

Investigating the Value Driven Business Paradigm of Patagonia Based on the Golden Circle Theory

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Abstract: Against the backdrop of homogenized competition in the global outdoor products industry, the American brand Patagonia has achieved commercial success and customer recognition through its non-traditional path of success. This article applies a qualitative research method of single case study to explore how Patagonia applies the golden circle theory, through the mechanism of why, how, and what, applies anti-consumerism environmental values, and achieves commercial success through an anti-traditional paradoxical marketing model. The research will help companies understand how to build differentiated advantages through circular economy models and anti-consumerism marketing, break through the dilemma of business and environmental protection, and achieve the success of sustainable business models. The research will have theoretical value for value marketing and the golden circle theory, and also provide reference value for enterprises driven by values in marketing.

1. INTRODUCTION

Under traditional business logic, the core of traditional business models seems to be profit maximization, shareholder interests first, sustained growth, and stimulating consumption, but Patagonia completely subverts these principles. Its founder Yvon Chouinard has always avoided positioning himself as a businessman and instead positioned himself as a climber, surfer, and other identities. He believes that traditional business models have 'evil' elements. The most unconventional aspect of Patagonia is that it openly advises consumers not to purchase its products. On Black Friday 2011, it published a full page advertisement in The New York Times saying 'Don't buy this jacket'. During the 618 shopping festival in China, it also directly told consumers 'no discounts and promotions, buy less'. Even more extreme is that in 2022, the founder donated 98% of the company's equity to an environmental trust fund, declaring that 'the Earth is the only shareholder' and that the company's profits will mainly be used for environmental protection rather than shareholder dividends. In terms of internal management, Patagonia is completely against tradition: 'Employees can skip work to surf at any time' is the highest guiding principle of the company's human resources department. Employees can take two months of paid leave to work for non-profit organizations and bring their children to work. The company doesn't even have a year-end performance evaluation. Patagonia also self-limits its growth rate and avoids 'growing for the sake of growth'. After a period of rapid growth in the 1990s, the founder decided to step on the brakes and allow the company to grow at a more natural pace. Therefore, we see that Patagonia is applying a paradoxical pattern, with its organizational management and marketing planning being non-traditional. However, its anti-commercial behavior actually brought about commercial success. For example, consumers who are advised not to consume actually buy more, and the brand's user loyalty is extremely high, with a repurchase rate far exceeding the industry average. So, how did the Patagonia brand achieve success? Why does it adopt an environmental protection proposition that protects the earth, and how does this proposition affect and bring about the company's marketing and financial benefits? How did it achieve this anti-traditional paradoxical pattern? Based on these issues, this study will focus on the Patagonia brand and use the golden circle theory as theoretical support to explore and reveal the underlying logic of the success of this model.

2. LITERATURE REVIEW

2.1. Patagonia Brand

Patagonia is a top outdoor brand in the United States, founded by environmentalist and mountaineer Yvon Chouinard in California in 1973. The brand takes environmental protection as its core concept,

advocating 'putting the earth first and profit second', and regards 'saving our home planet' as the ultimate business goal. The inspiration for the brand name comes from the Patagonian Plateau in South America, where the brand's founder, once ventured to climb. The brand logo features the local Fitzroy Peak pattern, symbolizing the spirit of distance, adventure, and resilience. The founder of the brand was originally a rock climbing enthusiast. In the 1950s, he started by hand forging reusable rock nails. However, due to environmental awareness, he stopped producing equipment that destroys rocks and turned to the clothing business, starting to create this brand.

2.2. Golden Circle Theory

The Golden Circle theory was proposed by Simon Sinek in his 2009 book "Start with Why: How Great Leaders Inspire Everyone to Take Action" (Sinek 2009). This book is the foundation of the Golden Circle theory, proposing that leaders should start from "Why" (mission and belief), then "How" (method) and "What" (result) to inspire action. It reveals the core thinking pattern of excellent organizations: starting from "why", then "how", and finally presenting "what". This theory overturns the traditional business logic of starting with products or services, emphasizing the importance of value orientation. In 2009, Sinek (2009) once again elaborated on the golden circle theory in his TED talk "How Great Leaders Inspire Action". He used Apple and the Wright brothers as examples to illustrate how the communication logic of "Why → How → What" affects business and leadership, with over ten million views. The "Digital Golden Circle" methodology proposed by Chen Qiwei, Zuo Shaoyan, and Li Yuan (2022) is a systematic application and expansion of the golden circle theory in the field of enterprise digitalization. It emphasizes that enterprises need to first clarify the reasons for transformation (Why), then develop implementation paths (How), and finally execute specific tasks (What) to avoid the misconception of digitalization for the sake of digitalization.

In addition to the fields of management and marketing, the Golden Circle Theory has also been applied to leadership and organizational behavior. In 2014, Sinek (2014) extended the Golden Circle Theory to explore how the "Circle of Safety" can enhance team resilience (How) and performance (What) through a culture of trust (Why). Duckworth (2016) echoes the belief driven hierarchy of "Why" in his article "Grit: The Power of Passion and Perseverance", proposing "resilience" as the core driving mechanism for long-term goals. Meanwhile, the Golden Circle theory has also been extended and applied to the fields of public management and policy science. Moore, M.H. (2013) deepens the theory, emphasizing that the creation of public value requires dynamic adjustment of capabilities and resource allocation in support circles.

3. CASE INTRODUCTION

Against the backdrop of homogenized competition in the outdoor products industry, the American brand Patagonia has become a perfect interpreter of the Golden Circle Theory with its anti traditional success path. It does not encourage consumers to purchase products, yet achieves an annual revenue of over 3.1 billion US dollars; It donated the company to Earth, but received the highest score of 82.7 in American corporate reputation. Patagonia 'paradoxical success stems from its strict adherence to the' Why How What 'decision chain.

At the Why level, the brand's reason for existence is 'We're here in business to save our home planet', transcending profit pursuit; At the How level, brands construct differentiated practice paths through circular economy models and anti consumerism marketing; At the What layer, products become physical carriers of values, such as fleece jackets made from recycled fishing nets.

This study provides an in-depth analysis of how Patagonia can break the dilemma between business and environmental protection through the dynamic collaboration of the Golden Circle Theory, and provide a theoretical model for sustainable business models.

3.1. Why Layer: Environmental Mission as the Fundamental Reason for Brand Existence

3.1.1. Core Belief System beyond Profit

Patagonia founder Yvon Chouinard, as a passionate mountaineer, witnessed the degradation of the natural environment firsthand and established the "Earth First" principle as early as 1986, defining environmental protection as the ultimate meaning of the brand's existence. The construction of this Why layer includes three pillars of faith. Firstly, it is the Earth shareholder system. In 2022, he donated 98% of the company's equity worth \$3 billion to an environmental trust fund, declaring that "the Earth is our

only shareholder". This measure completely subverts the logic of corporate ownership and transforms commercial entities into sustainable engines for environmental protection. Secondly, enterprises should carry out environmental activism. The brand has launched multiple legal actions against the government, such as suing the Trump administration in 2017 to protect public land and accusing the president of "stealing your land" on its official website. The courage to translate values into political action reinforces the authenticity of the mission. Thirdly, there is a revolution in the distribution of benefits. Since 1986, the company has implemented the "1% Earth Tax" plan, donating 1% of its annual sales to environmental organizations, with a total donation of over 140 million US dollars. The plan later developed into the global alliance "1% for the Planet", attracting more than 1200 companies from over 40 countries to join.

3.1.2. Mission Driven Strategic Decision-Making Mechanism

When business interests conflict with environmental missions, Patagonia always chooses the latter, forming a unique reverse decision-making model. In 1996, companies launched the organic cotton revolution, and despite the 50% -100% higher cost and extremely immature supply chain of organic cotton, the brand still fully replaced traditional cotton. This decision resulted in short-term losses for the cotton product line, but it forced the formation of a global organic cotton industry chain, ultimately driving giants such as Nike and Levis to follow suit. Enterprises also impose self restrictions on their product lines. Patagonia once stopped producing its profitable product line due to environmental concerns, which accounted for 20% of sales at the time, reflecting the bottom line principle of "not doing harmful business". In terms of employee management, Patagonia allows employees to leave their work posts to surf during good weather and big waves, as waves come and go at any time. Various employee surfboards are also hung on the walls of the company's board room, integrating outdoor spirit into the organizational DNA.

The consistency mentioned above has led Patagonia to top the Axios Harris Poll 100 Corporate Reputation List in 2023, with a consumer trust rating of 82.7 points, verifying the appeal of the Why layer.

3.2. How Layer: Three Major Action Systems for the Implementation of Values

3.2.1. Circular Economy Practice: Refactoring the Product Lifecycle

Patagonia, driven by environmental values, explains why the company operates and how it implements its values? Specifically, the brand is achieved through the 3R principle. Firstly, the first R is Reduce. The brand promotes its durability philosophy, with an average product lifespan of over 10 years. A classic fleece jacket has a lifespan three times that of traditional outdoor clothing. Extending the product cycle can reduce new consumer demand. The brand has also undergone a material revolution, with 89% of its polyester fibers coming from recycled materials, resulting in an annual carbon reduction of 7.275 million kilograms. In 1993, Patagonia pioneered the use of recycled plastic bottles to make fleece clothing, setting a precedent in the industry. The second R refers to Reuse. The brand implements the Worn Wear program, establishes the world's largest repair network, provides lifelong low-cost repair services, and only charges material fees. This alone extends the average lifespan of the product by 2 years. The brand has also established a second-hand trading platform, an official eBay store, and a used clothes discount service (used clothes for shopping vouchers), resulting in a premium rate of 60% for second-hand products compared to new products. The third R is Recycle. Patagonia applies recycling technology to break down irreparable clothing into ReCrafted series new products, such as using discarded fishing nets to make duckbill caps.

Table 1. Comparison between Patagonia Circular Economy Model and Traditional Linear Model

Dimension	Traditional Outdoor Brands	Patagonia Mode
Product cycle	Seasonal updates, encourage frequent replacement	10 years+lifespan, opposing excessive consumption
Material Strategy	Follow industry standards	Define standards (such as recycled polyester)
Service Focus	Limited warranty, trade in policy	Lifetime maintenance+second-hand platform+upgrade and reconstruction
Profit Logic	Sales quantity drives profit	Whole life cycle value management

3.2.2. *Anti Consumerism Marketing: Values before Products*

Contrary to traditional marketing that stimulates demand, Patagonia establishes and gains consumer trust by suppressing irrational consumption. Patagonia published a full page advertisement in The New York Times during Black Friday in 2011, urging consumers not to buy this jacket. The advertisement displayed the environmental cost of the R2 jacket (135 liters of water consumption, 20 pounds of carbon emissions) and urged consumers to think twice before making a purchase. As a result, sales increased by 30% that year. Patagonia insists on de-commercializing its content and runs its own magazine, The Cleanest Line, which does not promote products but instead tells environmental stories and adventure experiences, reaching over 5 million readers annually. At the same time, the brand also refuses promotional culture. The Chinese 618 shopping festival promoted the slogan "no discounts, buy less" and refused to cooperate with orders for corporate logo customization because it may increase waste.

3.2.3. *Transparent Supply Chain and Responsible Production*

In order to address concerns about green washing, Patagonia has established an industry-leading transparent system and launched the Footprint Chronicles program, allowing consumers to track the environmental footprint of each product, such as publicly disclosing data on the entire process from raw materials to finished garments for jackets. It also opens up supply chain information to the public, publishes a list of all global suppliers and audit reports, and accepts third-party certification. Patagonia is adapting its local values, emphasizing climate change in Europe and America, and focusing on air quality in Asia; Cooperate with fishermen in Japan to protect the ocean and achieve local expression of universal values.

3.3. What layer: The Product Serves as the Physical Carrier of Values

3.3.1. *Unified Design of Functionality and Ethics*

The outermost layer inside the Golden Circle which is the third ring is what. Patagonia 'products reflect the company's core values of why very well, and it is under this value drive that product design is carried out. Therefore, it can be said that the products launched by the company are the tangible embodiment of the value of corporate environmental protection. For example, the R series fleece jackets under the brand use recycled polyester fibers, which balance warmth and breathability through precision weaving, and are known as the "mobile insulation layer" by outdoor enthusiasts. Its R2 TechFace innovatively uses double-sided woven fabric, which combines insulation and outerwear functions, extending its versatility in multiple scenarios.

Patagonia's products are constantly innovating in materials to strive for environmental protection. In 1996, the brand developed the world's first surfing shorts made of organic cotton. In 2014, Patagonia launched a comprehensive fabric recycling program. In 2021, Patagonia launched a duckbill cap made from discarded fishing nets. In addition, Patagonia strives to improve the durability of its products, and the Retro-X fleece jacket is equipped with windproof film technology to solve the problem of traditional fleece ventilation; Its Torrent shell jacket uses self-developed waterproof technology to keep the interior dry in rainstorm.

3.3.2. *Product as a Service: From Transactions to Relationships*

Patagonia redefines product boundaries through service design. It provides lifelong repair services, with 7 repair centers worldwide and an annual repair volume of over 100000 pieces, reducing product failure rates to below 3%. The offline space of the Worn Wear experience store provides repair teaching and second-hand exchange, transforming consumers from "buyers" to "participants in the product lifecycle". Patagonia is also expanding its cross-border value by establishing Patagonia Provisions to produce organic food (Environmental protection starts with food); Patagonia Films produces environmental documentaries to expand the dissemination of values.

3.4. Verification of the Commercial Value of the Circle collaboration

In the above case analysis section, we explored how Patagonia applied the Golden Circle Theory from the inside out, driven by environmental values, to guide the company's environmental production, value supply chain, value planning and marketing, and ultimately launched services for environmentally friendly products, new material products, and recycled products. However, people may speculate whether this anti traditional business logic, which prevents consumers from over consumption, and the

so-called 'push down the car' marketing, will reduce sales. We found that this sincere and environmentally friendly value driven Patagonia, with its surprising anti traditional business model, actually brings excess sales and profit returns. This is precisely the marketing result brought about by the Golden Circle Theory driven by sincere values. And this result is not only enjoyed by Patagonia itself, but also by companies in other industries, benchmarking Patagonia, imitating similar business models and achieving significant marketing and financial benefits.

3.4.1. Financial Performance and User Loyalty

Despite adopting anti consumerism strategies, the business performance of Patagonia has grown against the trend, with significant revenue growth. Patagonia's annual revenue has exceeded \$3.1 billion, and classic models are sold at a premium in the second-hand market. The users are also quite loyal, with a repeat purchase rate of 63%, far higher than the outdoor industry average of 35%; The customer acquisition cost is 40% lower than similar brands. Patagonia also has a very high premium ability, with an average product price 25% higher than similar products. Consumers still believe that paying for values is worth it, with a premium space of 20-30%.

3.4.2. Industry Influence and Model Replication

We can see that the reverse business model design of Patagonia has also been successfully applied to products and brands in many other industries, achieving great success. For example, when the Japanese outdoor brand Mont bell entered the German market, it replicated the path of "environmental protection+localization" (cleaning up the Alpine trail with environmental organizations), and brand awareness increased from 12% to 47% within 6 months. Chinese brand Nature Hike has adopted an environmental positioning when going global and achieved a 120% growth in Europe; Swimsuit brand You Swim has gained over 100000 followers on Instagram through its "Empowering Women" narrative. It can be seen that the three ring theory applied by Patagonia, based on the core values of brand environmental protection, further guides the enterprise how to operate, and further guides the enterprise's product portfolio and product strategy. This logic design from the inside to the outside is not only critical for Patagonia, which directly brings brand commercial and financial success, but also has achieved considerable success for enterprises in all industries applying this model. It can be seen that in today's business competition, the internal to external pattern design based on the Golden Circle Theory will become the key to success in industry competition.

4. CONCLUSION

The case analysis in this research verifies the driving effect of the Golden Circle Theory on the success of Patagonia. The synergy of Why-How-What is the essence of Patagonia's success, and it lies in the fact that the reason for the existence of Patagonia is the environmental value of saving the earth. Based on this reason, its How is the application of circular economy and anti consumerism, and the ultimate manifestation is the use of durable products and transparent supply chains, resulting in gaining user trust and loyalty. It can be seen that the core driving force of the Golden Circle Theory is that the enterprise first gains the trust of the public based on the authenticity of the brand. The Why layer gives legitimacy to actions, such as suing the government, rejecting orders, and other irrational decisions, but because the mission of Patagonia is consistent, it gains the understanding and trust of the public. Secondly, it can achieve cost conversion advantages. Its environmental investment (such as organic cotton) initially increases costs, but in the long run, it is converted into brand assets, reducing marketing expenses and user acquisition costs. Thirdly, the company has also benefited from ESG policy dividends, as transparent supply chain of the company reduces its compliance costs by 30% compared to its peers under the tightening of global ESG regulations.

Patagonia's case proves that the Golden Circle Theory is not only a marketing framework, but also a thinking paradigm for reconstructing the essence of business. Firstly, the Why layer serves as a competitive moat: when consumers pay for saving the earth, the product (What) is no longer the end point of competition, but the starting point of values. The trust barrier established by the environmental mission is difficult to be overturned by technology or price. Secondly, ESG has transformed from a cost center to a growth engine, by incorporating environmental investments into product value (such as durability to reduce long-term costs), Patagonia has achieved the paradoxical growth of 'less persuasion to buy, more people to buy', breaking the myth of the opposition between ESG and profit.

The practice of Patagonia has shown that using the Golden Circle Theory, this non-traditional and unconventional enterprise can also achieve tremendous commercial success. Only by starting from why the enterprise exists, that is, why, through a sustainable business model, leveraging the corresponding how, and then launching matching products to achieve what, can the enterprise consistently and consistently achieve marketing and financial results that embody its values. When business revolves around its mission, obtaining profits through the three ring system will become an inevitable byproduct.

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