Patagonia's Trailblazing Approach to Growing Sales

How the brand makes money by encouraging consumers *not* to spend

By Michael Dart, Kurt Salmon

Every year around the holiday season, it's easy to feel awed by the U.S. retail industry. This past year was one for the record books, with consumers spending $59 billion on Thanksgiving and the three days following it, according to NRF, and another $1.5 billion spent on Cyber Monday, according to comScore. To put that into perspective, that's more than the GDP of Luxembourg, and all spent in five days.

Retailers went to all kinds of lengths to drive these sales—staying open 24/7, offering profitability-sucking promotions, spending millions on advertising. But one retailer, Patagonia, took a different approach.

Patagonia is an exceptionally profitable retailer and wholesaler, generating $400 million in revenue annually and maintaining a larger gross margin than its competitors. And it has done this in part by encouraging consumers not to buy its products.

For example, last year, Patagonia ran a full-page ad in *The New York Times* on Black Friday with the heading "Don't Buy This Jacket." It was an advertisement for its Common Threads Initiative, which trumpets environmental sustainability, high-quality products made to last and, of all things, not buying products you don't need.

Patagonia also has a tool on its website that allows users to trace the environmental impact of its supply chain. In an age when several retailers didn't even know their products were being produced at the Bangladesh factory that recently burned to the ground, it's refreshing to be able to see each and every textile mill and factory Patagonia uses arrayed on a map.

How does this anti-consumption approach pay off for Patagonia? Of course, some of Patagonia's environmental initiatives actually save money directly—reduced packaging, for example. But beyond that, Patagonia has found a way to make money without explicitly trying to while staying true to its brand promise at the same time.

In *The New Rules of Retail*, Robin Lewis and I detail the concept of neurological connectivity—how leading brands and retailers are connecting with consumers on a far deeper, almost subconscious, level and how these consumers are then much more loyal to that retailer.

One of the best ways to achieve this neurological connectivity is by aligning a retailer's values with those of its customers. Great products or an exceptional customer experience is no longer enough—consumers have too much information, too many choices and precious little to spend. But they will be much more likely to spend on brands with values that mirror their own.

There's a lesson here for all retailers. Developing deep connections with consumers based on shared values is perhaps more important—and a better sales driver—than all the advertising, promoting and midnight openings in the world.

About the Author

Michael Dart leads the firm's Private Equity and Strategy Practice. In his more than twenty years of consulting, Michael has worked with many leading retailers, consumer products companies and private equity firms. He is also the co-author of the industry-acclaimed The New Rules of Retail*. He is frequently quoted in the* Wall Street Journal*,* Financial Times*, global and national media, and trade journals.* Consulting *magazine recognized Michael as one of its Top 25 Consultants of 2010. He can be reached at michael.dart@kurtsalmon.com.*