that end, Chouinard actively encourages his consumers to “think twice before you buy a product from us. Do you really need it or are you just bored and want to buy something?”

At first, Chouinard says, the company focused its mission on making the best products. Then he became concerned about the state of the planet, and added to his mission statement: “cause no unnecessary harm.” Later, Chouinard realized that he had an opportunity to lead social change through business, and accordingly added a third piece to Patagonia’s mission statement: to use business to inspire and implement industry-wide solutions to the environmental crisis.

While Chouinard no longer leads the company as its chief executive, these founding values continue to drive company ethics. Sustainability remains at the very heart of Patagonia’s identity, and the company continues to be an activist in the industry. In 2009, Patagonia teamed up with Walmart to launch the Sustainable Apparel Coalition, which brings these companies together to work towards greening the apparel, textile, and footwear industry. Its key achievement is the [Higg index](#), which created a standardized way to measure a supply chain’s environmental impact.

### **Innovations in Advertising and Sustainability**

Today, Patagonia is a recognized leader in corporate responsibility and environmental conservatism. Most recently, Patagonia was recognized with the Accenture Strategy Award for Circular Economy Multinational at the 2017 World Economic Forum Annual Meeting in Davos, along with Nike, for efforts to reduce waste in its products.

As a retail brand, Patagonia has navigated the seeming conflict of interest behind its anti-consumerism by incentivizing consumers to purchase fewer but higher-quality and sustainably-made products with its premium pricing and offers to repair, resell, and recycle its products free of charge through its Worn Wear program. Chouinard wrote in his 1995 *The Next Hundred Years*, his statement describing the earliest version of the Patagonia ethic and manifesto, that “the most responsible thing we can do is make each product as well as we know how so it lasts as long as possible.”

Patagonia’s 2011 advertising campaign, “Don’t Buy This Jacket,” spelled out precisely how Patagonia negotiated the apparent conflict of interest, aligned with the reduce, repair, reuse, recycle mantra of environmentalists. Under “Reduce”, the company declared, “We make useful gear that lasts a long time; you don’t buy what you don’t need,” with the goal of reimagining together “a world where take only what nature can replace.”

Some of Patagonia’s other innovations towards transparency and ethical consumerism include:

- Releasing The Footprint Chronicles feature, allowing consumers to transparently track the source and environmental cost of any Patagonia material
- Developing the Sustainable Apparel Coalition, a sustainability index for apparel and footwear with companies such as Nike, Levis, and Wal-Mart
- Being a founding member of the Fair Labor Association
- Becoming the first California business to become a certified B Corp, companies that meet higher standards of sustainable labor practices and social and environmental impact
- Partnering with Blue Ribbon Flies, a fly fishing equipment company, to build “1% for the Planet,” where member companies pledge to donate 1% of their sales to grassroots environmental groups
- Donating either 10% of pre-tax profits to small groups working to save the environment, or 1% of sales, whichever was higher, since 1986, as a self-imposed “earth tax”
- Selling all organic cotton products since 1996

A key driver in a company’s ethical culture is its leadership, which both affects formal initiatives and structure that influence ethical action and informal role modeling of ethical behavior. These initiatives have cemented the company’s sustainability-focused “ethical culture” – defined as the component of organizational culture as relevant to “how we do things around here” in relation to ethics. Linda Treviño and Katherine Nelson wrote in their book *Managing Business Ethics* that an ethical culture can be structured as a multi-system framework encompassing formal and informal systems that support ethical action.

Formally, Chouinard has led Patagonia’s ethical culture through programs such as its Worn Wear clothing recycling system and donations to small groups working to save the environment. Informally, Chouinard also models his company’s values: a *New Yorker* profile noted that Chouinard’s own Patagonia gear “tends to date back to the last century.”

## **Building Trust Among Employees and Consumers**

Patagonia's transparency and integrity has garnered trust among its consumers. As part of its aforementioned "Don't Buy This Jacket" campaign, Patagonia included, alongside a photo of its popular R2 jacket, a brutally honest prescription for the environmental cost of the jacket: "To make it required 135 liters of water, enough to meet the daily needs (three glasses a day) of 45 people. Its journey from its origin as 60% recycled polyester to our Reno warehouse generated nearly 20 pounds of carbon dioxide, 24 times the weight of the finished product. This jacket left behind, on its way to Reno, two-thirds its weight in waste."

In these assertions, Patagonia has developed a strong corporate identity founded on its sustainability ethic—one that resonates with consumers. By establishing value congruence, Patagonia is able to convince customers that it has its customers' long-term interests and common values in mind. As Robert Hurley argues in his white paper on high-trust organizations, customer trust can be "monetized over a long-term period through higher market share and customer loyalty."

Patagonia's focus on promoting shared values, as opposed to just products, in its advertising campaigns exemplify Hurley's recommendation for building trust by first "clarifying and aligning stakeholder interests and [proving] that you will promote those interests in a fair manner". Consumers trust the authenticity of Patagonia's commitment to sustainability because of Patagonia's clear communication and follow-through with the execution of its sustainability initiatives.

## **The Benefits of Trust and Values-Based Business**

Research has proven that improving trust has bottom-line impact. A Golin/Harris poll reviewing trust in the U.S. business environment found that trust can be a key driver of customer loyalty: 53% of customers reported that they would leave if they distrusted the company. In another study of product recalls in the automobile industry, Mooweon Rhee and Pamela Haunschild found that a good reputation pays off in lower costs, higher sales, and the ability to charge premium prices. Yet another study on the value of corporate culture by Luigi Guiso, Paola Sapienza, and Luigi Zingales concluded that "high levels of perceived integrity are positively correlated with good outcomes, in terms of higher productivity, profitability, better industrial relations, and higher level of attractiveness to prospective job applicants".

Andrew Alvarez, an apparel analyst at research firm IBISWorld, explained that Patagonia is "a company that understands its cause and understands how to integrate that cause into its business model and it does extremely well with that." In other words, for Patagonia, good business has come directly from good ethics.

Chouinard's memoir, *Let My People Go Surfing: The Education of a Reluctant Businessman*, captures his philosophy of leading by example, guided by a strong sense of values. "We have

never had to make a "break" from the traditional corporate culture that makes businesses hidebound and inhibits creativity," he comments. "For the most part, we simply made the effort to hold to our own values and traditions."

*Sources / Further Reading:*

- "Beginnings and Blacksmithery." *History of Patagonia - A Company Created by Yvon Chouinard*. Patagonia, 2017. Web. 23 July 2017. <<http://www.patagonia.com/company-history.html>>.
- Cain, Daylian, and Jeffrey Kaplan. "Conflicts of Interest." *EthicalSystems.org*. Ethical Systems. 2017. <<http://ethicalsystems.org/content/conflicts-interest>>.
- Chouinard, Yvon. "The Next Hundred Years." *The Design of Prosperity*. University of Borås. 2 Nov 1995. <<http://thedesigndesignofprosperity.se/2009/press/chouinard/TheNext100Years-YvonChouinard-Patagonia-Inc.pdf>>.
- Clifford, Catherine. "The Founder of Patagonia Fishes Half the Year and Tells His Employees to Go Surfing." *CNBC*. CNBC, 23 Dec. 2016. Web. 23 July 2017. <<http://www.cnbc.com/2016/12/23/founder-of-patagonia-fishes-half-the-year-tells-his-employees-to-surf.html>>.
- "Don of the Dirtbags: An Interview with Yvon Chouinard." *The Usual*. The Usual Montauk, 22 Oct. 2016. Web. 23 July 2017. <<http://theusualmontauk.com/don-of-the-dirtbags-an-interview-with-yvon-chouinard/>>.
- Frank, John N. "Golin Survey Finds Factors That Shape Consumer Trust." *PRWeek.com*, PR Week, 15 Sept. 2003, <[www.prweek.com/article/1247612/golin-survey-finds-factors-shape-consumer-trust](http://www.prweek.com/article/1247612/golin-survey-finds-factors-shape-consumer-trust)>.
- Guiso, Luigi, Paola Sapienza, and Luigi Zingales. "The Value of Corporate Culture." *University of Chicago*. Booth School of Business: The Initiative on Global Markets. Sep 2013. <<http://ssrn.com/abstract=2353486>>.
- Haidt, Jonathan, and Linda Treviño. "Ethics Pays." *EthicalSystems.org*. Ethical Systems. <<http://ethicalsystems.org/content/ethics-pays>>.
- Hurley, Robert. "The Proof that Trust Creates Competitive Advantage." *Forum on Building a Trustworthy Organization*. Fordam University. 2014. <<http://www.trustinorganizations.com/resources/Documents/Empirical%20Research%20on%20trust%2010.7.14%20Full.pdf>>.
- Hurley, Robert. "The Trustworthy Leader: The First Step Towards Creating High-Trust Organizations." *TrustInOrganizations.com*. Trust In Organizations. 2012. <[http://www.trustinorganizations.com/resources/Pictures/The%20Trustworthy%20Leader\\_leader\\_to\\_leader%20Fall%202012.pdf](http://www.trustinorganizations.com/resources/Pictures/The%20Trustworthy%20Leader_leader_to_leader%20Fall%202012.pdf)>.
- Hurley, Robert. "Trust." *EthicalSystems.org*. Ethical Systems. 2017. <<http://ethicalsystems.org/content/trust>>.
- Lukaszewski, James E. "American Business Faces a Crisis of Trust." *Golin Harris*. Golin Harris International. 2002. <[http://trustenabement.com/local/Golin-Harris-Trust\\_Survey\\_Executive\\_Summary.pdf](http://trustenabement.com/local/Golin-Harris-Trust_Survey_Executive_Summary.pdf)>.
- Lutz, Ashley. "A Clothing Company Discourages Customers From Buying Its Stuff - And Business Is Booming." *BusinessInsider.com*, Business Insider, 8 Sept. 2014, <[www.businessinsider.com/patagonia-business-strategy-2014-9](http://www.businessinsider.com/patagonia-business-strategy-2014-9)>.
- Mooweon, Rhee, and Pamela Haunschild. "The Liability of Good Reputation: A Study of Product Recalls in the U.S. Automobile Industry." *Informs.org*, Organization Science, 1 Feb. 2006, [pubsonline.informs.org/doi/abs/10.1287/orsc.1050.0175](http://pubsonline.informs.org/doi/abs/10.1287/orsc.1050.0175).

- Nudd, Tim. "Ad of the Day: Patagonia." *Adweek.com*. Adweek. 28 Nov 2011. <<http://www.adweek.com/brand-marketing/ad-day-patagonia-136745/>>.
- Patagonia. "Introducing the Common Threads Initiative – Reduce, Repair, Reuse, Recycle, Reimagine." *Patagonia.com*. Patagonia. 7 Sep 2011. <<https://www.patagonia.com/blog/2011/09/introducing-the-common-threads-initiative/>>
- Paumgarten, Nick. "Patagonia's Philosopher-King." *The New Yorker*. The New Yorker, 19 Sept. 2016. Web. 23 July 2017. <<http://www.newyorker.com/magazine/2016/09/19/patagonias-philosopher-king>>.
- Pennington, Kelli. "Yvon Chouinard: Founding Patagonia & Living Simply." *ClimateOne.org*. Climate One, 27 Oct. 2016. Web. 23 July 2017. <<https://climateone.org/events/yvon-chouinard-founding-patagonia-living-simply>>.
- Rosenblum, Jeff. "How Patagonia Makes More Money By Trying To Make Less." *FastCompany.com*. Fast Company. 6 Dec 2012. <<https://www.fastcompany.com/1681023/how-patagonia-makes-more-money-by-trying-to-make-less>>.
- Sirtori-Cortina, Daniela. "From Climber To Billionaire: How Yvon Chouinard Built Patagonia Into A Powerhouse His Own Way." *Forbes*. Forbes Magazine, 20 Mar. 2017. Web. 23 July 2017. <<https://www.forbes.com/sites/danielasirtori/2017/03/20/from-climber-to-billionaire-how-yvon-chouinard-built-patagonia-into-a-powerhouse-his-own-way/#12a8e9f8275c>>.
- Treviño, Linda K. and Katherine A. Nelson. [\*Managing Business Ethics: Straight Talk About How To Do It Right\*](#). John Wiley & Sons, Inc., 5th ed. (2011)
- Welch, Liz. "The Way I Work: Yvon Chouinard, Patagonia." *Inc.com*. Inc., 12 Mar. 2013. Web. 23 July 2017. <<https://www.inc.com/magazine/201303/liz-welch/the-way-i-work-yvon-chouinard-patagonia.html>>.