

## Success Factors of Canada Goose

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**Keywords:** Canada goose, Case Successful Factors, Business Analysis

**Abstract:** Through this article, we shared the success factors of Canada goose, through PEST Analysis Structure, data survey and comparison, and obtained the factors why Canada goose has achieved global success. These conclusions can be used for reference by other companies in the same industry.

### 1. Introduction

Canada Goose is a Canadian company known for their rare goose down filled, expensive fur trimmed pike coats. The Canadian Hutterite down they use is known as one of the highest quality down in the world, and the company claims that the fur they use from western coyotes disrupts air flow and protects exposed skin from frostbite. (Cameron, 2019) As a result Canada Goose has been boycotted by anti-fur activists.

In 1957, Sam Tick emigrated to Canada and set up Metro sportswear Ltd, the prototype of Canada Goose, in a small warehouse in Toronto, specializing in fleece vests and snowmobile clothing

By the 1980s, his expedition jackets became standard expedition gear at McDormand Station in Antarctica, and in 1982, Laurie Skreslet became the first Canadian to climb Mount Everest wearing Canada Goose (Danziger, 2021). 2001 saw the appointment of Sam's grandson Dani Reiss as CEO, and Canada Goose began to emphasize the "made in Canada". He gradually turned Canada Goose into the luxury brand we now know, and when people think of down jackets they always think of Canada Goose first.

In 2017 Canada Goose was listed on the New York Stock Exchange and the Toronto Stock Exchange at the same time, initially listed at an issue price of \$23 (NYSE, 2022), and almost tripled in the next 18 months, with annual earnings and sales growth of up to 30% and international sales growth of more than 60%, however with the sudden onslaught of the Covid-19 epidemic, Canada Goose shares plummeted. It is only a third of what it was before.

This paper describes Canada Goose's marketing techniques and uses the PEST model to analyze the success factors of Canada Goose in four areas: social, economic, policy and technology. By analyzing the Net profit margin of Canada Goose after its

IPO, it reflects the development of Canada Goose and the factors that affect Canada Goose.

### 2. The Key to Canada Goose's Popularity

#### 2.1 The Key to Canada Goose's Popularity in Global Market

Ingenious marketing promotion is the key to Canada Goose's popularity .

Canada Goose originated from a small workshop founded in Toronto in 1957. It gradually became popular around 2000, and sales skyrocketed as prices rose. They used four marketing tactics to make the brand successful:

Firstly, the name was suddenly changed to Canada Goose, the brand and the country were firmly

bound, and the national capital was involved. With the help of the national capital, the Canadian border patrol team and the Antarctic scientific research team were uniformly dressed in Canada Goose and humanities. Produced a series of advertising films and put them all over the world, giving people a strong impression of the brand's professional warmth, thus leaving other down jackets far behind

Secondly, step forward to the entertainment industry, and ask celebrities to bring goods. They first used Hollywood professional film and television post-production staff to carry out a series of publicity through the big goose all the year round, first to build a good reputation among the elite, and then invited various celebrities to endorse, (such as the Canadian singer Drake, who climbed into the performing arts because of the performance of the Bourne movie series Peak's Matt Damon, who played Hermione's Emma Watson in Harry Potter... ) created an effect that went from social elite to star celebrity. Thus making the brand synonymous with the same style of stars

Thirdly, expensive price preempts cognition. The principle of no discount or price reduction guarantees the brand value of Canada Goose to the greatest extent. Canada Goose President Daniel Reiss said in an interview that it would not participate in any price competition. In actual sales, Canada Goose also adheres to the principle of luxury sales, and does not reduce prices or promote discounts. Its success is due to its ability to keep prices high, not to blindly expand production to keep products scarce, and to strictly control channels. "While there is no discount and price reduction, Canada still maintains a certain growth rate, but consumers are still willing to buy it.

Finally, in order to establish the design trend of high-end down jacket brands, Canada Goose has successively cooperated with well-known brands such as Paris fashion brand Vetements and New York brand opening ceremony to launch joint limited editions, making a figure in the fashion industry. At the same time, Canada has also actively learned the success factors of some other brands, and has jointly launched a variety of limited-edition jackets with the world's top designers from various countries, successfully taking advantage of consumers' comparison psychology to make a variety of limited editions of Canada Goose down jackets in luxury fashion circle to be warmly welcomed.

## **2.2 The Key to Canada Goose's Popularity in Chinese Market**

The Chinese consumer is an important group buying luxury goods. In November, 2021, Ma discussed that "consumers spent average of 170,000 yuan a year" (2021). Due to the pricing of Canada Goose, this brand can be classified as a luxury. The Chinese market is significant to Canada Goose. According to Canada Goose's official financial statement in 2022, in the Asia Pacific area, the revenue increased from 134.8 million Canadian dollars in December 2020 to 177.1 million Canadian dollar in January 2022 (Canada Goose Holdings Inc., 2022). Moreover, the financial statement also states that the Direct-To-Consumer service in China rises about 35.1% and the sales of their electrical business rockets around 60% in the third quarter.

Then, why is Canada Goose successful in China? The first reason behind this is it is a status symbol. When searching on the official site of Canada Goose, we could find out that the price of the down jacket is around \$1000 and the price of other brand's down jacket such as The North Face is about \$400. The price of Canada Goose is nearly two-fold of The North Face, which could be considered as a luxury brand. There is a common consensus that Chinese love to purchase luxury goods. Chinese customers want to wear luxury brands including their clothes, shoes, or bags in order to show off themselves.

Another reason behind this is the celebrity effect. When viewing the social media of some movie or music stars, sometimes, photos of them wearing Canada Goose's down jackets are posed. Some followers may want to buy what their idols have. Furthermore, some famous businessmen also wear Canada Goose. For instance, Jack Ma was wearing a Canada Goose's parka in Davos in 2018 and "while he was waiting to meet US president Donald Trump at Trump tower in Manhattan" (Huang, 2018). When a successful person is wearing something, many individuals may consider that brand to be an outstanding brand and they are more likely to buy that brand when comparing with others.

Brand awareness is also a significant factor. Moncler, a French and Italian luxury brand, sells the down jacket as well. Although the quality of Moncler is not worse than Canada Goose, there are still many Chinese consumers who choose to buy Canada Goose. The reason behind this is simple. Many

people in China use some social media called “Red”. Some users on “Red” post their reflections after buying something. After reading a lot of information about how Canada Goose is better than other brands or about the brand. As time goes by, a lot of consumers know more about Canada Goose rather than other brands.

### 2.3 The PEST Structure of Canada Goose

In this paragraph we use the PEST structure to further analyze the success factors of Canada Goose. The PEST model includes four factors: social factors, political factors, economic factors and technical factors ( Figure 1: PEST Analysis Structure).

For the social factors, In terms of brand strategy, Canada Goose does not rely too much on the star effect. Instead, they set their sights on social workers. Among them are scientists working in the polar regions, directors of documentaries, members of environmental protection organizations, extreme athletes, pilots, etc. These people are wearing down jackets made by Canada Goose. This not only aroused consumers' attention to special professionals, but also exported the brand image very well. "This kind of cultural marketing has become popular in a short period of time, and has been

Upgraded to a strong brand image. At the same time, the preferences and expectations of modern luxury consumption have gradually become mainstream. Canada Goose not only has the status of luxury goods, but also has a very useful warmth. Therefore, Canada Goose has an excellent social reputation in the past, present and future society.

In terms of political factors, the Canadian government has supported the Canada Goose brand. This is reflected in the fact that the Canada Goose brand name is approved by the Canadian government because it incorporates the country name of Canada into the brand name. At the same time, the Canada Goose brand won a sponsorship contract for the Canadian government's Antarctic expedition team and used it to promote the brand, making the brand a household name. These two steps of government support also laid the foundation for the high popularity of Canada Goose in the later period.

For the economic factor, this needs to start from the very beginning. In 1957, Polish immigrant Sam Tick founded Metro Sportswear in Canada to produce a variety of cold-resistant clothing, the most popular parka. In 2013, Bain Capital acquired a 70% stake in the company and holds it today. In 2016, backed by Bain Capital, Canada Goose began to expand aggressively: the company opened a direct store in Toronto and New York, accelerated the deployment of DTC, and began planning to go public. This investment has also brought rich returns to Bain Capital. Canada Goose went public in 2017. In the four years from acquisition to listing, the company's valuation has increased by 7 times. Now (2021), Bain Capital is the largest shareholder, holding 28.89%; CEO Dani Reiss holds 18.84%; Morgan Stanley holds 8.55%. Its operating status: First, after the entry of Bain, the operating efficiency has improved very quickly: Revenue-CAGR: 38.3%, Net Income-CAGR: 196%, Adjusted EBITDA CAGR: 85% (2014-2017); Second, North America Among them, the sales growth in the United States is extremely rapid, and in 2016, it surpassed Canada to become the region that contributed the most revenue. Finally, regarding the European region, Canada Goose will further promote omni-channel deployment, with the UK and France as the core, expanding to Germany, Italy and Scandinavia. In other regions, the channels in China, Japan and South Korea are relatively mature and growing.

For the technology factor, Canada Goose down jacket is called "the warmest down jacket in the world" because of its thermal insulation performance, which can resist the temperature of minus 30 degrees. Its high price is mainly based on: the material, design, cutting and production of each down jacket are insisted on in Canada, and the surface layer adopts "Arctic Tech" fabric technology, which can keep dry and warm in extreme environments and climates. The inside is filled with white duck or goose down, and the brim of the hat is made of coyote fur, which is waterproof and anti-icing, warm and lightweight. The premium quality of Canada Goose brand makes it stand out from many down jacket brands.

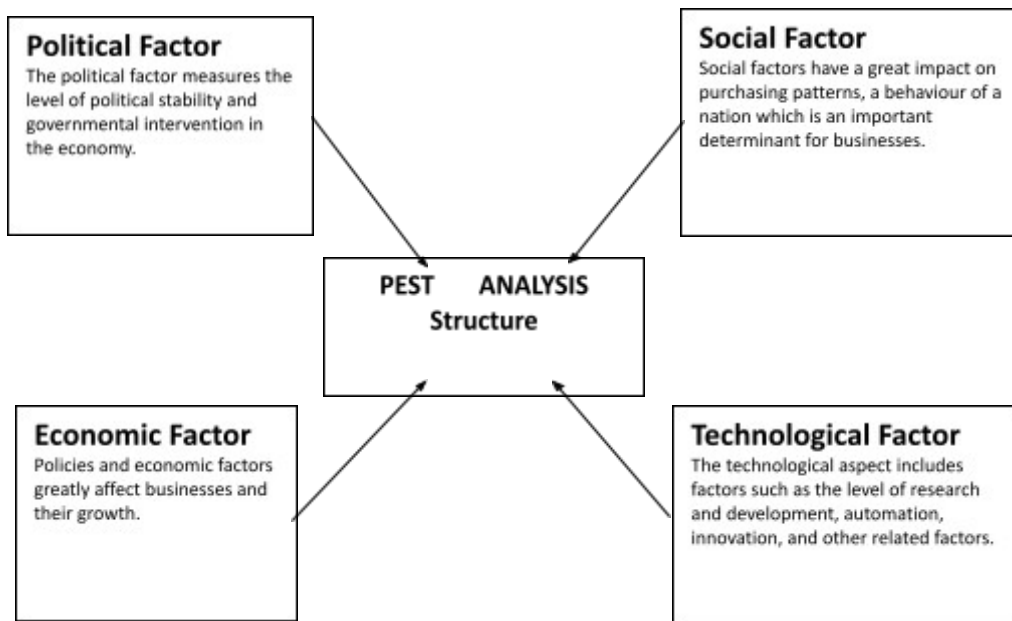


Figure 1. PEST Analysis Structure

### 3. Methodology

#### 3.1 Research Approach

The research makes use of quantitative research strategy, where the research approach implemented has been that of positivism. Secondary data were collected, some ratio analysis was performed to determine profitability trends over time. In addition, the evaluation and the results are based on objective methods. Therefore, quantitative was found to be most applicable.

#### 3.2 Data Analysis

The net profit margin can be obtained from the ratio of net income to the total revenue in the relevant annual reports of the three companies. Excel was used to draw and export a clear comparison line chart of the net profit margin changes of the three companies in the past 7 years. Therefore, it is possible to compare the profitability of

Two or more businesses. It is a method in making long-term and short-term Financial decisions for companies.

#### 3.3 Comparison

The chart below (Figure 2) shows that Canada Goose's NPM was 8.9% in 2016 and dropped slightly to 5.3% in 2017, after which the company saw a big stock rally in 2017 and NPM peaked at 17.4% in 2019 as the company opened direct shops in Toronto and New York and began to focus on DTC operations. 2020 saw a global decline due to Covid-19 in the second half of the year, causing the overall economic downturn, Canada Goose's NPM declines to 16.8% and continues to decline at 7.8% in 2021.

The NPM for Columbia Sportswear and Canada Goose in 2016 and 2017 is almost 8% and 4.3% respectively. It is in an upward period from 2017 to 2019 and in 2020, NPM decreases from 10.9% to 4.3% due to the Covid-19. However, in 2021, in contrast to Canada Goose, the NPM for Columbia sportswear increased to 11.3%. It is possible that due to the Covid-19, people rarely go out and have less disposable income and will choose to buy cost effective Colombian outdoor clothing.

The gokaldas exports company in India is mainly responsible for the production and processing of clothing and is a manufacturing plant for many brands. From the graph we can see that the overall NPM of gokaldas exports remains in line with the remaining two companies, the only difference being that it has not been affected much by the epidemic and has remained stable from 2019 to 2020

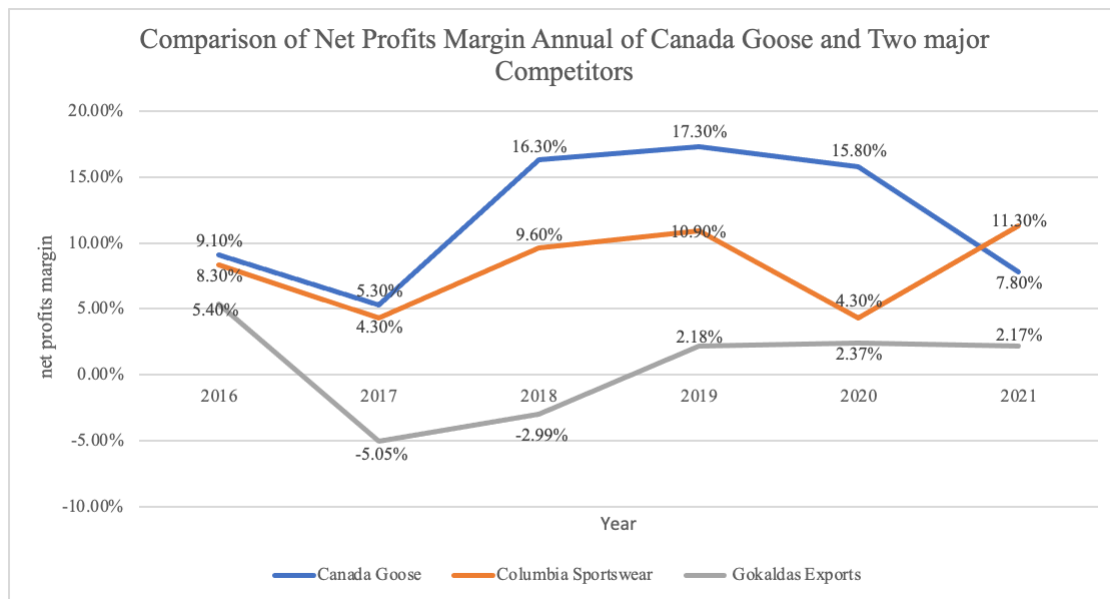


Figure 2: Comparison of Net Profits Margin Annual of Canada Goose and Two Other Major Competitors

#### 4. Results

Table.1. Comparison of Canada Goose's net profit margin from 2016 to 2021 (In millions of Canadian dollars.)

Year	Net income	Revenue	Net profit margin
2016	26.5	290.8	9.1%
2017	21.6	403.8	5.3%
2018	96.1	591.2	16.3%
2019	143.6	830.5	17.3%
2020	151.7	958.1	15.8%
2021	70.2	903.7	7.8%

In the seven years from 2016 to 2021, the company achieved a significant revenue growth of 210.8%. The results reflect high consumer demand for Canada Goose products and strong operating performance amidst unprecedented supply chain challenges. Besides, the value of NPM is relatively high and keeps a relatively stable

Increase. Therefore, Canada Goose had a competitive advantage over other companies in their industry.

There was a significant decline in 2020-2021 due to temporary and unexpected disruptions from COVID-19 in certain markets. However, based on the third Quarter Fiscal 2022 Business Highlights (compared to Q3 2021). Total revenue increased by 26.5% and non-parka revenue increased by 74.9%, reflecting the growing relevance of lifestyle throughout the year. Furthermore, global e-Commerce revenue increased by 28.1%. DTC revenue in Mainland China increased by 35.1%. It depends on Canada Goose's brand momentum and supply chain resilience drove a strong performance.

Table.2. Comparison of Columbia Sportswear's net profit margin from 2016 to 2021 (In millions of US dollars.)

Year	Net income	Revenue	Net profit margin
2016	198.4	2377.0	8.3%
2017	105.1	2466.1	4.3%
2018	268.3	2802.3	9.6%
2019	330.5	3042.5	10.9%
2020	108.0	2501.6	4.3%
2021	354.1	3126.4	11.3%

For 6 years ended 31 December 2021, Columbia Sportswear Company revenues increased 31.5% to \$3.13B. NPM values remain relatively low.

However, Colombia has a clear advantage in 2021, the pandemic has no meaningful deterioration of current supply chain conditions. On the contrary, the revenue increased 25% to \$3,126.4 million from \$2,501.6 million for the comparable period in 2020. This reflects the company's resilience to some extent.

Table.3. Comparison of Gokaldas Exports' net profit margin from 2016 to 2021 (In millions of Canadian dollars.)

Year	Net income	Revenue	Net profit margin
2016	60.7	1151.0	5.40%
2017	-46.2	953.9	-5.05%
2018	-30.9	1078.0	-2.99%
2019	25.6	1195.0	2.18%
2020	32.4	1397.0	2.37%
2021	26.2	1221.4	2.17%

Compared with the above two companies, Gokaldas Exports is in a relatively inferior position. Over the six-year period, revenue inched up 6.1% to \$1221.4 million. In addition, NPM is the lowest, even in negative in 2017 and 2018.

## 5. Conclusions

In conclusion, Canada Goose is a successful brand not only in China, but also in other countries around the world. This article analyzes Canada Goose in detail through two major steps. The first step This article first introduces the success factors of Canada Goose at home and abroad, and through the PEST analysis structure, we understand that Canada Goose has gained a huge reputation around the world through different marketing methods and its high quality and high technology. Step 2 This article compares the various data of Canada Goose and other popular down jacket brands by looking up data and making charts. It can be seen that Canada Goose has gradually achieved high profits with its successful business methods in recent years, and has gradually become the market for down jackets. of leading companies.

This article provides a very meaningful reference factor for other companies by analyzing the reasons for the success of Canada Goose. Other down jacket companies can make their own down jacket companies socially known and sold by referring to the success factors of Canada Goose described in this article, such as improving the technical level of down jackets; inviting professionals to endorse the brand; cooperating with well-known brands, etc. be improved.

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