



**Rethinking business models – a case study approach to embrace
CSR in the cashmere fashion industry.**

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Abstract

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In the past, products made of cashmere were known as being prestigious. Nowadays, cheap cashmere products flood the market. The increased number of cashmere goats and the climate change caused consequently the desertification not only of one of the major extraction areas as the Inner Mongolia. Further fundamental issues have emerged: Global competition leads frequently to depressed wages, producers have little connection to the final products. This disintegration of the value chain may diminish the quality of products and jeopardize control of social and environmental objectives. As a result of this development the term “slow fashion” has emerged, beneath which a multitude of measures to counteract the abovementioned challenges can be subsumed.

The purpose of this dissertation is to investigate how companies can overcome the above named issues and alter their business model for social and environmental impact creation. Therefore, an extensive insight in the literature of the business model concept, corporate social responsibility and the fashion industry is given to subsequently allow for a comparison of 8 companies of the cashmere industry. Consequently, by analyzing the blocks of the business model of these companies – customer segment, value propositions, key partners, and key activities - it can be clarified, which one fulfills profit oriented and social objectives. It is observed that the companies – even though they are all profit oriented – change and add activities to their blocks to guarantee social and environmental impact creation without facing a mission drift and react to the current threats of our globalized world.

Resumo

Título: Represando modelos de negocio – um estudo de caso para entender o papel da responsabilidade social na industria da moda da caxemira

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No passado, os produtos de caxemira eram considerados prestigiosos. Hoje em dia, existem no mercado muitos produtos de caxemira baratos. O número em crescimento de cabras de cachemira e as mudanças climáticas causaram conseqüentemente desertificação não só de zonas de maior extração da Mongólia Interior. Outros problemas emergiram como causas: a competição global frequentemente implica salários baixos, e assim os produtores têm uma ligação fraca com o produto final. Esta desintegração da cadeia de valor pode levar a diminuição de qualidade dos produtos e a danificar o controlo social e os objectivos ambientais. Como resultado deste desenvolvimento, foi criado o termo ‘slow fashion’, que consigo traz medidas para neutralizar os desafios acima mencionados.

O objectivo desta dissertação é de investigar como as empresas podem ultrapassar estes problemas e alterar os próprios modelos de negócio para criar um impacto social e ambiental. Portanto, é conduzido um estudo abrangente da literatura relativa ao modelo do negócio, à responsabilidade corporativa social e à indústria da moda. Esta análise permite a comparação de 8 empresas que operam na indústria da caxemira. Conseqüentemente, analisando a estrutura destes modelos de negócio – o segmento de consumidores, a proposta de valor, os parceiros chave e as atividades principais – é possível identificar quais empresas são motivadas somente pelo lucro e quais por objectivos sociais. É observado que as empresas mudam e adicionam atividades as próprias estruturas para garantir um impacto social e ambiental sem extraviar a própria missão e reagindo as ameaças atuais de um mundo globalizado.

Preface

This dissertation means the end of my academic studies. I have not always been convinced to study business because human approaches seem to be missed. Tommaso Ramus helped me to open my eyes for the field of social entrepreneurship and sustainability. For many years, I worked in the fashion industry, while always having a soft spot for cashmere and exclusive products. Therefore, it had been a pleasure to spend my last few months with a topic, which concerns and interests me.

Most important, I would like to thank Tommaso Ramus for teaching so passionate Business Ethics and Social Entrepreneurship, and allowing me to find my field of interest. Furthermore, for supervising me, being always reliable, motivating, and humorous. Working together with him has been an honor; I could not have made a better choice. Thank you, Tommaso Ramus, for being an excellent supervisor, allowing me to write about my field of interest, your constant suggestions and constructive criticism contributing to this dissertation.

Furthermore, I would like to express my gratitude to Lena Meier and Thomas Korte, who answered my questionnaire and allowed me to gather not-published company related information of Iris von Arnim and FTC Cashmere.

Moreover, I would like to thank my family, which supported me not only financially but also in every matter all my life. I promise, I will always do it the other way around. And I have to thank all my friends – especially Nils - who lead to great memories during my studies in Cologne, California and Lisbon.

In a selected scale I was able to get an audience for my idea of “Católica turns green”, a university project which should overcome pollution, waste of resources and lead people to think and care for the world they live in. However, I will dedicate my future life even more to sustainability, social and environmental responsibility, as it is my personal concern and motivation to make an impact.

Table of Contents

- List of Tables.....iv**
- List of Figuresiv**
- List of Acronymsiv**
- 1. INTRODUCTION 5**
- 2. ACADEMIC LITERATURE REVIEW 6**
 - 2.1. The business model concept6**
 - 2.2. Corporate social responsibility10**
 - 2.3. Altering the business model for social impact creation11**
 - 2.4. Tensions emerging when adapting the business model to social objectives.....12**
- 3. THE FASHION INDUSTRY AND SOCIAL OBJECTIVES 14**
 - 3.1. The cashmere sector.....14**
 - 3.2. Social objectives in the cashmere industry15**
- 4. METHODOLOGY 17**
- 5. FINDINGS 20**
 - 5.1. Company description20**
 - 5.2. Value proposition21**
 - 5.3. Customer segment.....24**
 - 5.4. Key activities.....26**
 - 5.5. Key partners29**
- 6. DISCUSSION 33**
- 7. LIMITATIONS AND FURTHER RESEARCH 37**
- 8. REFERENCES 38**
- 9. Appendices 42**

List of Tables

Table 1: 5 criteria to identify social oriented cashmere companies.	18
Table 2: Overview of sources used to gather information about companies' business model canvas	19
Table 3: Company related information.	20
Table 4: Value proposition of POCs and SOCs.	22
Table 5: POC's and SOC's customer segments within the cashmere industry.	25
Table 6: Characteristics of key activities of POCs and SOCs.	26
Table 7: Key partners of POCs and SOCs.	30

List of Figures

Figure 1: The business model canvas of Osterwalder & Pigneur (2010).....	8
Figure 2: Example of Ryanair's business model from Casadesus-Masanell and Ricart (2010).	9
Figure 3: The BM of Casadesus-Masanell and Ricart (2011).	9
Figure 4: Blogger wearing Iris von Arnim (Maya Wyh's Instagram account, 2015).....	27

List of Acronyms

BM	Business model
BMC	Business model concept
CSR	Corporate Social Responsibility
PO	Profit oriented
POCs	Profit oriented companies
SO	Socially oriented
SOCs	Socially oriented companies

1. INTRODUCTION

Cashmere, being part of the luxury garments industry, is currently facing a multitude of threats, due to the increasing accessibility of products on the market (Siegle, 2014). The steadily increasing number of cashmere goats has been leading to desertification, for instance, in the Inner Mongolia or China. Due to many counterfeits brought on the market, not only prices for cashmere products decrease, but also prestigious cashmere companies face rising competition and have to consider modifying their business model to prevent this from jeopardizing their business (Epiro, 2015). Yet, very few studies have investigated how to adapt the business model within the cashmere industry to address the above named threats.

This dissertation aims at closing this gap as it provides an analysis of different business models within the industry and outlines implications of the abovementioned changes. The research question being answered is: “How to adapt the business model concept in the cashmere fashion industry when embracing social objectives for the sake of overall company success?”

Throughout the analysis, the business model concept is applied, as it is a useful and widely accepted tool to analyze the structures, activities, partners and customers of different companies. Furthermore, it gives insights such as how companies are able to be profitable, by fulfilling the needs of their client base while keeping costs at an adequate level (Magretta, 2002).

This thesis is structured as follows: The first chapter gives an opening introduction to the underlying problem statement and the structure of the thesis. Chapter 2 outlines the business model concept and its varying definitions, applied by the most important researchers. In the following, the concept of corporate social responsibility is defined and the steps outlined how to overcome uncoordinated and incongruent CSR activities of a business. Based upon this, reasons for altering the business model to integrate social objectives are shed light onto and tensions that may arise by modifying the business model are highlighted. Chapter 3 provides the reader with extensive insight into the cashmere industry and examines how it faces current threats by incorporating social objectives. Chapter 4 comprehensively outlines the methodology applied, by depicting and justifying the data gathering process. In chapter 5, a company overview of the 8 chosen companies will be given. Subsequently, by comparing the chosen companies based on four blocks of the business model, the findings will give summary of the conducted research. Chapter 6 discusses the abovementioned research question synthesizing the insights gathered throughout this thesis, whilst chapter 7 reveals their limitations and gives a glimpse in further research.

2. ACADEMIC LITERATURE REVIEW

2.1. The business model concept

Until today, no commonly accepted scientific definition of the business model (BM) concept (BMC) has reached consensus (Zott, Amit & Massa, 2011). To familiarize with this concept, this chapter starts with the most ordinary approach by defining separately business and model. According to the definition of the Oxford dictionary, business is “the activity of making, buying, selling or supplying goods or services for money” and in conformity with the Merriam-Webster collegiate dictionary a model is “a usually small copy of something” or “a set of ideas and numbers that describe the past, present, or future state of something (as an economy or a business)”. Subsequently, and generally speaking, this implies that a BM is an attempt to make the actions of a business clear and transparent by subdividing them.

Agreeing on one definition of the BMC is challenging for different reasons. First, it might lie in the novelty of the concept as it started to be mentioned more often from year 1999 onwards, in the context of e-businesses (Amit & Zott, 2001). Second, the BMC covers and describes such a wide spectrum of business activities – such as “e-business, strategy, technology, and information systems” - that makes it difficult to agree on one definition (Shafer *et al.* p. 200, 2005). Third, BMs are often put on the level of strategy, as it is not clearly distinguished from BMs: By altering its BM, a firm follows a different strategy and distresses consequently competitors in the market. Yet, an organization needs to have a BM to develop a strategy, not the other way around (Casadesus-Masanell & Ricart, 2010).

As mentioned above, there is still a lack of consensus regarding a universally applicable definition of BMs and thus, this chapter aims to provide clarification. Therefore, the six most relevant and current definitions and approaches of different authors, namely Magretta (2002); Chesbrough & Rosenbloom (2002); Morris, Schindehutte & Allen (2005); Osterwalder & Pigneur (2010); Casadesus-Masanell & Ricart (2011) and, finally, Zott, Amit & Massa (2011) were selected and will be outlined hereafter.

Firstly, Magretta stated in 2002 that a good BM addresses what Peter Drucker already questioned: “Who is the customer? What does the customer value? How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” Every company has to clarify their individual BMC based on the approach to operate better than competitors, to benefit clients or to develop something more advanced. Therefore, BMs can be applied to invent something new or to improve old products or services. Usually, new BMs do not alter materially from previous ones. They are based on experiences and businesses with similar value chains, which

consist of two parts. The first part obtains those actions that have to be undertaken to do something like designing, ordering of raw materials and producing. The second part deals with selling or executing the final product or service to the client. As long as all elements of a BM are considered, it operates as an encompassing planning tool and helps to analyze how activities are interconnected and work with each other. The main restriction of the BMC is the neglect of explaining how a business should deal with competition (Magretta, 2002).

Secondly, Chesbrough and Rosenbloom defined six functions a BM aims to fulfill:

- It describes the value proposition.
- Establishes the consumer groups.
- Designs the value chain.
- Examines the cost structure and profit capability.
- Determines the standing and competition of the company within the value-adding network combining clients.
- Provides and defines strategies to benefit over competitors.

Following those six functions, a BM helps an organization to find out how much money is required to build up or extend the business and supports the interaction of technical (e.g. feasibility, accomplishment) and economic domains (e.g. revenue, financial worth) with the functions of the BMC (Chesbrough & Rosenbloom, 2002).

Thirdly, based on the content analysis of 30 different definitions of BMs, Morris, Schindehutte and Allen (2005) identified three levels of a BM: the economic, operational, and strategic level. The economic level pursues the aim to make profits and is defined by terms as sales, price setting, surplus or revenue generation. The operational level describes the in-house workflows of a business like administration, logistics, resource management, distribution or manufacturing. Whereas, the strategic level concentrates on objectives of a business such as opportunities for growth, exchange with other companies and the standing in the marketplace by taking also sustainability and leading edge into account. To succeed the strategic level it is important to concentrate on forming relationships with partners, to distinct, establish meaning and create a vision and values. Concluding, by subsequently adapting the interrelated decision variables of these levels, a BMC becomes complete (Morris *et al.*, 2005). Fourthly, according to Osterwalder and Pigneur (2010) a BM consists of nine blocks (see the next picture for visualization), which are:

- Customer segment: the group of people you approach and supply.

- Value proposition: the collection of goods and services a company offers their clients to generate value.
- Channels: the diversified media used to attain the customer segment for value proposition.
- Customer relationship: the kind of connection you build up with your client.
- Revenue streams: how the company captures value from its clients by monetizing its goods or services.
- Key resources: the most relevant resources a company needs to run the business.
- Key activities: the weightiest actions a company executes to make the business work.
- Key partners: the most important contacts a company is in touch with.
- Cost structure: covers all the costs incurred by the whole business model.

In conclusion, those nine blocks should encompass the four areas of a business: “customers, offer, infrastructure, and financial viability.” The handbook of Osterwalder and Pigneur is very related to practice, widely available and has its focus on the structure of the BM. Using the BM canvas (Appendix A) it should allow leaders of different organizations to conceive, shape or realize a new BM. Furthermore, the blocks can be helpful to investigate or modernize an existing BM (Osterwalder & Pigneur, 2010).

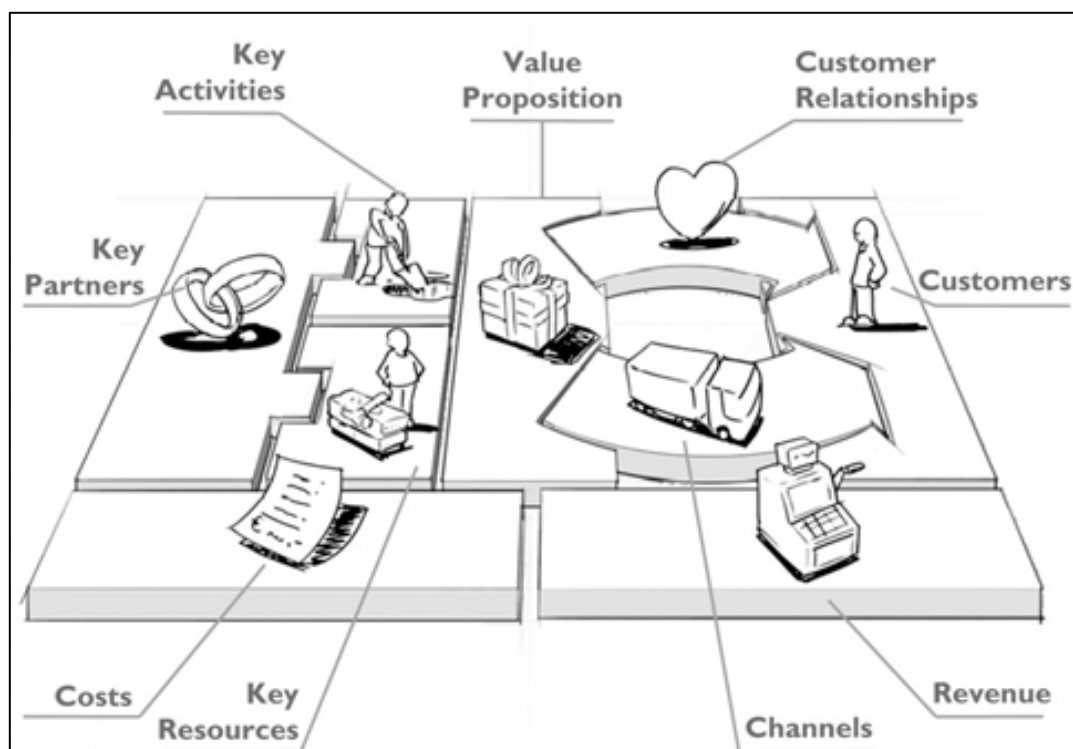


Figure 1: The business model canvas of Osterwalder & Pigneur (2010).

Fifthly, Casadesus-Masanell and Ricart (2011) define the BMC as a diagram of virtuous cycles (see Figure 4 as an example). Three components - choices, consequences and theories - explain how decisions reached by managers are interrelated.

First, firms have to make three distinctive kinds of choices (Figure 3) – policies, assets and governance – when they build up their BMs. Policies are how the company regulates all actions throughout their operations (e.g. not dependent on hierarchy: all employees are supposed to fly tourist class). Assets choices decide about tangible properties (e.g. what communication system the company uses). Governance determines the choices made about policies and assets (e.g. you need cars for your company and the governance choice decides about buying or leasing the automobiles).

Second, consequences that arise from choices made are either rigid or flexible. On the one hand, flexible consequences manifest themselves by an immediate reaction of altering the choice. For instance, a price reduction will be followed by a greater demand. On the other hand, rigid consequences do not have an immediate impact, as it takes time to implement new choices.

Third, theories help to explain how choices and consequences are related. To come up with a steerable model, the principles of aggregation or decomposability should be used. Aggregation means to cluster choices and consequences in a greater design to get a complete overview of the business. Decomposability helps to gather the big picture by not mentioning all choices and consequences (Casadesus-Masanell & Ricart, 2011).

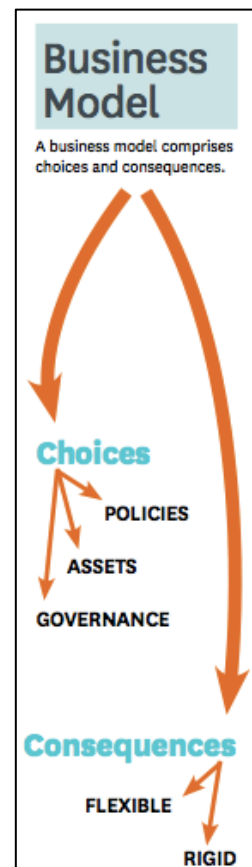


Figure 2: The BM of Casadesus-Masanell and Ricart (2011).

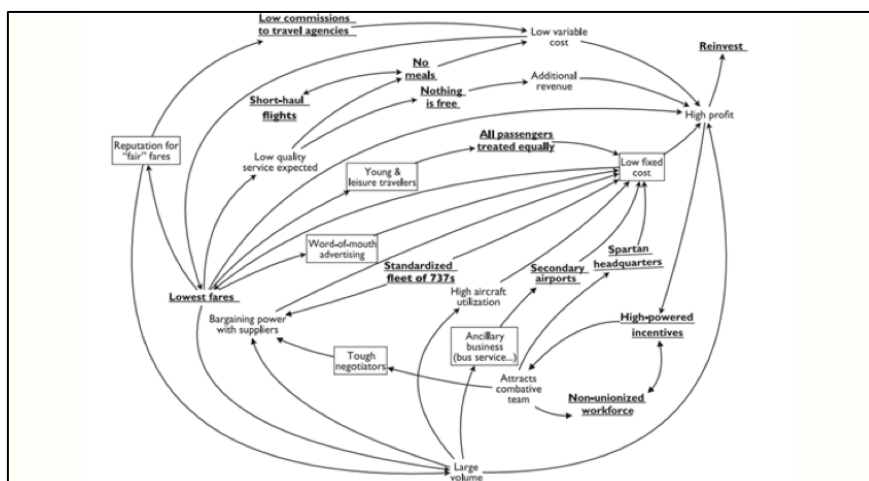


Figure 3: Example of Ryanair's business model from Casadesus-Masanell and Ricart (2010).

Zott, Amit and Massa published one of the most recent articles concerning the BMC in 2011. The aim of these scholars' work is to systematize recent research on BMCs. Using a multistep process of reviewed literature, they discovered that three areas of interests are emerging about BMCs: "1) e-business and the use of information technology; 2) strategic issues, such as value creation, competitive advantage, and firm performance; and 3) innovation and technology management" (Zott *et al.* p. 5, 2005)

Although definitions for BMCs vary, it was found that similarities exist. First, the BMC is a new entity of analysis that differs from the good, company, business, or system of connections and is able to cross barriers outside the firm. Second, the approach of BMCs is to explain in what manner companies are doing business. Third, the central actions of a company and the interaction with associates are important. Fourth, the concept tries to describe how to create and capture value. In conclusion, the researchers came up with a definition, which combines existing definitions: "The BMC has been referred to as a statement, a description, a representation, an architecture, a conceptual tool or model, a structural template, a framework and a pattern" (Zott *et al.*, 2011).

A summary of all mentioned authors is provided in Appendix B.

2.2. Corporate social responsibility

According to Michael Hopkins (2007) "CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. 'Ethically or responsible' means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside [...]. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside of the corporation".

Not all companies engage in the CSR domain and work to increase their environmental or social performances because of their idealistic belief but rather because of the rising demand from external parties like the media, the government or the public (Santos *et al.*, 2015). Therefore, companies put more effort in being perceived as positive and align their activities to social and responsible behavior (Lee & Jay, 2015). However, the importance and activities of acting in a corporate social responsible way differs between countries, industries and companies. Hence, those activities should be incorporated in a company's CSR conduct and should benefit in the end society (Fernando, 2009).

Rangan, Chase and Karim (2015) developed a strategy to overcome uncoordinated and incongruent CSR activities of a business: The weightiest activities of a company are assigned

to the three “theaters of practice”:

- Theater one “focusing on philanthropy” programs do not exist to be profitable or influence the work of a company directly. Usually, those programs include activities such as donating (immaterial and material), working with social associations, and promoting the engagement of personnel.
- Theater two “improving operational effectiveness” concentrates on social and environmental issues, trying to enhance the value chain of a company to avoid lavishing and utilizing of resources to decrease costs and emissions. Therefore, standing and capacity can be improved, while money is spent on workers` training sessions and welfare.
- Theater three “transforming the business model” deals with altering the BM to face threats such as being profitable and master social/ environmental issues at the same time. Here, a clear focus on the market or product range is needed, without losing sight of making profit and increasing the impact of CSR activities.

Afterwards, Rangan *et al.* (2015) emphasize to execute four steps to develop a strategy aligned with a company`s mission:

Firstly, the company has to sort out all irrelevant activities that are not aligned with the company`s mission to achieve consistency and reliability. Secondly, success of activities has to be measured within the three theatres. In theater one success is not measurable (e.g. higher reputation of the company), therefore productivity has to be gauged in nonfinancial ways (e.g. track implementation of donations). The success of theater two programs is easier to measure, as reducing the spending for resources ideally has lead to declining costs, which can be incorporated in a sustainability report. When investments and its reinvestments cannot be gauged immediately, the company has to develop a technique to amortize investments. To determine achievements and changes of the BM of theater three, the company should answer following questions: does our central activity improve society? Do oppositional effects for our mission exist? How is it possible to alleviate/ undo them? Thirdly, the programs of all theaters should follow an overall and coherent goal aligned to a company`s mission. Finally, programs have to be taken seriously and consequently, a responsible person at the top of a company`s hierarchy should become acquainted with these (Rangan *et al.*, 2015).

2.3. Altering the business model for social impact creation

According to Lee and Jay (2015), companies alter their BM to increase their social and environmental impact for the following three reasons (Lee & Jay, 2015): First, the demand of

employees to work in a sustainability-oriented working environment is growing (Korschun *et al.* 2014). Second, customers have the ability to better grasp companies' actions by growing insight possibilities (e.g. Internet). In case of company's misconduct, clients might avoid e.g. further purchases of products or services (Santos *et al.*, 2015). Furthermore, customers are calling more and more for products, which create a social impact, willing to pay a price premium (Nielsen, 2013). Third, also governments request modifications on regional and fundamental levels by legislative changes (Santos *et al.*, 2015).

2.4. Tensions emerging when adapting the business model to social objectives

Adapting the BM to social objectives or incorporating a CSR strategy can lead to positive outcomes such as higher revenues, enhancement of the supply chain or the generation of a novel client base (Prahalad, 2004). However, by managing divergent goals such as being profitable and acting social at the same time, troubles may arise (Santos, 2012). A company can follow different approaches to master tensions: Either, the company compromises between revenue and social impact generation. Or, a company can reconsider the whole BM by modifying it to societal needs that in the wake of, the arrangement leads to a common advantage (Porter & Kramer, 2011).

Based on the paper of Smith and Lewis (2011), possible conflicts that might arise when incorporating social issues in a BM are the following: "performing, organizing, belonging and learning tensions". Due to its relevance being applicable to the research question, this paper focuses only on learning and performing tensions.

Performing tensions emerge when companies are either trying to fulfill diverse or opposing objectives, deal with different stakeholder expectations (Smith & Lewis, 2011) or when facing problems in measuring success. Stakeholders (employees, congregations, relatives, recipients and investors) expectations vary in terms of how to profit from the social mission (Grimes, 2010). Ambivalent activities or structures require special evaluation tools such as "qualitative, ambiguous or non-standardized metrics" (Smith *et. al.*, 2013). Hence, using a particular metric depends on the organization of a company (Ebrahim & Rangan, 2010). Moreover, performing tensions may arise when choosing between short-term and long-term goals. Short-term goals are preferred as they are easier to measure and interpret (Levinthal & March, 1993), focus on the most important company's goals without losing the overview (Porter, 1995) and lead to commitment of stakeholders (Bornstein, 2004). In contrast, long-term metrics are more difficult to measure, ambivalent, and, as a consequence unclear (Levinthal & March, 1993).

Learning tensions arise when a company organizes short-term goals to obtain security and steadiness or long-term objectives to grow, extend and adapt to circumstances (Smith & Lewis, 2011), as it is difficult to manage everything at the same time. Usually, the short-term objective is to be profitable and to invest profits in the long-term to fulfill the social mission (often also difficult to accomplish in a short time horizon e.g. to improve legal regulations for equality) (Hoffman *et al.*, 2010). Also, when a company tries to scale up the business it may face a mission drift, as the impact of the social mission decreases with growth due to shrinking transparency of responsibilities, trust in company's work or the interference of other parties (Haigh & Hoffman, 2012).

3. THE FASHION INDUSTRY AND SOCIAL OBJECTIVES

3.1. The cashmere sector

Cashmere originates from the geographic area of Kaschmir, a province of India. There, Western Europeans had their first contact with the goats and goat's fleece, which was primarily processed to fibers and end products. In the following years, nomads moved with their goats to Mongolia, China and Tibet (Kadolph *et al.*, 1993), and to faraway areas of Afghanistan and Iraq. Nowadays, a small percentage of breeding and production is also based in Europe (mainly in the UK and Italy), in North America, New Zealand and Australia (Towers, 2013). Thus, China (70%) and Mongolia (25%) are the dominating cashmere producers, followed by Iran, Afghanistan, India and Pakistan (www.wipo.int). According to Bain & Company, products made of cashmere account for €4 billion of the €60 billion worldwide luxury clothing market (Abnett, 2015).

Since cashmere goats (Appendix C) have always been exposed to extreme climate conditions they developed a fleece over centuries, which protects the goats from climate changes. Cashmere fibers are harvested during spring by combing out the hairs close to the skin (Appendix C). In general, manufacturing and harvesting cashmere is elaborate (Ansari-Renani *et al.*, 2013), due to significant manual labor and required knowledge of how to herd the animals (www.wipo.int).

Normally, a goat yields half a pound of cashmere per year, for a sweater around 250 grams are needed. Additionally, costs for feeding and herding have to be taken into account (Faust, 2013). Therefore, cashmere is normally expensive and only accessible to a prosperous client-base that values not only the characteristics of the product itself (smoothness, coziness, warmth and look) but also its rarity and exclusiveness (Ansari-Renani, 2014). However, nowadays you can also buy cashmere at affordable prices such as H&M, which offers jumpers at a starting price of 60€ (Abnett, 2015).

As cashmere products are nowadays also offered at relatively low prices, the global demand for cashmere products increases (Siegle, 2014). However, not all products are labeled correctly. Therefore, the "Cashmere and Camel Hair Manufacturer Institute" tries to overcome counterfeits by informing customers and punishing those, who violate declaration standards of material specifications (Epiro, 2015). Due to the increasing number of goats necessary to satisfy the rising demand, the soil erodes. In addition, smuggling, payment of unfair wages and crossbreeding became severe issues (www.wipo.int).

3.2. Social objectives in the cashmere industry

Incorporating CSR and creating social impact has become an important issue for the fashion industry (Towers *et al.*, 2013). Activities of this industry have environmental, commercial and a societal impact by shifting trends from season to season, which creates incremental stress on the environment. Thus, the fashion industry's BMC has to be elaborated and adapted to more environmental friendly production processes and fair working conditions (Sharda & Kumar VK, 2012). Therefore, terms emerged, which describe to act in a socially responsible way in the fashion industry. Slow and fast fashion are the more popular ones and refer to differences of small or large scaling, logistics, commercial success, ethically and ecological actions. Fast fashion products are typically produced in high quantities and sold at low prices. For this to be realized low wages are paid and cheap materials used, without caring for environment and ethics, to realize economic growth (Fletcher, 2010). In contrast, slow fashion tries to take a more sustainable approach such as reducing wasting of resources and aligning production to more environmentally ways. In the early 1960's, the fashion industry already started to work on its impact and used the technological progress to evolve new materials and production techniques and improved its supply chains. Although positive effects were achieved, in the end the consumption and materialism habits of customers have to be changed (Fletcher, 2015). Clients like to wear the latest trends (Clark, 2008) and even when they are buying sustainable products, it is the number of pieces bought that leads to those negative impacts (Fletcher, 2015). Concluding, slow fashion is an approach to break down the negative impacts, actions and behaviors of fast fashion and tries to create a concept established from an alternative starting point (Fletcher, 2010). Consequently, the BM has to be adapted to more environmentally friendly ways of production and improved social matters such as wages, child labor, or working conditions (Allwood *et al.*, 2006). One strategy is to acquire materials and people locally (Parkins & Craig, 2006) or to produce more transparently, for example, by managing the interaction and communication between producer and client in a better way. Also, producing higher quality products can lead to a reduction of negative outcomes. A product with outstanding quality, hand-made and timeless style requires usually a higher investment, however they are worn not for one season - rather for a lifetime. The iconic "Kelly Bag" by luxury leather producer *Hermes* may serve as an illustrative example supporting this hypothesis (Clark, 2008).

Given the increasing importance for companies working in the cashmere industry to considering also social and environmental variables and to adapt their BMCs accordingly, in the next section data is analyzed and presented to address the following research question:

“How to adapt the business model concept in the cashmere fashion industry when embracing social objectives for the sake of overall company success?”

4. METHODOLOGY

In terms of the sampling strategy, this dissertation focuses on western and well-established for-profit organizations working in the cashmere industry to enhance comparability (Yin, 2003). In total, 24 companies were identified of which 16 were dropped, as it was too difficult to get information about their functioning. Afterwards, the 8 remaining companies (Iris von Arnim, Allude, Repeat, 360 Cashmere, Brunello Cucinelli, Brora, FTC Cashmere and Johnstons of Elgin) were checked upon being socially oriented. To do so, 5 criteria were used:

1. Declaration of being social oriented: Companies can state on their websites whether they focus on social oriented activities. As this is a weak indication (Gray, 2006), I used the following other criteria to complement.

2. CSR reports: The criterion was selected because transparency concerning CSR activities is becoming more and more important (Dubbink, *et al.*, 2008) as sustainable activities can be profitable for a company. Some stakeholders are actually asking for more transparency and consequently, companies have to foster sustainable undertakings (www.kmpg.com). Although no company publishes a CSR report, it could have been an important indicator to specify whether companies are socially oriented.

3. Ethical conducts: This criterion was chosen to find out whether the company follows any ethical conducts, received or issued any socially oriented certificates or worked together with a socially oriented organization or founded one. These are key elements to characterize an organization as socially oriented (Gray, 2006).

4. Media coverage: Companies engage in different CSR communication channels to improve the bond with stakeholders, its reputation and increase its benefits (Shuili *et al.*, 2010). Therefore, the web was searched in for publications of case studies, (academic) newspaper articles, or well-known magazines, which state that the company involves in CSR activities.

5. Other players in the CSR domain mention them as acting socially oriented: Assessment of other players - non-profit organizations, alliances, or other companies – is a good indicator of the (perceived) social orientation of a company (Vergne, 2011).

Based on all publicly available data collected, I was able to identify 8 companies working in the cashmere sector and represented extreme cases of socially responsible or profit oriented organizations: the companies are presented in the table on the next page.

	CSR reports	SO declaration	Ethical conducts	Media coverage	Other players
Allude					
Iris von Arnim					
Repeat					
360 Cashmere					
Brunello Cucinelli		✓	✓	✓	
Brora		✓		✓	
FTC Cashmere		✓	✓	✓	
Johnstons of Elgin		✓		✓	✓

Table 1: 5 criteria to identify social oriented cashmere companies.

The BMC of Osterwalder and Pigneur consists of 9 blocks (as mentioned in paragraph 2.2.). However, the findings focus exclusively on “key partners”, “key activities”, “value proposition” and “customer segments”, as they provide a specific glimpse on whether companies follow social objectives and alter their BM according to those. Namely:

- “Value proposition” is the most important block, as it reflects the mission of a company, in particular which products and services are offered to create value for their customers. It is used to gather insights why companies differ among themselves and how social objectives can be better addressed in the future.
- “Customer segment” was selected to find out if an industry with comparable products, also serves the same customers and whether it differentiates in managing, reaching and serving them.
- “Key activities” was elected, as it describes what actions the company executes. Consequently, it should help to identify the major differences between profitable and socially oriented companies.
- “Key partners” was chosen to figure out, whether an analogous value chain might consist of different partners, and if there are any discrepancies in managing them.

I decided not to investigate the remaining five blocks in-depth, because a preliminary data analysis confirmed they would not provide useful information to distinguish profit oriented and socially oriented companies in the cashmere industry. Namely:

- “Cost structure” is irrelevant since they are very similar for all POCs and SOC.
- “Key resources” is self-explanatory, as all companies need the raw fiber cashmere in order to produce their goods, so no significant differences between companies could
- “Channels” does not show wide disparities as the cashmere industry uses mainly the same channels such as stores, or online shops.
- “Customer relationship” is not mentioned, as in the following “customer segment” will cover the important parts of this block.

- “Revenue stream” does not appear as well-established companies in the cashmere industry have comparable revenue streams. In particular, the data analysis of the eight companies confirms that they have a similar revenue stream.

I analyzed academic articles, articles in newspapers, websites of companies, newsletters and interviews of founders or other company related employees. Furthermore, a questionnaire was developed and filled out by an employee of Iris von Arnim and FTC Cashmere (Appendix D) to collect more data and compare it with data gathered. The two companies were picked as they are extreme examples of SO and PO companies.

Source		Objective
Questionnaire	1 employee of wholesale and retail management of Iris von Arnim 1 sales agent of FTC	<ul style="list-style-type: none"> • Gather internal and not published information to answer the research question • Collect evidence that gathered data is reliable • Depict well chosen example of an either socially or profitable oriented company • Characterization of strategies and activities used by company to cover information about BM canvas
Books, articles	3 books 19 articles	<ul style="list-style-type: none"> • External perspectives about the BMs of companies • Get a comprehensive picture and prove assumptions by different stakeholders
Public documents	21 newspapers 5 articles about associations 5 articles of bloggers 1 Financial statement 3 LinkedIn profiles	<ul style="list-style-type: none"> • Public documents give more insights in current topics • Identify and fill information gaps • Gather different opinions • Gather information about whether companies are acting socially or profit oriented • Characterization of strategies and activities used by the company
Company documents	1 brochure about FTC’s activities 1 catalogue of FTC 1 image film	<ul style="list-style-type: none"> • Gather insights about collection and company’s actions • Development of historical understanding for company’s actions • Characterization of objectives pursued by FTC
Media coverage	YouTube, Facebook, Instagram, Twitter, Google Plus, videos, and advertising	<ul style="list-style-type: none"> • The big picture of company’s activities can be gathered • Company presents itself • Development of historical account for evolution of company • Gather ideas about public’s opinion

Table 2: Overview of sources used to gather information about companies’ business model canvas.

5. FINDINGS

5.1. Company description

This sample consists of 4 profit oriented (PO) and socially oriented (SO) companies respectively. In the following, the companies will be shortly described; more information is provided in tables in the subsequent parts.

The table below shows key information about the selected companies:

	Founded in	Number of employees	Revenue/ profit
Allude	1993	20 in the headquarter in Munich	€ 15 - 20 Mil. revenue
Iris von Arnim	1976	50 employees including external employees in stores, warehouse, and production	No information.
Repeat	1978	51-200 based on LinkedIn	No information.
360 Cashmere	2009	No information.	No information.
Brunello Cucinelli	1978	700 worldwide	€ 357 Mil. revenue € 32 Mil. profit
Brora	1993	200	€ 24 Mil. revenue in 2012
FTC Cashmere	2003	500 employees for manufacturing 20 employees in headquarter in Switzerland 30 sales agents around the world	Not available
Johnstons of Elgin	1797	700	€ 126 Mil. revenue

Table 3: Company related information.

Allude was founded in 1993 by the German lawyer Andrea Karg. Allude is one of the few companies, which is allowed to present its collection at the fashion show in Paris. Production takes place in Italy and China; the products are sold in 22 countries to a prosperous client base. 20 employees work in the Munich headquarter in Germany.

The career of Iris von Arnim started with hand-knitted pullovers; the first shop was opened in Munich in 1976. In 1985, Iris von Arnim had been one of the first German designers, who used cashmere. The production takes place in Italy and Asia, products are offered at 200 selected retailers worldwide and through own shops in Munich, Dusseldorf, Kitzbühel Alps and Sylt. The collection offered to women and men is settled in the luxury price segment. The company is a family based business and has around 50 employees.

Repeat was established in 1978. First shops were opened in Amsterdam and Bern, afterwards an international expansion started. Since 1995, Repeat's mission is to offer 100% cashmere products at affordable prices. Nowadays, they also sell products made of other materials than cashmere, such as silk, wool and cotton for women, men and children.

In 2009, the Gifford family founded the Californian company 360 Cashmere. Cashmere products for women, men, kids and dogs in a casual, fashionable style yet luxury knitwear are sold at well-known retailers like Bloomingdales or Harvey Nichols.

Brunello Cucinelli sells menswear, women's wear and accessories made of cashmere with

top-notch quality at premium prices. Founded in 1985, Brunello Cucinelli follows his mission “making work more human, with people at its core”. In Solomeo in Umbria, Italy the headquarter is located. The company engages in many social and sustainable activities.

Victoria Stapleton is the founder, owner and creative director of Brora. Located in Scotland, the cashmere used for production is ethically obtained from Inner Mongolia. Shops are located in the UK, Scotland and the US. Brora offers clothes and accessories for women, men, children, and babies.

Johnstons of Elgin, another Scottish company, was founded over 200 years ago. The entire processing and production of products is done in their own mills, which are also a tourist attraction. Their longstanding expertise and history guarantees helps to fulfill the mission to offer customers products, which embed heritage and newest production technologies.

FTC Cashmere is the only company of this sample being its own supplier. Founded in 2003, FTC breeds goats and harvests cashmere in alignment with sustainable standards, works together with the local government of the province of Shanxi, China to improve the situation of the community and aligns all other key activities to its mission. 500 workers are involved in the cashmere manufacturing process, 20 employees work in the Swiss headquarter in Baar and 30 sales agents are responsible for distribution.

5.2. Value proposition

The value proposition of a company consists of a specific bundle of activities, services or products, which are offered to create value for a particular client base (Osterwalder & Pigneur, 2009). Within the fashion industry companies might focus especially on those reasonable five activities: i) performance, ii) accessibility, iii) price, and v) design.

Firstly, cashmere companies continuously improve the quality of their products, especially due to the fact that many counterfeits exist on the market (Süddeutsche Zeitung, 2015). Furthermore, manufacturing processes have to be adjusted not only to working with the luxurious fiber but also to the latest fashion trends (Kapferer & Bastien, 2009).

Secondly, cashmere companies distribute their products in accordance to guarantee accessibility by offering online shops or selling products in their own stores or selected retailers. Cashmere is a luxurious fiber and selective distribution should create a desire and not dilute the brand reputation by being accessible everywhere (Kapferer, 2012).

Thirdly, pricing goes along with the value proposition. A premium pricing strategy is pursued to distinguish cashmere from more ordinary fibers. Based on the high price policy, luxury brands stress high quality, exclusivity of their products (Okonkwo, 2007).

Fourthly, the design offered is most relevant for customers as style and exclusivity are even more important than the brand's name (Bianchi, 2002). Furthermore, design reflects the brand, creates demand and incorporates aspects of a company's individual value proposition. The four characteristics performance, accessibility, price, and design of the SO and PO companies of the sample are shown in the table below.

PO		SO	
Allude	<p>Performance: Products are also shown at the fashion show in Paris. Regular quality controls.</p> <p>Accessibility: 200 points of sales in Germany, around 700 worldwide. 40% of profits are made abroad, especially in France. Online shop.</p> <p>Price: Pullover costs around 330€.</p> <p>Design: Collection includes classic and more fashionable products. Since this year home collection has been offered. Complete outfits of cashmere.</p>	Brunello Cucinelli	<p>Performance: Ethics incorporated in every activity. Stringent and ongoing quality controls performed across entire value chain. Raw material selected and sourced from best Italian suppliers.</p> <p>Accessibility: Distribution through luxury and own stores in North America, Europe and Italy. Emerging markets in Asia, Latin America & Middle East. Selected products offered online.</p> <p>Price: Jumper costs around 1000€.</p> <p>Design: Timeless. Company's mission of "supreme good".</p>
Iris von Arnim	<p>Performance: Tradition, handwork, & unconditional quality. New techniques, colors, structures & cuts. Regular controls.</p> <p>Accessibility: Products sold online, at department stores, 200 luxury fashion retailers (especially in Germany, Belgium, Switzerland, and America).</p> <p>Price: Prices on average 800€.</p> <p>Design: Timeless, fashionable design. Usage of high quality materials.</p>	Brora	<p>Performance: Cashmere products are supposedly not mixed with other fibers. Brora is able to react fast to demand.</p> <p>Accessibility: Most of the shops are located in the UK, US and Scotland, but mainly British client base. However, they have also an online shop.</p> <p>Price: Between 400€ and 800€ for a cashmere sweater.</p> <p>Design: Well known for their colors.</p>
Repeat	<p>Performance: Offer female and male clients affordable cashmere products.</p> <p>Accessibility: 15 own stores and shop-in-shops in leading department stores in Germany, Switzerland, Netherlands, France and Belgium (one in America) and online shop.</p> <p>Price: Between 190€ and 300€.</p> <p>Design: Collection offers pieces for multiple occasions, also accessories; 3 main product lines.</p>	FTC Cashmere	<p>Performance: FTC is its own supplier, ongoing quality controls and exceptional usage of best fibers is guaranteed. Production of 300 tons of raw cashmere per year, only 50 tons used for their products (rest sold to other suppliers).</p> <p>Accessibility: Shop-in-shop at several retailers. Mainly Swiss and German clients. So far no online shop.</p> <p>Price: Basic jumpers cost around 249€.</p> <p>Design: Collection for women and men are in line with common trends.</p>
360 Cashmere	<p>Performance: Long experiences in the fashion industry. Product reviews state really good quality.</p> <p>Accessibility: Products can be bought in their shop in CA and at well-known retailers in Europe, US and Canada.</p> <p>Price: Prices start at 280€ up to 600€.</p> <p>Design: Classic but fashionable.</p>	Johnstons of Elgin	<p>Performance: Raw materials are processed in own mills. High control of quality. Working on new designs and techniques. Repair service.</p> <p>Accessibility: Online shop, sold in UK, European countries, Japan, North America, Australia, and New Zealand.</p> <p>Price: A sweater costs 300€ -1000€.</p> <p>Design: The collection embeds heritage.</p>

Table 4: Value proposition of POCs and SOCs.

Comparing the value proposition of either more profit or socially oriented companies, more differences than similarities can be pointed out.

POCs emphasize especially on offered quality, accessibility and design in their value proposition for clients.

All POCs highlight the performance or quality of their products. This is not surprising, as all companies request premium prices, which have to be justified by customer experiences. Therefore, quality controls have to take place on a regular basis as Iris von Arnim and Allude publish on their websites.

Regarding accessibility, POCs offer their clients the possibility to buy products in their online shops or at partner websites. Furthermore, products are distributed at their own flagship stores or at selected fashion retailers. 360 Cashmere sells products at well-known retailers, such as Bloomingdales or Harvey Nichols.

The lowest prices are offered by Repeat cashmere, being unsurprising, as their declared mission is to offer customers products of 100% cashmere at affordable prices. Their basic products start at a price level of 190€ - a price still above the willingness to pay for most people. Limited collections with designers as for 360 Cashmere with the New York-based designer Christian Brenner are even more expensive as the regular collection.

Lastly, POCs promote their unique designs on their websites. For instance, Allude, Repeat or Iris von Arnim expand their collection of pure cashmere pieces by using also other prestigious materials as leather or silk. Besides, Repeat expands its collection with pieces made of wool and cotton to serve also a more price sensitive segment. 360 Cashmere's design is "younger" and not as timeless as those of the other companies, due to more trendy motifs. Moreover, their collection offers a bigger product range and also products designed for children (Repeat, Allude, 360 Cashmere) or even dogs (360 Cashmere) to fulfill customers' demands.

Furthermore, POCs try to offer their customers a special value proposition by incorporating their individual key activities, segments and partners in their BM (outlined on the next pages). In comparison, SOCs focus also on performance or quality of their products, accessibility, price, and design but highlight different aspects at the same time. SOCs emphasize on their key activities, which are (social) sustainable ones and less on e.g. accessibility.

Firstly, observing performance and quality of cashmere, SOCs provide their customers with more information on their websites regarding production processes and raw material extraction. FTC Cashmere has its own breed and is therefore able to control the whole raw material extraction. Customers can be sure to wear a product of highest quality. SOCs highlight that they can control the quality of their products better than POCs thanks to long-term supplier and employee relationships, fair wages, working with associations and local municipalities. Due to those merging activities, SOCs are able to create an individual value

proposition. Additionally, SOCs emphasize on processing and producing their products in their country of origin. For instance, Brora's pieces are exclusively produced in Scotland.

Secondly, prices are comparable with the ones of POCs, however differ within the analyzed SOCs. FTC Cashmere offers the "cheapest" products starting at a price of 249€, whereas Brunello Cucinelli's sweaters cost around 1000€, and is therefore the most expensive company of this sample.

Thirdly, as the cashmere industry is competitive also SOCs have to work on their design on a continuous basis. Exceptional design can be offered as Johnstons of Elgin was founded more than 200 years ago and is an expert in its field of processing cashmere. Besides - Brunello Cucinelli as Italian company - refers to a country of craftsmanship and their "school of craftsmanship" yields new talents.

In conclusion, POCs highlight their offered quality, design, and distribution. As opposed to this, SOCs focus on processing and production of high quality products, which embrace social and environmentally friendly activities.

5.3. Customer segment

The customer segment is the group of people a company targets with its products or services. It is essential for a company to know its customer segment, since without customers a business cannot be financially sustainable. Therefore, an organization should identify its customer segments and design its BM to address their needs and demands (Osterwalder & Pigneur, 2009).

Within the luxury (fashion) industry, Kapferer defined four categories of customers (1998): those who i) mainly stress on prettiness and superiority of the product itself; ii) search for originality and novelty; iii) are looking for their own advantage by buying a product of a prestigious and well-known designer; and iv) those who treasure scarcity.

Table in the next page presents information about customer segments to analyze and depict differences and similarities. The search was based on collecting information about their collection, and the extra traits they offer to their clients.

In terms of the "customer segment", no special discrepancies between SOCs and POCs can be found. The cashmere industry is a niche-market within the fashion industry, especially reflecting upon those 8 companies, as they are addressing a demanding client base through offering their products at a price premium. In general, SOCs and POCs focus on a slightly different customer segment, as e.g. Johnstons of Elgin (SO) attracts also tourists who visit their mill in Scotland, as it is one of the five star tourist attractions in Scotland. Brunello

Cucinelli (SOC) usually targets only customers, who can afford buying a pullover for 1000 Euros. Yet, designing a sustainable BM is an important mean to differentiate oneself.

PO		SO	
Allude	<p>Collection: Allude offers women, men, baby home products and a Defilé collection.</p> <p>Extra trait: Allude Cashmere Clinic, where fashion pieces can get repaired and cared off. “Allude Cashmere Care Series” was developed 5 years ago with the natural cosmetics and soap company Speick, which offers shampoo, conditioner, refresher and cashmere combs to take care of.</p>	Brunello Cucinelli	<p>Collection: Men, female and home products. BC wants to express every day luxury and timeless pieces.</p> <p>Extra trait: Products of precious materials as leather or fur are produced that customers dress completely in BC. BC customers are not only interested in the products but also in ethical and sustainable production processes</p>
Iris von Arnim	<p>Collection: Women and men wear is offered.</p> <p>Extra trait: Other high-class products as leather pieces are offered. IvA sells also a cashmere shampoo and cashmere razors/combs.</p>	Brora	<p>Collection: Brora offers products for women, men, children and babies. Also special/ limited editions for Christmas are sold.</p> <p>Extra trait: Every season around 20 new and compatible colors are offered.</p>
Repeat	<p>Collection: Collection for men and women. Three different labels within Repeat Cashmere serving different customer needs.</p> <p>Extra trait: Also products made of other fibers than cashmere (cotton, silk, leather, wool).</p>	FTC	<p>Collection: Collections of clothes and accessories are offered female and male customers each year. A collection for home accessories is distributed.</p> <p>Extra trait: Unique seller of SeaCell Cashmere, which is cashmere processed with brown seaweed.</p>
360 Cashmere	<p>Collection: Men, women, children and dog collection. Casual, and luxurious products, but also more fashionable pieces with e.g. skulls and cannabis leafs or in really bright colors. Also limited editions with designers are offered.</p>	Johnstons of Elgin	<p>Collection: JoE offers products for women, men, children, babies and home apparel made of cashmere but also many wool products.</p> <p>Extra trait: The company attracts also many tourists who visit Scotland.</p>

Table 5. POC`s and SOC`s customer segments within the cashmere industry.

The majority of clients of the eight sample companies are European or American, however, Asian customers also play an important role, as the demand for luxury products “Made in Europe” grows particularly in Asian countries. Brunello Cucinelli’s revenues made in Italy slightly decreased, though the financials were balanced by a growth within the Asian market. Broadly speaking, female customers have always been the main targets of the fashion industry. However, the growing male demand for and spending on fashion products forced companies to come up with a collection for men (Ferdman, 2014). Both, SOC`s and POC`s serve customers whom like fashionable but classy clothes, and do not hesitate to pay a little fortune for cashmere products. Furthermore, the customer segment of Brunello Cucinelli “is now sophisticated and receptive not only to quality, but also to the production process and the sustainability, dignity and ethics of the manufacturer” (Brunello Cucinelli, 2015). Therefore, Brunello Cucinelli highlights its activities and values not only on the company’s website but also in the flagship stores.

5.4. Key activities

Key activities are the actions a company undertakes to run its business successfully. They go along with the value proposition, satisfy the customer segment and make profits (Osterwalder & Pigneur, 2009). Within the cashmere industry, key activities are producing and distributing cashmere products, managing the network and reaching the customer segments. The table below clarifies key activities of POCs and SOCs.

PO		SO	
Allude	<p>Production: Production takes place in China and Italy. Head office is located in Munich, where a small number of people are working in a more family like atmosphere on design, customer service.</p> <p>Extra trait: Focus on growth & profit, also in keeping up the family based work environment. "The Cashmere Clinic" allows direct contact with clients.</p>	Brunello Cucinelli	<p>Production: All products are produced in the small village Solomeo and its surroundings. Other materials than cashmere are extracted from Umbria, Italy. Further processing and refinement is done in the region. People who visited BC's school of craftsmanship are hired.</p> <p>Extra trait: BC created "School of Craftsmanship" for young people, who want to find out about work and passion associated with ancient and modern techniques. Moreover, a theatre was built in the old town of Solomeo. The "Fondazione Brunello e Federica Cucinelli" presented its new plan for the creation of a series of parks.</p>
Iris von Arnim	<p>Production: Production takes places in Italy and Asia. Head office located in Hamburg, Germany, where all key activities besides production are executed (e.g. design, management). IvA employs 50 people including external partners (stores, warehouse & production).</p> <p>Extra trait: IvA favorites promoted. Customer service regarding caring.</p>	Brora	<p>Production: Production is done in Scotland. In Brora's own mill and other local mills the raw product is processed in around 50 steps (e.g. washing, dying, knitting).</p> <p>Extra trait: Brora employs mainly Scottish people and several knitters who are working from home.</p>
Repeat	<p>Production: Production processes are not known. Design takes place in the head office in Geneva. Between 51-200 employees work for Repeat. Local sales representatives, complaints procedures and size information, the actual catalogue.</p> <p>Extra trait: Doutzen Kroes as star endorser.</p>	FTC Cashmere	<p>Production: FTC is its own cashmere supplier. They breed cashmere goats (currently 5000), deliver them to local goat farmers and buy back the raw material. FTC briefs farmers on appropriate and environmentally sustainable breeding. Material is refined in own dyeing facility with natural dyes.</p> <p>Extra trait: They plant vegetables and have animals to nourish employees. In 2007, the "FTC Cashmere World Hope School" was build.</p>
360 Cashmere	<p>Production: Information not given.</p> <p>Extra trait: Working together with the blogger/ influencer Rocky Barnes. Cooperation with the New York-based designer Christian Benner to launch a more expensive, and limited collection.</p>	Johnstons of Elgin	<p>Production: Production takes place in their mills. New technologies used for energy efficiency and reduction of emissions/ waste. Best practice, recycling, organic dyeing, using batch ends of fibers & cut-offs.</p> <p>Extra trait: Customer repair service. CSR activities. Engagement in schools, businesses and partner organizations..</p>

Table 6: Characteristics of key activities of POCs and SOCs.

Generally speaking, key activities such as purchasing, manufacturing of raw material and distributing end products of SOCs and POCs very much resemble each other. Nevertheless, some differences can be found, as SOCs take slightly different approaches to act in more responsible ways.

When considering POCs, it is not always clear where production takes place and whether the companies are interested in selling fairly produced cashmere. Still, it is obvious that production processes are different from the ones of SOCs, as otherwise companies would make use of it on their websites or other company related published information.

Besides production processes, the design of end products plays a focal role. As opposed to SOCs - which are able to also highlight social and environmental friendly activities besides their core activities - POCs emphasize especially the offered quality and design of products to justify prices and to bear the comparison with SOCs. For instance, Allude presents its collection at the Paris Fashion Week and therefore, stands out for its highly fashionable designs.

Additionally, POCs focus on their reputation and perception of (potential) clients by star endorsement, intensive care of social media channels and collaborations with bloggers and designers. Iris von Arnim recently worked together with some German bloggers to promote their autumn/ winter collection (figure 4). Since 2009, Repeat Cashmere cooperates with the model Doutzen Kroes, who worked for companies such as Dolce & Gabbana or L'Oréal.

Compared to POCs, SOCs follow a slightly different approach regarding management of key activities. Indeed, on top of their key activities like purchasing and processing raw cashmere fibers, advertising and spreading news via traditional (social media) channels, SOCs engage additionally in CSR activities.

First of all, extraction and purchase of raw materials differ for SOCs, as they focus on sustainable generation of it not only by supporting and working together in accordance with initiatives but also by paying fair wages (in advance) for farmers (e.g. Brora). SOCs concentrate especially on processing in their country or origin to generate local jobs and support its region, e.g. Brora and Johnstons of Elgin employ mainly Scottish workers to stabilize the region and its families. FTC has its own breed and ensures that animals are given



Figure 4: Blogger wearing Iris von Arnim (Maya Wyh's Instagram account, 2015).

enough space to live. To guarantee certain standards, FTC launched with the local government the “FTC farmer protection program”. The “FTC Cashmere Goat Breeding Farm” houses a maximum of 5000 goats bred by FTC. Each year, 2000 to 3000 animals leave the farm and find a new home at regional farmers. Besides, this program sets a purchase quantity at fair market price. Furthermore, farmers have to report and register their animals every year and are supported by FTC veterinarians, who brief farmers on appropriate and environmentally sustainable goat breeding. Additionally, FTC has its own farm to nourish workers.

Secondly, FTC, Johnstons of Elgin and Brunello Cucinelli are showing social responsibility in supporting local school projects. FTC founded and constructed the “Swiss International FTC Cashmere World Hope School” (Appendix E) and renovated another one given the authorization of the government of the Chinese province Shanxi to secure basic education. Similarly, Brunello Cucinelli’s “school of craftsmanship” (Appendix E) recruits young talents for production, provides trust in the future and prioritizes on preserving traditional crafts in danger disappearing.

Thirdly, SOCs invest in and care for the well-being of their employees by meeting steady working hours to spend enough leisure time with family and friends, e.g. Brora allows their hand knitters to work from home. Brunello Cucinelli’s employees have shorter working hours and are paid higher wages compared to the industry average.

Fourthly, SOCs put emphasis on more environmental friendly production processes by investing in the latest technology to save energy and reduce emissions. FTC uses natural dyeing colors of only German and Swiss companies. Also recycling of oddments is a way to act more sustainable as Johnstons of Elgin does.

Fifthly, FTC also invests in research to find new fibers to offer clients new and high-quality products as SeaCell Cashmere, which is not only as soft as cashmere but has a soothing effect on the skin. Planting, harvesting and processing are done with an eye on sustainability.

Sixthly, to stress its CSR oriented activities, Brunello Cucinelli formed an ethics committee, which ensures that the code of ethics of the company is always present and all ethical aspects that may be involved in the company’s activities are evaluated. Guarantee human values are supposed to stand always at first place. Besides also the “Brunello and Federica Cucinelli Foundation” was founded.

Concluding, SOCs are also interested in being profitable and in growth, but not at all costs. Environmentally friendly and sustainable extraction and production of cashmere; support of

the local community and investment in long-term relationships with suppliers and employees are the leading key activities of SO companies, who engage in socially responsible terms.

5.5. Key partners

A company needs a special network of suppliers and associates to enhance its BM. In order to diminish threats and secure resources, stable relationships with partners are most important (Osterwalder & Pigneur, 2009).

Most frequently, companies of the cashmere industry are following a buyer-supplier relationship. Farmers have their expertise in herding and combing out the hairs of cashmere goats. Cashmere companies either process the raw material in their own facilities or outsource manufacturing processes.

The cashmere industry suffers from counterfeits brought on the market and desertification in North China and the Mongolia (Süddeutsche Zeitung, 2015). Therefore, working together with a network of key partners helps to overcome those problems.

The table in the next page shows the different key partners of POCs and SOCs within the cashmere industry. To allow an analysis and comparison, the gathered information was summarized for the main key partners. As a final cashmere product incorporates the key activities processing of raw material, production and its distribution, the identified key partners are in this case suppliers, employees and further partners such as ambassadors or shareholders.

In general, SOCs and POCs have the similar key partners but they manage the relationships with them by having different priorities.

First, POCs engage with suppliers to obtain the raw material for their products. They mainly source their cashmere from Asia, China and Mongolia. Allude produces their products in China, whereas Iris von Arnim manufactures in Italy and Asia. When working together with suppliers, POCs focus on reliability and long-term relationships. An employee of Iris von Arnim stated in the questionnaire, that quality, cooperation with other brands and references and personal relationships with the suppliers are the most important elements when searching for a supplier. For 15 years, the company has been working together with certain suppliers in Shanghai.

Second, POCs emphasize on working together with other partners such as sales agents, bloggers and designers e.g. the sales agents of Repeat are responsible for distributing the products all over the world.

Third, companies as Allude and Repeat sell cashmere care products such as a shampoo or wool razors. Allude works together with Speick - in former times a German soap producer, nowadays an expert in natural cosmetics – and developed a shampoo, conditioner, and refresher, which allow customers to care for their products. Those products are also used in the “Cashmere Clinic” of Allude, an institution where customers can bring their products to get them repaired or taken care of by e.g. having one’s clothes cleaned.

Therefore, POCs focus on stable relationships with their employees and suppliers and also work with external partners to widen their product portfolio and guarantee quality products.

PO		SO	
Allude	Suppliers: Chinese cashmere producers. Employees: 20 people work on design, customer service or at the Cashmere Clinic.	Brunello Cucinelli	Suppliers: Cashmere supplier not given, other materials obtained from the region. Employees: Around 1300 employees and approximately 350 subcontractors work for BC. Working together with 300 textile workshops, mainly based in Umbria, Italy. Long, fair & close relationships with suppliers. Other key partners: Shareholders, local municipality in Solomeo, Italy.
Iris von Arnim	Suppliers: Raw product is imported from highlanders of Asia, China and Mongolia. Long relationship with suppliers in China for 15 years. Employees: 50 people including external partners (stores, warehouse & production) work for IvA.	Brora	Suppliers: Farmers of the inner Mongolia. Employees: Mainly Scottish employees. Brora maintains a close and long relationships with them. Other key partners: Cooperating with other mills.
Repeat	Suppliers: Information is not given. Employees: Designing takes place in the head office. Between 51-200 employees work for Repeat.	FTC Cashmere	Suppliers: FTC is its own cashmere supplier. However, also farmers of the region are suppliers. Employees: Farmers. Design takes place in Switzerland. Other key partners: Local government to improve working conditions and enable a more promising future as the FTC Farmer Protection Program, which guarantees a series of sustainable actions within the extraction of raw material.
360 Cashmere	Suppliers: Information is not given. Employees: 360Cashmere is a family based business. The founders Leslie and Bruce Gifford worked for a long time in the fashion industry and founded the company with their two children.	Johnstons of Elgin	Suppliers: Fibers selected from Mongolia, China, and Afghanistan of around 1 Mil. goats. Employees: Support of staff with personal and professional training. Preservation of traditional craft skills. Awards scheme, social events program, and in-house magazine. Other key partners: Founder member of the Sustainable Fiber Alliance.

Table 7: Key partners of POCs and SOCs.

Similarly to POCs, also SOCs undertake different activities to maintain long-term and stable relationships with suppliers, employees, and distributors. However, they also work together

with other key partners such as the government or local municipalities to create an impact for society.

Firstly, when managing partnerships with its suppliers, SOCs think ahead, found initiatives and alliances to guarantee not only superior quality but also to overcome certain problems such as desertification. Johnstons of Elgin was founded over 200 years ago and has been continuing its supplier-buyer relationship with some farmers for more than 100 years. As a founder member of the “Sustainable Fiber Alliance”, it allows to develop sustainable programs on an ongoing basis and to control and support provided quality and work of herders. As stated above, FTC is its own cashmere fiber supplier and supports with it breeds and farms a majority of the working population in the Chinese province Shanxi. Furthermore, FTC provides solutions to them to breed their own goats and to become more independent in the future.

Secondly, collaborations with the local government or municipality differentiate SOCs from POCs. For instance, FTC works together with the local municipality to improve living and working conditions for the population and to meet legal requirements. As stated above, they founded the "FTC Cashmere World Hope School" and renovated together with the government another school to grant children of the region a basic education. As a consequence, it helps to overcome and adapt to cultural differences and elaborate on a balanced and sustainable relationship. Moreover, Brunello Cucinelli works closely together with the local municipality. The “School of Craftsmanship” was built not only to ensure passing on Italian values to younger generations but also to train people and offer a perspective to work in the region of Umbria. Besides, the Brunello Cucinello’s foundation engages in renovating and maintaining the regions cultural heritage such as the theater or the castle of Solomeo.

Thirdly, SOCs dedicate special attention to their workers. They do so by not only paying fair compensation but also by providing them other securities. Brunello Cucinelli for example pays knitters, tailors, and sewers 20% more than the market average. The founder of Brora states that she prefers to write red numbers before employees are fired and their livelihood security is jeopardized. She also allows knitters to work from home to enable a stable relationship with their families and a regular income. Johnstons of Elgin states on their website that they offer their employees personal and professional training, not only to preserve traditional craft skills. Moreover, they have “an employee award scheme and social events program, and produce an in-house magazine for our employees”.

In conclusion, it becomes clear that POCs focus on managing their key partner most efficiently to allow an optimal sequence of actions with the support of employees and suppliers. SOCs have the same goals, but their actions go beyond the scope of regular activities and incorporate humanitarian and philanthropic approaches.

6. DISCUSSION

This section aims to examine contributions of the academic literature to the research question “how to adapt the business model concept in the cashmere fashion industry when embracing social objectives for the sake of overall company success”. A thorough understanding of the BMC, and challenges arising when altering it for social impact creation was gained. Also, insights of the fashion industry and its social objectives were gathered. Thus, a comprehensive analysis of 8 companies and their BM canvas of the cashmere industry was conducted, which allows to come up with three contributions to the literature:

- i. How the business model concept can be applied and adapted to embrace social and environmental objectives.
- ii. How performing and learning tensions can be addressed when adapting the business model to social objectives or incorporating a CSR strategy.
- iii. How the business model of the cashmere industry can be modified to face the need to become socially oriented and environmentally friendly.

To elaborate on the first contribution, it is important to go back to the literature review. As Santos *et al.* (2015) stated, companies alter BMs to increase their social and environmental activities either for idealistic reasons or the rising demand for change of the media, government or public. Consequently, the comparisons of four blocks of SOC and POC shows that discrepancies and similarities exist.

Firstly, the block “customer segment” highlights that POCs and SOC target a similar customer segment. This can be explained, as this sample focuses on prestigious cashmere companies, which sell products for all needs and distribute in Europe, North America and Asia either in their own stores, at selected (online) retailers or online shops. Also, the prices of products are almost comparable, they are only affordable for a prosperous client base. Summarizing, the block “customer segment” is not altered to embrace social and environmental objectives.

Secondly, the block “key partners” expresses that POCs and SOC have in general the same partners - suppliers and employees - and focus on efficiency, reliability and long-term relationships. However, it became clear that SOC - besides common engagement with key partners – work also together with other partners such as the local government, and municipalities. Similarly initiatives and alliances are founded or joined and employees accordingly supported by payment of fair wages, trainings offered and opportunities, which

go beyond the scope. As consequence, this block is broadened by actively engaging and working together with their key partners, who think ahead, and are interested in making a difference in the long-term to overcome environmental and social problems in the cashmere industry.

Thirdly, the block “key activities” covers mainly the same activities as purchasing, manufacturing and distributing for POCs and SOCs. However, SOCs enlarge their regular activities to align them to CSR standards. For instance, SOCs focus on fair and sustainable extraction of raw material by controlling the number of goats, and support the local farmers with knowledge, help and fair wages. Furthermore, SOCs are concerned about manufacturing and trying to master emissions by using the latest and eco-friendly technology. Additionally, by recycling, reuse of cut-offs and usage of natural-based dyes they lower their impacts. SOCs have mainly the same value chain as POCs, though they come up with activities, which should allow to reach the big-picture goals. Fourthly, within the block “value proposition” pricing and accessibility are done without taking social and environmental objectives into consideration. Conversely, SOCs widen again the blocks by expanding their value proposition with the help of CSR focused activities by promoting their humane approach. By producing mainly in the country of origin and special engagement with suppliers, quality and adherence of social and environmental objectives can be better controlled. In conclusion, SOCs align some blocks of their BM to fulfill social and environmental objectives.

The second contribution to the literature helps to clarify how performing and learning tensions can be addressed when adapting the business model to social objectives and incorporating a CSR strategy.

On the one hand, companies deal with performing tensions, when they try to fulfill opposing and diverse objectives for various stakeholder expectations and have difficulties to measure the success of their actions (Smith & Lewis, 2011). Also choosing between short-term and long-term goals can lead to performing tensions (Ebrahim & Rangan, 2010). SOCs might have a problem with being not only profitable but also addressing social and environmental objectives. Though, the chosen SOCs are able to embed their objectives and mission so well that they do not have a problem in fulfilling different stakeholder expectations. By altering and adding CSR related activities to their BMs, they are profitable and address the objectives. Success can be measured in quality offered and their long-term relationships with suppliers, local governments, municipalities and organizations. Additionally, SOCs focus in the short-

term on fulfilling social objectives, what leads automatically to an improvement of social and environmental circumstances.

On the other hand, companies face learning tensions, when they want to be profitable and act social at the same time (Smith & Lewis, 2011). This sample consist of established SOCs, which are experienced and expand their activities from time to time not to face a mission drift. New projects are performed and initiatives are taken out when prior projects already work. In this dissertation, it is rather the opposite of a mission drift, as the activities undertaken even elaborate and lead to a more comprehensive mission, always trying to improve the status-quo without ignoring transparency and stakeholders interests. POCs can orientate on their competitors and implement step by step activities, which should master social and environmental issues without facing a mission drift.

The third contribution to the literature review illustrates how the BM of the cashmere industry can be altered to face the necessity to become socially oriented and environmentally friendly. As highlighted before, the cashmere industry is confronted to become socially oriented and environmental friendly for following reasons: Due to the rising demand for cashmere products the number of cashmere goats increased tenfold to around 25 million for instance in the Inner Mongolia from 1949 to 2004. As a consequence, regions suffer from desertification (www.theguardian.com). Furthermore, the cashmere industry deals also with smuggling, payment of unfair wages, crossbreeding (www.wipo.int) and counterfeits brought on the market (Epiro, 2015). Also the climate change does not simplify the current situation. Therefore, also the term “slow fashion” emerged, which supposedly tries to come up with more sustainable approaches in the fashion industry.

To master the threats of the cashmere industry, the BM has to be modified by a close interaction and alteration of the blocks. Firstly, the block “customer segment” has to be better informed about the current situation. This is already done with help of the media and through exhibitions such as the exhibition “fast fashion – the dark side of fashion” I recently visited in Hamburg, Germany (Appendix F). Secondly, the block “channels” - used to attain customers’ awareness – should work closely together with other blocks, especially with “customer segment”, “value proposition” and “key activities” to better promote not only the activities, which lead to the individual BM of a company but also to inform them about the current situation. By doing so, companies might achieve that people rethink and reconsider their purchasing and consumption behavior. As Bendell and Kleanthous (2007) stated, western consumers are already taking sustainability issues of their buying behavior into account. And

as markets of emerging countries mature, they also orientate on western consumers and incorporate social and environmental objectives in their consumption habits (Bendell & Kleanthous, 2007). Thirdly, by offering more sustainable services such as repair services, recycling and exchange of old products companies can also elaborate on the block “customer relationship”. Consequently, the environmental impact can be lowered, customers educated and closer connection and relationship with clients established. Fourthly, ideally, “key activities”, “key partners” and “key resources” should be affiliated by each others. Key activities should be aligned to social and environmental objectives, executed by well chosen partners whom are interested in making the difference and process the resources, which are obtained without dramatically endangering the impact on nature, animals, and lives of people of the particular region. By altering, adding and changing parts of the BM to cope with existing threats to enable a more prosperous future for the cashmere industry, the value propositions of companies will change. This should not be perceived as negative as it leads to an overall accomplishment of problems of our globalized world. However, it will be more difficult to overcome changes in the blocks “revenue streams” and “cost structure”. POCs and SOC are interested in making profits, to reinvest in growth and to be able to compete in an competitive industry. To incorporate activities, which master social and environmental objectives, it might lead first of all to decreased profits, nonetheless in the long term profits can increase, as the mission and value proposition are aligned to overcome the present threats that will have to be dealt with in the future.

7. LIMITATIONS AND FURTHER RESEARCH

This thesis answers the research question and allows not only POCs but also SOC ideas of how to extend their activities to address the current threats of the cashmere industry.

Due to the short time period given and the constraint in gathering (internal) company information for this dissertation, the breadth and depth of the insights gathered might be affected. A larger number of criteria for choosing companies besides western companies and also a worldwide sample could allow to gather even more insights and to generalize the findings. Furthermore, it would be interesting to analyze companies, which sell cashmere products at relatively low prices like Uniqlo and H&M to not only focus on customers of the luxury (fashion) industry. How do those fast fashion companies deal with problems such as counterfeits, the decreasing number of cashmere available and environmental impact? Furthermore, it would be interesting to further develop and elaborate actions, which can be carried out by socially oriented companies.

However, this dissertation provides a coherent presentation of potential measures SOC and POC undertake, to adapt and alter their BMs to overcome social and environmental issues. Furthermore, this dissertation highlights, that learning and performing tensions can be mastered, when short-term account also for the long-term objectives and when the mission is well aligned, so that stakeholder expectations are either way fulfilled and no mission drift is caused. Moreover, to modify the BM in order to face current threats, critical levers as the blocks “cost structure” and “revenue streams” can be challenged by a comprehensive extension and cooperation of all BM blocks.

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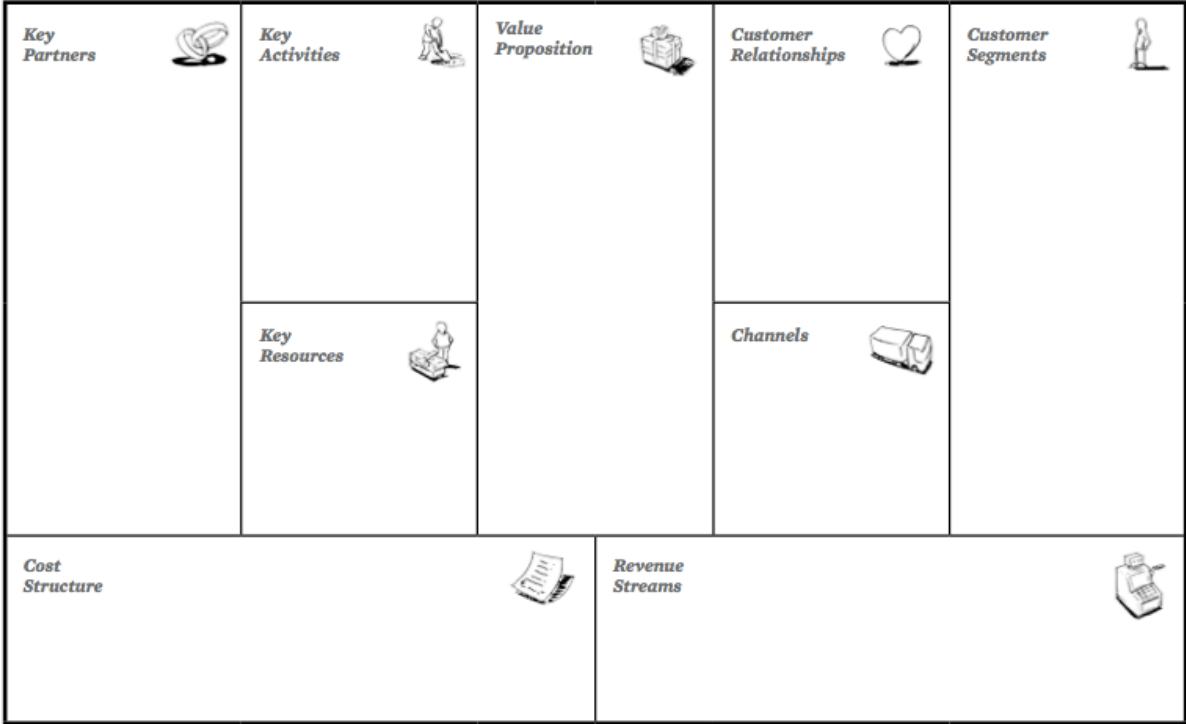
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9. Appendices

Appendix A: The business model canvas of Osterwalder and Pigneur (2010).



Appendix B: Summary of the literature review.

Author	Year	Definition	Most important factors
Magretta	2002	A successful business model represents a better way than the existing alternatives. It may offer more value to a discrete group of customers. Or it may completely replace the old way of doing things and become the standard for the next generation of entrepreneurs to beat.	Usage of the business model concept as a planning tool to analyze all elements of your value chain to become competitive and create value. Essential elements are e.g. design, production & customer relationship.
Chesbrough & Rosenblom	2002	X	Fulfill the following 6 functions to scale up a business: Market, value proposition, value chain, cost and profit, value network, competitive strategy.
Morris et al.	2005	A business model is a concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets.	Follow hierarchically three stages (economic, operation and strategic stage), which are described by different approaches to build up a complete and sustainable business.
Casadesus-Masanell & Ricart	2009/ 2011	Business model refers to the logic of the firm, the way it operates and how it creates value for its stakeholders. Strategy refers to the choice of business model through which the firm will compete. Tactics refers to the residual choices open to a firm by virtue of the business model it chooses to employ.	Business models should be depicted in virtuous cycles. By taking the right choices - aligned with companies' assets and governance - a company can improve their business and even enhance their competitive advantage.
Osterwalder & Pigneur	2010	A business model describes the rationale of how an organization creates, delivers and captures value.	Nine components (customer segment, value proposition, channels, customer relationship, revenue streams, key resources, key activities, key partnerships and cost structure) make up the business model canvas. And, incorporate the four areas of a business: customers, offer, infrastructure, and financial viability.
Zott, Amit and Massa	2011	The business model has been referred to as statement, a description, a representation, an architecture, a conceptual tool or model, a structural template, a framework and a pattern. (integrated definition of many authors)	1) The business model as new entity of analysis to cross barriers outside the company; 2) The integrated approach explains how companies are doing business; 3) The central actions of a company and the interaction with associates are important; 4) How to create and capture value.

Appendix C:

Cashmere goats:



Combing out cashmere fibers:



The raw fibers and yarns as end product:



Appendix D: Questionnaires

Lena Meier, who works in the wholesale and retail management department of Iris von Arnim, filled out the first questionnaire:



Dear Lena.

My name is Thidea Nissen-Rische and I am a master student at Católica Lisbon School of Business and Economics.

Currently I am writing my master thesis about the topic "Application and further development of the business model concept in the field of social value creation in the cashmere industry" under the supervision of professor Tommaso Ramus.

I am contacting you because I am interested in understanding how your company competes in the industry and the main elements that characterize your business model. Therefore, the following 13 questions aim at gathering information about the functioning of your company and the strategies your company pursues.

I would highly appreciate your participation in the research. I would like to thank you in advance to spend your valuable time with the completion of this survey. You can answer the questions also in German.

The findings will be presented to you after completion of the thesis. All data will be anonymous and treated confidentially.

Should you need any further clarification about the objectives of this research and the use of this survey please do not hesitate to contact me.

Value proposition: defines the collection of goods and services, which a company offers their clients to generate value.

1. What is your value proposition?

- We are a family-based company with a tradition and experiences of 35 years. We are producing timeless and classis cashmere products with passion and love for detail. We are really proud to be an independent company, which is courageous enough to offer our clients every season new techniques, structures and fittings. Also to offer customers pieces in our colors – independent from entertaining trends.

2. What are the most important components of your value proposition?

- Tradition, handwork and uncompromisingly quality.

3. How do you plan to remain successful in the competing cashmere industry?

- We have our own style and are innovative. Each season we are working with new yarns and knitting techniques. Therefore, we are not only able to stay classy but also to maintain our design, without being boring.
- Furthermore, we are working on our distribution. So far, we have 4 Iris von Arnim department shops and an online shop.

4. How do you create value for your customers?

- Quality
- Made in Europe
- Regularly yarns are controlled to be sure only to process the best yarns

Key activities: are the weightiest actions a company executes that the business model performs.

5. How do you address social and environmental issues concerned in the cashmere industry?

- We inform our customers on a regular base where our cashmere is obtained and how it is processed. Nowadays, it is important to be transparent for customers.

6. What are the main challenges you are facing within your industry?

- The biggest challenge is the huge competition we have. Many suppliers and clients offer cashmere products. Therefore, huge differences in pricing exist.
- A luxury brand we offer our products at prices at top of the pyramid. Consequently, we have to justify and explain our prices.

7. How do you generate new markets?

- The US market had become quite important for us. It was helpful that we distribute our products - since some seasons - at well-known retailers as Bergdorf and Goodman in New York.
- Therefore, also our reputation and name recognition rises. Cooperation with social media, celebrities and bloggers, as well as media campaigns are important marketing tools.

Key partnerships: are the most important contacts a company is in touch with to optimize the business model.

8. What are the elements you consider when searching for a supplier?

- Quality
- Other brands and references
- Personal relationships with our partners (with our suppliers in Chin we work together for more than 15 years)

9. How do you manage the relationship with your suppliers?

- Regular visits: suppliers visit our headquarter in Hamburg several times per year. Our design and production team drives to the production facilities many times per year.
- As a family-based business it is important for us to maintain a friendly almost family-like relationship. Christmas and birthday presents are only on example for that.

10. What are the most important elements you consider when evaluating the partnership with a supplier?

- Fit
- Quality of yarns
- Punctuality of delivery
- Colorings

Company related questions:

11. How many employees are working for you?

With external partners (stores, warehouse, production) around 50 employees.

12. From where do you obtain the raw cashmere and where do you produce your end products?

- The high-quality cashmere is obtained of Asia, China or Mongolia. There, the climate and vegetation are best for cashmere goats. The higher the region and barren, the better the development of the fleece of cashmere goats.
- The collection is produced in Italy and Asia.

Thomas Korte, who works as sales and managing director for FTC Cashmere, filled out the second questionnaire:



Dear Thomas.

My name is Thidea Nissen-Rische and I am a master student at Católica Lisbon School of Business and Economics.

Currently I am writing my master thesis about the topic "Application and further development of the business model concept in the field of social value creation in the cashmere industry" under the supervision of professor Tommaso Ramus.

I am contacting you because I am interested in understanding how FTC Cashmere competes in the industry and the main elements that characterize your business model. Therefore, the following 13 questions aim at gathering information about the functioning of FTC Cashmere and the strategies your company pursues.

I would highly appreciate your participation in the research. I would like to thank you in advance to spend your valuable time with the completion of this survey. You can answer the questions also in German.

The findings will be presented to you after completion of the thesis. All data will be anonymous and treated confidentially.

Should you need any further clarification about the objectives of this research and the use of this survey please do not hesitate to contact me.

Value proposition: defines the collection of goods and services, which a company offers their clients to generate value.

1. What is your value proposition?

- Outstanding quality of all FTC Cashmere's products: Proper breeding of goats, expert dyeing and careful processing are all critical to producing high-quality products that can be offered to customers at fair prices.
- The combination of social responsibility, luxurious, and appealing fashion goes beyond being a unique selling point for FTC Cashmere. It also motivates the daily work and conduct of all the company's employees.

2. What are the most important components of your value proposition?

- Offered quality.
- Our transparency.
- Ability to control the whole value chain, as we are our own supplier and have experience in the cashmere industry.
- We only use a small percentage of obtained raw materials for production; the rest is sold to other suppliers.
- All activities are aligned to our value proposition "fair trade cashmere"!

3. How do you plan to remain successful in the competing cashmere industry?

- Finding new, right clients in the right cities: mainly in cities where we currently are not distributing our products. In the bigger metropolises we already sell our products.
- Developing and increase our marketing activities. Facebook activities are outsourced and done by partners who do the event management. A close relationship with magazines is managed, who publish and illustrate the new collection.

4. How do you create value for your customers?

- FTC Cashmere uses exclusively raw material from animals bred in its own facilities [...]. FTC Cashmere currently processes around 300 tons of raw material annually, of which only 50 tons of the best category are processed for FTC Cashmere products. The remainder of the raw material is sold.

Key activities: are the weightiest actions a company executes that the business model performs.

5. How do you address social and environmental issues concerned in the cashmere industry?

An ethical, sustainable, and humane approach to working constitutes the basis for the company's business activities and its success. These values translate into fair wages, long-term employment, and good working conditions [...]. FTC invests not only in its own company but also in the local people, for example, by financing and building schools. This leads to a close relationship with the entire region [...]. Ensure that legal requirements are met as well as to implement FTC Cashmere's own very high standards of Fair Trade and ethics. Special attention is given to fair compensation, assurance of long-term employment, high environmental standards, as well as sustainable practices. Because FTC Cashmere maintains control over the production process, the brand actually delivers on what the name promises: Fair Trade Cashmere. The school of hope is another social aspect of our company.

6. What are the main challenges you are facing within your industry?

- Customers are not enough informed about the production processes of cashmere. Counterfeits exist on the market.
- Many competitors in the market.
- Cheap products of other competitors.
- Not all customers care for the issues, and are price sensitive.

Key partnerships: are the most important contacts a company is in touch with to optimize the business model.

7. What are the elements you consider when searching for a supplier?

- We are our own supplier of cashmere. We support the regional farmers by giving them goats of our own breed. We buy back the obtained raw material to fair market prices.

8. How do you manage the relationship with your suppliers?

- The climate allows us to obtain the best quality of cashmere. Through providing the people of the region with goats, their living is guaranteed. The price plays a subordinated role.

9. What are the most important elements you consider when evaluating the partnership with a supplier?

- Reliability. As we work close together with the government and the people of the region we have a trustworthy relationship.

Company related questions:

10. How many employees are working for you?

- 500 workers are involved in FTC Cashmere's manufacturing process

11. From where do you obtain the raw cashmere and where do you produce your end products?

- Inner Mongolia and the province of Shanxi
- Workshops in China with knitting machines from Germany

Thank you so much for your support!

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Appendix E: School projects

The first picture shows FTC Cashmere’s “FTC Cashmere World Hope School”.



The second picture Brunello Cucinelli’s “School of craftsmanship”.



Appendix F:

From the 20th March till the 25th of October 2015 the exhibition “fast fashion – the dark side of fashion” took place in Hamburg and gave insights in consumerism, economic interests and ecological issues. On the one hand, it showed critical movies, charts, and pictures about topic such as poverty and affluence, wages and profits or garments and chemicals. On the other hand, new approaches of recycling and ethically correct products were presented. The following pictures were taken by me during my visit and should present some of the highlights presented.

Accident in a production facility in Bangladesh:



Recycling of clothes:



Der Import von Altkleidung zum Recyceln in Indien
 Importing used clothing for recycling in India

DE Über 100.000 Tonnen Altkleider werden jährlich nach Indien, nicht zur Wiederverwertung, sondern zum Recyceln eingeführt. Jeden Tag fahren Lastwagen vollbeladen mit importierten Altbekleidungsstücken aus den indischen Häfen auf der Grand Trunk Road nach Panipat, nördlich von Delhi.

EN Over 100,000 tonnes of used clothing is imported into India every year for recycling, rather than reuse. Every day, truck loads of imported clothing bales are driven from India's ports up the Grand Trunk Road to Panipat, north of Delhi.

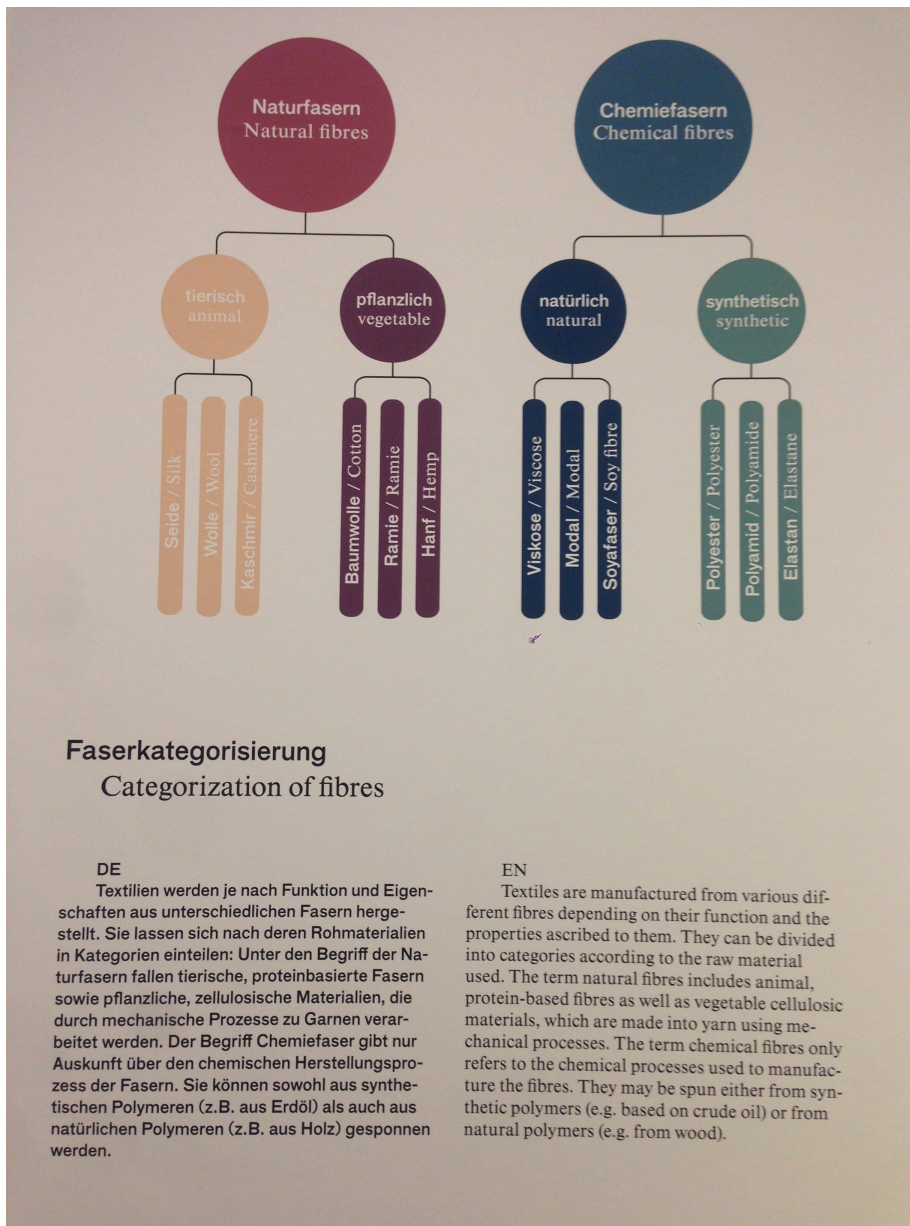
Verspinnen von Garn
 Spinning yarn

DE Die Faserballen werden dann in Spinnereien zu Recyclingspinnen versponnen. Dieses kann nun zu neuen Produkten gewebt oder gestrickt werden.

EN The recycled fibres are then spun into recycled yarn in spinning factories. This can then be re-woven or knitted into new products.



The categorization of fibers:



Ideas for improving the supply chain in the fashion industry:

