

Analysis of Arc'Teryx Marketing Strategy and Suggestions for the Operating Risks

Cheng Qian^{1*}

¹Business School, University of Alberta, Edmonton, Alberta, T6G 2R6, Canada

Abstract. Arc'Teryx is a well-known outdoor gear brand that has gained significant recognition due to the growing trend of outdoor activities. However, with increased brand recognition comes a corresponding increase in operational risks. This article aims to analyze specific operational risk cases and suggest solutions based on these risks to maximize expansion efficiency. Research shows that a significant portion of operational risks for Arc'Teryx stem from cross-border trade and the insensitivity of outdoor goods companies towards other countries' cultures. To minimize these risks, the brand should consider implementing various marketing strategies. Firstly, improving customer education can ensure that customers are well-informed about the brand's products and values. Secondly, utilizing influencer marketing can help the brand reach a wider audience and increase brand awareness. Thirdly, Arc'Teryx should establish a sustainable corporate culture to demonstrate its commitment to environmental responsibility and social justice. Finally, effective localization can help the brand enhance its cultural sensitivity and adapt to local customs and values more efficiently. By adopting these strategies, Arc'Teryx can reduce the risks associated with expanding its business and enhance its reputation as a socially responsible brand. Recognizing and accepting cultural differences is the key to achieving maximum marketing results.

1 Introduction

As people's consciousness of physical and mental health increases, more and more people are starting to step outside and engage in outdoor activities, including hiking, climbing skiing and even marine diving. The existing research and analysis on outdoor activities undoubtedly identify clear benefits for those who are embracing the natural environment more frequently [1]. According to the statistics, the largest outdoor sports market is in the United States with \$36.3 billion, followed by China with revenue of \$20.5 billion [2]. A large-scale industry indicates that there are many potential business opportunities that are waiting to be observed. Outdoor clothing and outdoor equipment have become essential items for outdoor sports enthusiasts. The "Arc'Teryx" brand, a well-known outdoor company specializing in producing reliable and high-end clothing, is trying to expand its brand scale opportunistically. In the global market, Arc'Teryx is nominated as one of the top 21 market vendors and gaining an annual revenue of about \$434 million. However, the pursuit of internationalization opportunities brings Arc'Teryx an increase in risk exposure. This includes cultural misunderstandings and the risk of overextending internationalization efforts [3]. Such risks require a comprehensive risk management framework to mitigate the negative impacts of these uncertainties and to achieve successful internationalization outcomes. Usually, internationalization progress is promoted by the CEO or a few top managers directly, but they always lack the

globalized business experience and sufficient sensitivity to cultural diversity, leading to unexpected effects of the expansion [3]. Although the existence of these risks is generally acknowledged, there is a lack of specific solutions to eliminate the risks associated with global expansion. Analysis and resolution of these issues can provide valuable insights and recommendations for the entire outdoor gear industry, as well as for all companies planning to globalize their business.

This article aims to critically analyze the marketing strategies currently implemented by Arc'Teryx and evaluate their effectiveness in mitigating operational risks. This article will analyze some of the marketing strategies currently used by Arc'Teryx and introduce some specific real-life cases from other companies to provide some risk-reducing methods that Arc'Teryx can refer to through the analysis of these cases. Finally, the pros and cons of these methods will be analyzed in detail. With a comprehensive examination of Arc'Teryx's marketing tactics, this study seeks to provide valuable insights and practical recommendations for companies seeking to expand their operations globally while minimizing potential risks.

2 Company's brief information

Founded in 1989 in Vancouver, Canada, Arc'teryx is a company formed by a group of mountaineering enthusiasts. They specialize in producing high-quality, high-tech sports apparel for climbing, hiking, and winter

* Corresponding author: cq3@ualberta.ca

sports, as well as urban everyday wear. In 2018, Arc'Teryx and its parent company Amer Sports were acquired by Chinese Anta Sports [4]. Currently, Arc'Teryx's main management team is located in North Vancouver, British Columbia, Canada. They have also expanded their primary operations teams to Munich, Shanghai, and Tokyo, while their manufacturing facility is still located in New Westminster, British Columbia [5]. Currently, Arc'teryx currently has 32 direct retail stores and over 3,000 retailers worldwide, spanning more than 40 countries. Arc'teryx positions itself as a high-end brand, focusing on serving high-income consumers, especially core players in skiing, mountaineering, and hiking [6]. They are now trying to add trendy elements to their products and have achieved great success in doing so. In 2021, Arc'Teryx's global sales reached \$434 million, and it is considered one of the leading brands in the entire outdoor equipment industry [7]. Recently, with the uprising of outdoor activities, Arc'Teryx also plans to follow the trend to expand their business worldwide and starts to be concerned about marketing strategies to lower the operating risks across countries. It focuses on the following strategies: customer education, influencer marketing, organizational culture and localization worldwide.

3 The marketing strategies of Arc'Teryx

3.1 Customer education

Arc'teryx designs different customer education strategies for customers with diversified cultural backgrounds. Different countries and regions possess distinct educational systems and value systems. As a result, individuals may form divergent attitudes towards the same phenomenon. For instance, in Canada, there is high popularity of sports that are considered crucial for social integration and preventing isolation [8]. This is aided by the high national income, which allows Canadians to afford their casual habits. In contrast, China focuses more on cultural education than physical health education, with most Chinese people not investing in proper outdoor activity equipment. However, with the rise of short videos and social media platforms, more Chinese people are getting exposed to various sports and outdoor activities.

To cater to diverse consumer groups around the world, Arc'Teryx hosts different events for different consumers. For those who enjoy outdoor sports and affordable participation fees, the company holds three academies yearly for ski touring, climbing, and hiking [9]. This event cultivates consumer loyalty by allowing them to experience the performance of Arc'Teryx's equipment first-hand. For consumers who are more interested in outdoor adventures and fashion, the company holds online activities on Instagram, featuring branded jackets with a tag like #Arc'Teryx [9]. Popular influencers also participate, showcasing how to match clothes with Arc'Teryx jackets. These events have significantly expanded the company's business scales, leading to a rise in its stock price from 70 HKD in 2020 to 186.5 HKD in 2021 [10]. These customized marketing practices will

help Arc'Teryx to build higher brand awareness and enhance the brand's attraction to a larger consumer base. Nonetheless, it is important to note that implementing additional practices at Arc'Teryx may result in increased pressure on the marketing budget. This could require the company to hire additional employees to carry out these specialized tasks. As a result, the company's overall profitability could be negatively impacted, and the adoption of diverse strategies may create more operating risks for the brand.

However, it might cause some unexpected effects on the company. Public safety is always the biggest potential risk in hosting events. The data says that 2.5 injuries will happen to a skier per 1000 hours of skiing, leading to worries and anxiety for participants [11]. They might skepticism about the performance of the equipment, or even return it. Brand dilution would also be one flaw for Arc'Teryx if the activity hosting department does not optimize the consumer experience, even causing a negative impact on brand reputation.

Overall, by conducting outdoor activities and inviting new and old users to participate extensively, Arc'Teryx can transmit its product value and corporate culture to users, thereby achieving the role of customer education.

3.2 Influencer marketing

In modern society, the internet penetration rate is extremely high, and influencers can strengthen consumers' trust by endorsing products. Arc'Teryx has made significant success in its brand awareness growth by leveraging the influencer's impact as the endorsement for its product quality.

At the 2022 Winter Olympic Games opening ceremony in Beijing, Chinese president Jinping Xi surprisingly appeared wearing a black Arc'Teryx jacket [12]. This was the affirmation of this brand, and it could be seen as a fantastic marketing strategy. The effectiveness of the strategy can be reflected by the sale data on the Chinese e-commerce platform, showing the same jacket with the president sold out overnight. The stock of Anta Sports, the parent company of Arc'Teryx, skyrocketed by 9.4% after the president wore it in public [12]. Virgil Abloh, as the prior artistic director of Louis Vuitton, had worn Arc'Teryx jackets in public several times and even designed a patchwork of jacket and dress in the 2022 Fall/Winter 2020 collection in Paris [13]. It caused that less than 50 pieces of the same blue jackets were still in stock on the online store.

Arc'Teryx can leverage social media and popular influencers to improve brand awareness and enhance consumers' trust in the product quality and brand reputation, helping to lower consumers' dissatisfaction with purchases. The classical Arc'teryx jacket was reviewed by 201 consumers and got 142.5 stars, which means most of the consumers were perfectly satisfied with the product [14]. Hence, the company's operating risk would get controlled well. The influencer impact creates more personal connections between Arc'teryx and its new targeted consumers, ultimately resulting in sales growth and higher consumer loyalty. However, charging

unreasonably for the influencers' fees and failure to align with the brand's core value might lead to a negative impact on Arc'teryx. Unpredictable factors might hurt the brand's reputation if leveraging improper influencer power.

Nevertheless, it was impossible to calculate the exact ROI (Return on Investment) by leveraging the influencer marketing strategy. According to Krywalski, people still highly rely on calculating the return rate by using algorithms, implicating the difficulty in evaluating the return on investment [15]. Moreover, many uncertainties exist in cooperating with celebrities. High sensitivity for the fans in consuming the type of brands should be considered. When a scandal from the corporate party is exposed, the brand's reputation might also be affected.

To sum up, collaborating with celebrities and leveraging their fans' trust in them to expand user reach is effective in reducing user dissatisfaction.

3.3 Organization culture

Establishing a corporate culture that is both ethical and sustainable can enhance brand value and attract more consumers. Arc'teryx should maintain its unique and highly ethical organizational culture by continuously investing in producing eco-friendly and advocating for its environmental responsibility. The investment in environmental protectionism helps Arc'teryx to stand out in this industry.

Ethical organizational culture is the representation of social responsibility. Arc'teryx plans to release a climate report every year starting in 2020. It concludes the annual total amount of CO₂ emissions produced in manufacturing and retailing and is even specifically divided into minor segments, such as yarn formation and business travel [16]. In 2020, Arc'teryx produced a total of 1356.4 tons of CO₂ in Canada, which was far lower than the target they set for 2592 tons, even though the amount is decreasing annually [16]. To achieve the goal of reducing emissions, Stuart Haselden, the chief executive officer of Arc'teryx, claimed that they would keep investing and devoting themselves to using 100% renewable energy in their retail stores and offices in the future [16]. Moreover, Arc'teryx also believes that investing now to reduce pollution for the future is the *noblesse oblige* for Arc'teryx, ensuring prosperity and sustainable growth for both Arc'teryx and the planet [17].

In today's society, there is an increasing awareness and concern for the environment. As a result, advocating for the protection of the earth and the use of renewable resources has become a significant trend that aligns with the values of many consumers. Companies that prioritize environmental responsibility can position themselves as leaders within their industries and appeal to environmentally conscious consumers. By aligning with this trend, businesses can enhance their reputation, build a loyal customer base, and contribute to the greater good of the planet. Most hiking enthusiasts and others loving outdoor adventures always maintain consciousness about environmental protectionism. Arc'teryx, as the pioneer in advocating planet protection, is appealing to those

outdoor consumers, thus consumer loyalty is also easy to be cultivated. As a company with a highly ethical culture, Arc'teryx was prestigious and reputable around the world, and the whole company was already acquired by Chinese Anta Sports by taking control of a 57.95% stake [18]. In the 2022 Beijing Winter Olympics, the Arc'teryx was also one of the sponsors and was favoured by the President of China, further enhancing this brand's added value.

Looking over the world, the competition in the outdoor industry is extremely severe, and a series of outdoor brands, including Patagonia and The North Face, all have identical organizational cultures of protecting the environment. The homogeneity in organizational culture would exaggerate the competition in the outdoor industry. In today's competitive market, investing significant monetary resources in the innovation of sustainable production can give Arc'teryx a leading position. By prioritizing sustainability, the brand can appeal to consumers who value eco-friendly practices and position itself as a socially responsible industry leader. As one of the founding companies of the OIA, Arc'teryx is even expected to achieve zero greenhouse gas emissions by 2030, and even remove greenhouse gases from the atmosphere, achieving positive GHG emissions [15]. However, taking such a long time might cause the company to lose its original competitiveness advantage by deferring the new textile innovation and losing market shares in this extremely crowded and fast-paced industry.

In conclusion, corporate culture is the core value of a company, and it is also one of the most attractive selling points of Arc'teryx, which can add some additional value to its products, such as environmental value. Arc'teryx's emphasis on environmental protection is something that many of its competitors in the industry should learn from.

3.4 Localization in worldwide

Localization can help international companies effectively avoid cultural misunderstandings and adapt to the local market. For Arc'teryx, actively developing differentiated products for consumers with different cultural backgrounds can bring greater user reach for the company and avoid reputation damage caused by cultural conflicts.

With the trend of globalization, internationally expanded firms that misunderstand or disrespect other cultures will receive boycotts and opposition from local consumers. Nowadays, modernization catalyzed the rise of the Chinese middle class, stimulating the upgrade of consumption stratification [4]. In order to expand and adapt to the Asian market, Arc'teryx teamed up with the Japanese designer brand BEAMS and launched a highly fashionable jacket. This is specifically designed for the Chinese market, in order to meet the trend of Chinese young people pursuing distinctiveness. At the same time, in order to better fit into Chinese culture, Arc'teryx even launched a series of clothing with rabbits as the theme during the Chinese New Year, which was also very popular among local consumers. Anta, as the new parent company of Arc'teryx and planner of localization strategy in China, positions Arc'teryx as high-end and

emphasizes its professionalism in sports equipment by sponsoring the 2022 Winter Olympic Games in Beijing.

These localization strategies have efficiently helped the brand to penetrate different markets with diversified cultures and economic backgrounds. Through actively launching products with culturally related design elements and adapting to local society stratification, Arc'teryx has successfully eliminated the cultural barriers with Chinese consumers and improved its brand awareness worldwide. Arc'teryx also introduced foreign direct investment from Anta Sports as the international springboard to attain a stronger presence within the local environment, seize opportunities, and accumulate resources [19].

However, fully understanding and recognizing different cultures is extremely complicated and resources consuming, especially between western and Asian countries. Due to the different language systems between English and Japanese, Western companies must carefully study Japanese culture to enter the Japanese market. For example, there was a golf ball manufacturer in the United States that sold four golf balls as a pack in Japan. However, in Japanese, the pronunciation of "four" sounded similar to that of "death," which caused Japanese consumers to resist the product and led to poor sales [20].

With the development of Asian nations, those traditional companies in North America have to continuously and actively adapt to different cultural environments, eliminating cultural missteps through effective localization strategies.

4 Suggestions

4.1 Enhance safety

To minimize the possibility of participants' dissatisfaction, Arc'teryx should predict and evaluate the risk factors, and prepare corresponding strategies to enhance the safety of the hosting outdoor academies. The adventures hosted by Arc'teryx can include high-potential injury factors and numerous uncertainties. In order to efficiently eliminate the risk, the activity department can learn from the Olympics while predicting the risk index and deciding the locations. For instance, Tokyo always had the highest wet-bulb globe temperature index (WBGT) than any previous host city for Summer Olympics, indicating a very high risk of heat illness for athletes [21]. The Arc'teryx can select target activity locations in advance and send investigators to measure the WBGT index at those locations, then sort the values in ascending order. If the preferred city encounters unexpected situations, such as extreme weather, the activity planning department needs to immediately change the activity location to the second-lowest value city. Meanwhile, to address the unpredicted emergencies in outdoor adventure, each team should be equipped with professional guides and rescue personnel and teach the participants basic life-saving skills prior to departure. Sending professional investigators to carefully survey the mountains or glaciers where academies may be held will require additional money and the labour force. However, it is necessary for

Arc'teryx to ensure the safety of the participants. Therefore, the company can maintain the professionalism of the brand, as well as enhance the recognition of the performance of brand equipment. Eventually, the planned strategy can achieve the expected goal of educating the customers and increasing sales revenues.

4.2 Different collaboration strategies with influencers

Arc'teryx has the ability to create customized contracts for different marketing purposes. This approach can help the company maximize its return on investment and improve the effectiveness of sales that are promoted by influencers. By tailoring contracts to specific marketing goals, Arc'teryx will optimize its marketing efforts and achieve better business performance. Arc'teryx, as a brand focusing on high quality, should be extremely confident in its classical jackets, thus signing a participation-based contract (PBC) is the most appropriate strategy. The feature of PBC is that the company has to pay the endorsed influencers a fixed price, which means the influencer's revenue is unrelated to the sale revenue [22]. Thus, if the Arc'teryx products' real quality is sufficiently high enough, the use of PBC is beneficial for both parties. The company can collaborate with a big number of small or middle influencers with a reasonable budget and the influencers will no longer worry about their endorsed product's quality issues. With the drop in marketing costs, the return on investment will also increase for the company. SBC, a sales-based contract, is more profitable for those who are not confident with their products since the companies will not guarantee a basic payment for the endorsed influencers. Since the collaborated influencer under this type of contract can collect a per-unit revenue from sale data, it encourages the influencers to restrict their private behaviours to prevent the exposure of scandals and give positive comments on the endorsed products [22]. Both strategies would be beneficial for Arc'teryx only if the managers properly evaluate the quality of the products, and the marketing effectiveness requires both parties to follow the contract strictly by considerable behaviour in collaboration.

4.3 Adapt to the change in environmental regulations

As a company that sells environmental protection as a product feature, Arc'teryx should proactively comply with environmental regulations issued by the government in order to reduce compliance costs and increase profitability. Nowadays, all the governments worldwide are requiring manufacturing companies to follow locally enacted environmental regulations, and the violators must pay compliance costs for the pollution produced. Under the environmental regulations set by the government, Arc'teryx can choose to reform its production line and proactively update its manufacturing technology to achieve the goal of using only recyclable materials and renewable energy for production activities as soon as possible. These actions will not only promote

manufacturing efficiency but also boost profitability by avoiding paying compliance costs [21]. The management of Arc'teryx should not concern about short-term profitable loss and should keep investing in developing more environmentally friendly and efficient manufacturing technologies. Moreover, the company should actively negotiate with the local governments to reduce the encountered political operating risks in different regions.

4.4 Be sensitive to cultural diversity

Arc'teryx needs to maintain sensitivity to different cultures while expanding the business scale and actively adapting to adjust the company's sale strategy. Local culture still influences international consumers' perception of the characteristics of products. According to the research, in the smartphone industry, Indians care more about screens, but Australians prefer phone accessories. This significant difference in choosing phones implies that the Indian market emphasizes the perceived value of products, leading to greater homogenization of products in India, but the Australian market's concerns are more heterogeneous [22]. Such a big distinctiveness between these two markets may be the result of consumer perceptions. Australians have the highest level of individualism, which emphasizes individual characteristics, while Indians have the highest long-term orientation and prefer practical products. Overall, prior to entering an unfamiliar market, Arc'teryx should carefully and thoroughly survey the markets and figure out different consumption habits and preferences in different regions, as well as the local economic situation. All the preparation is ready to maintain local competitiveness and reduce the risk of future cultural missteps.

5 Conclusion

Through the analysis of the marketing strategy implemented by Arc'teryx currently, this article finds that risk exposure can be derived from external and internal factors and provide some reasonable suggestions to effectively eliminate the risks. The external factors refer to the diverse cultural backgrounds of consumers in different regions, which result in varying consumption habits and product preferences. For this risk, Arc'teryx is recommended to actively organize high-quality and safe outdoor activities to help customers deeply understand the functionality of the brands' products and increase consumers' recognition of Arc'teryx's organizational culture. In addition, influencer endorsements that can be unpredictable, also constitute a potential risk in the external environment. Developing different cooperation contracts according to the situation can effectively reduce the risk of leveraging celebrity impact to lower brand reputation. The internal factors can be Arc'teryx's level of recognition of cultural diversity and the distinct economic and cultural situations in distinct regions. To counter these risks, Arc'teryx should enhance its market research efforts and provide basic training for its

employees to eliminate cultural barriers and reduce operational risks, thereby achieving successful commercial expansion. While this article focuses on Arc'teryx, the challenges faced by all companies seeking to internationalize are generally similar. The management of multinational firms can reference the risks analyzed in this article and the recommendations provided before implementing market policies. Overall, this article presents an overview of the marketing strategies implemented by Arc'teryx and analyzes the effectiveness of these campaigns. Moreover, this article provides improved suggestions and recommendations for optimizing Arc'teryx's marketing campaigns in the future. However, further validation is required to examine the feasibility and effectiveness of these suggestions. In the later research, scholars may conduct a series of experiments and tracking investigations to assess the effectiveness of the recommendations mentioned in this article. Therefore, all the contents mentioned in this article could serve as a valuable experience for Arc'teryx to improve its marketing strategies in the future.

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