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# Developing Sustainability Marketing Strategies: A Case Study of Crocs

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## 1. Introduction

A sustainable approach for organizations has become one in which care and concern for society and the environmental impacts from a firm's activities are to be considered along with profit motives. For sustainability to flourish, Savitz (2006) proposes four traits: vision, honest self-awareness, strong leadership, and long-term thinking. On this basis, *sustained* sustainability should be seen as an important element in the fabric of corporate culture and one to be executed through strategies and implementation that coincide with both the usual and inevitably somewhat modified business practices. Belz and Peattie (2012) highlight five steps for developing appropriate strategies in sustainability marketing:

- (1) screening sustainability issues and actors
- (2) segmenting sustainability markets
- (3) introducing sustainability innovations
- (4) positioning sustainable products
- (5) partnering with sustainable stakeholders

Using these as an outline, this brief report opens by analyzing the sustainable marketing plan and practices of the Crocs, Inc. company and closes with comments addressing the opportunities and threats for internal and external success.

## 2. Crocs Company Background

In two decades since its founding in 2002, Crocs and its fun, colorful, comfortable clogs have taken the footwear market somewhat by storm. With over 600 million pairs sold worldwide, their distinctive style can be easily recognized and the initial market penetration success has evolved into a wider product line based on innovative design. In addition to their products, Crocs has become recognized as a company with a conscious approach to production with a focus on simplicity in terms of “minimizing the types of materials in our shoes, using scrap materials in our products or creating

Figure 1 A summary of sustainability initiatives at Crocs



(Crocs, 2015b, p. 6)

more efficient manufacturing processes” (Crocs, 2015b, p. 5). A summary of initiatives toward sustainability at Crocs is shown in Figure 1 and the most relevant of these will be taken up in this report.

### 3. Developing Strategies for Sustainability Marketing

Sustainable marketing is defined by Martin and Schouten (2012) as “the process of creating, communicating and delivering value to customers in such a way that both natural and human capital are preserved or enhanced throughout” (p. 10). Belz and Peattie (2012) use the mnemonic acronym for their term that “sustainability marketing ... endures forEVER” (p. 16) by being Ecologically oriented, Viable, Ethical, and Relationship-based, and they provide five steps for developing strategies.

#### 3.1 Screening sustainability issues and actors

Shifting toward more sustainable practices involves some change and sustainability marketing transformations can be seen to follow one of two typical patterns. Ecological and social problems may either be addressed in the marketplace (1) via political intervention or even through policies

after issues may have come to light somewhat indirectly from the public or (2) more directly from the public to the market driven by influences on the behavior of consumers, companies, and competitors (Belz & Peattie, 2012). On this basis, it is crucial to examine the sustainability issues and stakeholders as actors that a firm faces in their marketplace.

In their *Sustainability Report 2014*, Crocs (2015b) categorizes the issues it is facing and the goal targets under the concepts of workplace and supply chain, environment, and governance. More specifically some of the stated goals are:

- streamlining audits of owned and contract factories
- enhancing social compliance through the supply chain
- reducing emissions and increasing the percentage of reused materials
- driving organizational connectivity by leveraging a sustainability platform

Wilhelm (2012) suggests that creating key performance indicators (KPI) around sustainability “will enable decision makers to better understand, forecast, and communicate performance ... so that corrective action can be taken ... as when sales or revenue metrics predict shortfalls” (p. 119). For Crocs (2015b), some KPI include: the number of compliance audits and scores, number of child labor violations, number of sick days and injuries per worker, hazardous and non-hazardous waste produced, emissions, water and energy use, and reused materials and reclaimed scrap. Crocs further identifies its stakeholders as employees, customers, investors, suppliers, advocacy organizations, and industry groups. Company reports suggest that communication with internal and external stakeholders is prioritized. Customer opinions are collected on their experience with the product and online or in the stores. A Business Code of Conduct & Ethics for harassment-free equality applies to all Crocs employees and agents. It is evident in the example of Crocs that a sustainable approach to issues and their stakeholders requires a multi-pronged approach and an interdisciplinary perspective.

### **3.2 Segmenting sustainability markets**

Market segmentation is part of the marketing strategy intended to better serve the needs of diverse users by varying market offerings or by addressing geographic, demographic, behavioral, or psychographic variables. Crocs originated as a boating and watersports shoe. However, its functional properties, including durability, led the clogs to broader more mainstream reach and appeal along with product line extension into kid’s sizes as a demographic segment and through global expansion to reach international geographic markets. Crocs has used product technology and responses to social transformations to position itself as a responsible corporate social partner that is increasing recycling and reducing energy consumption. Segmenting for sustainability, as in the case of Crocs, can lead

from identifying unmet needs in a niche market to capitalizing on significant new market growth.

### ***3.3 Introducing sustainability innovations***

From the outset, Crocs represented the “co-evolution of a new system” (Tidd & Bessant, 2009, as cited in Belz & Peattie, 2012) with new knowledge used together for a new application. After getting a hold of the technology to produce a lightweight, antibacterial foam, developed in a Canadian laboratory in 1999, the founders trademarked Croslite, “a proprietary closed-cell resin ... that gives each pair of shoes the soft, comfortable, lightweight, non-marking and odor-resistant qualities” (Crocs, 2015a). Introduced at \$30 per pair in 2002, at the end of a recession, Crocs capitalized on its timing to market. This novel product’s pioneer position met few consumer or competitor-related barriers, and the IPO in 2006, occurring at the height of the real estate market, secured a \$200 million dollar stock offering. This would suggest a window of opportunity for innovations with an orientation toward sustainability.

### ***3.4 Positioning sustainable products***

Belz and Peattie (2012) suggest that the positioning of sustainable products depends on “a number of influencing factors, such as the relevance of the socio-ecological problems at hand, consumer preferences, competing offers, and brand assortment” (p. 160). Similar to McDonald’s secret sauce, the Colonel’s 11 herbs and spices for chicken at KFC, and the secret formula for making Coca-Cola, Crocs use of proprietary technology should provide them with what Wilhelm (2014) sees as an accurate baseline for environmental impact. Crocs own letter to consumers (Safer Choices, 2011; See Appendix A) highlights that Croslite™ “contains no latex, rubber, ethyl mercury, or ... known allergens” and goes on to explain how the closed cell resin possesses anti-microbial properties so there are no fungicides or anti-bacterial chemicals added to the Croslite material. Together with the stated goals of reducing volatile organic compounds (VOCs) by 17.6% and increasing the re-use of scrap materials to 7% (Crocs, 2015b; Figure 1), these form part of Crocs sustainability positioning strategy. Material re-use and simplicity in packaging for a lightweight, non-fragile item form part of what Savitz (2006, p. 239) calls “dematerialization,” an application which can help companies to address socio-ecological problems as seen by consumers in the marketplace. Further eco-efficiency measures from the World Business Council for Sustainable Development and summarized from Blackburn (2008), are listed in Appendix B. Concrete actions such as reducing material and energy intensity as well as controlling for the dispersion of toxic substances into the environment serve as benchmarks for sustainability strategies along with improving recyclability and durability and quality of products

and the percentage of resources from renewable sources. Such guidelines may underpin the internal foci and external communication messaging which firms can use in positioning their practices and products as more sustainable.

### **3.5 Partnering with stakeholders**

The concept of stakeholders and partnerships or cooperation with them have become principal for marketing strategists to understand the implications of a sustainability agenda. Belz and Peattie (2012) talk about *open sustainability innovation* and *open sustainability marketing* as ways of involving different kinds of stakeholders in opening up the company to the development of sustainable products and processes and in opening up the company for its marketing of sustainable products, respectively. Initiatives (see Figure 1) include social compliance audits with average compliance scores at 90%. Brbaklic (2012) reports on a press release from Crocs's Vice President of Global Sales, Mike DeBell who claimed that "licensing presents an opportunity to leverage one of our most valuable assets – the global power of the Crocs brand – by associating it with best-in-class products that go beyond footwear." Subsequently, one can see the natural line extension into golf shoes (a Hank Haney collaboration - past coach of Tiger Woods), as well as accessories and eyewear. The synergies available through partnering may allow an organization to attain performance levels far beyond those they could achieve only on their own.

## **4. Performance Analysis**

The following section looks at the performance of the Crocs organization through its supply chain and e-tailing initiatives, sustainability practices, and a more traditional SWOT analysis.

### **4.1 Supply chain and e-tailing**

In practice, environmentally sustainable supply chain management involves saving energy and reducing carbon emissions across activities of production, logistics, and service delivery to achieve economies of scale which may involve alternative energy sources or more efficient equipment choices as well as the consideration of waste reduction strategy adoption (Oxborrow & Lund-Thomson, 2017). At Crocs, their e-tailing website shows free shipping over \$50 US, free returns, and a 90-day guarantee for orders through secure encrypted transactions which may include a loyalty club discount. Digital sales, which include sales through the company-owned website, third party marketplaces, and e-tailers, grew 50.2% in 2020 to represent 41.5% of revenue versus 31.1% last year with growth in all regions (Crocs Corporate Website, n.d.). Record 2020 revenues of \$1.4 bil-

**Figure 2 Digital Sales Percentages 2019–2020**

CROCS, INC. AND SUBSIDIARIES										
DIGITAL SALES PERCENTAGE, COMPARABLE RETAIL STORE SALES, AND DIRECT-TO-CONSUMER										
COMPARABLE SALES										
Digital sales, which includes sales through our company-owned website, third party marketplaces, and e-tailers, as a percent of total revenues, by operating segment were:										
	Three Months Ended					Year Ended				
	December 31,					December 31,				
	2020		2019		2020		2019			
Digital sales as a percent of total revenues:										
Americas	37.9	%	34.0	%	38.5	%	29.5	%		
Asia Pacific	40.2	%	30.0	%	39.2	%	28.1	%		
EMEA	59.8	%	41.3	%	54.8	%	39.9	%		
Global	40.8	%	34.2	%	41.5	%	31.1	%		

(PRNewswire, 2021)

lion increased 12.6% over last year and as shown in Figure 2, in Asia Pacific, direct-to-consumer comparable sales, which include retail and e-commerce, increased 39.2% in 2020 (PRNewswire, 2021). Experiencing a resurgence during the pandemic quarantine, demand for Crocs in nursing and hospitality for slip resistant and comfortable standing footwear with personalized Jibbitz™ charms led to achieving the highest quarterly revenues in company history in the fourth quarter of 2020.

Marks et al. (2007) point out that one of the further core competencies held by Crocs was in relation to a highly flexible supply chain that enabled Crocs to build additional product within the selling season. Normally, the fashion industry would take orders well in advance of each selling season, and produce to those orders, with relatively little additional production. If demand was far in excess of this production, there would be stockouts and the company would lose the ability to capture revenue for that season. In addition, owing to perceived obsolescence, the product, or color scheme, might or might not be in fashion the following year, when production would again be based on preseason orders. The ability to build additional shoes within the season enabled Crocs to take advantage of strong customer demand, with the company filling in-season orders totaling more than initial pre-booked ones.

#### **4.2 Environmental and social sustainability and governance**

Crocs strives to establish and disclose the specific goals, targets, and policies devised to enhance their environmental, social, and governance (ESG) progress. As a fundamental principle, Crocs seeks

to align itself with the United Nations Sustainable Development Goals (SDGs) and the Sustainability Accounting Standards Board (SASB) framework for reporting and disclosure. Such approaches are manifested in corporate statements such as: “Through our ESG Program, we will continue advancing our sustainable business practices with the goal of consistently delivering products that exceed consumer expectations and align with their values” (Crocs Corporate Website, n.d.).

### 4.3 *SWOT analysis*

Crowther and Aras (2010) identify sustainability, accountability, and transparency as three principles for corporate social responsibility. These can be used to frame an examination of the strengths, weaknesses, opportunities, and threats for the Crocs company going forward.

Upon market entry, Crocs benefitted from an odd response from competitors who viewed Crocs as ugly shoes that would not appeal to a broad customer base and Droege and Dong (2009) suggest this bought time for Crocs to establish a foothold, a strength. Mui (2009) notes that the problem with a nearly indestructible product is that it is not susceptible to forced obsolescence and shoppers rarely need to replace it. This makes one of Crocs’s product strengths seemingly a weakness for repeat sales. As a further weakness, the firm has encountered entrenched competitors that have fought back against Crocs’s market encroachment (Droege & Dong, 2009) with new product innovations. In terms of external opportunities, Crocs will explore the Higg Index, a suite of self-assessment tools for the apparel and footwear industry that allow companies to evaluate environmental sustainability performance and impact across the supply chain at the brand, product, and facility levels (Crocs, 2015b). Posing a threat is that Crocs is only focusing on a small number of key indicators from the G3 Guidelines from GRI, and has not yet fully adopted the new G4 Guidelines. Their report suggests this is a planned effort to focus strongly on a more limited number of areas. Some may see this as a lack of disclosure or transparency and while this may likely not be an issue to many consumers, it could be more significant for investor stakeholders. Crocs has been able to patent the basic design of their core clogs, but problems have remained. The weakness of the patent is such that competitors can easily copy the basic elements of Crocs’s products with only minor modification (Droege & Dong, 2009). Franceschelli (2013) reports that a court ruling declared Crocs shoes are “ineligible for trade mark protection on the ground that they consist exclusively of a shape giving them substantial value.” This means that while Crocs may endeavor to be a good corporate partner, the ripple effect from their success in product innovation includes the most indirect impact from other firms less focused on sustainability looking to produce me-too versions of the footwear.

## 5. Summary

In sum, it can be seen that Crocs, Inc. has used and continues to use sustainability strategies in differentiating its operations and product line to create a competitive advantage as a leader in a segment of the footwear apparel industry. The strategic notion and the financial recovery the firm has shown in the past decade also suggest that they are in it for the long run and are not simply going through the motions to keep social and environmental concerns from becoming a competitive disadvantage for an organization seeking to operate with transparency and in a socially conscious manner while following sustainable business practices.

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#### **Appendix A - Explaining the Croslite™ Material in Crocs**

“Thank you for your inquiry. Crocs™ shoes are made from Croslite™ material, a proprietary closed-cell resin (PCCR). As such, we cannot discuss its chemical components, or how it is made.

Although we have not had any reports of anyone being allergic to Crocs™ shoes, we have had inquiries into whether or not Crocs™ products contain common allergens. The Croslite™ material contains no latex, rubber, ethyl mercury, or thimerosal, all known allergens.

The Croslite™ material we use in our shoes does not contain fire retardant chemicals, or plasticizers such as phthalates. Our traditional Crocs™ models (i.e. the Beach, Cayman, Cloud, Relief...) do not contain colophony, abitol, abietic acid, chromium, bisphenol A or neomycin. However, there is glue used on the leather upper of the Islander model, the neoprene upper of the Hydro model.

There are no fungicides or anti-bacterial chemicals added to the Croslite™ material. Crocs footwear possess anti-microbial properties because the resin is “closed cell” and self skinning. As such, bacteria can only reside on the surface of the shoe and not (sic) cannot be absorbed by the material. Consequently they can be easily disinfected with ordinary bleach and water.”

(Safer Choices, 2011)

#### **Appendix B - Eco-efficiency Measures**

based on eco-efficiency concepts of the World Business Council for Sustainable Development

1. Reducing material intensity
2. Reducing energy intensity
3. Reducing the dispersion of toxic substances into the environment
4. Improving recyclability
5. Increasing the service intensity of products and services
6. Improving the quality and durability of products
7. Maximizing the percentage of resources that are from renewable sources

(summarized from Blackburn, 2008, p. 73)