ARC'TERYX

Buying and Merchandising Operations Research Event

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April 28, 2019
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I. EXECUTIVE SUMMARY

BUSINESS OVERVIEW

Based in Vancouver, Canada, Arc’teryx is a high-performance outdoor clothing and equipment company founded in 1989. As one of the main competitors in the North American sports industry, the company’s exceptional outdoor clothing and sporting equipment reflects its vision of manifesting disruptive and evolutionary innovation in its products.

PROBLEM

As a top-tiered brand, Arc’teryx often focuses on the quality of its products and largely neglects to make positive impacts on the community. As corporate social responsibility has become increasingly influential on the target market’s purchasing decisions, Arc’teryx is suffering from the lack of attention given to its corporate social responsibility. This lack of agency regarding their past and current actions leaves customers dissatisfied, causing a notable loss of interest and sales in Arc’teryx products.

RESEARCH METHODS

A variety of research methods were used to provide a wide range of quantitative and qualitative data to organize findings and develop conclusions. Some of the research methods include:

- Surveys
- Customer Interviews
- Corporate Interviews
- Focus Groups
- Secondary Research

FINDINGS AND CONCLUSIONS

It is evident that the importance of good corporate social responsibility has arisen in the past few years to the point it is a key influence in customer purchasing decision. By using Gore-Tex, a toxic material in its products, Arc’teryx has gone against their values of improving its global environmental footprint and leaving a positive impact on the community. The lack of transparency and agency regarding past mishaps, environmental concerns, philanthropic efforts, and current operations affects Arc’teryx socially and financially to this day.

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<th>FINDINGS</th>
<th>CONCLUSIONS</th>
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<td>Customers are discouraged from purchasing Arc’teryx’s products due to their use of the toxic material Gore-Tex.</td>
<td>Arc’teryx has betrayed its own company values through its raw material use.</td>
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<td>The company as a whole has little to no community engagement.</td>
<td>Many possible consumers disregard Arc’teryx as a choice due to its lackluster corporate accountability.</td>
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<td>Consumers cite Arc’teryx’s lack of transparency as a reason they doubt the company’s integrity.</td>
<td>Improving Arc’teryx’s corporate social responsibility leaves a positive impact on consumer relations and sales.</td>
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PROPOSED STRATEGIES AND TIMELINE

To improve the reputation that is currently upheld by Arc’teryx, a one-year holistic approach to company rehabilitation is proposed, titled SOAR. This project is centered around improving the company’s environmental impact, philanthropic actions, and community engagement. The SOAR acronym represents:

**S** Sustainability
Complete remodelling of current raw material use in products and transparency

**O** Outreach
Launch extensive social media campaign centred around environmental activism

**A** Amendments
Revitalize company values through partnerships with local community environmental initiatives

**R** Rebirth
Breathe new life into old products and donate used clothing to individuals in need

SOAR is expected to begin execution and integration in May 2019 and is forecasted to conclude near the end of the year. A proposed timeline of the implementation of each segment of the proposed plan has been provided below.

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<td>#soarwitharc’teryx Movement</td>
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<td>Refurbishment and Donations</td>
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PROPOSED BUDGET

The cost of the SOAR initiative is expected to cost $895,000, consisting of both one-time and recurring annual expenses. The budget for the proposed plan is only 0.44% of Arc’teryx’s current annual revenue of $205,700,000 and is estimated to have a return on investment of 37.85% after just one year of the plan’s implementation. In addition, a 4.8% increase in customers quarterly and an overall 14.1% increase in total revenue, or $29,003,700, is to be expected by December 2020 due to the company’s enhanced corporate social responsibility and image.

OUTCOMES

Through the implementation of the SOAR project, Arc’teryx will be able to drastically improve their corporate responsibility; various environmental and social initiatives will positively affect customer and public perceptions of the company. Ultimately, this will lead not only to increased revenue, but greater community involvement, public engagement, and consumer trust and satisfaction through Arc’teryx’s reformed values and environmental activism.
II. INTRODUCTION

A. DESCRIPTION OF THE BUSINESS

Arc’teryx Equipment Inc. is a Canadian high-performance outdoor clothing and equipment company founded in 1989 by Jeremy Guard and Dave Lane. Based in Vancouver, Canada and formerly known as Rock Solid, the business was renamed to Arc’teryx in 1991. The company name is based on Archaeopteryx, the earliest known bird, reflecting Arc’teryx’s vision of creating disruptive and evolutionary innovation in its products. This, paired with Arc’teryx’s slogan, “We build tools to enable and inspire,” is reflected in its exceptional outdoor clothing and sporting equipment, ranging from waterproof hard shell jackets to ski equipment. As a subsidiary of Amer Sports since 2005, Arc’teryx reports an annual revenue of $205.7 million, thus serving as one of the main competitors in the North American outdoor sports industry.

B. DESCRIPTION OF THE COMMUNITY

ECONOMIC

Arc’teryx primarily serves a community that enjoys outdoor activities and sports such as hiking, skiing, and mountaineering who usually have personal annual incomes of over $70,000 and are able to afford Arc’teryx’s relatively expensive offerings. Thus, Arc’teryx’s target market has an average annual income 60.18% higher than the Canadian average (StatsCan, 2018).

GEOGRAPHIC

Arc’teryx holds a total of over 2,000 factory outlets and brand stores internationally, concentrated in major cities, such as Vancouver, New York, and Tokyo. Such cities are often found in coastal areas or temperate regions bordering large swathes of wilderness and/or mountainous areas - the perfect place for demanding outdoor activities requiring Arc’teryx’s high performance equipment.