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# From Yosemite to a Global Market: How Patagonia, Inc. has Created an Environmentally Sustainable and Socially Equitable Model of Supply-Chain Management

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**From Yosemite to a Global Market: How Patagonia, Inc. has Created an Environmentally Sustainable and Socially Equitable Model of Supply-Chain Management**

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In partial fulfillment of a Bachelor of Arts Degree in Environmental Analysis,  
2016-17 academic year, Pomona College, Claremont, California

Readers:  
Char Miller  
Bowman Cutter

## Table of Contents

<b>Acknowledgements</b>	p. 3
<b>Introduction</b>	p. 4
<b>Chapter 1: The Birth of the Green Movement and Patagonia, Inc.</b>	p. 6
Patagonia, Inc.'s History	p. 6
Fostering Counterculture	p. 7
Chouinard Equipment	p. 10
Expansion of the Mission	p. 12
Environment and Social Climate of the '70s	p. 14
The advent of "Corporate Sustainability"	p. 16
<b>Chapter 2: What Makes Patagonia Different?</b>	p. 21
Patagonia's Keys to Success	p. 22
Product Development	p. 23
Transparency of Supply Chain	p. 26
Brand: Don't Buy This Jacket	p. 28
Commitment to Quality	p. 31
Philanthropy	p. 32
Activist Company	p. 34
<b>Chapter 3: Sustainable Supply-Chain Management</b>	p. 36
Supply-Chain Mismanagement	p. 37
Supply-Chain Management à la Patagonia	p. 43
Adapting to Supply Chain Complexities	p. 45
Future Transition to Value Chain Index	p. 47
Need for New Priorities	p. 49
Closing the Production Loop	p. 50
<b>Chapter 4: Environmental Psychology and Consumer Behavior</b>	p. 57
Fast Fashion vs. Patagonia Style	p. 57
Environmentally Significant Behavior	p. 60
Environmental Psychology	p. 63
Privilege of Environmentalism	p. 65
<b>Conclusion</b>	p. 67
<b>References</b>	p. 69

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## **Introduction**

There is an urgent pressure of the time (2016) to re-evaluate our patterns of consumption to adapt to changing climates and reduce waste and pollution. With this pressure there often comes a wave of despair that sweeps across most minds when the realization occurs of just how immense an issue modern consumerism is. Because an immediate restructuring of global production strategies is not likely any time soon, industrial innovators are finding new ways of redesigning supply-chain management in efforts to move towards environmentally sustainable business in which all manufacturing practices are transparent. Companies like Patagonia, Inc., an outdoor apparel company, which comes from humble beginnings, are one such innovator that can be examined as a model for what corporate responsibility should look like. Through deeply rooted commitment to the natural environment, Patagonia has been able to adapt its business model so as not to sacrifice or squander the precious natural, wild lands and waters that we have left on our planet. The effects of Patagonia's responsible commitment to the environment have seeped into all aspects of their corporate structure. This dedication to the precious natural lands of our planet, coupled with the company's honest, trustworthy business practices have contributed to its positive reputation amongst consumers, which in turn gave Patagonia the sales success and influence across market sectors that it has today.

Patagonia is a testament to the often-debated question of economic value in green business practices, and this thesis acts as an outline as to how they arrived at such an impressive presence in the business world, grow financially, maintain global influence, while maintaining their environmental priorities. Through its transparent and environmentally conscious supply-chain management, Patagonia has effectively set the scene for other producers to follow its lead in a time where redesign and innovation is the only answer to depleting natural resources and the need to eliminate waste. The crucial connection that Patagonia maintains with its consumers can be examined through the inherent environmental psychological analysis of Patagonia's mission to create the highest quality product while doing the least amount of harm to the environment. The consumers who are buying products to engage in outdoor recreation presumably attach high value to those natural lands and waters that they are venturing out into. Therefore, with this deep emotional significance comes motivation to protect the sanctity of those places on Earth, and support those organizations and businesses that are driven by this same passion.

## **Chapter 1: The Birth of the Green Movement and Patagonia, Inc.**

### *Patagonia, Inc.'s History*

My company, Patagonia, Inc., is an experiment. It exists to put into action those recommendations that all the doomsday books on the health of our planet say we must do immediately to avoid the certain destruction of nature and collapse of our civilization. Despite near-universal consensus among scientists that we are on the brink of an environmental collapse, our society lacks the will to take action. . . Patagonia exists to challenge conventional wisdom and present a new style of responsible business (Chouinard, 2005).

The purpose of this chapter is to give narrative depth and background description to the birth and evolution of Patagonia, Inc. The roots of this company are vital to understanding its mission dedicated to sustainable business practices while protecting the natural world. Although Patagonia may be a household name, its modest beginnings are what gives it the character of minimalism that defines it, and also what make it essential in understanding how a business of its stature can be grown in an authentic, mindful, and grassroots way.

Chouinard Equipment started out in the backyard of founder Yvon Chouinard's parents' home in Burbank, California in 1957 after he bought his first anvil and metal scraps from a nearby junkyard and started teaching himself how to blacksmith (Chouinard, 2005). Chouinard was a rock climber in a time when

the sport was really just taking off, especially in Yosemite Valley, California. Chouinard climbed with world-class climbers Tom Frost, Royal Robbins, and the rest of the Valley Cong climber gang that lived in Yosemite, often extending their two-week visitor pass issued by the Park Service so that they could climb the big walls and be amongst the counterculture innovators of the time in both recreation and society (Chouinard, 2005).

### *Fostering counterculture*

The counterculture that grew out of Camp 4 in Yosemite Valley can be seen as the nesting grounds for the birth of multiple billion-dollar outdoor activity entrepreneurial companies (Kirk & Palmer, 2006), as well as a haven for valuing the Earth in their future entrepreneurial ventures that was not the norm for capitalistic practices of the time. Camp 4 is where the self-proclaimed ‘dirtbag’ climbers, attempting unprecedented ascents on Yosemite’s grandest rock faces like El Capitan and Half Dome, were able to nurture their affection for the danger and beauty of nature (Coleman, 2011). With Camp 4 as their own version of “Edison’s laboratory” Chouinard, Robbins, and Frost were able to “foster creativity, ethics, and American-capitalist know-how,” and gave birth to an entire genre of modern, outdoor, and environmentally minded recreation enthusiasts (Kirk & Palmer, 2006).

In the words of Tom Frost, co-founder of Great Pacific Iron Works (the future parent company of Patagonia, Inc. and Chouinard Equipment) and



business partner of Chouinard Equipment: "our business activities mirrored our rock climbing philosophy that emphasized the style and purity of the activity. Keeping the products simple and pure with designs that came from nature and worked with nature drove our business model" (Kirk & Palmer, 2006). The environment that Chouinard was surrounded by during this time at Camp 4 is an essential point in the history of Patagonia, as well as historical context for the rise of companies like Royal Robbins, which makes travel and outdoor clothing for men and women. Together the dirtbag climber crew worked to innovate new products, not knowing the impact their lifestyle and passion would have on millions of people a few short years later.

The men and women living at Camp 4 during the 1960s and 70s were outcasts and despised by the Yosemite park rangers at the time for their reclusive desire to overstay their two-week welcome as campers in the park, often stealth camping out of view of the rangers. When the climbers were not out on the rocks, they were back at the camp having their notoriously raucous parties (Kirk & Palmer, 2006). The prevailing culture narrative in regards to nature at this time was domination—not collaboration. The counterculture association brought a scope of responsibility to nature, and allowed for the 'purity perspective' and moral consciousness to gain relevance in humans' interactions with nature (Inglis, Bone, & Wilkie, 2005). This justice for the Earth, giving a voice to nature, was the counterculture way of repaying the Earth for the bounty of opportunity and freedom that it had given these passionate outdoorsmen and women of the

time. Oftentimes this sentiment manifested as conservation and preservation campaigns, and ultimately contributed to the green movement birthed in the 1960s and 70s.

Robbins and Chouinard argued for a purist approach to nature as the value that was necessary to ascribe to their environment, and this would turn out to be a thread that would stay with them throughout their professional growth and careers. As innovators of 'clean climbing' practices, they were strong believers in leaving no human trace in the wild lands they roamed or on the rocks they scrambled up. These were their havens, and they remained devoted to their respect for the land. Many Americans in the 60s and 70s were aware of their moral responsibility to their environment, and the connection between nature and conservation of natural resources started to become a significant concern (Chouinard, 2005). The decade of counterculture popularity during the 1960s is what made living life on the fringe of society a common result as the rejection of mainstream culture. Ultimately this counterculture disconnect from society in the city was a boon to those who were passionate about creating a livelihood out of their blessed recreational pastimes. With the climbers' veneration of the rocks they climbed, came the deeply embedded passion to protect the sanctity of nature throughout their professional lives. The refusal to unnecessarily violate the environment and natural resources it contains has remained a key value in Patagonia's mission to do no unnecessary harm.

## *Chouinard Equipment*

Chouinard Equipment sold pitons and carabineers to the climbing community, gradually picking up a reputation as high quality, trustworthy gear to take on a big ascent, and not long after the business's conceptualization, popular demand for Chouinard's work skyrocketed. Frost, described as a "piton engineer" joined forces with Chouinard to expand the business through the "iron age" of climbing in the 1960s when iron

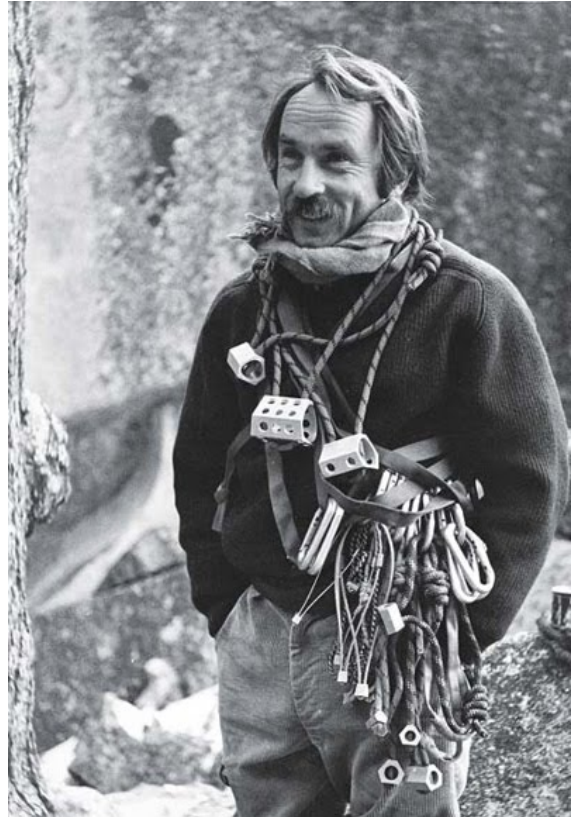


Figure 1 Yvon Chouinard with clean climbing chocks. Photo by Tom Frost (Chouinard, 2005).

pitons hammered into the rock were the fad. In 1972 Chouinard Equipment released its first catalog with a detailed 14-page essay by Sierra climber Doug Robinson on clean-climbing:

There is a word for it, and the word is clean. Climbing with only nuts and runners for protection is clean climbing. Clean because the rock is left unaltered by the passing climber. Clean because nothing is hammered into the rock and then hammered back out, leaving the rock scarred and the next climber's experience less natural. Clean because the climber's protection leaves little trace of his ascension. Clean is climbing the rock

without changing it; a step closer to organic climbing for the natural man (Chouinard, 2005).

This essay was Chouinard's company's first stand as an environmentally conscious and active business. Clean climbing went beyond the climbing community, and engaged Chouinard and company as a "pioneering group of American businessmen who, in the 1970s, built a business philosophy that united environmentalism, outdoor sports, and social responsibility" (Kirk & Palmer, 2006). The political influence that came with this early success and philosophy would begin to pave the way for future involvement in environmental movements and policies for decades to come.

Chouinard Equipment abandoned iron pitons and transitioned to aluminum climbing chocks that fit in pre-existing cracks in the rock walls and required no hammering in or out, leaving the rock as pristine as the climber found it. At the time that Chouinard made this transition he was the single most reputable supplier of pitons nationwide. But his commitment to the environment in which he and his fellow climbers were enjoying their recreation was stronger than his desire to profit off of the destruction of the natural world. Not only was this a potentially risky business move, but it is also essential to note that the climbers were now risking their lives on this new, lesser known climbing technology. This risky move was the first in a long line of bold environmental business moves that Chouinard would make in his "reluctant" career as a highly influential businessman and philanthropist (Chouinard, 2005).

### *Expansion of the mission*

The early success of the iron works business soon expanded from strictly climbing equipment to apparel for the climbers and other active folk, taking with it the environmental protection base. The newly developed active wear company, Patagonia, Inc., separated from Chouinard Equipment, which was climbing gear specific. These two companies coexisted under the father company Great Pacific Iron Works, which changed its name to Lost Arrow Corporation in 1984. The first piece of apparel in Patagonia, Inc.'s history was a rugby shirt that could withstand the harsh conditions that came with the big wall rock climbing recreation. The message that came with the rugby shirt was not a fashion statement, as the shirts were boxy and thick, but rather of durable quality that would protect from the elements of rock climbing that could lead to cuts, abrasions, and bruises. Additionally, the rugby shirts were made from a fiber that would last longer than any cotton t-shirt, debuting the high quality and extended lifetime of Patagonia products.

Headquartered in Ventura, California, Chouinard and company made their second environmental landmark move as a company when it contributed to the Friends of Ventura River campaign to clean the water, restore the flow, and regenerate the Steelhead trout population of the Ventura River. The company did so by essentially housing the graduate student who was the heart and soul of the movement, providing him with the resources he needed. This early and

continuous commitment to the natural environment through philanthropy would become a cornerstone of Patagonia's mission, and always at the heart of their values and success. At one of Patagonia's first board meeting, ecologist and author Jerry Mander presented the board with a prescient set of core values that defined the mission:

We begin with the premise that all life on Earth is facing a critical time, during which survivability will be the issue that increasingly dominates public concern. Where survivability is not the issue, the quality of human experience of life may be, as well as the decline in health of the natural world as reflected in the loss of biodiversity, cultural diversity, and the planet's life support systems.

The root causes of this situation include basic values embodied in our economic system, including values of the corporate world.

Primary among the problematic corporate values are the primacy of expansion and the short-term profit over such other considerations as quality, sustainability, environmental and human health, and successful communities.

The fundamental goal of this corporation is to operate in such a manner that we are fully aware of the above conditions, and attempt to re-order the hierarchy of corporate values, while producing products that enhance both human and environmental conditions (Chouinard, 2005).

These goals were devised in response to a time in American history when there was growing focus on the state of our environment and negative anthropogenic impact on our planet.

### *Environmental and social climate of 70s*

Since the mid-19<sup>th</sup>-century, Americans had been aware of the need to protect wild spaces for public enjoyment, with influential figures like John Muir and Teddy Roosevelt bringing national attention to the lands that they thought needed protection from human development. Rachel Carson's exposé *Silent Spring* (1962) brought the issue of environmental health to the forefront of people's regard for capitalist industry and the safety and responsibility that were associated with our growing economy (Rome, 2013). Carson critiqued the use of pesticides in American agriculture, which were poisoning the environment as humans attempted to control the environment with indiscriminate spraying. Carson's exposure of the effects of pesticides like DDT resulted in new legislation and regulation put into place to reduce the negative health and ecological effects that these chemicals were causing humans, animals, and ecosystems alike. This push towards 'clean' agriculture production systems was in line with Chouinard-and-company's push towards clean climbing and responsible treatment of nature in business and recreation.

With the awareness of the physical effects that humans were having on the environment came the environmental movement's response to prevent

degradation of nature, while respecting and celebrating all that it offers us. The first annual Earth Day was in 1970, which was historic in and of itself, supplies a reference to when millions of Americans started to rally behind the environmental movement, as it “inspired a decade of far-reaching legislation to control air pollution, restore the health of rivers and lakes, ensure safe drinking water, regulate hazardous waste disposal, protect endangered species, and much more” (Rome, 2013).

A few influences on society’s new outlook on environmental justice were the activist culture of the 1960s that worked to expose the flaws in our societal structure and the increased awareness of the scientific explanations behind corporate environmental accidents like oil spills. The surge of outdoor recreation, which were exemplified by Chouinard and the Valley Cong, coupled with the post-materialist values of the time. This post-materialism was a result of the reduced concern with expanding personal materialistic wealth in reaction to the post WWII economic rebuilding phase. For some, the old age concern with materialistic wealth was replaced with the respect for quality and origin of goods and services (Dunlap & Mertig, 1992). The emergence of regulatory agencies like the Environmental Protection Agency and the Council on Environmental Quality during the 1970s were also signs that the fight for clean air and water had begun in earnest, and signaled the general acceptance of environment health as a social issue (Dunlap & Mertig, 1992). Furthermore, these newly accepted social issues were now being traced back to the polluting industries and agencies that



were causing environmental harm. The social climate of the 1960s and 70s was therefore responsible for the incubation and eventual birth of companies like Patagonia that responded to these environmental needs.

### *The advent of “Corporate sustainability”*

With its ‘clean’ focused naissance, the environmental movement was never destined to just reside peacefully at Earth Day festivals. Patagonia was ahead of its peers in terms of responsibly taking ownership for its impacts on the environment. As soon as there was legislative, regulatory, and societal inertia, there was increasing demand to apply the values and eventual laws regarding the environment to corporate practices. As companies like Patagonia emerged and grew in the late decades of the twentieth century, so too did corporate social awareness of the impacts of mass production processes on the environment. In recent decades, the emergence of corporate sustainability has put polluting production practices into a conversation with the need to re-evaluate the supply-chain management process from a more sustainable viewpoint. As will be addressed later in this thesis, the need to change production and consumption patterns so that they conserve our precious natural resources for current and future generations no longer can be ignored.

Ideas concerning corporate sustainable production and operation practices stem from Corporate Social Responsibility (CSR), which is defined as “continuing commitment by business to behave ethically and contribute to

economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large” (Holmes & Watts, 2000). Since this definition disseminated into corporate literature worldwide around the turn of the century, it was expanded to apply to everything from environmental protection to education, in addition to myriad other social sectors. The problem with the definition is that it hides financial institutions’ primary mission—to improve the welfare of their stakeholders behind a façade of social equity (Michael, 2003). It is not surprising that stakeholders still want to make money and will find various environmentally lax loopholes, no matter how socially irresponsible that shortcut might be in the long run. But in the case of companies like Patagonia, dedication to CSR has been at the company’s core since its establishment with a mission committed to environmental well-being.

For many companies, however, CSR can manifest varying degrees of scope and depth of commitment. There are three schools of Corporate Social Responsibility that break down the variances in CSR scope across different sectors of industry. Michael (2003) describes them as “the neo-liberal school (focused on self-regulation by industry according to the risks and rewards of CSR activity), the state-led school (focused on national and international regulation and co-operation) and the ‘third way’ school (focused on the role of profit and non-profit organizations).” However, the loopholes that can be discovered in each of these three instances leave only questionable ‘sustainable’ social corporate action. In the first instance you can make your own rules and only have to do as

well or better than those you are competing with. In the state-led scenario there are other stakeholders (who are not governmental entities) that influence government decisions all the way up the chain of power, despite the government's attempts to introduce CSR policies. Additionally, these non-state influencers can have serious impedimentary sway in the process of getting important regulatory legislation passed through Congress and the courts. And the third instance is private industry that can make its own decisions, and fails to address the self-interest issue in pitching a particular company as a Corporate Social Responsibility-aware firm (Michael, 2003).

Most of the time, CSR is focused on small-scale 'sustainable' reductions in internal energy use—somewhat beneficial, but nothing close to necessary long-term effort to make for a true sustainable economy. The idea of simply modifying production practices to make for slightly less impact now, but maintain the continuation of future impacts on the environment is akin to the Band-Aid on a bullet wound. The popular concept of eco-efficiency sounds like a move in the right direction, but has been abused and is more often than not corporate-centered and “founded on values of industrial capital,” rather than environment or sustainability focused (Young & Tilley, 2006). There are still products being made, and waste being produced—detritus that perpetuates the inefficient and ineffective allocation of precious natural resources. “Making a destructive system less destructive only serves to let industry continue to destroy ecosystems and to contaminate and deplete nature more slowly” (Young & Tilley, 2006). Herein lies

the need to shift from short-term solutions to long-term innovation. The deceleration of depletion of natural resources is not a long-term solution, and I believe it could likely leave future generations, our planet, and our immediate environment in worse shape than had we developed a more radical approach to corporate sustainable practices.

These short-term, old school cradle-to-grave production and consumption 'sustainable' practices are not going to get our society to the lower energy output that we need. The future of cradle-to-cradle production, which acts as a closed loop in the industrial model is where industry must look for innovation in order to reduce waste production and pollution. This term, cradle-to-cradle, as well as the "triple top line," encourages innovation and avoids eco-efficiency issues as previously mentioned (McDonough & Braungart, 2002). The triple bottom line, a term coined by John Elkington, refers to economic growth, environmental protection, and social equity. However, as McDonough and Braungart (2002) point out, this 'less bad' outlook on a system that we have been trying to adapt for future needs is not providing the sustaining way of life that we realistically need. The triple bottom line only gets sustainable action so far and leaves environmental accounting as a means of creating minimal liability (McDonough & Braungart, 2002). Instead of taking the necessary research and development steps to make positive change for the future, often corporations will mitigate their inefficiencies by making small changes and leaving the old system relatively intact.

For business-as-we-know-it to actually be sustaining of present and future generations, there must be a recognition that there must be new ways of honoring all three aspects of the triple bottom line so that no one part suffers, while another may continue to grow. When economy, ecology, and equity can coexist and grow in unison, under an innovatively redesigned “new normal,” then the market will be on track to perpetual sustenance, and not simply sustainable in the short term (McDonough & Braungart, 2002). The response to this trifecta of cohesive sustainable action has come from Patagonia, a company that never thought it would have such an impactful presence in sustainable business.

## **Chapter 2: What makes Patagonia different?**

Patagonia has done an exceptional job incorporating economy, ecology, and social equity into its sustainable business model in a way that continues to give them financial success. Patagonia took these triple top line core values and implemented them into its product design philosophies of making the best product, while causing no unnecessary harm to the environment or those individuals involved in the production process. The set of philosophies that Patagonia abides by are what have made it successful, not only in growth, but in its mission to protect the environment and maintain a consistently high standard of corporate social responsibility. Some of the product qualities that capture this essence are the multi-functionality of a product, as well as its durability and simplicity. Patagonia also stresses “doing their homework” on input material and labor, researching the many tiers of their supply chain to be sure that labor conditions are up to fair trade standards and the materials they use are sustainably sourced. Finally, the added value of a product is also important in their production philosophy, as their quality standards are what allow them to charge higher prices (Chouinard, 2005). These product qualities encapsulate products that will last, while also tying in the corporate responsibility of the company as a whole in production and manufacturing processes. Chouinard’s guiding principle for design from Antoine De Saint-Exupéry, a French writer and

pioneering aviator, which stresses the simplicity and human desire to create more naturally shaped products:

Have you ever thought, not only about the airplane but about whatever man builds, that all of man's industrial efforts, all his computations and calculations, all the nights spent working over drafts and blueprints, invariably culminate in the production of a thing whose sole and guiding principle is the ultimate principle of simplicity?

It is as if there were a natural law which ordained that to achieve this end, to refine the curve of a piece of furniture, or a ship's keel, or the fuselage of an airplane, until gradually it partakes of the elementary purity of the curve of the human breast or shoulder, there must be experimentation by several generations of craftsmen. In anything at all, perfection is finally attained not when there is no longer anything to add, but when there is no longer anything to take away, when a body has been stripped down to its nakedness (Antoine De Saint-Exupéry, 1968).

### *Patagonia's keys to success*

Patagonia has used its mission of dedication to the environment to shape its business model, and that in part is why it was able to be such a successful green business. While the company is always adapting and researching new, more efficient, more eco-conscious modes of production, they were founded on their beliefs that business is responsible for the inherent impacts that it has on

the environment. “The capitalist ideal is you grow a company and focus on making it as profitable as possible. Then, when you cash out, you become a philanthropist,” Chouinard said. “We believe a company has a responsibility to do that all along—for the sake of the employees, for the sake of the planet” (Paumgarten, 2016). The words of the founder resonate with the current staff’s mission. Through a mélange of approaches such as efficiency research and development for products, environmental campaigns, activism, philanthropy, conservation efforts, and transparency of supply chain such that Patagonia remains successfully committed to Earth as well as its growth as a company. The question that arises in regards to its impact on other production industries and the future of a ‘sustainable economy,’ is how scalable is Patagonia’s business model, and which of their attributes as a sustainable modern business could be adopted in its and other industries?

### *Product Development*

Even though Patagonia is an outdoor apparel company, and therefore whatever it produces adds to the global carbon footprint, it has managed to do so in a way that marries its environmental vision and economic viability. “No business can be done on a dead planet. A company that is taking the long view must accept that it has an obligation to minimize its impact on the natural environment” (Chouinard, 1995). Patagonia has engaged in sustainability-minded development of their products since their early years, which make them notable



in the eco-conscious realm. Patagonia's use of recycled materials to make their products reduces their energy consumption drastically.

The Common Threads Program, developed in 2005, is a system where polyester from used clothes is recycled to make a new polyester textile that can be used to make "new" clothes that Patagonia will sell. This genuine new textile is made through the use of the EcoCircle fiber-to-fiber recycling system, developed by progressive fabric manufacturer Teijin of Japan (Fletcher, 2014). This recycled fiber is projected to save 76 per cent of the energy and 71 per cent of the carbon dioxide emissions of using unused polyester fiber (Fletcher, 2014). A large part of these energy savings come from the elimination of petroleum refinement, which is necessary for virgin polyester textile creation.

Patagonia also encourages its customers to return their used apparel to the company's service center in Reno, Nevada, therein facilitating the aforementioned cradle-to-cradle phenomenon. By accepting customers' Capilene garments at the end of their lifetime, Patagonia is taking responsibility for the product they already made (and the associated emissions of making and transporting that product) by reworking it into a new product. The commitment to using recycled goods can also be seen in the Synchronilla material that Patagonia developed in 1993. Synchronilla is a soft, non-pilling, double-faced, fleece fabric that Patagonia created to make its pullover Snap-T jackets. Patagonia developed the post consumer recycled (PCR) process, which transforms used soda bottles into fleece jackets, and has now extended their recycled goods products to include

the use of unusable manufacturing waste and old garments as well, according to their company website.

In addition to its efforts with recycling textiles and innovating new textiles of their own, in 2009 Patagonia was the co-founder of the Sustainable Apparel Coalition, along with Walmart, the world's biggest retailer. The joint mission was to "collect peers and competitors from across the apparel, footwear and textile sector and together, develop a universal approach to measuring sustainability performance," according to the Coalition's website. After the Coalition's creation in 2009, in the first 18 months it "expanded to include 40 companies that together represent over 30% of the global market share for apparel and footwear" (Chouinard, Ellison, & Ridgeway, 2011). This coalition is based on the need for a value chain index (VCI), which "provides a way to make apples-to-apples comparisons of products on the basis of the impacts that accrue to them at each phase of their journey from raw material to consumed, discarded good" (Chouinard, Ellison, & Ridgeway, 2011). The importance of a VCI is that it gives consumers and producers a way to compare and compete products against each other, drawing from a range of life-cycle analysis data of the product—its impact on natural resources, the resulting carbon footprint, and the social welfare of the labor that goes into the production of the product.

The application of a VCI on a larger scale reveals benefits that extend to a more sustainable economy. If true cost (including environmental impacts and externalities of production) VCIs were available for the public to see for all

polluting industries, the impacts could immensely change the way people make purchasing decisions in more than just the apparel sector. This is where Patagonia and others in the Sustainable Apparel Coalition—including REI and Walmart, are on to something implementable throughout the production market. Through the use of VCI software, designers are able to see that they should select raw materials with significantly lower true costs to the environment over environmentally detrimental raw materials. Therefore, assuming designers plan to choose the socially responsible supply chain, they could be able to effect change immediately since they have a repertoire of data steering them away from sources that do not have the best environmental or fair trade 'score'.

This design and supply shift could impact investors and fund managers, who can follow trends of where huge swaths of industry will be getting their new sources of more sustainable raw materials, recycled materials, and green technology to lower their true costs to the environment. When looking towards a more sustainable economy, this is one way that Patagonia has impacted a significant reform in business-as-usual industry value chain process within its supply chain, which could and should be implemented on a much larger scale.

### *Transparency of supply chain*

Part of the way Patagonia and other members of the Sustainable Apparel Coalition are able to effectively use their VCIs is to engage consumers in the true cost awareness of their consumption is through transparency of where the

materials and services used to make the product came from. Patagonia does so by its active “Footprint Chronicles” page on its website. Here, its customers can see where the raw materials came from that went into their apparel. The specific farm, factory, or textile mill, as well as a map are available on the Patagonia Website to see the global supply chain and where specific labor and raw materials are sourced.

Patagonia’s dedication to fair trade labor, corporate responsibility, and responsible, humane use of animal sourced raw materials are clearly apparent through their attempts to educate their consumer base with articles, video messages, and documentaries all available on their website. This establishment of trust with its consumer base through visible and accessible information on the global manufacturing process has created a relationship between the producer, Patagonia, and its consumers, perpetuating its responsible image and brand (Bhaduri & Ha-Brookshire, 2011). Due to studies showing increased concern with the environmental impacts that products have (Singh *et al.*, 2008), “consumers were found to be interested in obtaining information about the origin or manufacturing processes of a business’ products and, therefore, they concluded that a business could benefit from continual communication about how the product is made to satisfy consumers’ quests for knowledge” (Bhaduri & Ha-Brookshire, 2011).

This supply-chain information can be seen as a direct response to the “concern over the ethical and social responsibilities of modern corporations . . .

and greater demands for detailed information regarding the social and environmental impacts of their business activities” (Burchell & Cook, 2006). Patagonia meets this rising demand for transparency by its marketing and outreach successes, which can be seen as models for creating the bond between producer and consumer that is essential when it comes to issues such as sustainable supply-chain management.

*Brand: Don't Buy This Jacket*

The crucial outreach side of Patagonia’s approach to consumer education is also a means to communicate their commitment to their environmental message and strengthen their trustworthy branding image. Through their photography and branding efforts, Patagonia has identified their “core-customer’ as a very fit person who aspires to step outside mainstream society, and who engages in extreme sports through which they have transformative experiences in sublime wilderness

**DON'T BUY THIS JACKET**

It's Black Friday, the day in the year retail turns from red to black and starts to make real money. But Black Friday, and the culture of consumption it reflects, puts the economy of natural systems that support all life firmly in the red. We're now using the resources of one-and-a-half planets on our one and only planet.

Because Patagonia wants to be in business for a good long time—and leave a world inhabitable for our kids—we want to do the opposite of every other business today. We ask you to buy less and to reflect before you spend a dime on this jacket or anything else.

Environmental bankruptcy, as with corporate bankruptcy, can happen very slowly, then all at once. This is what we face unless we slow down, then reverse the damage. We're running short on fresh water, topsoil, fisheries, wetlands—all our planet's natural systems and resources that support business, and life, including our own.

The environmental cost of everything we make is astonishing. Consider the 80" jacket shown, one of our best sellers. To make it required 135 liters of water, enough to meet the daily needs (three glasses a day) of 65 people. Its journey from its origin as 100% recycled polyester to our Reno warehouse generated nearly 20 pounds of carbon dioxide, 24 times the weight of the finished product. This jacket will be here, on its way to Reno, two-thirds its weight in waste.

And this is a 60% recycled polyester jacket, knit and sewn to a high standard; it is exceptionally durable, so you won't have to replace it as often. And when it comes to the end of its useful life we'll take it back to recycle into a product of equal value. But, as is true of all the things we can make and you can buy, this jacket comes with an environmental cost higher than its price.

There is much to be done and plenty for us all to do. Don't buy what you don't need. Think twice before you buy anything. Go to [patagonia.com/CommonThreads](http://patagonia.com/CommonThreads) or scan the QR code below. Take the Common Threads Initiative pledge, and join us in the 1% to reimagine a world where we take only what nature can replace.

**COMMON THREADS INITIATIVE**

**REDUCE**  
 WE make useful gear that lasts a long time  
**YOU** don't buy what you don't need

**REPAIR**  
 WE help you repair your Patagonia gear  
**YOU** pledge to fix what's broken

**REUSE**  
 WE help find a home for Patagonia gear you no longer need  
**YOU** sell or pass it on

**RECYCLE**  
 WE will take back your Patagonia gear that is worn out  
**YOU** pledge to keep your stuff out of the landfill and incinerator

**REIMAGINE**  
 TOGETHER we reimagine a world where we take only what nature can replace

**patagonia**  
 patagonia.com

\*If you sell your used Patagonia product on eBay® and take the Common Threads Initiative pledge, we will credit your product on patagonia.com for no additional charge.

**TAKE THE PLEDGE**

Figure 2 Black Friday ad from Patagonia in the New York Times (Nudd, 2011).

landscapes” (Hepburn, 2013).

However, the company has gone beyond any other household name marketing campaign in its openness to urge all its customers (not only the devout “core-customer” genre) to only buy what they need. In their 2011 Black Friday ad in the New York Times, Patagonia took a stand against everything America knew on that infamous consumer day. The words, “Don’t Buy This Jacket” made a buzz in the media, and also drew a lot of attention towards the company’s intent to dissuade mass consumption as a rule of thumb through its Common Threads Initiative. A comment from AdWeek said: “with Black Friday shoppers getting pepper-sprayed at Walmart, it seemed like a good time for advertising to take stock of consumerism gone wild—and perhaps suggest a less selfish approach to holiday shopping. Enter Patagonia” (Nudd, 2011). Patagonia’s ad was also on its website for the following Cyber Monday, the new online shopping equivalent of Black Friday in-store shopping deals. The effect on the consumer base who bought Patagonia wear after this ad was that these consumers were now marked as the kind of people who would buy apparel for the best reason from a company like Patagonia, that discourages mass consumption (Hepburn, 2013).

Additionally, in an ad campaign on Black Friday of 2016, Patagonia donated 100% of its sales, an approximate \$10 million, to environmental organizations.

Since Patagonia’s launch, its catalog has been a means of educating the consumers on current environmental campaigns, company mission statements and beliefs, in addition to advertising the brand. Part of the reason that Patagonia

has been so impactful in its branding message, is its ability to maintain the daredevil, rugged adventurer persona, which was always at the company's core messaging of environmental responsibility since the early clean climbing days back in Yosemite. This extreme sports character is often brought out through the company's eye-catching photography, which also brings people's eyes to the brand who might not be in that extreme thrill-seeker category, in the hopes that the message they take away is something far more significant, and ingrained in their memory with the visual impact of the images associated with the words.

As Hepburn notes below, the simplicity of the marketing scheme acts as a means of attraction and opportunity for customers to quite literally buy into the environmentally passionate and protective lifestyle portrayed by the imagery and words of the catalog. This incorporation of its underlying message and dedication to finding the "cleanest line" is an outreach method that leaves a clear imprint on the consumer's mind of the impact its purchase has beyond just a jacket to keep you warm on a winter hike.

Through Patagonia's message of eco-responsibility, they are selling greenness, but not just greenness in production practices. Green purchasing acts can spring from the pragmatic—to protect the environment in which we must live—to the aesthetic—the sublime aesthetic—to save nature as the environment in which we can find redemption and freedom: purchasing can arise from the desire to protect nature for its own sake, not just so that we can be, but so

that we can become, in various ways. In this complicated intermeshing of dreams and desire, to be like the people we imagine the Patagonia customer to be, we may literally “buy into” a process that carries forward the very economic and ecological trajectory we (and Patagonia’s responsible capitalists) would ideally curtail (Hepburn, 2013).

### *Commitment to quality*

Patagonia’s philosophy as a company involves making a product that doesn’t force the buyer to come back in two years when the product is frayed and unusable. “In the final analysis, we have concluded that the key word that lets us out of this ‘no exit’ dilemma is quality. The most responsible thing we can do is make each product as well as we know how so it lasts as long as possible. So we build clothes that don’t shrink and don’t need dry cleaning or ironing, that have nonbreakable, lock-stitched buttons and heavy-duty thread and stitching” (Chouinard, 1995). Modern consumer culture encourages replacement of goods, often due to fads, like in the case of many electronics, and the continuous stream of updating technology that lures consumers to renew their loyal purchase every few years as it releases new phone or laptop models. Additionally, fast-fashion keeps customers coming back with new styles emerging every few weeks, and no guarantee that the clothes they are buying will last for a decade. This consumer culture of planned obsolescence phenomenon will be discussed in a



later chapter. By contrast, Patagonia hopes to achieve a level of quality that doesn't require repurchasing after a short amount of time.

Their Worn Wear campaign celebrates the repair of old clothes, and as a demonstration of its commitment, Patagonia even did a cross-country tour where a group of technicians repaired damaged Patagonia clothes out of their mobile shop. With the slogan "Repair is a Radical Act," the company encourages its customers to repair their gear themselves and gives repair guides to specific damage issues to their products. The company made a film promoting Worn Wear (available on their website), which features a range of customers who had owned some Patagonia apparel for years, decades, or generations, and which had been kept alive through repeated repair. The imagery and the narrative in this film are both selling points, promoting the brand and the quality of the products they produce, but also of their mission to encourage consumers to only buy what they need and use it until it can no longer be used.

### *Philanthropy*

The self-starter mindset that the Worn Wear campaign has attempted to inculcate in its consumers stems from the dedicated outlook that Patagonia has in its commitment to giving back to the environment. As a company, Patagonia acts on its responsibility and mission to do no unnecessary harm, as well as take ownership in their roles as consumers in our society. The company's outreach to customers is its way of encouraging them to do their part as consumers by not

buying more than what they need. In addition to internal maintenance and repair programs that are available to its customers, Patagonia believes that its role as a sustainable business is to give back to the planet as a price it must pay for existing as a contributor to industrial pollution.

In 2002, Chouinard co-founded the 1% For the Planet program, along with Craig Matthews, owner of Blue Ribbon Flies. The inspiration for this non-profit organization came from Patagonia itself, who started donating 1% of sales to natural world preservation and conservation in 1985. 1% For the Planet now includes more than 1200 member companies or organizations in over 48 countries. The movement has grown to the point of donating over \$100 million back to the planet in 2012 in the form of environmental preservation projects. The partner companies include everything from automotive corporations to pet care companies, all dedicated to giving 1% of their annual sales to the preservation of the natural environment. Recipients of the raised funds include organizations like 1000 Friends of Florida, which works to save special spaces and improve communities across Florida, as well as Oakland based As You Sow, which “promotes environmental and social corporate responsibility through shareholder advocacy, coalition building, and innovative legal strategies,” according to 1% For the Planet’s Web site.

Once again, Patagonia’s influence on a much larger and diversified bundle of industries can be seen in the success of 1% For the Planet in its first decade of operation. The unspoken goal and assumption would be that ultimately the

entirety of industry and business operating in our modern society would have similar philanthropic practices in order to “pay their dues” for the natural resources that keep their businesses running. Additionally, Patagonia has taken their devotion beyond the philanthropic return to the planet to include communal, company-wide environmental and political activism.

### *Activist Company*

Patagonia refers to itself as the activist company, for it is largely devoted to the preservation of the sacred natural lands enjoyed by its fellow recreational outdoorsmen and women. Therefore it has taken action for the protection of myriad landscapes and threatened environments, from the Amazon rain forest to Salmon runs in Alaskan rivers. Sometimes this activism can be seen in the form of a sponsorship for an expositional documentary, like in the case of *The Super Salmon*, which was directed by Ryan Peterson and produced by Patagonia. The documentary told the story of a proposed \$5.2-billion mega-dam on Alaska’s Susitna River, 184 miles upriver from where a thriving population of King Salmon usually reside. Proponents of the dam claimed its construction would not affect the salmon’s watershed habitat, however the film tracked the journey of the one determined salmon’s 300-mile journey to spawn, showing the impact that the project would have on the salmon. This is just one of many instances when Patagonia has actively engaged in the protection of landscapes and wild lands.

As their mission with giving back to the planet states, Patagonia has

dedicated themselves to more than just apparel and gear. From local protests to national park conservation projects in Patagonia (the country), Patagonia (the company) has influenced grassroots activism, as well as governmental agencies in the effort to bring environmental stewardship into the spotlight. This activist company ideology further strengthens the bond of trust between the producer and the consumer in the sense that the outdoor culture producer and consumer are both engaging in these responsible acts of protection of their sacred leisure lands. These acts of authenticity allow Patagonia to be examined as a company not only talking the talk in its pro-environmental business actions, but also as a company willing to go beyond what is usually regarded as a requisite effort of corporate responsibility.

### **Chapter 3: Sustainable Supply-Chain Management**

Patagonia's supply chain is recognized to be on a more sustainable path than companies not aligned with environmental missions because the company acknowledges the blunt, inherent reality of inefficient, waste producing production in our society. "Knowing we are part of the problem, we must also recognize that climate change—as a deadly condition of infinite human actions—is not an issue we can tackle outright. That's why we try to stay focused on specific things Patagonia can do to reduce, neutralize, or even reverse the root causes of climate change" ("Our Business and Climate Change," Patagonia's web site). Patagonia's careful attention to detail in their designs, from conception to the careful management of all steps along the supply chain, and then ultimately the attention to end-of-life recycling of their products offers a radical departure from the business-as-usual scenario of disregard for environmental impacts to maximize profits and minimize production costs. The company's efforts are a response to the question of whether or not it is possible to maintain profits, while not sacrificing environmental or human health and well-being, which often get left behind in a complicated supply chain.

Patagonia's process may seem radical, but it is on the forefront of creating a more sustainable market economy, and many aspects of its business model have potential for expansion on a larger scale. For those who think that the days of heavy pollution have passed, or that there is no urgent need for innovative

responses to polluting industrial production process, Peter Senge, faculty at MIT Sloan School of Management, responds with the following quote from a Harvard Business Review article:

Some people think the industrial age is already over; we're now in the information age. But that's a serious misunderstanding. The industrial age has always been punctuated by radical shifts in dominant technologies: the electric light, the automobile. The internet is just the most recent. The industrial age has been the era when machines and machine thinking shaped our lives. Leaders need to imagine life—and their businesses—outside that bubble, where efficiency, productivity, and the maximization of return on capital are balanced by the imagination, passion, and trust that shape creativity and innovation (Prokesch, 2010).

### *Supply-chain mismanagement*

To properly laud the management style of Patagonia's reimagined supply chain, first a business-as-usual definition is required. The supply chain is defined as encompassing "all activities associated with the flow and transformation of goods from raw materials stage (extraction), through to the end user, as well as the associated information flows. Material and information flow both up and down the supply chain. Supply-chain management (SCM) is the integration of these activities through improved supply chain relationships to achieve a sustainable competitive advantage" (Handfield & Nichols, 1999). Modern business in the

world of manufacturing has turned to outsourcing steps along the supply chain as a result of financial pressures, technological capabilities, and resource management (Waters, 2010). In addition to cheaper production costs abroad, often financial regulations abroad are incentives for companies to outsource supply-chain services. As Stephen Rinsler explains: “Flexibility of use of resources is also an important factor; if the company’s use of the resources can be pooled with others, creating better scale and better marginal costs, then using an outsourcer ensures some independence of management of those resources and releases the company from having to manage the other users of the facilities” (Waters, 2010). By taking the regulatory or observatory responsibility (via lack of information about true practices in the production facilities) out of the primary companies’ hands, these outsourcing companies are often able to reduce their accountability for polluting production practices or fair labor conditions. Additionally, the lower costs in terms of commitment to employees pensions is another corner-cutting incentive in the eyes of those companies dedicated to the lowest-cost option and their aspiration to remain within competitive profit margins (Waters, 2010).

What outsourcing of production along the global supply chain leads to is the principal-agent problem, which is when one “chain director” is able to make decisions for, or that will impact, an entity or individuals down the supply chain. In the case of poorly managed supply chains, the principal agent problem could mean outsourced labor is paid at wages lower than the livable minimum wage. It

could also imply the environmental health of certain communities is impacted by resource extraction or refinement—which could be induced by the competition pressure from the chain director. It could also be the result of unwillingness to comply by the principal down the supply chain. When individuals (or corporations) act out of self-interest in regards to the supply chain, the problem of opportunism arises (Fama, 2010):

The most significant problems that may arise from agency relationships are moral hazard and adverse selection. Both problems are caused by information asymmetry, i.e. when at least one party to a transaction has more or better information than the other(s). Moral hazard occurs when the ex post behaviour of the agent is not appropriate, i.e. the agent with more information about its actions has an incentive to behave not in line with the principals' interest. On the contrary, in adverse selection models, ex ante information exchange is not appropriate, i.e. the principal is not informed about a certain characteristic of the agent (Ciliberti *et al.*, 2011).

These tradeoffs of the principal having more information than the agents in the mass market can be extended to consumers as well. The production conditions and true costs are often hidden from consumers to maintain a competitive place in the market, and not be hindered by the risk of exposure of cutting corners. Complex supply chains can mean that the lack of information being supplied to the principal about the true conditions of the agents means the consumer misses out on the provenance information of their purchase as well.



The reduction of costs in the supply chain is not only through outsourcing labor and attainment of prevalent natural resources abroad, but can be seen by choosing domestic production practices that are not in line with CSR values. An example can be seen in factory farming in the US food production market. At 12% of the US's GDP (Stock, 2004), food production is not only a necessity to life, but a large part of the nation's economy (Maloni & Brown, 2006). Therefore when it comes to competition, the lower the price the more attractive the product becomes to millions of Americans. Highly processed foods can be produced in mass, and are generally cheaper than fresh produce, which leads to malnutrition in diets and health implications. The tradeoffs when irresponsible supply-chain practices are employed can include environmental impacts, potential human-health impacts, animal welfare, fair-trade labor rights, and socio-equity impacts, and can persist past the short term, affecting generations to come (Maloni & Brown, 2006).

In the case of the US food industrial market, as well as the global apparel market, certain supply chains will have so many steps that the complexity of the process disconnects the principal from the agent and the environment which they so dramatically depend on. The reach to international markets allows big retailers to "compress the cost of labor to justify their massive investment in marketing and retail and all for their customary high profit margins. The only way for them to meet their business objectives is to hand over this segment of the supply chain to a third party that can minimize the cost of labor. This enables them to rid

themselves of an enormous fixed cost that is transformed into a variable cost: they become detached from the factories where their production takes place” (Cipriani, 2015). All that matters in a competitive, business-as-usual supply chain is the need to lower costs to increase profits, environmental degradation and human labor conditions aside. But Patagonia has shown that in their business model there is not a need to sacrifice profits while simultaneously engaging in bold sustainable practices.

The competitive drive to reduce production costs can lead to very disconnected relationships between the producer and their subcontractors down the supply chain who may never be observed in action. As Peter Senge, faculty at the MIT Sloan School of Management, notes: “in most supply chains, 90% of them are still transactional. If I’m a big manufacturer or retailer, I pressure my upstream suppliers to get their costs down. There’s very little trust and very little ability to innovate together” (Prokesch, 2010). The effects of this separation within the supply chain can be manifested in environmental or human health disasters, as can be seen in factory building that collapsed in Ranza Plaza in Bangladesh in 2013, killing over 1000 workers as a result of a factory built with “substandard materials and in blatant disregard for building codes” (Yardley, 2013). The complexity of the many tiers, and common disconnect between these tiers, of modern supply chains is exemplified in the following excerpt taken from a Huffington Post article:

Walmart commissioned their production to a tier 1 intermediary, Success Apparel, that in turn hired another company, Simco (tier 2). Simco, without informing Success Apparel, then hired yet another company, the Tuba Group (tier 3), which was unknown to the tier 1 company. Tuba Group also subcontracted part of the production to a company they owned: Tazreen (tier 4). Tazreen operated in Rana Plaza. The American buyer was unaware of what happened beyond tier one, but benefited from the possibility of minimizing labor costs (Cipriani, 2015).

This lack of scrutiny down the supply chain is due to market competition pressures, and is notoriously the driving source behind the absence of fair trade labor condition status in outsourced production. “Child labor, hazardous working conditions, excessive working hours and poor wages continue to be a problem at many factories in developing countries, creating scandal and embarrassment for the global brands that source from those factories” (Locke & Romis, 2007). Not only does this gap often exist pre-consumption, but the disregard for the product post-consumption is another common manifestation of irresponsible CSR in the business-as-usual supply chain. As Senge mentioned in an interview with the Harvard Business Review: “there is no fiscal incentive for a company to maintain responsibility for their product post-consumption, as this would trigger the potential for more costs in the mind of the mass-market survivalist firm” (Prokesch, 2010).

### *Supply-chain management a la Patagonia*

The question then arises whether it is possible to have a profitable firm, while outsourcing supply chains, and simultaneously give attention to the environmental and human impacts from the design of a product through the end of its life. There are models out there that attempt the redesign the way the supply chain is managed, one of the more impressive and comprehensive examples being Patagonia. The sustainability focus that Patagonia has applied to its business has created success not only in specific sectors of the company, but continues to prove its added value in the growth and adaptation of the company as a whole.

Since arriving at Patagonia in 2008, current CEO Rose Marcario has assisted in increasing the company's profits over three-fold, and contributed to an annual growth rate of 14% and estimated \$750 million profit in 2015 (Bradley, 2015). Marcario's vision for this growth stemmed from her equal balancing of company profitability and world improvement, with a focus on environmentally sustainable and responsible business operations. Given that Patagonia has been able to achieve this growth and impact on industry via sustainability ranking initiatives, such as the Sustainable Apparel Coalition, that it has to this day, the question arises: what makes a company able to adapt and improve its supply chain in a sustainable and transparent way, while growing its profits and maintaining a consumer base that is willing to pay the high costs of its products?

One of the core factors keeping Patagonia a profitable and trustworthy sustainable business is their dedication to responsible supply-chain management. Granted Patagonia did not come into the global corporate apparel world with the secret recipe for long-term sustainable CSR or SCM, and still is not at a net-zero-emission production process. Since 2008, when Marcarcio arrived at Patagonia, she “launched a rigorous review of Patagonia’s supply chains—looking for ways to streamline production and save costs by identifying waste, both financial and environmental” (Bradley, 2015). Patagonia has achieved an impressive model for what it takes to create a supply chain that takes into account everything from the raw material inputs, to the labor of production, and ultimately the post-consumer care of reclaiming responsibility for its products at the end of their lifetimes.

Attention and adaptation to the environmental impacts of its existence as a part of polluting consumer society, the social equity of labor, and the transparency of the supply chain provided to the consumer make a new standard, which could be scaled to encompass more industrial sectors and even impact consumer decisions in a more sustainability-minded purchasing market. This intersectionality of Patagonia’s sustainable philosophy and its supply-chain management helps address how it can be modeled on a larger scale.

### *Adapting to supply chain complexities*

The complexity of supply chains can make the realization of irresponsible management invisible even to companies like Patagonia. In June 2015 Patagonia revealed on its online blog, *The Cleanest Line*, that it had discovered “‘egregious employment practices,’ including debt bondage, among seven of its suppliers” (O’Connor, 2015). Debt bondage “creates a form of indentured servitude that could also qualify, less politely, as modern-day slavery. And it has been happening in our own supply chain,” Patagonia wrote on their web site. Often companies will vet their first-tier suppliers for fair labor practices and least-cost environmental impacts. What gets ignored are the second, third, etc. tiers that come before the manufacturing of the final products. The labor and environmental impacts that are associated with the companies that supply the parts like zippers, buttons, dyes, and other parts of the supply chain can be unaccounted-for loopholes, where even companies with seemingly spotless records can get caught in the fray of complex corporate supply-chain abuses. According to O’Connor (2015), Patagonia now has a team dedicated to auditing the tier-two suppliers who supply most of the materials to their tier-one manufacturers. This team is responsible for auditing the auditors who have previously reported the conditions of where their supply materials are coming from. The in-house audit team also interviews workers and managers in production facilities regarding working conditions, creating the necessary flow of information between the principal and the agent.

The implications of not being able to observe where materials are sourced and how arose again in August 2015, when PETA released a video “which is a graphic, bloody three-minute portrayal of sheep getting cut, stepped on, tied up, and castrated, was shot by an eyewitness at a farm that’s part of a supply group called Ovis 21, which Patagonia has been working with since 2011” (Michelson, 2015). In this case, Patagonia had been sourcing nearly all of its wool products from the Ovis XXI group prior to the release of this video, and had even been working with the farm to create a more regenerative grazing landscape, whereas prior practices often depleted grasslands and was not sustainable (Byars, 2015). After the release of the PETA video, Patagonia CEO Marcarcio made the announcement ultimately that Patagonia would no longer be sourcing its wool from Ovis XXI: “It is impossible to ensure immediate changes to objectionable practices on Ovis 21 ranches, and we have therefore made the decision that we will no longer buy wool from them. This is a difficult decision, but it’s the right thing to do” (Michelson, 2015). This dedication to environmental equity despite the hardships this decision would put on wool dependent products, upholds Patagonia’s mission of prioritizing environmental well being over profits.

Patagonia did not completely eliminate wool products from its product line, but rather cut ties and made a bold supply chain shift away from the unreliable wool-supplying partner. These supply-chain audits, looking into the true environmental and fair labor conditions of each tier of a company’s supply chain, are similar in essence to the concept of the creation of a Value Chain Index

(VCI), as they attach value to CSR aspects of a company's supply chain. This goes beyond exposing the flaws in manufacturing value chains, and gives consumers a way to make comparisons of "products on the basis of the impacts that accrue to them at each phase of their journey from raw material to consumed, discarded good" (Chouinard, Ellison, & Ridgeway, 2011).

### *Future Transition to the Value Chain Index*

The environmental and economic potential imbedded within a large scale VCI could have the ability to change the way that consumers and producers participate in our global market. The hope of the VCI manifests itself in three outcomes: valuation of ecosystem services are integrated into VCIs, investors learn to rely on VCIs, and new trillion dollar markets open up (Chouinard, Ellison, & Ridgeway, 2011). These outcomes are only achievable in a restructured supply-chain management across entire swaths of production markets. There must be a paradigm shift towards "sustaining" the limited natural resources to avoid depletion for future generations. To do so the "less-bad" eco-efficient standards of "sustainability-as-we-know-it" will need to be replaced with redesigned systems of production and consumption (Esty & Winston, 2006). The impact of allowing consumers to see the true environmental and social costs in addition to the physical costs of materials and production of a good could engage the consumers in the provenance of their purchase.



Another relevant producer-to-consumer presentation of an in-depth supply-chain audit could be seen in the form of radio-frequency identification tags. These tags can be as small as a grain of sand, referred to as “radio-dust,” and have the potential to be added to products ranging from jewelry to a chicken breast, tracking the product from its creation. “Just like a paper label, a technology tag can be used in two ways. It can store data directly, in some cases even being updated as the item moves through the supply chain. Alternatively, the tag can simply hold a unique identifier, which acts as a pointer to a vast amount of web-based supporting data. The ubiquity of such mobile devices means that consumers can readily access this ‘internet of things,’ gathering provenance information not just at the generic level of the item category or type but for the specific item”(New, 2010). This will give consumers the ability to track the origins and ethics of their purchase, and in doing so will put pressure on the supplier to make sure that they are not at risk of exposure to inauthentic branding of their company, product, or service.

First steps in the implementation of a VCI can be seen in the work Patagonia has done with the Sustainable Apparel Coalition. The Higg Index is the Coalition’s attempt to make a measuring tool that can be used industry-wide in the hopes of making all industry participants aware of the environmental and social impacts of producing and selling goods and services. As described on their website, the Coalition’s goal is that “by measuring sustainability performance, the

industry can address inefficiencies, resolve damaging practices, and achieve the environmental and social transparency that consumers are starting to demand.”

The relationship that consumers have to brands can be a major factor in their preferential purchasing power and where they take their precious business in competitive markets. With growing pressures for transparent supply-chain management, there is a demand to analyze the origins of products. How brands relay their authenticity to consumers is a factor in fostering a trustworthy relationship with their consumer bases, which is essential to create an experience that keeps those customers coming back. In addition to the shift of knowledge of a product’s provenance into the hands of consumers, as Patagonia does through transparent supply-chain practices, the environmental psychology behind how people are affected by the knowledge of where their products come from makes for a necessary narrative in the grand scheme of greening the supply chain through consumer demand.

### *Need for New Priorities*

Historically, the model for “sustainable” business practices in the corporate world involved the “reduce, reuse, recycle” priorities that made eco-efficient adaptations to the pre-existing model of production and day-to-day business. However, the traditional priorities can only get businesses so far in a world that is continuing to increase the magnitude of its global production as connectedness of world markets grows. As the developing nations continue to grow economically

and increase their infrastructure, these counties are making strides to enter the global production market. This increase in global manufacturing infrastructure is positively correlated with the demand for higher natural resource use to maintain this upward development trend. The resources are not infinite though, and reducing consumption of these resources will only ratchet down until the point of depletion. This is where the reuse and recycle priorities need to be transformed into redesign and re-imagination (Esty & Winston, 2006). Supply chains often extend around the world to create products with so many production steps that remain invisible to consumers when they go to stores to buy food, clothes, furniture, etc.

### *Closing the Production-Consumption Loop*

One important redesign of supply chains is the act of closing the loop. In most businesses the materials involved in production end up as post consumer waste. End-of-life disposal is an issue that has enormous impacts on the environment, as can be seen in the sheer amount of waste as a product of irresponsible non-recycling practices. Municipal Solid Waste (MSW) is the term commonly used to describe the trash and waste that a household, school, hospital, or business might produce. MSW includes everything from food wrappings to appliances—everything that ends up in landfills. “In 2013, Americans generated about 254 million tons of trash and recycled and composted about 87 million tons of this material, equivalent to a 34.3 percent

recycling rate. On average, we recycled and composted 1.51 pounds of our individual waste generation of 4.40 pounds per person per day” (EPA, 2016).

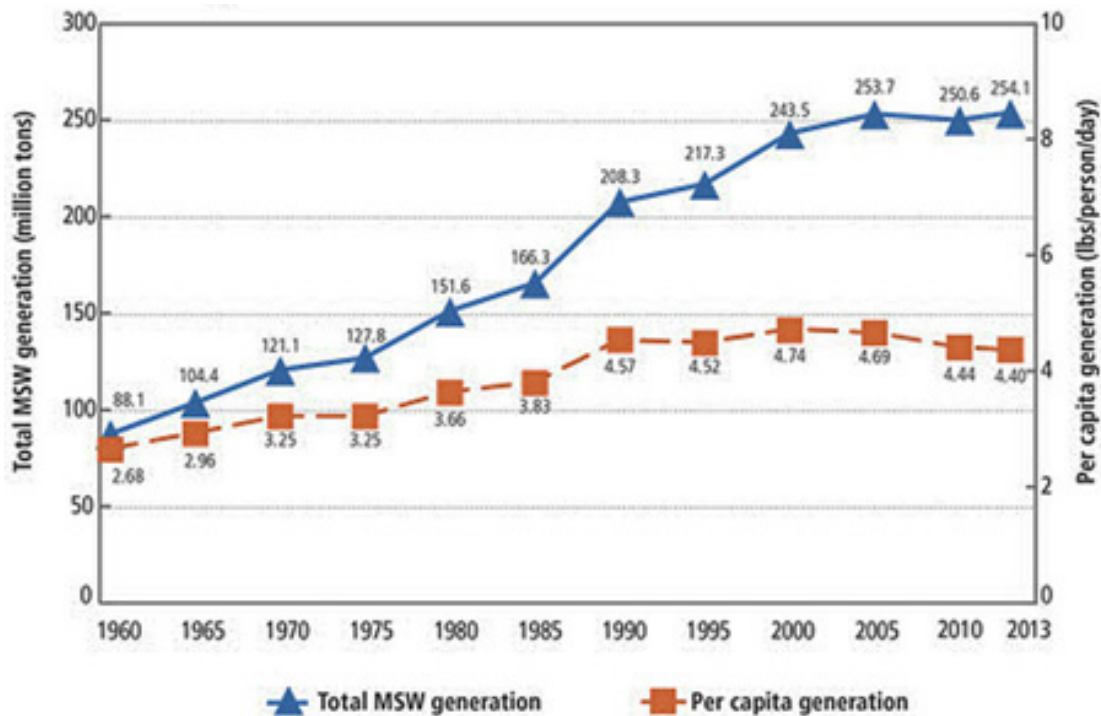


Figure 3 The EPA tracked Municipal Solid Waste (MSW) for the United States for over 30 years. The above figure represents the total MSW and the MSW per capita up until 2013 (EPA, 2016).

The waste that cannot be recycled ends up in landfills, where anaerobic bacterial decomposition can produce methane and carbon dioxide, two of the most significant contributors to the greenhouse gas effect responsible for raising temperatures globally. Therefore, when goods cannot be recycled, there must be new products made, causing more pollution, and contributing to global warming and climate change. Sometimes the unusable waste will flow all the way “downhill” through pollution and dumping, and ultimately ends up in the oceans of the world. The Great Pacific Garbage Patch, also known as the “world’s largest landfill,” is a floating mass of mostly plastic debris in the North Pacific Ocean, covering hundreds of thousands of square miles of ocean in the convergence

zone of the North Pacific Ocean gyre (Harse, 2011). In this example, the waste goes from consumer back to the environment in a way that does not hold the producer or consumer of these materials responsible for the post-consumer existence of these volatile materials not meant to be re-injected into the environment.

This inorganic waste is a product of natural resource transformation into a form that Earth's natural processes could take thousands of years to break down. This new form of inorganic biproduct does not lend itself to regrowth, but rather accumulates and poisons the land or water in which it is deposited. As sustainability authority Amory Lovins said, "waste equals food" (Esty & Winston, 2006). In the ecological sense, this is quite literal, as waste enriches soil, which promotes growth, and ultimately grows plants to feed future generations. In the corporate production sense, this simple equation is a response to the vast amount of purposeless waste that we as humans create. In the business world, however, waste equals costs (Esty & Winston, 2006). Corporations want to minimize their internal costs by reducing the energy use post consumption. If they do not take responsibility for their products post consumer, then the companies are eliminating the cost of recycling whatever detritus they have contributed to the world. Often times these products are more complex than recycling a plastic cup after drinking an iced coffee. In most cases, products of multifarious nature require large-scale management of expensive repurposing infrastructure to properly deconstruct or recycle them. This expensive

commitment to responsible post-consumer disposal is dis-incentivizing action from producers. Without an incentive to redesign their supply chains to account for products once they have reached the end of their consumer life, producers implicitly disregard the global issue of increasing waste.

Even though some producers may claim in recycle processes, the result is often perpetuating the “less bad” version of the business-as-usual landfill outcome, where the materials will fester and pollute even more. “Some materials are recycled, but often as an end-of-pipe solution since these materials are not designed to be recycled. Instead of true recycling, this process is actually downcycling, a downgrade in material quality, which limits usability and maintains the linear, cradle-to-grave dynamic of the material flow system” (Braungart *et al.*, 2007). The use of materials that cannot be made into another product allows the waste issue to persist, and landfills to grow. Redesign of products so they can be reused and not contribute to landfill waste is a major key to sustainable supply chains.

The way that Patagonia has adapted from the cradle-to-grave to cradle-to-cradle outlook is through encouraging customers to return products to its recycling center at the end of the products’ lives. This allows Patagonia to maintain responsibility over what would have been waste that they created however long ago. Not only have they designed their product line to include materials made from recycled textiles, but they also have made it easy for consumers to dispose of their old gear that could have otherwise ended up in a

landfill. From 2005 to 2016, Patagonia has recycled over 95 tons of clothing, according to their website (the percentage of their total output was not available). The economic benefits of this program means Patagonia does not have to dip in to new material purchase as well. They used these materials once, so they can re-fashion them and use them again as new products from revamped old materials. Similarly, brands like Levi Strauss & Co., renowned denim producer, paired with Goodwill, a second-hand clothing and household goods store, to upcycle the end-of-life denim that primary consumers could no longer repair, but could be repurposed and sold at Goodwill (Giller, 2014). Levi Strauss also updated the care tags on their jeans encouraging consumers to cold wash their jeans, hang dry them to reduce water and energy use, and ultimately donate them at the end of the jeans “life” (Boynton, 2015).

This creation of relationships across industrial sectors to make sustainable production and consumption a more unified process is a step towards the concept of “industrial symbiosis.” It is also an attempt at biomimicry of ecological efficiencies in the natural world. In this closed production loop, a group of cooperating firms would allocate waste that they could no longer use to another industry that could create a “new” used product out of what could have ended up in a landfill. In this case, firms are also able to financially benefit from this production of reusable waste (Esty & Winston, 2006). This kind of agreement can be seen in action with partnerships like Levi’s and Goodwill, a relationship that displays the corporate responsibility of the primary producer, and benefits the

environment as well as whomever might be the secondary consumer of the used jeans.

Oftentimes, closed production loops that attempt the industrial symbiotic process will have intangible benefits beyond the ecological and environmental benefits that the programs are aimed to produce (Esty & Winston, 2006). One very important external benefit can manifest itself in more trustworthy relationships between brands and consumers. Having a socially responsible and authentic connection to the goals of environmentally minded production has proven beneficial in the case of Patagonia, who continues to have fiscal success, while strengthening its commitment to sustainable redesigned production practices.

Part of the reason that Patagonia has been able to foster the trust and growth of its consumer base, is through its openness about why it makes products, and more specifically how it produces. Patagonia's goal is to "build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis." The transparency of the Patagonia supply chain is due in large part to the aforementioned Footprint Chronicles, which archives the many tiers of its supply chain. Contributing to this supply-chain upkeep is the Footprint Council, a group of 10 Patagonia leaders that "gathers once a month to scrutinize the company's 'scale of operations'— which has doubled under Marcario" (Bradley, 2015). This council, supply chain auditing team, and the interactive portion of the Patagonia web site work towards



making the company's production process as socially responsible as possible, as well as clearly conveying this mission to their consumers and beyond.

## Chapter 4: Environmental Psychology and Consumer Behavior

At the root of all of the issues that create unsustainable and irresponsible supply chains is the consumer culture of the time (2016)—not just hunger for greater profits. The fast rate of life in the developed and developing countries of the world feeds a competitive industrial market system that depends on fast, least-cost production models in order to meet the growing demand for new products in the consumer society. The dependence on low cost, low quality products allows people to consume at higher rates, which leads to the eventual wastes that result from products that do not last long and must be replaced frequently. The notion of planned-obsolescence, the awareness that most goods we purchase will expire in the near future and need to be replaced, has been ingrained in the western consumer outlook driving mass consumption and unsustainable supply chains. This creates a cycle of dependence on goods that are not durable, and for the most part not produced in a manner that is sustainable. Consumers may not be the only drivers in this cycle, as market forces rely on mass consumption.

### *Fast fashion vs. Patagonia style*

The fast fashion industry, with a high rate of turnover, and constant pressure to rapidly create and distribute to the consumer has created a market reliant on speed productivity (Altuntas & Turker, 2014). The fashion industry now

depends on shortened lead-times, faster inventory turnovers and high order fulfillment rates for customer demand at its peak points (Barnes & Lea-Greenwood, 2006). The constant flow of information and changing trends and styles in the fashion/apparel sector have increased the number of seasonal lines to as many as 20 “seasons” per year, in the case apparel retailers like Zara (Christopher *et al.*, 2004). Zara is “well known for adopting a strategy of constantly renewing their product ranges with fashion-led styles that attract media attention and entice their (mostly) young female customers into the stores frequently” (Barnes & Lea-Greenwood, 2006).

The fast fashion industry is able to achieve such high production turnover in part because of the disregard for environmental impacts of the chemicals and non-renewable resources used to manufacture textiles (De Brito *et al.*, 2008). Just because a brand outsources parts of its supply chain abroad does not mean that it is incapable of making concerted efforts towards environmentally sustainable inputs and business decisions. This is where the dichotomy between fast fashion and environmentally sustainable business models comes into play. It has also exposed the contrast between fast fashion brands and Patagonia’s model of supply-chain management, revealing a more trustworthy relationship between Patagonia and its consumer base.

A disconnection occurs when companies are willing to pollute and violate humane working conditions in response to a 20 season annual demand for new styles. Most people are familiar with four seasons in a year, but in fast fashion,

popular trends can inject multiple “seasons” into those four main blocks of the year. The effect of this constant variability is the loss of quality, as well as reputation as trustworthy, authentic brands. “This globalization of the apparel manufacturing industry has made it almost impossible for consumers to know all the suppliers involved in apparel manufacturing. Because of this, if a business wants to establish a relationship of trust with consumers, it is up to the business to supply finished goods with visible and accessible information on the global manufacturing processes” (Bhaduri & Ha-Brookshire, 2011). The trust that Patagonia has created with its consumers through the transparency of its supply chain is one way that it has crafted an authentic relationship, which makes customers more confident in their purchase when they are certain it was produced in a responsible manner.

Consumers as of this writing (2016) are conscious about their society and environment, and there is an increasing trend in the demand for transparent and sustainable products (Slavin, 2009; Bhaduri & Ha-Brookshire, 2011). In a study conducted to examine the effects of transparent supply-chain management on consumers decisions “the participants expressed hedonic values as they would ‘feel a lot better’ if the products have transparent information even if they would have to pay a premium for such products (Bhaduri & Ha-Brookshire, 2011). The idea of the premium on goods is an essential part of the necessary investment when it comes to responsible supply-chain management.

Patagonia is creating products that are consistently respected as top of the line outdoor apparel, which is due in part to their commitment to high quality. People trust the quality assurance that comes with the purchase of a Patagonia product, which could stem from their reputation that grew with their brand from their early days as reputable climbing gear suppliers. The commitment that Patagonia maintains to not accept the lowest cost manufacturing option with the risk of increased environmental or social costs is the root of their higher prices. This commitment to their mission is what increases its production costs, which trickle all the way down the supply chain to their customers in the form of above average affordability prices. Furthermore, when controversy over the responsibility of an aspect of Patagonia's supply chain does present itself, the company's adaptive, honest response is what keeps them trustworthy in their customers' minds, and drives the company to innovate beyond the status quo. This trustworthy relationship between producer and consumer is what makes an authentic commitment to environmentally minded production business practices.

### *Environmentally significant behavior*

The way that people interact with the environment has evolved in tandem with the evolution of awareness of anthropogenic influence on our global climate. It can be hard to trace these large-scale climate impacts down to personal decisions, as the magnitude of humans' collective impact on our planet seems daunting and surreal at times. Environmentally significant behavior is the way

that people's behavior impacts the environment. This behavior can be described in the direct or indirect senses. Direct environmentally significant behavior could include clearing a forest or damming a river. Similarly, proximally significant environmental behavior encapsulates those decisions of household waste, and more individual, micro perspectives of human decisions that can either be a boon or a detriment to our planet's environment. Often people forget that their consumer behavior on even the smallest of scales can have huge aggregate impacts on the environment (Stern, 2000).

However, now the definition of environmentally significant behavior can be expanded to include an even more individual-based definition: "It can now be defined from the actor's standpoint as behavior that is undertaken with the intention to change (normally, to benefit) the environment. This intent-oriented definition is not the same as the impact-oriented one in two important ways: It highlights environmental intent as an independent cause of behavior, and it highlights the possibility that environmental intent may fail to result in environmental impact" (Stern, 2000). This intention that Stern and others discuss as the new qualifier for environmentally significant behavior is now and will continue to be the ultimate driving factor towards more sustainable ways of life, and a vital aspect of aggregate action on reduction of consumption levels in developed countries. "Private-sphere behaviors are unlike public-sphere environmentalism in that they have direct environmental consequences. The environmental impact of any individual's personal behavior, however, is small.

Such individual behaviors have environmentally significant impact only in the aggregate, when many people independently do the same things” (Stern, 2000). The fundamental issue with inspiring a society to change their valuation of materialist goods in honor of the health of our climate, is that it is no easy feat to rewire the way people value environmental and climate health in regards to their own personal comfort.

The notion of post-materialism, in which value orientation emphasizes self-expression and quality of life over economic and physical security, is often used in the discussion of environmental psychology or related behavior. “People tend to be concerned with immediate needs or threats than with things that seem remote or non-threatening. Thus, a desire for beauty may be more or less universal, but hungry people are more likely to seek food than aesthetic satisfaction” (Inglehart, 1977). In this primal evaluation of human tendencies of survival and comfort, one can easily draw the connection between immediate necessities and the unconscious disregard for the impacts of what could be viewed as direct environmentally significant behavior. With an innate propensity to consume, the environmental consequences of humans fulfilling consumption potentials have caught up with our society, as well as our planet’s ability to supply our wanting.

## *Environmental Psychology*

The dawn of the environmental movement in the US in the 1960s brought about the consciousness of the anthropogenic impacts our society was having on our natural environment, and therefore the study of the psychological implications of this impact. This branch of study of human consciousness looks at “the psychological roots of environmental degradation and the connections between environmental attitudes and pro-environmental behaviors” (Kollmuss & Agyeman, 2002). Common barriers to pro-environmental action, generally meaning active conservation efforts, include institutional factors, such as poorly developed infrastructure for programs like recycling or public transportation systems. Other complex economic factors can act as barriers to action as well; “some economic research indicates that people make purchasing decision using a 50% or higher interest rate. In other words, if the person decides between two possible items, one energy-efficient and the other not, he or she will only choose the energy efficient item if the payback time for the energy saved is very short” (Kollmuss & Agyeman, 2002). Cost can be a barrier to environmental decisions, and in many cases investment in pro-environmental infrastructure seems too high a cost at its present value for people and producers to throw out old, cheaper products and technology.

The study of personal, internal barriers to pro-environmental action are also complex and abstract. Motivation is “the reason for a behavior or a strong internal stimulus around which behavior is organized” (Wilkie, 1990). In the case



of pro-environmental action, unconscious factors can outshine more altruistic, social values. Moisander (1998) uses the example a common inner narrative: “should I bike to work today, even if it’s raining, or do I drive?” In this example, “the primary motives (environmental values in the form of biking to reduce pollution) are overridden by the selective motives (personal comfort in the form of dryness within one’s vehicle)” (Kollmuss & Agyeman, 2002). In application to consumption of goods that are more environmentally sustainable, these internal selective motives drive people to consume goods that are cheaper than those of a company like Patagonia for example, even if those goods might not be as durable or eco-consciously sourced.

This leads to the question as to why, despite its relatively high costs, Patagonia has been able to foster a relationship with its consumers that has allowed such an impressive growth in the company, while staying true to its environmental-protection mission that it has fostered since its birth. Research on what makes people act in positive environmentally significant ways looks into why some people are environmental sensitivity in the first place. Environmental sensitivity can be defined as “a predisposition to take an interest in learning about the environment, feeling concern for it, and acting to conserve it, on the basis of formative experiences” (Chawla, 1998). These formative experiences that Chawla studied often came from direct contact with nature as a child, a mentor or role model, and exposure to pro-environmental values, organizations, or experiences (Chawla, 1998). While Chawla’s study focused on active

environmental professionals, the correlation between childhood exposure to nature and environmental ideals is still significant in noting the “emotional connection to the natural environment . . . in fostering environmental awareness and environmental concern” (Kollmuss & Agyeman, 2002). This all being said, not everyone had the opportunity or accessibility to experience nature or be exposed to these pro-environmental behaviors.

### *Privilege of environmentalism*

It is important to note that developed countries, with their economic luxuries and securities in comparison to much of the world, have been given the opportunity to address the issues that result from their economic development. The communities around the world that are most affected by the pollution that already-developed nations have produced and continue to produce are usually those with the fewest resources to combat the environmental degradation that has been forced upon them. This unequal distribution of the negative externalities of human impact on the environment is what is commonly referred to as environmental injustice, or more specifically, environmental racism. Environmental racism is defined as “any policy, practice, directive, that differentially affects or disadvantages (whether intended or unintended) individuals, groups, or communities based on race or color” (Bullard, 1996). The privilege of being exposed to environmental awareness through education, and

therefore making environmentally conscious consumer decisions is not evenly distributed throughout the world or even the United States.

Those who have suffered from environmental injustice or environmental racism likely have more pressing discussion points than the transparency of supply chains of high price goods from companies like Patagonia. “Instead of viewing the market as both constituted by racism and an active force in (re)producing racism, scholars have treated it as somehow operating outside the bounds of race (for a fuller discussion). This is troubling given the extent to which discrimination and racism has been proven in the ‘free market,’ including in employment, banking, and housing” (Pulido, 2000). The free market is not free, and access to knowledge of provenance of goods, and the story behind a complex supply chain is definitely not evenly distributed to all consumers.

Additionally, the price barriers of goods that may have been sourced in a cutting-edge fashion in regards to environmental CSR may bar the entry of huge swaths of the population from entering this “free market” Pulido (2000) discusses in her commentary on environmental racism the issue of unequal distributional access to a healthy environment and natural resources, thereby eliminating the prospect of environmentally sensitive values that Chawla (1998) researches. The privilege of provenance information about luxury purchases must be acknowledged in a commentary such as this. For many the implications of investment in sustainable supply-chain improvements would mean higher initial prices, eventually trickling down to the unprepared or unwilling consumer.

## Conclusion

From the examination of what makes a conscientious environmental consumer to implementing aspects of the Patagonia business model on a larger industry-wide scale, the supply-chain management is but one lesson to be taken away from Patagonia. The success of this company has come in many forms, at the most basic level being financial growth and prosperity—14% annual growth rate annually since 2008, and approximately \$750 million in sales in 2015 (Bradley, 2015). The environmental and world improvement implications of this financial success has seeped into the company's philanthropy and activism efforts, in addition to putting it on the map as a model for sustainable supply-chain management. Its commitments to social equity and fair trade labor conditions in addition to environmental protection, awareness in design and production, and sustainable progress are an impressive display of CSR.

The arrival of the green movement in the 1960s and 70s coincided with the birth of this back-of-the-car business operation that Chouinard started with his fellow Valley Cong climbers. This was the beginning a new era of outdoor recreation companies with a voice of preservation in regards to their sacred natural landscapes. Out of this down-to-earth incubation within a tight-knit group of rock climbers came a household climbing gear and outdoor apparel company with a name that people respect for more than the high quality of the stitching or reliability of gear. The commitment that Patagonia has displayed through their priority of environment protection acts as an example for businesses as a whole.

The company is also aware that the only means by which they could reconcile their own inherent pollution was through donating money back to the planet. Patagonia does so via environmental organizations and grantees, which work to restore natural resources and ecological functions that industrial producers implicitly degrade. In a world that cannot sustain the rate of economic market growth and natural resource depletion, giving back to the environment, designing durable products, and shrinking the company's carbon footprint is a logical outgrowth of Patagonia's mission.

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