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**Master`s Thesis**

# **Gaining competitive advantage through CSO:**

**Case studies on the sustainable fashion brands of**

**South Korea and Japan**

**CSO 를 통한 경쟁력 확보: 한국과 일본의 지속 가능한**

**패션 브랜드 사례 연구**

**August 2021**

**Graduate School of International Studies**

**Seoul National University**

**International Commerce Major, GSIS**

**Matilde Marchetti**

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## **Abstract**

### **Gaining competitive advantage through CSO: Case studies on the sustainable fashion brands of South Korea and Japan**

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Sustainable fashion is a new movement in the fashion field that emerged due to the concerning impacts of the industry on the environment. Because of the topic's newness, studies in the literature prioritized the investigation of consumers' behavior trends towards the phenomenon, as well as brands' business strategies to tackle the issues in the value chain, focusing mostly on Western examples. Thus, this study aims to investigate how sustainable fashion brands in South Korea and Japan can efficiently gain competitive advantage, while targeting environmental issues through social activities and profit from them. Through the application of the Corporate Social Opportunity framework (Moon, 2012) to social and environmental activities of South Korean and Japanese sustainable brands, the study attempts to tackle the issue posed by this research. The CSO framework was applied to two selected brands, RE;CODE, and Avanti, to analyze the social and environmental activities offered by the businesses. To do so, the activities were firstly examined based on the determinants illustrated by the CSO application to Porter's Diamond Model. The results brought to the identification of which factors the activities were lacking, consequently allowing the formulation of suggestions for improvement. The findings revealed that the formation of alliances with facilities, organizations, and institutions is the most suitable means to create CSO. The results also showed that the enhanced social and environmental activities can improve the brands' sustainable performance, profits, engagement with society, as well as leading to competitive cost advantage in the market. On this basis, the study offers a solution to the issue of generating profit and achieving competitive advantage by engaging in social and environmental activities in the context of case studies in Asian countries. Finally, the results also underline its significance, which is linked to its attempt of filling the gap in the literature related to sustainable fashion in the Asian region.

**Keywords:** CSO, apparel industry, sustainable fashion brands, South Korea, Japan

**Student Number:** 2019-29106

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## List of Acronyms and Abbreviations

<b>CSO</b>	Corporate Social Opportunity
<b>CSR</b>	Corporate Social Responsibility
<b>CSV</b>	Corporate Shared Value
<b>EU</b>	European Union
<b>GOTS</b>	Global Organic Textile Standard
<b>IVN</b>	Internationaler Verband der Naturtextwollwirtschaft
<b>JOCA</b>	Japan Organic Cotton Association
<b>METI</b>	Ministry of Economy, Trade and Industry
<b>OEM</b>	Original Equipment Manufacturer
<b>OTA</b>	Organic Trade Association
<b>SAC</b>	Sustainable Apparel Coalition
<b>SME</b>	Small and Medium Enterprises
<b>UNIDO</b>	United Nations Industrial Development Organization
<b>UNSDGs</b>	United Nations Sustainable Development Goals
<b>U.S.</b>	United States

# I. Introduction

## 1.1 Research background

The relation between fashion and sustainability broadly dates back to the 1960s, when many social and cultural movements, targeting environmental issues, emerged in Europe and the U.S. If, initially, the fashion industry did not show a proactive commitment to the cause of sustainability, the tables turned in the 1990s when reports of sweatshop labor reached the public (Kedron, 2020). The appalling news brought to an increase in consumers' requests to solve ethical and environmental issues caused by the industry's supply chain. As argued by Kedron (2020), after the sweatshop scandal, companies started implementing Corporate Social Responsibility (CSR) strategies, and sustainability platforms became standard across firms. Nonetheless, up to these days, the concept of sustainable fashion kept evolving together with CSR practices, and business strategies aimed to target specific loopholes in the industry. The evolution of the concept, however, brought to the mismanagement of sustainable approaches and an overall confusion among suppliers and consumers.

Sustainable fashion was defined by Fletcher (2008, p. 18) as "...ecological integrity, social quality, and human flourishing through products, action, relationships and practices of use". Nonetheless, as argued by Mukendi, Davies, Glozer, and McDonagh (2019) the evolving nature of the topic prevents the academia to agree on a general definition yet. The term encompasses a wide range of regulations, definitions, specific and diverse production methods, as well as suggesting innovative economic models to restructure the apparel industry. The notion has been acknowledged and supported by multiple fashion and non-governmental organizations (such as the *Ellen McArthur*

*Foundation*<sup>1</sup>, or the *Sustainable Apparel Coalition*<sup>2</sup>), and governments because it represents the change needed to help the industry meet the UN Sustainable Development Goals<sup>3</sup> (UNSDGs), set in 2015, related to the manufacturing industry. Sustainable fashion, and all the ideas and frameworks surrounding it, have been accepted by the fashion industry in the past decades, especially considering its concerning role as one of the biggest contributors to the environment's deterioration (Niinimäki, 2013; Gwilt, 2020).

In regards to the commitment of the fashion industry to achieve the UNSDGs, on March 14<sup>th</sup>, 2019, the United Nations founded the UN Alliance for Sustainable Fashion<sup>4</sup>. The purpose of the alliance focuses on easing the implementations of sustainable practices in the industry, as well as supporting coordination between UN organizations working in the fashion sector promoting sustainable, ethical, and environmentally friendly projects and policies.

Ever since the establishment of international goals and organizations, brands belonging to any market level have tried to take action by reducing their carbon footprint, and water pollution impacts, as well as by improving ethical and social contributions enhancing supply chain workers' wages and safety. The business models, technologies, and changes implemented by sustainable fashion brands, to engage in their journey towards sustainability, are diverse. They include CSR, upcycling, modifications to the transportation system to make it 'green', reusable and recyclable packaging, transparent labeling, circular economy, together with programs specialized in helping consumers recycling older pieces of clothing (Fletcher, 2014; Gwilt, 2020).

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<sup>1</sup> The *Ellen McArthur Foundation* is a registered charity organization founded in 2009 by Ellen McArthur. Its mission is to develop and promote an innovative economic system generating benefits for people and the environment. To do so, it applies the model to different industries, through case studies, in order to accelerate the transition from linear to circular economy.

<sup>2</sup> The *Sustainable Apparel Coalition* is a nonprofit organization founded in 2011 from a partnership between Walmart and Patagonia. The SAC is an alliance of the apparel, footwear, and textile industry committed to implement and encourage sustainable production.

<sup>3</sup> The UN Sustainable Development Goals (SDGs) are targets adopted by all United Member states in 2015 as a global commitment to end poverty, protect the planet, and ensure peace and prosperity by 2030.

<sup>4</sup> The UN Alliance for Sustainable Fashion was established at the UN Environment Assembly on March 14<sup>th</sup> 2019, in Nairobi, Kenya. The purpose of the alliance is to cease both environmentally and socially destructive practices of the fashion industry.

Despite these efforts, the industry is still far from being considered eligible to meet the 2030 UNSDGs. Supporting this forecast is the 2019 report Pulse of the Fashion Industry, through its Pulse Score, a globally recognized publication that sets a reference of the sustainability management and initiatives, while also setting targets for sustainable activities of the garment sector based on the SAC's proprietary Higg Index. The report also shows that, if the industry keeps stalling instead of implementing sustainable innovations at a faster pace, it will fail to achieve the Paris Agreement and Fashion Industry Charter for Climate Action<sup>5</sup>'s targets as well. Nonetheless, it is of vital importance to take into consideration some barriers that are faced by this challenge. Firstly, sustainable fashion is a rather new notion that continuously expands through different framework suggestions, technological innovations to manufacture clothes and accessories, as well as discoveries of new fibers and 'green' materials that can be employed instead of more polluting ones. Secondly, the above-mentioned "sustainable reform" is quite complex to implement since it requires great amounts of a company's budget to be invested in terms of technological and machinery improvements, as well as in the employees and factory worker's specific training. Lastly, it is crucial to remember that this change cannot be accomplished only by producers, but it also requires the full commitment of consumers which plays an even major role in this scenario (Gwilt, 2020).

## 1.2 Research question

The idea of achieving sustainable goals, by targeting the apparel industry, is perceived by many as an intention mainly followed by the Western world. This argument is supported by researches, focused on the investigation of the common characteristics of businesses that introduced sustainability in innovative ways (production and marketing-wise), in the fashion market. For instance, Molderez and Van Elst (2015), examined how Belgian and Dutch enterprises involved in sustainability influenced competitors in their field of specialization. O'Connell (2020), instead,

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<sup>5</sup> The Fashion Industry Charter for Climate Action was launched by fashion stakeholders in 2018, to achieve net-zero emissions by 2050 in alignment with the objectives set by the Paris Climate Change Agreement.

determined the historical influences and implications that shaped the sustainable production practices of *Eileen Fisher* and *Friends of Light*, two renowned American sustainable fashion brands inspiring competitors to implement similar production methods. Considering these pioneers of the movement, and thanks to the numerous sustainable fashion brands following green and ethical directives in the West, it would be hypocritical to claim the opposite. Nonetheless, it would also be inaccurate to argue the contrary in terms of Eastern countries. Although Asian countries are still the production center of fast fashion (Coscieme, Smatani, and Pulawska, 2020), (consequently polluting the environment, or implementing unethical and risky manufacturing practices), they are continuously evolving. As illustrated by Nayak, Akbari, and Far (2019), as well as Smith and Craik (2020) in their case studies of Vietnam and Hong Kong, the adoption of sustainable practices by both consumers and producers is proactively spreading in the Region. More specifically, through the implementation of sustainable supply chain management and the collaboration with sustainable NGOs with fashion retailers. To add on, many nations in the Region are embracing new sustainable initiatives. Furthermore, their governments have started joining global sustainable initiatives. Particularly significant is the presence of many Asian countries in the ranking list consisting of 193 members adopting the UNSDGs' Agenda published in the Sustainable Development Report (2020). Joining the UNSDGs Agenda represents the commitment of a country to create and implement policies and regulations to meet sustainable goals to achieve a better and sustainable future in multiple fields. Among the 17 goals, many are strictly connected to the improvement of the fashion value. However, the UNSDGs are not legally binding, thus countries and companies are not forced to implement them. Nonetheless, by actively adopting the UNSDGs 2030 Agenda, Asian countries are also engaging in promoting substantial changes in the fashion industry.

Despite the progress that has been made, sustainable fashion brands in Asia appear not to be as popular as they are in the EU or the U.S. The trend is influenced by a shortage of sustainable measures accommodating the establishment of these businesses, as well as facilitating the production of specific raw materials, as argued by Gupta (2019) and Majumdar, and Sinha (2018). Even so, a few sustainable fashion brands have started to appear in some Asian countries such as South Korea

and Japan. Due to their latecomer position in the domestic fashion market however, these sustainable fashion brands must raise their competitiveness. Being sustainable fashion brands, they should focus on upgrading their business strategies, especially in terms of social and environmental activities and circular economy to gain competitive advantage.

Considering the barriers faced by sustainable fashion businesses, the purpose of this research is to suggest how, pre-existing and innovative business models, can provide fully sustainable brands, in South Korea and Japan, with a strategy to gain success in the highly saturated apparel market in the two countries. Through an analysis of the country-selected sustainable brands' engagement in sustainable initiatives, and by applying Moon's (2012) Corporate Social Opportunity (CSO) framework to the sustainable brands' social and environmental engagement, the research aims to answer the following question:

*“How can South Korean and Japanese sustainable fashion brands gain competitive advantage while efficiently engage in social and environmental activities through CSO strategy?”*

Several motivations brought to this research question. Firstly, to discover whether existing South Korean and Japanese sustainable brands employ specific business models in terms of their social activities, if their products match the global standards, and why they entered a market dominated by fast fashion suppliers. Secondly, to understand whether the consumers' demand and concerns had a significant impact on the social practices of the sustainable fashion brands. Finally, to observe how and to what extent, CSO can improve the analyzed brands and society's position leading to competitive advantage, compared to the outcomes that CSR initiatives can provide.

Preceding studies also motivated the need to raise the research question because of the scarce investigation of the reality and the evolution of sustainable fashion brands in Asia. For instance, studies focusing on the introduction of concepts such as sustainable fashion, slow fashion movement (Henninger, Alevizou, and Oates., 2016), or circular economy (Ellen McArthur Foundation, 2017) generally observe the phenomenon by illustrating environmental consequences of the fashion supply

chain while suggesting strategies to improve the industry. In terms of consumers' behavior towards sustainable fashion (Chung, Zhang, and Woo , 2019; Hyun and Ko, 2017) the surveys or studies' findings are usually country or city-specific when it comes to the Asian region, thus the data collected is insufficient to show a regional trend. The analysis of the literature on business strategy models and their extensions such as CSR (Porter and Kramer, 2006), CSV (Porter and Kramer, 2011), or CSO (Moon 2012) also showed that the empirical examples examined are rarely related to SMEs or industries such as the fashion one. Usually, the frameworks are applied to global, and well-known enterprises. Lastly, a common trend concerning publications of case studies on sustainable fashion (Clarke and Holt, 2016; Weber, 2019; Allende, 2019) demonstrated a lack of evidence targeting Asian sustainable fashion brands, since their focus is usually on Western companies. Furthermore, reports such as the Pulse of the Fashion Industry, or the Higg Index base their results on data collected from mainly global Western fashion brands that are listed on either the indexes' websites or the report's methodology. The lack of literature and information on sustainable fashion in the Asian region is therefore significant, and the issue needs to be tackled to provide a more comprehensive view on sustainability in the fashion industry.



















To fill the gap in the literature, the thesis illustrates the topic of sustainable fashion brands in two countries; South Korea and Japan. The selection of the two Asian countries was driven by their similarities related to their performance in meeting the UNSDGs which are, since their establishment, at the basis of most guidelines generated by the two countries in terms of sustainable regulations. For this reason, the guidelines published by the South Korean and Japanese governments usually aim to target all the UNSDGs instead of focusing on the improvement of each industry. Because the guidelines are generic, there are no specific sustainable regulations for the fashion industry. Nevertheless, according to the *UNSDGs for Better Fashion*<sup>6</sup> the main SDGs related to the fashion industry are: Goal 4- Quality Education, Goal 9- Industry Innovation and Infrastructure, Goal 12-

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<sup>6</sup> The *UNSDGs for Better Fashion* is an initiative by the United Nations aiming to integrate the UNSDGs in the fashion industry.



Responsible Consumption and Production, and Goal 13- Climate Action. By checking the Country SDGs performance profiles of South Korea and Japan (published in the Sustainable Development Report 2021) focusing on the abovementioned goals, the countries show similar scores. As shown in Table 1, in terms of Goal 4 both countries successfully achieved and currently maintain the SDG set. For Goal 9, South Korea has some remained challenges to solve, whereas Japan has fulfilled the SDG. Goal 12 sees both countries in a position where they still have to face significant challenges, whereas Goal 13 is still characterized by major challenges in both nations.

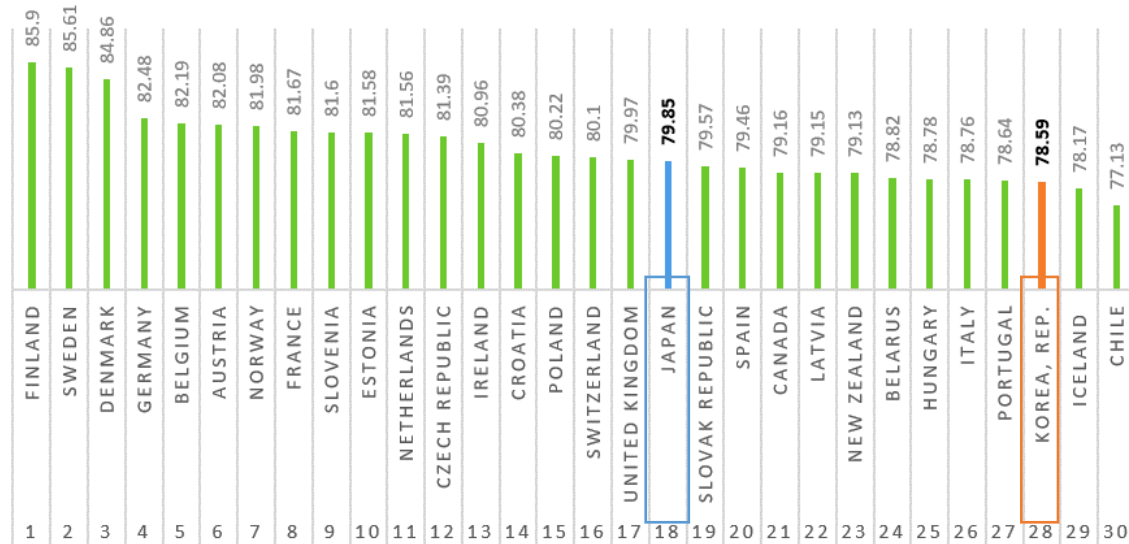
UNSDGs related to fashion	South Korea	Japan
<i>Goal 4- Quality Education</i>		
<i>Goal 9- Industry Innovation and Infrastructure</i>		
<i>Goal 12- Responsible Consumption and Production</i>		
<i>Goal 13- Climate Action</i>		
<b>Legenda:</b>  Major challenges  Significant challenges  Challenges remain  SDG achieved  Information unavailable  Decreasing  Stagnating  Moderately improving  On track or maintaining SDG achievement  Information unavailable		

**TABLE 1** UNSDGs performance comparison South Korea and Japan.  
Source: <https://dashboards.sdindex.org/rankings>

Furthermore, the selection of Japan and South Korea has also been highly influenced by their UNSDGs ranking position compared to other Asian countries. As shown in Chart 1, both South Korea (78.59) and Japan (79.85) are the only Asian countries included in the top 30 list of Countries with

the highest UNSDGs scores, which implies their better performance in terms of sustainable measures in the Asian region. Considering the similar condition faced by the selected Asian countries in terms of sustainable regulations, the study investigates two domestic sustainable fashion brands and aims to observe the performances of the brands as well as their sustainable business strategies.

### UNSDGs RANKING 2021 TOP 30 COUNTRIES



**Chart 1** 2021 UNSDGs Ranking Top 30 Countries.  
Source: <https://dashboards.sdindex.org/rankings>

The research analyzes the fashion brands RE;CODE and Avanti aiming to improve their social and environmental activities so that the businesses can generate profit, and gain competitive advantage, while engaging in social and environmental causes. The approach employed to enhance the social and environmental strategies of the brands is theoretical. Therefore, it applies Moon's (2012) CSO framework. Following the guidelines provided by the CSO strategy, the research attempts to determine if the social activities are eligible to create shared opportunities. To identify the eligibility of the social activities, the analysis focuses on the application of the frameworks' four determinants. Based on the obtained results, the research attempts to formulate suggestions to improve the sustainable brands' projects to reach CSO and consequently gain competitive advantage in the market.

The significance of the thesis lays in the application of CSO (Moon, 2012), derived from Porter and Kramer's (2006, 2011) models and concepts, to provide an innovative strategy that has

yet to be suggested in the field of sustainable fashion business strategies. Moreover, the research will focus on applying the model to existing South Korean and Japanese sustainable fashion brands to analyze their lacking features and to improve their position in the market. Therefore, firstly, the thesis will offer an overview related to sustainable fashion in South Korea and Japan, which has not been thoroughly studied or observed in the pre-existing literature. Lastly, it will aim to fill the gaps in the pre-existing literature in terms of CSO, and sustainable fashion in the Region.

### 1.3 Research structure

The thesis is divided into six main sections; Chapter two illustrates a review of the literature on the central themes revolving around sustainable fashion such as the influence of consumers' behavior in the market, circular economy, and business frameworks employed to address environmental issues. Chapter three presents the theoretical framework of CSO and its extensions (Moon 2012, Moon and Parc 2019) utilized to solve the problem posed by the research question. Chapter four explains the methodology, as well as the collection of data for both the South Korean and Japanese sustainable fashion brands. Chapter five is divided into four sections. The first presents the company profiles of the brands, focusing on their philosophy, production process, as well as their clothing lines. The second illustrates the sustainable fashion brands' social and environmental activities. The third one, instead, focuses on the application of the CSO framework and suggests how the selected brands can improve their already existing social and environmental activities to create shared opportunities and simultaneously profit from them. The fourth one, finally, explains the implications of the analysis and provides a comparative analysis of Western and Eastern sustainable fashion brands achieving competitive advantage through CSO to support the argument. Lastly, chapter six shows the conclusions and the limitations faced during the research, as well as putting forward suggestions for further research on the topic of Asian sustainable brands together with the application of Moon's (2012) framework of CSO. The recommendations aim to encourage research on numerous and diverse case studies to fill the gap in the literature regarding the topic, as well as to prove and support the replicability of the CSO model in the context of sustainable fashion.

## II. Literature Review

Preceding literature on the topic of sustainable fashion engages in the investigation of multiple themes such as the creation of value for the fashion industry, the application of sustainable practices in fashion global value chains, as well as the perception of consumers in regards to sustainable garments and accessories (Zarco et al., 2019). Some studies also suggest or extend innovative business strategy models such as circular economy (Ellen McArthur Foundation, 2017), or introduce new manufacturing frameworks, and practices such as upcycling or recycling (Fletcher, 2014; Niinimäki, 2013; Gwilt, 2020).

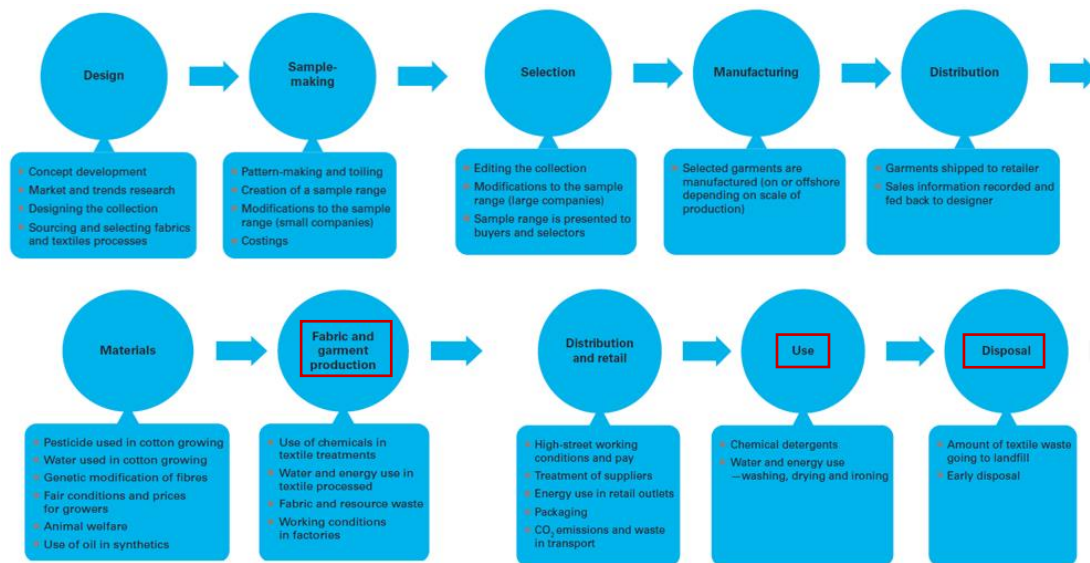
One of the most widely discussed themes in the literature is, however, the importance of social engagement in the field of sustainable brands due to the influence of customers' needs and concerns related to the environment. Several studies observed the CSR activities of sustainable businesses as well as the initiatives offered by the brands to fully engage with their clients. Michel et al. (2019) examined *Patagonia's* promotion of sustainability practices through its blog "Stories We Wear" where clients can post their sustainable experiences. The findings underlined the importance of connections between sustainable brands and customers since the blog posts illustrated brand attachment, as well as portraying the consumer-object relation with apparel items. Other studies focused on sustainable brands' CSR activities, particularly in terms of collaboration with local communities and minorities as mentioned by Gwilt (2020) in her publication. Nonetheless, what can be defined as a gap in the literature is the scarce presence of case studies of Asian sustainable retailers and producers, as well as suggestions on how to create profit from social and environmental activities. To support this claim, a recent study revealed how the geographical distribution of areas of studies investigating CSR and sustainable fashion is not balanced since Asian countries selected as evidence are only a few compared to Western ones. As observed by Thorisdottir and Johannsdottir (2020) in their systematic review, among the 209 papers on CSR, and sustainability in the fashion industry that were examined 24% targeted the Asian region while 34% focused on the E.U. and the U.S. A more detailed analysis revealed that in Europe the most analyzed countries were Western European ones

(Spain, Germany, France, Italy) and the Scandinavian and Nordic areas. In terms of Asian countries, instead, the main focus was on China and South Korea, including comparative analysis between the two in terms of CSR practices and sustainable fashion (Thorisdottir and Johannsdottir, 2020). Based on these results, it can be claimed that a gap in the literature exists in terms of diversity in the selection of Asian countries, as well as the number of papers published compared to the Western case studies. Furthermore, in terms of business models employed in the context of sustainable fashion, it seems that although scholars such as Porter and Kramer (2011), and Moon (2012) provided frameworks like CSV and CSO their employment in the literature is still scarce.

Having called attention to the main issues observed in the academia, and the shortcomings in the literature, to fully understand the numerous facets of sustainable fashion, and to acquire the foundations to become familiar with this topic, a deeper examination of commonly related themes is required.

## 2.1 The Apparel industry's production process and its environmental impacts

The main issues caused by the apparel industry are strictly connected to its production process which, in this paper, is intended as the fast fashion value chain. As explained by Gwilt (2020) in her publication, although the global fashion industry can be divided into market levels (going from luxury to mass market brands), the production process comprises a set of communal stages occurring at all industry levels. Figure 1 shows how a piece of garment is created from its early stages- design, sample making...- to the end of its lifecycle. Although to an extent, the majority have a negative impact on the environment, the scholar points out that Production, Use, and Disposal are the most polluting ones as highlighted by the red boxes in Figure 1.



**Figure 1** Most polluting activities in the fashion supply chain (highlighted in red)

Hence, the stages highlighted in red are going to be analyzed in more detail to delineate the repercussions they have on the environment.

- *Fabric and Garment Production.* The practices included in this stage require the usage of great amounts of energy and water. The former releases high quantities of toxic emissions due to the industry's employment of fossil fuels. The latter is further subjected to contamination caused by chemical dyes whose discharge is commonly thrown into water bodies close to the factories. Besides, fabrics are often wasted instead of being recycled to produce more garments. Lastly, working conditions in factories are poorly managed, with workers being paid less than the minimum wage while forced to work under unethical conditions.
- *Use.* Gwilt displays this phase as that creating the most environmental impacts because of the mediocre garment maintenance performed by consumers. Once again, water is polluted by chemical detergents employed during the washing process, whereas energy, used to dry and iron garments, increases the carbon footprint.

- *Disposal*. Being the final step of this cycle, it has also been the most underestimated by both the supply and the demand side. Traditionally the disposal of clothing takes place either by sending it to the landfills or by incinerating it. As a consequence, these practices have disastrous effects on soil, water, and air.

As stated by Gwilt (2020) and many other scholars (Bick, Halsey, and Ekenga, 2018; Niinimäki, 2013), the constant demand for new clothes and designs, fast fashion, as well as the need of creating new collections quite frequently are all factors that accelerated the industry's manufacturing process. As confirmed by the above-mentioned graph, the process is indeed complex. Thus, to create a sustainable product, all stages of a garment's lifecycle must be rethought and improved. Based on these premises, the urge of finding solutions to this issue is clear and can be achieved through the innovative concept of sustainable fashion.

## 2.2 Sustainable fashion

As argued by Henninger et al. (2016), sustainable fashion is an integral part of the slow fashion movement, which is both a reaction and a solution to the consequences of fast fashion cycles and industry growth that led to a negative environmental impact. The movement advocates for ethical performance, a decrease of garment production levels, and for choosing quality over quantity clothing. Both slow and sustainable fashion represent an alternative view of production in the industry, promoting multiple techniques such as upcycling, recycling, or the employment of renewable and organic materials to create clothes. There are several examples in the industry showing their implementation by multinational companies. Among them, the cases of *Patagonia* and *Eileen Fisher* are by far the most outstanding. According to the information published on its website, *Patagonia* is an American clothing manufacturer founded in 1973 and it is considered as the pioneer of sustainable fashion. The brand has always been involved in green initiatives through its CSR, environmental awareness projects, and much more. In terms of its newest manufacturing innovation, in 2019 *Patagonia* launched the 'ReCrafted' line which is composed of upcycled garments only. Upcycling enables the company to create new clothes by collecting thrown or irreparable ones, disassembling

their materials, and finally reprocessing them. Although challenging, this process allows the company to make a profit without investing capital to buy new raw materials, as well as partly solve the issue of landfills.

*Eileen Fisher*, another American brand founded about 10 years afterward, employed instead a different yet functional approach to make profit from disposed garments. Since 2009, the brand established the ‘Renew’ program, a reselling-based system. As stated by Cynthia Power, director of ‘Renew’ at *Eileen Fisher*, the goal of the campaign is to prolong the life of garments originally created by the brand. Thus, the offline shops collect clothes customers want to dispose of. Subsequently, the garments are professionally cleaned and if in good condition, they are resold in stores, otherwise, they are employed to produce limited edition pieces of clothing.

Sustainable and slow fashion additionally focuses on transforming the perception of production by promoting transparency, improving how local manufacture is run by fashion brands, and by decreasing the number of collections created by a brand in a year. Amid these activities, the most successfully performed by companies has been the engagement with local communities. To support the statement, Gwilt (2020) described how fashion brands designers’ engagement with local artisans and producers has been the most feasible way for companies to decrease their negative environmental impacts while supporting the local economy and saving budget that can be invested into more efficient technologies and quality resources.

Overall, the introduction of the presented concepts, and their suggested frameworks, eased the process of renovating the supply chains in the industry because they provided solutions that could be applied feasibly. As previously mentioned through the examples of *Patagonia* and *Eileen Fisher*, the slow fashion movement, as well as sustainable fashion have been widely accepted by Western firms. Therefore, many scholars had the opportunity to analyze various case studies in the West, and the theme of sustainable fashion was examined through different approaches. For example, Clarke and Holt (2016), observed the ethical view by illustrating how Vivienne Westwood changed her clients’ perception of clothes, making them more aware of the environmental impact of the industry,



and more responsible for their consumption decisions. Allende (2019), focused on a strategic view by showing how the Spanish fashion brand *Teixidors*, successfully shifted to sustainability through changes in product development and value change management. Finally, Weber (2019), showed in what ways the circular economy approach can be applied to luxury fashion, and how it can benefit from it by analyzing the case study of the company *Eileen Fisher* based in New York.

Even though there are many existing cases concerning slow and sustainable fashion, they are mostly focused on European or American companies. Since there is a lack of examples related to Asian fashion brands, it can be concluded that a gap exists in the literature and it needs to be filled.

### 2.3 Consumers' influence on the development of sustainable fashion

Consumer behavior and preferences had a crucial role in the transformation of the fashion industry, particularly in terms of sustainability. Even though the increasing trend could be defined as a global one, it did not spread evenly; nor in all geographical areas neither among different generations. For instance, according to the 2019 report of the *Pulse of The Fashion Industry*, it can be observed that sustainable fashion is mostly supported by younger generations in Western countries. This factor is further suspected to be the reason behind the foundation of most sustainable fashion brands in the U.S. or the EU.

Howbeit, recent studies confirmed that in North-East Asia the trend is similar to the one observed in the West. A survey on sustainable fashion conducted by Chung, Zhang, and Woo (2019), investigated how supportive consumers in Hong Kong, New York, Shanghai, Tokyo, and London are toward eco-friendly goods. The results showed that most of the supporters of this new type of fashion are younger people. Moreover, it was revealed that among the respondents in the five selected cities, the ones in Tokyo, Shanghai, and Hong Kong were more prone to buy sustainable fashion items during their purchases.

To support this statement, previous research by Hyun and Ko (2017) attempted to find the motivations behind sustainable fashion purchases. Through a cross-cultural study, the scholars

narrowed down the investigation to three North-East Asian countries: South Korea, China, and Japan. The survey showed that, overall, the respondents agreed that the environmental issues caused by the industry are concerning and need to be tackled. Moreover, the respondents shared their willingness to purchase sustainable fashion products to make an individual contribution to a pressing cause. However, the survey also brought up some drawbacks encountered by Asian consumers such as the difficulty in finding sustainable brands in both the domestic and regional market. This circumstance was perceived by the authors as an effect generated by multiple barriers such as Asian consumers and designers' limited knowledge on the topic, higher product prices compared to fast fashion goods, and lack of sustainable supply sources.

In view of the surveys and reports published on consumers' behavior and perception of sustainable fashion, differences and similarities can be identified between Asian and Western customers. Findings in both regions showed an overall concern for the environment's deterioration. However, compared to Western respondents, Asian ones seemed to be not as well informed in terms of sustainable fashion and its production process. A common trend in both geographical areas revealed how participants perceived sustainable garments to be overpriced, and not affordable. Asian respondents also pointed out the struggle to find sustainable fashion retailers in the domestic market, which for Western ones was not considered as a major obstacle in their purchase of sustainable fashion items.

Based on the pre-existing literature's arguments, it is correct to state that the trend has been increasing in the last years in Asia, yet it is still difficult to determine to what extent it can impact the fashion industry. Considering the barriers affecting the phenomenon, the academia suggests the fashion industry to make more efforts into spreading information related to sustainability, and the creation of their products to raise awareness among consumers regarding the high risks of purchasing fast fashion items.

## 2.4 Circular economy and sustainable fashion

One of the most accepted and applied concepts that allowed fashion brands to become more sustainable is circular economy. The *Ellen McArthur Foundation* started promoting this strategy's application to different industries providing its definition and guidelines. Circular economy is defined as an innovative business model aiming to restore the manufacturing process at all industry levels, as well as in different types of industries, to decrease the polluting impacts of production on the environment. The model is based on three principles that must be followed to obtain significant results:

1. Designing out waste and pollution which highlights the need of designing goods in a more efficient sustainable way.
2. Keeping products and materials in use, which encourages the recycling of resources and raw materials.
3. Regenerating natural systems which invites businesses to find natural solutions to issues created by different production stages.

At the beginning of 2017, the *Ellen McArthur Foundation* started applying this concept to the textile industry suggesting an application of the model based on four main ambitions to achieve a new textile economy as shown by the guidelines for a new textile economy in Figure 2.



**Figure 2** Guidelines for a new textile economy  
Source: Ellen McArthur Foundation

By analyzing Figure 2 it can be observed that the ambitions shown are strictly connected to the previously mentioned principles. As a matter of fact, the first two phases- reduction of microplastic releases and shift of clothes' purpose from disposable to reusable- can be linked to the first principle. Phase three suggests the implementation and improvement of recycling initiatives which is related to the second, while phase four by encouraging the effective use of renewable resources, represents the third one. Ideally, through the application of this framework, it is expected for the fashion industry to lower its pollution levels, improve its structure at a faster pace, and eventually achieve the UNSDGs.

Other scholars added to the concept of circular economy by suggesting extensions of the framework such as Niinimäki (2017, 2018) who further explained the implications of the model, as well as suggestions for the creation of a new system-level in the fashion industry. Furthermore, as illustrated by Tinmark, Persson, and Grenthe (2019), in their thesis *Slow Fashion Movement: An Exploratory Study of Slow Fashion: Opportunities and Restraints within the Fast Fashion Industry*, unlike linear economy, circular economy introduces new methods to minimize the employment of new resources by replacing them with materials that companies already have (such as old or recycled clothes for instance). Overall, the concept is connected to slow fashion, an idea previously discussed by Fletcher (2010) and many other scholars (Cataldi, Dikson, Grover, 2010; Jung and Jin, 2014; Legere and Kang, 2020).

In 2018 a new model that shows a strict connection between the two has been introduced by Skoog and Olsson (2018). The framework, called Circular Slow Fashion Model, and employed by Tinmark, Persson, and Grenthe in their research, is shaped for a corporate perspective and focuses on the founding steps to create a sustainable production cycle. In fact, it provides feasible approaches that can be implemented by fashion brands to become more committed to the sustainable standards introduced in the industry.

## 2.5 Corporate Social Responsibility, Creating Shared Value, and Corporate Social Opportunity

Corporate Social Responsibility is commonly understood as the commitment of a company to social and environmental causes. According to the United Nations Industrial Development Organization (UNIDO), CSR is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholder.<sup>7</sup> Although its definition implies a positive-game result, the concept has always been misunderstood both by firms and society. Related to this misconception, the implementation of CSR has mostly been non-effective due to the mismanagement of its practices in the past decades. To provide a solution to the misemploy of the concept, Porter and Kramer (2006) laid out an analysis of the connection between competitive advantage and CSR. The scholars argued that, instead of perceiving it as an obligation, cost, or charitable activity, companies should see CSR as a source of profit opportunity. Therefore, it is necessary to seek the interrelationship between a corporation and society while at the same time anchoring it in the strategies and activities of specific companies<sup>8</sup>. To create what the paper defines as shared value, corporations must include a social perspective in their core framework. To smoothly accomplish this task several steps must be followed. Firstly, intersection points between society and firms need to be identified. These linkages can be characterized by *inside-out* (a company's impact on society) or *outside-in* (society or external influences on a business) effects that can be either positive or negative. Secondly, companies must select which social issue to address, particularly focusing on the ones strictly related to their core business. To ease the process, Porter and Kramer's framework suggests a method that categorizes social issues into generic social issues,

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<sup>7</sup> The United Nations Industrial Development Organization is a UN specialized agency promoting industrial development, poverty minimization, inclusive globalization, and environmental sustainability. To better grasp the concept of CSR as defined by the UNIDO refer to the website <https://www.unido.org/>.

<sup>8</sup> Porter and Kramer (2006).

value chain social impacts, and social dimensions of competitive context.<sup>9</sup> After having determined a social issue to tackle, companies must create a corporate social agenda whose goal is to set social and economic objectives that will be met simultaneously.

Before the shift to the following step, the scholars identify two types of CSR to determine which is the most suitable to efficiently reach the agenda's objectives: *responsive* CSR and *strategic* CSR. The former is utilized by companies to show their positive reputation in terms of generic social impacts while attenuating negative consequences created by value chain activities. The latter, instead, is a tactical philanthropy, tackling social dimensions of competitive context, while simultaneously reshaping value chain activities to benefit society. Among the two, *strategic* CSR is believed to be the better option when implementing CSR activities, to generate shared value, because of its selective nature. When the above-mentioned strategic agenda is defined, it is time for a business to move on to the fourth step of the framework which involves the integration of *inside-out* and *outside-in* activities. Finally, corporations are required to combine a social dimension to their value proposition which will create an improved strategy, eventually leading to better positioning in terms of competitive advantage.

To build upon their view of CSR, the scholars focused on the previously introduced concept of Creating Shared Value (CSV), to further expand and legitimate their theory regarding firms' social responsibility strategies. In 2011 Porter and Kramer published a paper presenting CSV, its implications, and its *modus operandi*. According to their framework, there are three means to form shared value opportunities: by redesigning products and markets, redefining value chain productivity, and facilitating cluster development. Hence, businesses should start their journey by seeking opportunities in underserved markets to lay the foundations of CSV. Based on the set target, companies should start implementing changes and innovations to their value chain activities. To do

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<sup>9</sup> To get a more detailed explanation of these categories see Porter and Kramer's paper *Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility*.

so, energy and resource use, logistics, procurement, distribution, location, as well as employees' productivity should be rearranged to reduce the value chain's social impact while molding shared value.

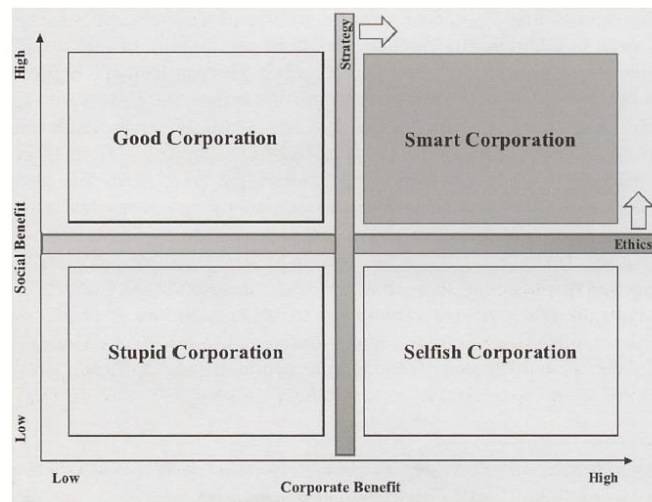
To smooth the achievement of CSV, developing clusters is considered by the scholars as a necessity. In fact, they encourage transparent market formation, as well as collaboration between firms and organizations leading to an improvement of local communities and companies' productivity. Considering the stages to generate shared value, and its positive effects on a corporate and a society perspective, Porter and Kramer proved that, overall, CSV offers a greater solution to social issues compared to the inefficient and outdated CSR practices.

Even though multiple studies have been carried out regarding possible extensions of Porter and Kramer's framework, a more recent and innovative model was proposed by Moon (2012) in his book *Good to Smart* (Reinmaker, 2012). The study suggests a shift from CSR to a new view of the concept through the creation of shared value. Based on this theory, CSV is perceived as a means to reach CSO by having CSR as a starting point.

Coined by Moon (2012) CSO is a framework that aims to provide firms with a new and more advanced concept of CSR. However, prior to defining the meaning of CSO a clarification regarding CSV and corporation typologies is needed. In his paper, Moon (2012) extended Porter and Kramer's (2011) CSV theory providing new means to achieve a shared value. To illustrate his idea the scholar categorized corporations into four types based on the sum of both social and corporate benefits they are able to achieve.

Figure 3 systematically summarizes the types of corporations that can be identified when analyzing their involvement in CSV. Firstly, the scholar presented "Selfish Corporations" which are companies interested in prioritizing the maximization of their corporate benefit while disregarding the social one. Thus, they are placed in the lower right corner of the graph. By contrast, "Good Corporations" are placed on the opposite corner and are companies focusing on creating more social than corporate benefits. Then, the author presented "Stupid Corporations" which are not interested in

producing nor corporate neither social benefits and are therefore considered preposterous because they would not survive in any market. Finally, on the top right corner were placed “Smart Corporations” which usually have good business strategies and ethics, consequently generating both corporate and social benefits.



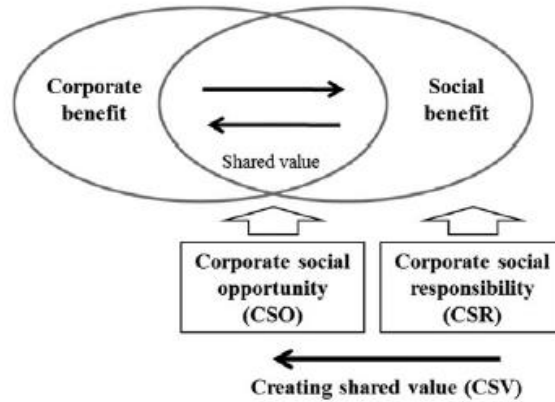
**Figure 3** Types of Corporations  
Source: Moon (2012)

They are also considered as the ideal model to follow when engaging in CSO because they seek opportunities to increase their current level of profits while creating wealth and social value. This specifically occurs because these companies often look for ignored market needs. Thus, allowing them to highly increase the benefits created by providing the same amount of capital they would have invested by engaging in conventional CSR activities. “Smart Corporations” can be regarded as the *liaison* between creating shared value and corporate social opportunity. In fact, Moon and Parc (2019) describe them as the best-fitted ones to generate shared and social advantages. To comprehend why, it is necessary to illustrate the concept of CSO and where it derives from.

The terminology was created to cease confusion caused by Porter and Kramer’s (2006, 2011) concepts of CSV, and *strategic* CSR. As illustrated in Figure 4, CSO is positioned in between corporate and social advantages emphasizing its focus on generating opportunities for companies to boost their core competitiveness through social initiatives. Additionally, the figure clearly shows the



fundamental difference between the two concepts, which lays on the final beneficiaries. In sum, when companies want to shift from CSR to CSO, they should do so through CSV.



**Figure 4** Comparison of CSR, CSO, CSV  
Source: Moon (2012)

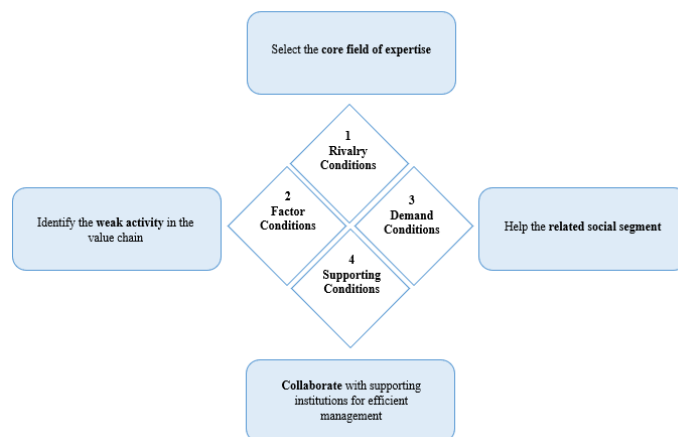
Moon et al. (2011) then proceeded to explain that successful and smart companies are characterized by the type of CSO they pursue. In fact, they employ CSO for competitiveness instead of CSO for reputation. What differentiates the two is that the latter is employed to increase a firm's reputation, whereas the former increases corporate and social benefits while enhancing the firm's core competitiveness at the same time. The reason why CSO for competitiveness is believed to be a better option is that it is more sustainable in the long run since, to improve its competitiveness, a firm upgrades its business through CSV. By doing so the business defines its main competence, transforms the productivity in the value chain, redefines comprehensive targets, and finally enables cluster development.

Being a recent framework, CSO has not been employed by many scholars to analyze case studies. However, applying this concept to slow and sustainable fashion could provide a further solution to improve the performance of these sustainable fashion brands.

### III. Theoretical Framework

As previously mentioned in the first section of this thesis, the framework that will be applied to the selected South Korean and Japanese sustainable brands is CSO (Moon, 2012). The model is the most appropriate one for this research because it is an enhanced version of CSR, and it can be described as the most effective in terms of defining social, ethical, and profitable goals in the sustainable fashion field. Furthermore, its replicability is not exclusive to the analysis of business case studies, but it can be relevant to investigations of non-profit organizations. To have a clearer view of CSO, Moon (2012) portrayed the strategy through Porter's Diamond Model<sup>10</sup> which provides a linear picture of its guidelines that can be easily implemented by companies willing to shift from CSR. By following the modified version of the Diamond Model, firms can better understand which areas to tackle first and how to practically apply the framework suggested.

As illustrated by Figure 5, to pursue CSO companies should follow four determinants: rivalry conditions, factor conditions, demand conditions, and lastly supporting conditions.



**Figure 5** CSO through Porter's Diamond Model  
Source: Moon (2012)

<sup>10</sup> The Diamond Model is a framework created by Porter in 1990 to illustrate the main attributes that both individually and as a system explain a nation or a firm's advantage. The model consists of four determinants, namely, factor conditions, demand conditions, related and supporting industries, and firm, strategy, structure and rivalry. In his article Porter explains that by strategically improving the areas of the diamond where they lack the most, nations, and particularly companies, can continuously achieve competitive advantage compared to their competitors.

Each determinant provides specific guidelines which will ease the selection and creation of CSO activities. They are described as follows.

1. *Rivalry Conditions; Select the field firms have core competence.* A business should select its area of expertise or its position in factors of productions. This remains valid also in terms of CSO, hence, prior to determining a social initiative, a company should carefully select the business-related area to create a shared value.
2. *Factor Conditions; Identify the weak activity in the value chain.* To create CSV, firms should identify the weak activity in their value chain. By doing so, they will be able to define an issue that should be solved through an activity with the potential to profit both the society and the company.
3. *Demand Conditions; Help the related social segment.* Porter's demand conditions imply for firms to focus on the home-market demand for a specific product or service. Likewise, when firms aim to create a shared value, they must discover how to help society in the related field.
4. *Supporting Conditions; Collaborate with supporting institutions for efficient management.* As mentioned by Porter (1990) when introducing the Diamond Model, only selective alliances and collaborations can facilitate the achievement of competitive advantage. In terms of CSO, to efficiently create a shared opportunity, companies should collaborate with other institutions.

When companies finally overcome the research and selection process of social and firm issues to tackle through social opportunities, they can move to the creation of CSO, which will lead to a positive-sum game for both society and firms.

To support their argument the scholars, provide evidence in terms of CSO through different examples. As illustrated by Moon (2012), and Moon et al. (2011) in 2005 General Electric launched a program called "Ecomagination", when environmental concerns became an internationally critical subject. Through market research the company found that consumers wanted more energy-efficient products generating lower emissions. Thus, since 2005, GE has developed innovative solutions and

established partnerships with customers as well as its global subsidiaries to solve environmental challenges. Through the implementation of these initiatives, GE enhanced its energy efficiency, environmental performance, its Ecomagination products' sales, and its environmentally friendly image. The results show how GE's activities had a beneficial effect on both the company and society. By analyzing GE's example, it can be observed how, when launching "Ecomagination", the company followed the guidelines illustrated above. Firstly, it selected a core field of expertise by producing technological and electronic equipment which falls under its core competence. Secondly, it identified a weak activity in the value chain acknowledging the negative impacts of its production cycle on the environment. Thirdly, it investigated the market demand related to environmental concerns and found that consumers wanted environment-friendly products. Finally, to efficiently reach its goals, GE established partnerships with different companies. Moreover, from its inception, the project showed positive outcomes generating competitive advantage for the conglomerate. According to the most recent GE Ecomagination Report (2011), in 2011 the project reached \$21 billion in revenue, reduced 29% of its greenhouse gas emissions, and 13.5% in water use since the previous year, invested \$2.3 billion in research and development, and engaged communities in collaborative ideation.

Other examples of CSO were mentioned by Moon (2012), Moon et al. (2019), and Porter and Kramer (2006) to show the difference between CSO for reputation and CSO for competitiveness. The former was illustrated through SUBWAY's activities targeting health concerns. The franchise, in fact, sponsors the American Health Association's programs, as well as supporting "life-saving heart and stroke research" (SUBWAY, 2012). Through these activities, SUBWAY obtained the image of "healthy fast food" which benefits the company, while simultaneously creating benefits for society by providing healthy meals to its customers. The latter type of CSO was explained through Microsoft's financial contribution to community colleges. The initiative was launched to solve a shortage of IT workers and to help colleges producing quality IT experts. By supplying financial, technological, and human support, Microsoft helped society by providing specific courses and tools to graduate students. At the same time, the company benefited from the program because it could hire specialized workers without training them.

Once again, the motive behind the choice of this specific framework to conduct research on sustainable fashion lays in its efficiency. Providing a solution to both the company and the society, in an economically and environmentally durable manner, is precisely what is needed to ease the shift from fast to slow fashion. Additionally, it assists in accomplishing the task more effectively than CSR or CSV alone which have been heavily criticized by sustainable fashion advocates because of their employment as a marketing strategy or to ‘greenwash’ their clients. Accordingly, CSO has the potential to improve South Korean and Japanese sustainable brands’ strategies leading them to generate profit and gain competitive advantage in both domestic and global markets while simultaneously contributing to the environment.

## IV. Methodology

Based on the recurrent arguments by multiple scholars in the sustainable fashion field, the environmental damages originated from the fashion industry should be tackled in an urgent manner. As illustrated in the literature review various approaches can be employed to better its production process, and to limit the deterioration of the environment such as upcycling, recycling, or by implementing new strategies. As observed by Gwilt (2020) through the interviews reported in her book, usually these practices are intertwined with the brands' social activities to accomplish the objectives set in terms of sustainability and ethical conduct. Recently, many companies put significant efforts into the improvement of their CSR strategy by ensuring that their targets meet new levels of standards to reach the UNSDGs. Nonetheless, based on Porter and Kramer's (2006, 2011) analysis of CSR, up to the current days, there are still various loopholes and mistakes made by corporations when molding their corporate social agenda. Hence, the scholars introduced the concept of CSV to ease the application of CSR by transforming it into a positive game for both society and firms. The theory was then extended by Moon (2012) with his CSO concept which was applied to different case studies to prove its validity. Both CSV and CSO have been employed by the academia to analyze corporations' sustainable behavior and practices, however, most of the papers published focused on Western firms that were either fast fashion brands trying to modify their value chain, or well-known and acknowledged sustainable brands. Although the Asian region has been recently introduced to the concept of sustainable fashion, there are few academic papers regarding this topic, especially in terms of medium-sized companies, or CSO framework applications.

The shortage in the literature brought to the research question of this thesis which focuses on studying and analyzing small and medium sustainable fashion brands in South Korea and Japan. The focal point is the observation of their social and environmental (or possible CSV) practices to find out their efficiency, as well as the quality of benefits they provide to both the firm and the society.

To sum up, the thesis attempts to observe the improvements that CSO can generate in terms of South Korean and Japanese brands' competitive advantage, as well as environmental, and social targets.

The research employed a qualitative methodology to analyze the selected sustainable fashion brands and their involvement in solving environmental issues caused by their production process. The focus on South Korea and Japan, two of the major economic powers in North-East Asia, helped in obtaining a specific view of sustainability and its management in the Region's fashion industry. The brands examined in this thesis- RE;CODE for South Korea, and Avanti for Japan- were selected due to their reputation as pioneers of sustainability in their home countries as well as their active participation in social and environmental initiatives. In fact, on one hand, RE;CODE was the first fashion brand in South Korea that started practicing circular economy, creating new clothes from deadstock through the innovative method of upcycling. On the other hand, Avanti was the first company in Japan to promote organic cotton and eco-friendly creation of garments from fabric production to garments' assembly.

The data was collected indirectly from the selected brands' websites. Additionally, papers, CEO and managers' indirect interviews, company reports, articles, and videos of company presentations uploaded on the brands' social media channels (YouTube), were employed to gather information on the companies' structures, business strategies, collaborations, and social and environmental activities. As mentioned in the theoretical framework section of this thesis, Moon's (2012) CSO model was applied to the brands' existing social and environmental activities. The framework application was performed by reproducing the scholars' method, thus by utilizing Porter's Diamond Model to have a clearer understanding of the process of creating CSO. Additionally, this method allowed to easily pinpoint shortcomings, and suggest efficient ways of enhancing brands' performances, while increasing their profit, and gain competitive advantage. Through the application of the model, the findings provided an example that can be easily reproduced by small and medium-sized Asian sustainable fashion firms to upgrade their profits, problem-solving skills, and impact on society.

## V. Case Study

### 5.1 Company Profiles

#### RE;CODE

RE;CODE is an upcycling South Korean fashion brand creating garments by employing excess materials and deadstock created by the industry. The sustainable brand was launched in 2012 as a subsidiary of the *chaebol*<sup>11</sup> Kolon Group.

Kolon Group is South Korea's largest textile manufacturer, as well as one of the *chaebols* that contributed to the country's economic growth over the past sixty years (Koh and Kim, 2018). After the merger of Korea Nylon Inc. and Korea Polyester Inc. (founded in 1969) into Kolon Corporation to form a single materials company, the business started adopting a holding company structure. Subsequently, in 2010 Kolon Industries was established as a subsidiary company of Kolon Corporation. As of the year 2020, Kolon Industries consists of five main divisions (Table 2): industrial materials, chemical, film/electronic materials, fashion, and fashion materials.

Division	Product Category
Industrial Materials	Functional fibers, High performance fibers, Non-woven fabrics, etc.
Chemical	Hydrocarbon resin, Phenolic resin, etc.
Film/Electronic Materials	Polyester Film, Electronic Materials
Fashion	Outdoor, sports, golf, Men's and women's wear
Fashion Materials, etc.	Polyester Chip, etc.

TABLE 2 Kolon Industries' main divisions  
Source: 4Q 2020 Performance Results of Kolon Group, Corp. (2021)

Because this research focuses on sustainable fashion brands, only the fashion division's structure will be illustrated to introduce the examined brand RE;CODE.

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<sup>11</sup> As explained by Rezaee, Tsui, Cheng, and Zhou, the term *Chaebol* is composed by *chae* (wealth or rich) and *bol* (clan or family). These types of companies are "...family-owned enterprises in South Korea...that are largely controlled by family ownership and management that performed in a self-interest manner, disregarding the rights of the minority shareholders...". In their book the authors also acknowledge that among the current *Chaebols* (Lotte Group, Doosan Group, SK Group, and Daewoo Group) there is also Kolon Industries.



The fashion division manufactures various products from outdoor, sportswear, and marine looks to leather goods, suits, silhouettes, and casualwear. It is also responsible for the creation of shoes, as well as premium fashion wear under high-end apparel brands such as Marc Jacobs, Berluti, Loewe, and others. Due to its expertise in the production of garments, Kolon Industries soon acknowledged the significance of sustainability issues in the fashion industry and its negative impact on the environment. To tackle the issue of left-over materials or unsold products, that were destined to be burnt, therefore causing negative consequences on the environment, the company established its sustainable subsidiary RE;CODE (Table 3).

<b>RE;CODE</b>	
<b>Launched</b>	2012
<b>President</b>	Jang, Hee Goo
<b>Division</b>	Fashion Subsidiary
<b>Category</b>	Upcycling

**TABLE 3** RE;CODE's company profile  
Source: Kolon Industries website

RE;CODE was founded in 2012 to be in charge of sustainable, zero-waste fashion production through upcycling<sup>12</sup>. More specifically, the brand was originally developed as a solution to the long-lasting problem of material waste generated by its mother company<sup>13</sup>. To represent this concept, the brand's name was shaped from the idea of *recoding* old garments into new ones. Strictly linked to the concept of recoding garments is the upcycling method applied during the production of fashion items.

The peculiarity of RE;CODE lays in its philosophy of being eco-friendly while offering pieces of clothing characterized by unique and handcrafted designs in limited editions. To achieve these commitments, it combines different sets of sections (codes) obtained from deadstock items

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<sup>12</sup> Based on the definition provided by the Cambridge Dictionary, upcycling is “the activity of making new furniture, objects etc. out of old or used things or waste material”.

<sup>13</sup>As stated by Koh and Kim (2018) Kolon Industries spends more than US\$3 million annually to burn its own old stock. Considering that it manufactures and sells US\$ 4.56 billion worth of fashion materials and clothing, the cost of disposing unsold materials represents a significant loss for the company. Hence, the idea of giving a new purpose to the disposed products through RE;CODE is an innovative mean to avoid budget losses.

giving life to new collections while redesigning them. To better grasp the concept, visually observing the products sold by the brand can be more effective to illustrate its ideology. As shown in Figure 6, it can be noted how the jacket was created by assembling individual sections of clothing (they can be recognized as the blue, leather, and black squares in the jacket). This technique additionally allows the design to be fashionable, breaking the common misconception regarding sustainable fashion, which is perceived as out of date and unattractive by customers.



**Figure 6** Upcycled Jacket consisting of different sections of disposed pieces of clothing  
Source: <https://www.kolonmall.com/RECODE/Special/217751>

Since 2013, RE;CODE has been actively engaged in raising environmental awareness and in finding solutions through the upcycling of not only deadstock, but also fabrics, and material waste created by other industries. To identify which types of materials have been employed in the creation of new items, the brand has fractioned its collections into three major lines of clothing: the military line, the industrial line, and the inventory line. The military line utilizes military equipment (such as parachutes) which is defective or has passed its expiration date. The collection of military equipment was the result of an agreement between Kolon Industries and the Ministry of National Defense which granted the recoding of items that would have been otherwise disposed of. The industrial line employs defective industrial materials, such as airbags or seats, whereas the inventory one simply utilizes clothing or other materials created by Kolon Industries which have been unsold for more than three years.

As thoroughly presented by Ms. Han Kyung Ae, vice president of the Department of Menswear and Sport of Kolon Industries FnC, at the 2020 Sustainable Fashion Summit Seoul<sup>14</sup>, RE;CODE's most fundamental strategy revolves around collaborations. In fact, the brand has always engaged in effective and efficient collaborations with renowned global brands or independent designers to create its collections during the past eight years.

One of its most recent collaborations was announced in 2020 as "RE;CODE by NIKE". The partnership started in 2019 intending to demonstrate sustainability through the conversion of waste into value-added products to serve a shared consumer. Furthermore, both companies aimed to solve the problem of sportswear disposal influenced by the quickly shifting fashion trends in the sports community.

Figure 7 shows only a few of the items created for the "RE;CODE by NIKE" project. To produce these garments, the South Korean brand dissembled NIKE's deadstock composed of various clothing items (from shoes to jackets, and t-shirts).



**Figure 7** "RE;CODE by NIKE" Upcycled sports collection

Source: <http://www.vogue.co.kr/2020/09/04 레코드와-나이키의-만남/>

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<sup>14</sup> The Sustainable fashion summit Seoul is a project created by the Sustainable Ethical Fashion Hub. Originally held in 2018, the four days summit takes place once a year during the Seoul Fashion Week. The conference is a platform where experts from all over the world, and sustainable brands share ideas and knowledge on the topic of sustainable fashion.

Subsequently, new designs were suggested and the sections were re-assembled into new products. Due to the limited size of the brand's upcycling factory, as well as the scarce number of craftsmen, the company opted for the realization of a narrow number of items. In addition, the items were sold online or in pop-up stores for a limited time. Even though pop-up stores<sup>15</sup> commonly lead to great amounts of waste generation, due to interior design purposes, RE;CODE's stores eluded this consequence. In fact, the brand employed waste produced by NIKE's boxes containing deadstock that were sent to its upcycling factory.

Despite "RE;CODE by NIKE" represents an excellent launching platform for RE;CODE to gain recognition on a global level, it is not the only one. Another example is the collaboration with the French shop L'ECLAIREUR located in the center of Paris. The partnership with the shop allowed RE;CODE to open its pop-up store during the 2019 Paris Fashion Week to promote its innovative lines of clothing. The responses of foreign consumers were positive and led to the creation of a steady demand for its items in the European market.

Therefore, the brand's participation in international workshops, collaborations with designers, partnerships with foreign brands, and the organization of exhibitions, actively shaped its reputation worldwide as a sustainable brand, allowing it to fulfill its commitment to raising environmental awareness.

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<sup>15</sup> As defined by the Cambridge Dictionary a pop-up store is "a store that opens suddenly and usually exists for a short amount of time."

## Avanti

Avanti is a Japanese sustainable fashion brand founded by Ms. Chieko Watanabe on September 4<sup>th</sup>, 1985. As shown in Table 4, the brand consists of 44 employees, has a capital of 20 million yen, as well as its original brand PRISTINE selling Avanti's items both offline and online. PRISTINE was founded in 1996 and currently, its president and CEO is Ms. Hideko Okumori who, together with Ms. Watanabe, manages the company. PRISTINE consists of 7 main employees managing both the store and the e-commerce, and produces final products in collaboration with about 195 companies in Japan.

<b>Avanti Inc.</b>	
<b>Founded</b>	1985
<b>President</b>	Watanabe Chieko
<b>Number of employees</b>	44
<b>Capital</b>	20 million YEN
<b>Subsidiary Companies</b>	PRISTINE, PRISTINE baby

**TABLE 4** Avanti Inc.'s company profile  
Source: Avanti Inc. Corporate Profile

Through its original brand PRISTINE, Avanti introduced the concept of organic cotton<sup>16</sup> in the Japanese apparel and textile market. To enforce its sustainable roots, PRISTINE follows and shares with its manufacturers five commitments:

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<sup>16</sup> Based on PRISTINE and Avanti Inc.'s definition, organic cotton is cotton grown without the employment of pesticides or fertilizer for more than three years. Additionally, organic cotton creates several benefits. As stated by Roger Ong in his article, organic cotton is considered as a better option compared to the "tempered" one because of various reasons. Firstly, by non-employing chemicals it is environmentally friendly. Secondly, it encourages fair trade- paying farmers fairly guarantees a production of high-quality yields of cotton. Thirdly, it ensures health benefits considering it causes less allergic reactions compared to other materials. Finally, organic cotton promotes quality which is directly directed to fair trade making it a highly sustainable material to employ in the garment industry.

- No dyeing<sup>17</sup>: the brand does not use dyes, thus most of its garments maintain their original color.
- Made in Japan<sup>18</sup>: being Avanti its core manufacturer, as well as its cotton supplier, all garments- from yarn to final product- are produced in Japan to encourage safer and stricter sustainable monitoring.
- Face-to-Face Manufacturing: the brand manages each piece of clothing's history to be aware of "when", "where", and "how" they were made.
- Friendly Specification: to list the benefits of PRISTINE products- ideal for sensitive skins, washable at home, and long-lasting.
- Ladybug: the insects are perceived by the brand as its "guardian angels" since they eat parasites that can potentially harm cotton fields, preventing the employment of chemical fertilizers.

In addition to following these commitments, the brand is highly involved in providing its consumers with various information regarding organic cotton, garments' manufacturing process, clothing care, as well as introducing various sustainable brands and designers in the Country. To do so, PRISTINE publishes blogs, journals, as well as interviews that can be found on its website and are accessible to the public. Furthermore, to observe its zero-waste commitment, PRISTINE created the "Re-Pri Project"<sup>19</sup> which depicts the brand's upcycling initiatives. The project includes three services: Re-PAIR, Re-MAKE UP, and Re-COTTON. The former is a clothing alteration service that enables clients to resize their clothes to prolong their usage and wearability. The second offers

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<sup>17</sup> Starting from 2012 only one of PRISTINE offline stores offers a dyeing service through the help of the store Re-COLOR, a dyeing shop in Kyoto. All the dyes employed by Re-COLOR are plant based, and no chemical materials are used for either pre or post treatment. Moreover, they are applied by expert craftsmen.

<sup>18</sup> Since February 2019 PRISTINE clothes' labels are tagged with a QR code providing customers with the garment's manufacturing history.

<sup>19</sup> "Re-Pri Project" was launched by PRISTINE in 2012 as an effort to involve customers in its upcycling activities. The project aims to aid clients who want to have a positive impact on the environment by reutilizing old and ruined clothes, thus avoiding their disposal.

embroidery and creative services to either cover stains or transform PRISTINE's clothes into special items such as toys or new garments. The latter, instead, is a service particularly focused on the brand's goal of producing zero waste. Through Re-COTTON the excessed threads and clothes created in the manufacturing process are processed into paper, fabrics, new threads, and products. To prove that a garment was a result of Re-COTTON a "recotton tag"<sup>20</sup> is applied to the finished good.



**Figure 8** PRISTINE Baby Collection: Organic Cotton Baby Set  
Source: <https://www.pristine.jp/shop>



**Figure 9** PRISTINE Women Collection: Organic Cotton Blouse  
Source: <https://www.pristine.jp/shop>

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<sup>20</sup> All tags are made with recycled cotton paper. Moreover, starting from April 2021 PRISTINE will renew its product tags with recycled cotton paper ones for all pieces of clothing to make them more sustainable.

Although PRISTINE is in charge of the wholesale section, Avanti is the innovator and pioneer that introduced the concept of organic cotton “Made in Japan”. The founder’s idea regarding the purpose of Avanti is underlined in her message shared on the brand’s website:

*“I want to make organic cotton popular...we humans have made a situation afflicting human beings, and contaminated the earth as a result of pursuing convenience. What can be left behind for children who will take on the role of making our future? 70 years after the war, the world has changed greatly. It is true that we wish to leave a clean planet to our children.”*

*(Chieko Watanabe, Avanti Inc. website)*

Inspired by her belief in creating a better world for future generations, Ms. Watanabe started to import organic cotton from Texas (U.S.), India, and Turkey due to the hostile Japanese environment that does not allow the domestic production of sufficient amounts of organic cotton. Nevertheless, the brand assures its customers that all garments are made and knitted in Japan. On its website, the company highlights its persistence to uphold this statement illustrating two key concepts:

- *Yarn:* Avanti takes charge of the entire manufacturing process starting from yarn waving. Being a vital process, the company seeks different and unique yarn making<sup>21</sup> throughout Japan.
- *Cloth:* To produce garments, the company implements Japanese techniques employed in different Prefectures, from Yamagata to Ehime. Furthermore, the machines utilized by textile industries in different prefectures are still wooden waving ones, allowing the creation of almost perfect and high-quality garments completely made in Japan.

In order to prove the quality of its organic cotton Avanti provides its customers with a cultivation diary on its website, as well as stating the four commitments<sup>22</sup> that are never to be overlooked during cotton production.

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<sup>21</sup> Currently, Avanti is developing spun yarns with an elastic core, heather yarn of dyed cotton, and yarn using supima cotton.

<sup>22</sup> Avanti’s four commitments are as follows: not genetically modified, not involved in child labor, protect the rights of workers, do not use chemical agents.



There are multiple significant recognitions, mentions, and collaborations related to sustainability, that should be pointed out regarding Avanti and its chairman. According to Avanti's website, in 1993 Ms. Chieko Watanabe established the "Katan House Japan Inc." in San Antonio, Texas to create awareness on organic cotton and became its president and representative director. In 2000, the chairman was also appointed as the vice president of the NPO Japan Organic Cotton Association<sup>23</sup> (JOCA) after its establishment. Accordingly, Avanti and PRISTINE share JOCA's principles on cotton production and create garments or accessories in conformity with the Charter of Japan Cotton Association. To meet the Charter's standards Avanti follows five commitments:

1. It employs raw organic cotton managing soil, using as few chemicals and fertilizers as possible to guarantee the cotton's quality.
2. It tries to reduce its impact on the environment during the manufacturing process.
3. It sticks to its "Made in Japan" philosophy to avoid offshore production effects on the environment.
4. It ensures traceability while providing security and safety through its face-to-face manufacturing.
5. It actively spreads knowledge about organic cotton and its benefits to all of its customers.

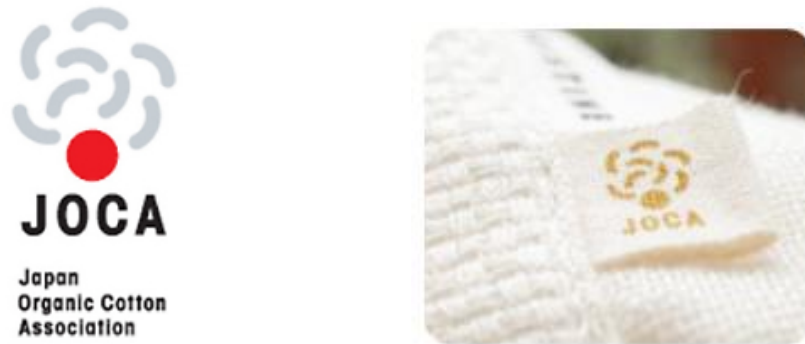
Other than creating JOCA certified garments, the two brands meet GOTS<sup>24</sup> standards since JOCA was one of the founders of the certification in early 2000 together with the Organic Trade Association (OTA, USA), the Internationaler Verband der Naturtextilwirtschaft (IVN, Germany),

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<sup>23</sup> The Japan Organic Cotton Association (JOCA) is a non-profit organization founded in 1993 as Texas Organic Cotton Association. It supports the cultivation of organic cotton while aiming to reduce the environmental impacts of this practice to the minimum. Moreover, the association supports and promotes the domestic production of organic cotton. All garments bearing the JOCA logo are certified to have been manufactured in Japan by utilizing Japanese technology, as well as by respecting its standard on organic cotton production.

<sup>24</sup> The Global Organic Textile Standard (GOTS) is a globally recognized textile processing standard for organic fibers, including ecological and social criteria, supported by independent certification of the entire textile supply chain.

and The Soil Association (UK). As a result, all garments can be easily recognized by consumers as sustainable both on a national and international level.



**Figure 10** JOCA certification logo and Avanti/ PRISTINE Organic Family Cotton tag  
Source: <https://avantijapan.co.jp/en/organic-cotton/joca>

In 2008 Avanti received the “26<sup>th</sup> Mainichi Fashion Award” sponsored by the *Mainichi Newspaper*, one of Japan’s most distinguished newspapers. Finally, the following year it was selected in the “Social Business 55 Selections”<sup>25</sup> by Japan’s Ministry of Economy, Trade, and Industry (METI) because of its sustainable impact on a national level, as well as its excellent performance as a social business.

## 5.2 Fashion brands` social and environmental activities

This section will focus on the analysis of RE;CODE and Avanti’s sustainable initiatives, which can be classified as social and environmental activities launched by the brands, to generate benefits for the society and the environment. Thus, the projects, workshops, and programs presented

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<sup>25</sup> In 2009 METI announced the “Social Business 55 Selections” among applicants around Japan. The selection was created with the aim to detect social businesses committed to solve social issues while generating profits. The 55 businesses were selected based on four fields: 1. community planning, tourism, farming experience; 2. support for child raising, care for the elderly; 3. environment, health, work; and 4. social entrepreneur incubation.

will depict how the observed companies manage negative environmental impacts generated by the fashion industry while spreading awareness on the topic and positively affect society. To introduce the projects prior to a more exhaustive explanation, Table 5 illustrates the list of the key social activities presented on the brands' websites.

Brand	Social and Environmental Activities
RE;CODE	"Good Will" Project
	Re;Table
	Box Atelier
Avanti	Tōhoku Grandmas Project
	Avanti Farm
	Ekodomo Private Tutoring School

**Table 5** RE;CODE and Avanti's social and environmental activities

## RE;CODE

RE;CODE's commitment towards selling eco-friendly clothes and accessories does not represent the whole purpose of the brand. Since its establishment, the company has always devoted itself to perform social projects related to sustainable fashion. Thus, this sub-section will illustrate the main initiatives conceived by the brand to help the community, as well as to bring awareness on the upcycling process.

### *"Good Will" Project*

The "Good Will" Project was created as a production team specifically consisting of individuals with intellectual disabilities. The craftsmen are trained to disassemble the old materials Kolon Industries has disposed of so that they can be upcycled. To improve this program, RE;CODE has started to expand the production teams outside of its main warehouses in order to efficiently help other minority groups within local Korean communities. By doing so, the brand has also started to help rehabilitate and train women who have been exposed to violence, as well as providing jobs to North Korean defectors who work for the team located in Nodeul Island, Seoul. Through the "Good

Will” program, the brand is able to easily cope with the time-consuming process of upcycling materials by employing a larger working force. At the same time, it supports minorities in the community by providing financial support and by reintegrating these individuals into society.

### ***Re;Table***

Re;Table is a campaign aimed to introduce consumers to a more sustainable lifestyle in terms of fashion. There are several ways in which this project involves the community to adopt sustainable approaches while raising awareness on environmental issues caused by the fashion industry, and presenting solutions offered by RE;CODE to reduce its impact. Clients interested in upcycling and sustainable fashion can either visit the “Sharing Space” ran by the brand in Myeongdong Catholic Cathedral Archdiocese of Seoul, participate in workshops, or events. By visiting the “Sharing Space” users can enjoy free access to more than 1,500 books on environmental and sustainability issues together with more than 200 videos about the environment. Additionally, as shown in Figure 11, the space exhibits RE;CODE’s upcycled clothing, accessories, and lifestyle items to allow visitors to see what types of clothes can be produced through this innovative method.



**Figure 11** “Sharing Space” at the Myeongdong Catholic Cathedral Archdiocese of Seoul  
Source: Kolon Industries

To offer clients a direct experience of the production process of a recoded item, once a year Re;Table hosts workshops where craftsmen provide one-day classes to create personal sewing kits to repair older garments. The one-day classes are not only held at Myeongdong Catholic Cathedral Archdiocese of Seoul but also abroad during events such as Expos or Fashion Weeks.

As explained by Ms. Han in her presentation of the “RE;CODE by NIKE” project, due to the Covid-19 pandemic in 2020 a Re;Table workshop was held online under the name of *Digital Re;Table*. During the Zoom<sup>26</sup> meeting, RE;CODE designers, and employees presented the partnership with NIKE and asked the participants to send their old NIKE clothes. After receiving the items, craftsmen carefully upcycled, and modified the garments as shown in Figure 12 to make them reusable. Finally, the items were sent back to the owners after a few months.



**Figure 12** Upcycled NIKE items, Digital Re;Table, “RE;CODE by NIKE” project.  
Source: <https://www.kolonmall.com/RECODE>

The Re;Table campaign is the initiative that connects the brand to its pre-existing and future clients by actively involving them in the process of shifting their habits towards sustainable ones.

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<sup>26</sup> Zoom is a cloud platform for video, voice, content sharing, and chat runs across mobile devices, desktop, telephones, and room systems. The platform allows multiple people to participate to the same call, or video call for unlimited time.

### ***Box Atelier***

Box Atelier is another program through which RE;CODE gives back to society while helping minorities in local communities. Box Atelier is a studio located in Nodeul Island, Seoul offering various repairing services performed by single mothers. The studio opens every weekend and provides single mothers with a part-time job that enables them to earn money despite their schedule. Box Atelier offers three main services to RE;CODE's customers:

- **Re;Collection;** a service purchased by clients who want to redesign an older garment to create a new one as a memory. As illustrated in Figure 13, if a customer brings to the studio a piece of clothing owned by a close relative or a special person, the item can be redesigned as an accessory or any fashion good.



**Figure 13** RE;COLLECTION process  
Source: <https://www.kolonmall.com/RECODE/Special/217508>

All the items created through Re;Collection are marked by a tag, as shown in Figure 14, which specifies the previous owner of the item as well as the date of re-birth.



**RE:COLLECTION**

Your clothes of happy memory,  
we re-collect and re-design it with new meaning and worth.

Dear _____	Date of re-birth _____
Model NO. _____	The original was _____

This is re-made by  
**RE:CODE**

**Figure 14** RE:COLLECTION tag

Source: <https://www.kolonmall.com/RECODE/Special/217508>

- **Re;Form;** a service dedicated to customers who want to restyle or upcycle their older garments.
- **Re;Pair;** a repairing service to allow customers to wear their clothes for longer avoiding their premature disposal.

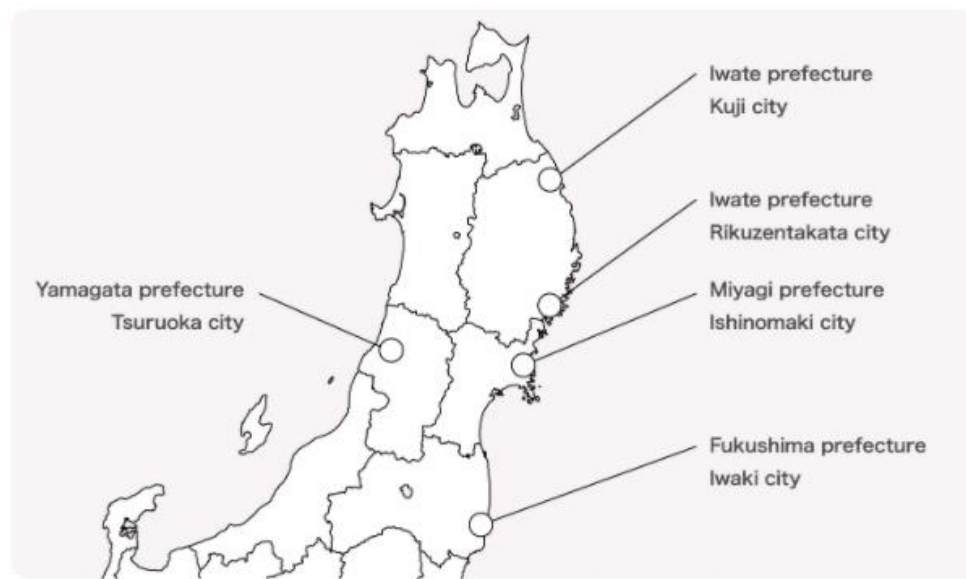
## **Avanti**

Being Avanti committed to actively raise awareness regarding sustainability, and the benefits of organic fabrics, it came up with a set of initiatives to involve its clients in its mission. Nevertheless, the projects are not exclusively shaped to provide information on the topic. In fact, they also aim to contribute to an improvement of the community through the realization of fashion items.

### ***Tōhoku Grandmas Project***

In March 2011, the Great East Japan Earthquake had an epicenter east of the Oshika Peninsula of Tōhoku taking many people's lives, while shattering their houses and future. Due to the devastating effects of the earth tremor, the communities living in the area suffered because of sudden unemployment. For this reason, starting in June of the same year, Avanti launched the Tōhoku Grandmas Project which aims to create jobs for the victims of the environmental disaster. As shown

in Figure 15, Avanti established five main production sites<sup>27</sup> consisting of different teams composed of elderly ladies in charge of creating organic cotton items. The project started with the realization of Christmas ornaments of which 25,000 were sold out in 2011. The earnings allowed the brand to pay 8 million yen to about 50 Tōhoku grandmas as labor charge. Although the amount of sold items dropped after a few years, Avanti stated its intentions of continuing to support the project for one or two decades to support elderly ladies living in earthquake-hit areas. To improve items production, the brand now also accepts OEM item production in addition to selling Christmas ornaments, charms, and cotton babes.



**Figure 15** Tōhoku Grndma Project production sites  
Source: <https://avantijapan.co.jp/en/social-business/grandmaproject>

### ***Avanti Farm***

To engage with communities, and its customers, Avanti established its farm to demonstrate the benefits and the process of organic farming. The farm is situated in the Komoro eco-village<sup>28</sup>

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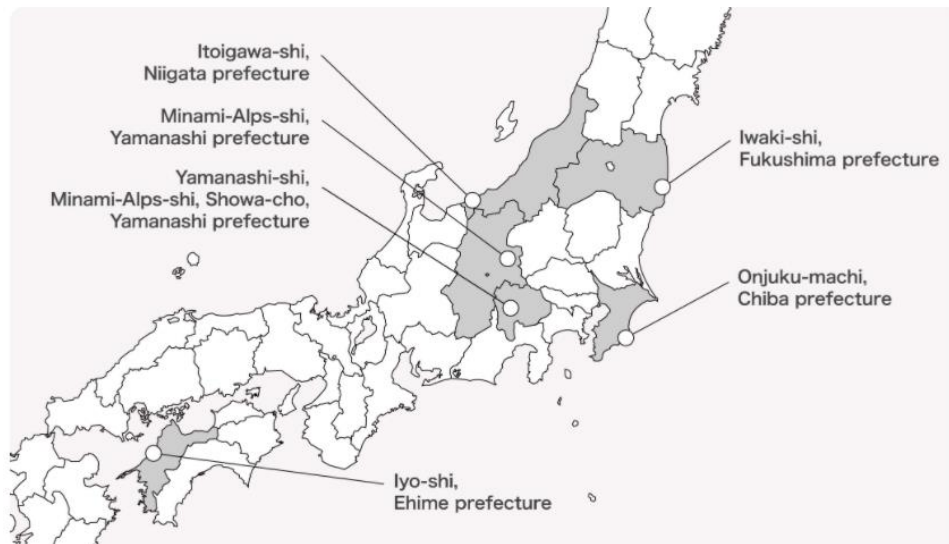
<sup>27</sup> The five production sites consist of diverse teams based on the city. The Iwate Prefecture Kuji City consists of the Kuji sewing team, and the Endo shop team; the Iwate Prefecture Rikuzentakata City of the Cherir workshop team Co., Ltd.; the Miyagi Prefecture Ishinomaki City consists of the Miyagi Seiko team Co., Ltd, together with the Aikawa and the Nikkon Sanpark team; the Fukushima Prefecture Iwaki City consists of the The People team; whereas the Yamagata Prefecture Tsuruoka City has the Yamagata team.

<sup>28</sup> The Komoro eco-village is locate in Komoro City in Nagano Prefecture.



which is the result of a partnership between the non-profit organization “Solar power plant networks” and the local private organization “Komorohashu club” to create a meeting point between cities and farming villages. The Avanti Farm cultivates cotton, chamomile, soybean, rice, and vegetables. On its website, the brand explains how the products are cultivated together with their purpose.

- Cotton; Avanti promotes a self-sufficient production of cotton all over Japan to decrease its import of raw materials. To reach this goal, as shown In Figure 16, Avanti has established numerous plants all over the country to produce raw materials, while supporting local farmers’ communities.



**Figure 16** Japanese Organic Cotton production sites  
Source: <https://avantijapan.co.jp/en/social-business/cotton>

- Chamomile; the plant is usually delivered to the “Mayweed Research Center” to be reborn into *Kamitsuren*, which is the Japanese term for German Chamomile.
- Soybean; all harvested soybeans are made into soup thanks to the help of Avanti’s customers during workshops.
- Rice; Through rice cultivation, Avanti is promoting rice production all over Japan to increase the self-sufficiency ratio. By doing so, the brand aims to replace the cotton its brand PRISTINE imports from foreign countries with the domestically produced rice fabric.

- Vegetables; represent the concept of self-sufficiency. Thus, all the vegetables produced by the farm can be eaten by PRISTINE and Avanti's employees and customers who also actively helped in their cultivation.

### ***Ekodomo Private Tutoring School***

The Ekodomo Private Tutoring School is an initiative introduced by Avanti in 2014 to raise awareness on sustainability among younger generations. The facility is located in the above-mentioned Komoro eco-village and it is a space Avanti exploits as a testing area for cotton production, as well as to a location to hold workshops. The school was established to generally target children of all ages and especially children from the Fukushima and Tōhoku areas, children living in orphanages, as well as boy and girl scouts. The program offers various themed workshops aimed to advertise the importance of organic farming and to spread the idea of limiting unnecessary waste production, through experiences of fabrics making and farming. Accordingly, the school offers three main activities related to different topics revolving around everyone's lives: clothing, food, and housing.

- Clothing; as previously mentioned, the area surrounding the Komoro eco-village is employed as a testing space for new organic farming techniques. The school grows organic cotton in collaboration with the Faculty of Textile Science and Technology of the Shinshu University. Being the production of organic cotton a complex task, multiple innovative techniques need to be tested to understand Komoro's climate and soil as well as to find ways of growing cotton without the employment of chemical fertilizers. In terms of activities related to organic cotton, the school announced a future workshop to make visitors experience items creation from seeding to spinning threads to actual manufacturing.
- Food; the activities related to this topic aim to make children understand how the food they find in shops and supermarkets is produced. Therefore, children can experience how to take care of crops and cultivate vegetables.
- Housing; based on the "Three Little Pigs" fable, the Ekodomo Private Tutoring school offers the activity of building houses with different materials. During the workshops, participants

are assisted by professional architects who offer personal advice and support during the process. Being an activity inspired by the “Three Little Pigs” fairy tale, three houses have been built: The Straw House in 2013, the Wooden House in 2014, and finally the Brick House in 2015.

Illustrating all the sustainability-related social and environmental activities of both brands allows to have a general perception of their interests in terms of the environment as well as society. Nonetheless, it is crucial to understand if the analyzed activities are beneficial for both society and the companies. Hence, the application of the CSO framework will be described in the following section.

### 5.3 Application of the CSO framework to the fashion brands’ social activities

As demonstrated initially by Moon (2012) the CSO framework is an easily replicable model to examine social and environmental activities. Furthermore, the model suggests smart strategies to implement these activities profitably and beneficially on both the firm and the society’s side. Once again, this section suggests Moon’s (2012) application of CSO to Porter’s (1990) Diamond Model, as shown in Figure 5, to provide a systematical outlook of the determinants that will be employed in the analysis.

As introduced in the framework section of this thesis, firms willing to create CSO should take into consideration four determinants, namely:

1. *Rivalry Conditions; Select the field firms have core competence.*
2. *Factor Conditions; Identify the weak activity in the value chain.*
3. *Demand Conditions; Help the related social segment.*
4. *Supporting Conditions; Collaborate with supporting institutions for efficient management.*

Considering the framework’s guidelines, the same determinants will be examined for RE;CODE, and Avanti’s social and environmental activities. Firstly, each social and environmental

activity will be analyzed to identify whether the activities have the potential to generate CSO. Then, explanations of which factor of the activities falls under the appropriate determinant will be provided. Afterward, a discussion on the results will be illustrated to observe what the brands can implement to create a shared value that will lead to a social opportunity, and competitive advantage.

## **RE;CODE**

### *Rivalry Conditions; Select the field firms have core competence*

Overall, RE;CODE's socially responsible activities are all related to the field of sustainable fashion and upcycling which are the fields the brand is specialized in. For instance, the "Good Will" Project is related to a specific phase in the upcycling production process. The individuals employed, in fact, are assigned the task of disassembling discarded materials, which is a crucial stage in the upcycling process. Re;Table, aims to raise awareness on environmental issues caused by the fashion industry, as well as teaching clients how to upcycle and through what means they can incorporate sustainable habits in their everyday lives. Although its focus is less practical or strictly firm-oriented, the campaign spreads knowledge regarding the field of specialization of RE;CODE. Lastly, Box Atelier, likewise the "Good Will" Project, is strictly related to the upcycling process. However, the services offered are not intended for the production of new outfits that will be sold by RE;CODE, instead they are customized based on single users' requests. The services range from simple repairs, and restyling, to personalized upcycled products created with older garments personally brought by customers.

### *Factor Conditions; Identify the weak activity in the value chain*

Even though all initiatives fall under the same business-related area, the "Good Will" Project and Box Atelier are the ones more prone to fill the gaps in RE;CODE's value chain<sup>29</sup>. The projects were created to solve the issue of workforce scarcity. By employing and training minorities in local

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<sup>29</sup> Regarding this determinant, and in a broader perspective, RE;CODE itself was established by Kolon Industries to solve the problem of product waste management. Thus, in this specific case, the brand itself can be considered as a proper example of CSO.

Korean communities, the company managed to smartly cope with the time-consuming process of upcycling materials, as well as to offer highly personalized and customizable services to clients.

*Demand Conditions; Help the related social segment*

There are various ways in which RE;CODE helps society in the field of sustainable fashion. Firstly, through the “Good Will” Project and Box Atelier, the brand helps society by hiring individuals belonging to minority groups such as people with intellectual disabilities, women who have been exposed to violence, North Korean defectors, and single mothers within local Korean communities. Prior to being assigned to different teams, the individuals are trained to create upcycled garments or to manually repair and reassemble older clothes. In sum, RE;CODE helps minority groups’ members by providing both financial support and by reintegrating them into society.

In a broader sense, also Re;Table contributes to helping society by sharing knowledge, information, and pieces of advice on how to be more sustainable and environmentally friendly when purchasing garments. However, compared to the other initiatives, and because of their informative nature, Re;Table’s workshops and locations represent a more indirect way of helping society.

*Collaborate with supporting institutions for efficient management.*

As mentioned in the profile section, RE;CODE considers collaborations as a key factor for the success of its business. Hence, throughout the years, the brand has established various partnerships with companies, designers, as well as governmental institutions. Although the projects were all aimed to produce upcycled and sustainable goods, they were mainly firm-related. In terms of the social initiatives offered by RE;CODE, it is not clearly mentioned if the brand collaborates with specific institutions. For instance, the company’s website does not provide explanations on how individuals, belonging to minority groups, are selected or if they are linked to specific institutions. Nevertheless, it is important to remember that RE;CODE is a subsidiary of the *chaebol* Kolon Industries, whose support helps improving its efficiency.

### Where to improve and suggestions

As shown in Table 6, the activities more likely to efficiently achieve CSO are the “Good Will” Project and Box Atelier since their characteristics match with a higher number of the model’s determinants (1,2, and 3 as they are not in bold).

Social Activities	Rivalry Conditions	Factor Conditions	Demand Conditions	Supporting Conditions
<b>“Good Will” Project</b>	<ul style="list-style-type: none"> <li>Upcycling production process of sustainable fashion business.</li> </ul>	<ul style="list-style-type: none"> <li>Workforce scarcity and high labor costs.</li> </ul>	<ul style="list-style-type: none"> <li>Targeting minority groups. Employment of individuals belonging to minority groups.</li> </ul>	<ul style="list-style-type: none"> <li><b>Cooperation with public and private facilities, or organizations, specialized in reintegrating minorities into society, by sponsoring courses or workshops to learn about upcycling and provide training.</b></li> </ul>
<b>Box Atelier</b>	<ul style="list-style-type: none"> <li>Upcycling production process of sustainable fashion business.</li> </ul>	<ul style="list-style-type: none"> <li>Workforce scarcity and high labor costs</li> </ul>	<ul style="list-style-type: none"> <li>Targeting minority groups. Employment of individuals belonging to minority groups.</li> </ul>	<ul style="list-style-type: none"> <li><b>Cooperation with public and private facilities, or organizations, specialized in reintegrating minorities into society, by sponsoring courses or workshops to learn about upcycling and provide training.</b></li> </ul>
<b>Re;Table</b>	<ul style="list-style-type: none"> <li>Raising awareness on sustainability, upcycling, and sustainable everyday habits.</li> </ul>	<ul style="list-style-type: none"> <li>Low awareness of consumers and the society on sustainability and fashion businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Targeting society’s knowledge on upcycling by spreading information, and advices on sustainability related to the purchase of garments.</li> </ul>	.

**TABLE 6** RE;CODE social activities and determinants and suggestions (in bold)

Despite the programs well represent the concept of CSV since they generate profit while simultaneously helping the society without losing budget, their strategy has room for improvement. Cooperating with carefully selected institutions could drastically improve the company’s performance, as well as the programs. To better understand how to establish a selective alliance in these circumstances an example will be provided. As previously mentioned, RE;CODE produces garments utilizing deadstock or waste material from other industries. To meet its goal of zero waste, the brand should produce as many garments as possible, and because the process of upcycling is

highly time-consuming, the need for more workforce would increase. To solve the issue in its value chain, the brand would employ the “Good Will” Project and Box Atelier to simultaneously help society. However, the selection process and the training period of the newly hired employees would eventually slow the manufacturing activity. To avert this hindrance, RE;CODE could cooperate with public and private facilities, or organizations, specialized in reintegrating minorities into society, by sponsoring courses or workshops to learn about upcycling. Establishing this type of partnership would create a positive-sum game, as well as CSO. Accordingly, on one hand, RE;CODE could expand its business, increase its production and profit, as well as saving time that would have been allocated to the training of new employees. On the other hand, society would benefit because the company provides training while guaranteeing stable jobs for individuals with disadvantages in terms of social integration.

### **Avanti**

#### *Rivalry Conditions; Select the field firms have core competence*

Avanti’s social activities are also generally related to the field of expertise of the brand which revolves around the production of organic cotton and garments. For instance, the Tōhoku Grandmas Project was launched to create jobs for elderly ladies living in areas hit by the Great East Japan Earthquake. The relation between the program and Avanti’s field of expertise lays in the material employed by the old ladies to create Christmas ornaments which is organic cotton provided by the company. For what concerns the remaining projects, namely, the Avanti Farm and the Ekodomo Private Tutoring School, the correlation is narrower. The initiatives are mostly focused on informing, and sharing knowledge about the benefits of organic cotton, the techniques employed to seed, spin threads, and manufacture garments. Nonetheless, the projects are predominantly acting as learning centers targeting younger generations to share the concept of sustainability.

#### *Factor Conditions; Identify the weak activity in the value chain*

Other than having been created to share knowledge related to environmental awareness and sustainability, the Avanti Farm, as well as the Ekodomo Private Tutoring School are significant initiatives in terms of organic cotton farming. As previously mentioned, the brand sells accessories

made out of organic cotton. However, due to Japanese soil and weather conditions, it is indeed complex for the brand to produce organic cotton domestically. To solve the lack of raw material, Avanti established the Komoro eco-village<sup>30</sup>, part of which consists of crops employed as a testing space for new organic farming techniques. Once new techniques are approved, they are carried out in crops located all over Japan to harvest domestic organic cotton of the highest quality.

*Demand Conditions; Help the related social segment*

Avanti's most distinguished project, aimed to help society, is the Tōhoku Grandmas Project. The initiative provides employment and financial support to individuals living in harsh conditions due to the consequences of an environmental disaster. The elderly ladies involved in the initiative create organic cotton items sold by Avanti. The profit generated is then distributed as labor charge and helps the elderly in the region to sustain themselves. Despite the program initially consisted of only three locations in the Tōhoku region, due to its success it spread to a total of five cities. The increase in locations, consequently created more opportunities for elderly people to support themselves thanks to their experienced crafting skills. Nonetheless, the program does not directly involve the community in its value chain since the items are not sold on the websites and the older ladies are not hired by the company. Thus, it does not fully align with the guidelines to create CSO.

*Supporting Conditions; Collaborate with supporting institutions for efficient management*

The majority of Avanti's projects are the result of partnerships with diverse institutions. For instance, the Komoro eco-village, and all the experiences it offers, was founded by the brand together with the non-profit organization "Solar power plant networks" and the local private organization "Komorohashu club". Furthermore, the organic cotton crops in the village are cultivated in collaboration with the Faculty of Textile Science and Technology of the Shinshu University. Through these helpful alliances, Avanti can sustain projects such as the Avanti Farm, and the Ekodomo Private Tutoring School, as well as producing domestic raw materials.

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<sup>30</sup> The Avanti Farm and the Ekodomo Private Tutoring School are located in the eco-village, where all Avanti's social activities are held.



### *Where to improve and suggestions*

Compared to RE;CODE, Avanti manages its social activities taking different approaches, which can be effortlessly identified as social and environmental activities, but that are still far from creating shared opportunities. Nonetheless, the ideas behind the projects have the potential to be shaped into CSO. As shown in Table 7, and according to the analysis of the determinants for each campaign, the Tōhoku Grandmas Project appears to be the most prone to create a shared value with the implementation of a few improvements.

Social Activities	Rivalry Conditions	Factor Conditions	Demand Conditions	Supporting Conditions
<b>Tōhoku Grandmas Project</b>	<ul style="list-style-type: none"> <li>Organic cotton garments production process.</li> </ul>	<ul style="list-style-type: none"> <li><b>Workforce scarcity and high labor costs.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Hiring a specific minority (elders in the Tōhoku region) to provide economic stability.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Collaboration with care facilities for seniors.</b></li> </ul>
<b>Avanti Farm</b>	<ul style="list-style-type: none"> <li>Information on organic cotton, and farming techniques.</li> </ul>	<ul style="list-style-type: none"> <li>Difficulty in accessing organic cotton (procurement).</li> </ul>	<ul style="list-style-type: none"> <li><b>Targeting farmers providing special training on how to efficiently grow organic cotton.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Collaborations with non-profit and private organizations, as well as with Shinshu University (Komoro eco-village).</b></li> </ul>
<b>Ekodomo Private School</b>	<ul style="list-style-type: none"> <li>Organic cotton manufacturing and craftsmanship skills.</li> </ul>	<ul style="list-style-type: none"> <li>Lacking manufacturing skills in the production of organic cotton garments.</li> </ul>	<ul style="list-style-type: none"> <li><b>Targeting students and craftsmen providing special training related to the field of organic cotton garments.</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Collaborations with non-profit and private organizations, as well as with Shinshu University (Komoro eco-village).</b></li> </ul>

**TABLE 7** Avanti social activities and determinants and suggestions (in bold)

The project lacks in terms of determinants 2, 3, and 4 as the results are shown in bold. To achieve CSO, Avanti could cooperate with care facilities for seniors in the region to hold crafting classes for the elderly and open to volunteers or individuals who wish to produce accessories and small items made with organic cotton. This activity could generate CSO for competitiveness by hiring

the formed individuals to produce organic cotton garments in Avanti's factories. Moreover, by implementing this strategy, the brand could improve its image among its older customers creating CSO for reputation. Additionally, the outcome could be strengthened by the already existing image of Avanti's garments as being ideal for the most delicate types of skins (such as babies or seniors' skin), because of organic cotton's properties generating soft and durable garments.

In terms of the Avanti Farm, and the Ekodomo Private Tutoring School, the focus should be on determinants 3 and 4. Overall, the two initiatives provide experiences to understand the importance of organic cotton. Yet, there is no defined creation of shared value between society and the business. Firstly, Avanti should set targets in terms of helping society. In this case the sustainable fashion brand should target farmers, students, and craftsmen. According to the information reported on Avanti's website, there are no actual classes or workshops offered to learn either craftsmanship or farming techniques. In order to directly benefit from the initiatives, Avanti could take advantage of its partnerships. For example, with the help of Shinshu University, the brand could organize internships for students attending the faculty of textile science and technology providing them with the opportunity to specialize in organic farming and cotton. This initiative could potentially benefit the brand through the creation of a skilled workforce, and society by training the students to become experts in a specific field while increasing their chances of being hired after graduation. Furthermore, training on organic cotton farming techniques could be provided to farmers in the region to ease the production process of cotton. Additionally, courses on care and repairing, of organic cotton items purchased by consumers, could be offered to people at the Ekodomo Private Tutoring School to provide an array of initiatives targeting not only children but also adults. Since PRISTINE's off-line shops are more than twelve around Japan, not considering domestic and overseas resellers, the brand could be easily lacking craftswomen in charge of the Re-PAIR, and Re-MAKEUP services. Thus, the skilled workers formed at the private school could be hired in the shops without requiring training.

## 5.4 Implications

Among the requirements specific to sustainable fashion brands, social and environmental activities are fundamental because they reflect commitments and engagement of brands towards the environment. Furthermore, they contribute to the creation of a positive and sustainable brand image which is a key requirement for customers. Several studies in the literature focused on the analysis of CSR strategy in the fashion industry. However, differences can be observed between Western and Asian case studies. Studies on Western sustainable brands generally focus on either innovative CSR approaches, or on more advanced frameworks. For instance, Jung and La (2020) showed how sustainable brands, such as *Patagonia*, can encourage customer engagement with CSR initiatives by aligning with moral implications of their actions and moral identities of their consumers, whereas Jonsson and Norman (2018) focused on the challenges faced by SMEs in Sweden when deciding to implement CSV. Studies on Asian brands, instead, rarely suggest the implementation of innovative strategies. Papers either focus on the improvement of managerial and ethical aspects through CSR activities (Perry, Wood, Fernie, 2015), or on the analysis of the misemployment of social practices as means to enhance public relations or brand image (Lee, Ma, Lee, 2017). Although case studies on sustainable fashion brands' CSR activities are generally few in the literature, the most updated ones in terms of CSR innovative strategies seem to employ mainly Western case studies.

Nonetheless, literature on the application of CSO to sustainable fashion brands' CSR or social and environmental activities is still lacking. Thus, the findings and implications illustrated in this section attempt to prove how the framework provides strategic advantages to the analyzed brands if implemented correctly. In view of the analysis of RE;CODE and Avanti's social and environmental initiatives, based on the determinants included in the diamond representation of the CSO framework, a few considerations should be observed. Firstly, both brands offer several social and environmental initiatives that either engage their clients in projects targeting sustainable practices or are shaped to help minorities in local communities. Secondly, some of the initiatives are more prone to the creation of a shared opportunity compared to others. Nevertheless, overall, the majority showed potential to reach the objective set by the framework if improved following the suggestions provided by the

analysis. Finally, as shown in multiple examples presented by Moon (2012) and Moon and Parc (2019), creating social opportunities, besides generating financial gains for the firm, can be beneficial in terms of competitive advantage. To understand how CSO can lead to this specific outcome, a brief explanation regarding the concept should be provided.

When addressing the topic of competitive advantage, it should be taken into account that firms can possess two types of basic advantages, namely, cost advantage, and differentiation advantage. As introduced by Porter (1980, 1985, 1996) competitive advantage together with the scope of activities lead to three generic strategies<sup>31</sup> that help firms achieve a higher performance in an industry. The strategies are cost leadership, differentiation, and focus.

In further studies, Porter (1985) extended the concept into four generic strategies where he divided the focus strategy into cost focus, and differentiation focus. Porter argued that firms must choose one, among the suggested strategies, to achieve advantage compared to competitors. When companies decide to implement a cost focus strategy, they should minimize costs to raise profits in a focused market. Successful companies in achieving cost advantage are characterized by access to capital to invest in technology reducing costs, efficient logistics, a low-cost base, and a sustainable way of cutting costs below those of competitors. Instead, when firms decide to implement the differentiation strategy, they should strategically differentiate products and services in a focused market. If companies want to be successful in achieving differentiation advantage, they should be characterized by good research, development, and innovation, the ability to deliver high-quality products or services, and lastly effective sales and marketing. To sum up, cost focus consists of exploiting differences in cost behavior in some segments, whereas differentiation focus exploits special needs of buyers in certain segments (Porter, 1980).

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<sup>31</sup> Porter's Generic Strategies describe how companies can obtain competitive advantage in a chosen market scope. Porter firstly introduced the concept in 1980 with the three Generic Strategies (differentiation, cost leadership, and focus). In 1985, the scholar extended the framework into four generic strategies (cost leadership, differentiation, cost focus, differentiation focus), whereas in 1996 he suggested the five Generic Strategy (cost, differentiation, variety-based, needs-based, access-based).

Understanding the characteristics of different types of advantage helps to support the argument that CSO activities contribute to the achievement of competitive advantage. Table 8 illustrates the suggestions formulated by the analysis for both RE;CODE and Avanti's social and environmental activities to create CSO, together with the type of comparative advantage they lead to.

Brand	Social Activity	Features of CSO activities leading to cost/differentiation advantages	Type of Competitive Advantage
RE;CODE	"Good Will" Project	<ul style="list-style-type: none"> <li>Cooperation with public and private facilities, or organizations, specialized in <b>reintegrating minorities into society</b>, by sponsoring courses or workshops to learn about upcycling and provide training.</li> </ul>	Cost Advantage & Market Penetration
	Box Atelier		
	Re;Table	<ul style="list-style-type: none"> <li><b>Society's education</b> on sustainability and upcycled garments through workshops.</li> </ul>	
Avanti	Tōhoku Grandmas Project	<ul style="list-style-type: none"> <li>Cooperation with care facilities for <b>seniors</b> to hold open workshops for training in the production of organic cotton items.</li> </ul>	Cost Advantage & Market Penetration
	Avanti Farm	<ul style="list-style-type: none"> <li>Organization of masterclasses <b>open to the general public</b> to learn craftsmanship and organic cotton farming techniques.</li> </ul>	
	Ekodomo Private School	<ul style="list-style-type: none"> <li><b>Society's education on sustainability</b> and benefits of organic raw materials.</li> <li>Take advantage of partnerships of Komoro eco-village to organize <b>internships for graduates</b> with Shinshu University.</li> </ul>	

**TABLE 8** RE;CODE and Avanti's social activities, improvements for CSO, and type of competitive advantage.

As can be observed from the table, the suggestions mostly focus on the creation of partnerships or collaborations with private and public organizations to provide training. In RE;CODE's case collaborations will facilitate the selection process of future craftsmen in charge of specific upcycling segments. Within this context, CSO improvements support the achievement of cost advantage because it can reduce costs related to workers' training, as well as human resources because both the recruitment of workforce as well as the training will minimize the initial costs. Additionally, educating society on sustainability, sustainable fashion garments, and the upcycling process through

Re;Table's projects will ease market penetration for RE;CODE. In terms of Avanti, the suggestions target the establishment of collaborations with existing partners, care facilities, and institutions to organize training courses. Same as for RE;CODE, also Avanti's CSO improvements can lead the brand towards market penetration and cost advantage. The latter is particularly accurate when considering the organization of internships for students of Shinshu University, or classes to learn organic cotton farming techniques. By doing so, the costs of training and specialization will be reduced and Avanti could increase its profit. Furthermore, being Avanti's garments made of only organic cotton JOCA and GOTS certified, they provide items at prices similar or lower to their competitors but with better quality. For instance, Avanti's baby clothing and accessories line's prices range from ¥770- ¥2,000 for items such as socks, bibs, and underwear to ¥4,000-¥14,000 for suits, clothes and coats. Comparing these prices to other Japanese organic cotton baby clothes brands such as *cofucu*<sup>32</sup> shows how the range is similar if not lower for some items. To add on, although *cofucu* organic cotton items' price range is from ¥990 to ¥12,000 only a few items are JOCA or GOTS certified, thus comparable with Avanti's products. Therefore, cost advantage can be also supported by the above data since Avanti offers a wider variety of items with better quality at similar or low prices compared to its competitors.

The success of both brands in their domestic market can also be proved by analyzing their social media accounts and consumers' social media engagement, as well as the clients' responses on their e-commerce platforms. As mentioned by Tsiotsou R. H. (2020) in her study on the relation between consumer engagement and social media, in recent years the role of social media marketing and the employment of these platforms has been increasing drastically. In her paper, the scholar points out how social media consumer engagement plays a significant role in shaping consumer purchase behavior, as well as being a tool to provide market intelligence. Based on these findings, it can be

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<sup>32</sup> *Cofucu* is a Japanese ethical and sustainable fashion brand focusing on the production of baby clothing and accessories. Other than organic cotton the brand utilizes other raw materials such as silk cashmere, angola etc. Therefore, the variety of exclusively organic cotton clothing offered by the fashion brand is very limited compared to Avanti.

assumed that the higher the engagement rate, the better the performance of a brand. Thus, studying social media engagement rates of the sustainable fashion brands analyzed in this research can determine their level of success in the market.

Businesses' social media engagement rates are usually calculated based on the total number of interactions (likes, comments, shares, tags etc.) of an account's content divided by the total number of follower and multiplied by 100%. As reported by the social media management platform Hootsuite (2021) good engagement rates generally vary based on social media platforms. For instance, on Instagram an engagement rate between 1% and 5% is considered strong, whereas on Facebook it is 2% or less.

Since Instagram is the social media platform with the most followers for both brands, only their Instagram accounts engagement rates in the year 2021 will be examined in this section. Prior to illustrating the engagement rate of the sustainable fashion brands, an overview of the sustainable fashion brands' social media accounts is needed. Regarding the South Korean brand, RE;CODE has three main Instagram accounts: *recode\_*, *recode\_boxatelier*, and *recode\_retable* which together count a total of more than 16k followers. In terms of Avanti, the social media accounts are managed by its original brand PRISTINE which is in charge of B2C sales for its mother company. PRISTINE manages two Instagram accounts: *pristine\_official*, and *pristine\_baby* which together count a total of 15k followers. To provide a more realistic explanation, only the engagement rate of the main accounts of the brands (*recode\_* and *pristine\_official*) will be analyzed. As of 2021, RE;CODE's principal account had an engagement rate of 0.52% with an average interaction per post of 83 likes and 1 comment. PRISTINE's principal account, instead, had an engagement rate of 0.56% with an average interaction per post of 93 likes and 0 comments. At a first glance, and considering that a good Instagram engagement rate should be between 1% and 5%, the results could be perceived as quite low. However, considering the engagement rates' trends in 2020 for the fashion industry it is not the case. In fact, a study by the website Socialinsider (2021) published a list of engagement rates by industry and social media platforms throughout 2019 and 2020. The study showed that the median of Instagram engagement rate in 2020 for the fashion industry was 0.64%. Thus, it can be asserted that

engagement rates of RE;CODE and PRISTINE are quite close to the previous year's average, meaning that the brands are not falling behind compared to other businesses in the same industry, as well as proving their stable performance in terms of engagement with their consumers.

Customer satisfaction and the sustainable fashion brands' performance can also be investigated through comments on both social media and the brands' e-commerce platforms (recodeofficial.com, and pristine-official.jp), more specifically in the "reviews" section below each product. Overall, in both cases the level of satisfaction is relatively high and customers leave positive comments on social media regarding sustainable activities launched by the brands and show enthusiasm for the garments purchased pointing out their quality and the attention to detail. Considering that both brands are small businesses the numbers listed above are significant because they highlight the success of the sustainable businesses and their engagement with clients.

The outcomes of the business strategy can furthermore be supported by different companies' examples of the application of CSO such as *Nestlé* and *MOD Pizza*. The Swiss multinational and drink processing conglomerate *Nestlé* in 2013 launched "Nestlé Needs YOUth", a workforce initiative providing training opportunities for young people (Nestlé S.A., 2020). To create this program, *Nestlé* partnered with public and private institutions all over the globe to help young people develop skills to be successful in the job market, as well as to hire skilled employees. A successful result was achieved in 2020 in the U.S. where the Nestlé campus recruiting program hired 138 interns and trainees who were eventually integrated remotely after receiving training across nine factories (Nestlé S.A., 2020). The American restaurant chain *MOD Pizza*, instead, partnered with community-based organizations, as well as a national youth-centered social enterprise to solve its recruiting difficulties due to its rapid expansion (Shared Value.org, 2018). Through the established partnership *MOD Pizza* managed to solve its recruiting challenges by offering younger people job opportunities.

In view of the above considerations and further examples, CSO proves to be a strategy that leads to a competitive advantage (cost advantage for RE;CODE and Avanti) of the sustainable fashion brands compared to their competitors in the market. Nonetheless, the overall outcome derived by the implementation of the CSO strategy has potential to be a positive one both in terms of



competitive advantage, and in terms of the creation of shared value. Additionally, the results will contribute to the creation of a positive reputation among clients, as well as an above-average advantage that will distinguish the sustainable brands from their competitors in the fashion market.

## VI. Conclusion

The research aimed to understand how South Korean and Japanese sustainable brands can target environmental and social issues while gaining competitive advantage through the application of the CSO framework. As previously mentioned in this thesis, the motivations that brought to the research question are diverse. One of the pivotal interests was to examine in which ways the sustainable brands' social activities could be improved to gain competitive advantage by applying the CSO framework. Observing the trends, strategies, and structure of small and medium-sized sustainable fashion businesses, as well as the consumers' influence in both countries also had a significant impact on the formulation of the study's objective. The motivation was in turn supported by surveys and studies that reported an increased interest in sustainable items and concerns for the environment. This trend is also linked to the importance of implementing effective social activities based on consumers' demand and concerns. At last, the necessity of filling the gap in the literature of sustainable fashion, derived from a shortage of studies examining the phenomenon in the Region, additionally laid the foundations to address the topic of the investigation.

In view of the thesis objective, this study has attempted to show how the South Korean sustainable brand RE;CODE and the Japanese brand Avanti, together with its original brand PRISTINE, can gain competitive advantage while efficiently target environmental issues. With the implementation of Moon's (2012) CSO application to Porter's Diamond Model, the research firstly examined each social activity. Then it proceeded to suggest multiple possibilities that can be adopted by the brands to profit from their social and environmental activities while simultaneously benefit society and the environment. Lastly, implications regarding the connection between CSO and competitive advantage were explained.

As illustrated in the case analysis section of the study, RE;CODE offers programs such as the "Good Will" Project and Box Atelier which are initiatives created to solve issues in the brand's value chain (lack of workforce employed in specific upcycling stages) while helping minorities in local communities (single mothers, North Korean defectors, and individuals with intellectual disabilities). Avanti, instead, proposes programs such as the Tōhoku Grandmas Project, which involves elderly

ladies in the realization of organic cotton accessories to provide jobs for the victims of the Great East Japan Earthquake, as well as the Avanti Farm, and the Ekodomo Private Tutoring School targeting people's knowledge on organic cotton and sustainability. As argued by the brands, each project was originally conceived to benefit society and to spread their takes on sustainability, however, in most instances, prospects of generating profit from the initiatives have not been carefully considered. Thus, the results of the application of the CSO framework allowed to map out new opportunities to improve the existing projects with the aim of creating a shared value. The suggestions differed depending on the project, yet, a common denominator has been recognized in the formation of alliances with facilities, organizations, and public or private institutions. In fact, cooperating with corporations and bodies, aimed to help society and the environment, could significantly improve the fashion brands' performance, the quality of their programs, and their profits.

All around, the proposals were designed to create social opportunities which can lead the companies to be well-positioned in the fashion market. By implementing the suggestions formulated by this research, RE;CODE and Avanti can potentially gain competitive advantage. This finding was supported by the outcomes generated through the CSO suggestions. The enhanced social activities, in fact, lead to a cost advantage in both cases. Providing specialized training and programs to future workforce and individuals will eventually lower the companies' base-costs of training and selecting workforce as argued in the analysis section of this study.

Furthermore, thanks to the upgrade of their social and environmental activities, consumers would be more likely to perceive the brands as highly engaged in sustainability in terms of ethical, environmental, and production practices. Thus, considering them as better providers of sustainable garments compared to other companies. This result would also enable both brands to gain a positive reputation in the domestic fashion market, which is currently being highly influenced by consumers' preferences as pointed out by Chung et al. (2019) and Hyun and Ko (2017).

Outside from the constructive results that have been obtained by this study, a few considerations in regards to the effectiveness of the framework should be mentioned. As shown by the literature, approaching the topic of sustainable fashion is not an easy task due to its continuously

evolving nature. The trends in the academia have shown to mainly address either the observation of consumers' behavior, and firms' perception related to the topic (Chung et al. 2019, Hyun and Ko 2017), or the application of sustainable business models, such as circular economy, to the fashion industry (Ellen McArthur Foundation, 2017). Furthermore, when a business strategy model is employed, to provide an analysis of the sustainable apparel industry, it is often related to CSR frameworks targeting only sustainability and not firms' benefits (Di Benedetto, 2017). However, it seems that studies focusing on creating shared value, and social opportunities in the context of sustainable fashion are yet to be published. The lack of literature employing CSV and CSO is quite surprising considering the compatibility of the business frameworks with the practices and ideologies behind sustainable fashion. As mentioned throughout this research, to be acknowledged by environmentally concerned consumers, and international organizations, a sustainable brand needs to be transparent regarding its supply chain practices, as well as highly engaged in activities positively impacting the environment and society. Still, the social and environmental practices implemented by sustainable fashion brands focus more on allocating funds for social and environmental causes without creating profit, thus losing budget. This approach is, on one hand, positive because it creates a good image among clients, however on the other hand it is not usually sustainable in the long run. Considering that the position of these fashion brands in the fashion market is still at the latecomer-level, this type of social and environmental are not affordable in most scenarios. Bearing in mind the needs of small and medium fashion enterprises, the CSO framework and the concept of shared value revealed to be the best strategies to apply to the case studies examined in this study. Providing general but clear guidelines, to identify which determinants should be considered when creating a social and environmental activity or project, facilitates the shift towards shared value, and social opportunity.

The nature of the framework is a business one, thus, it can be employed to analyze any kind of industry in which social and environmental activities are involved, as well as philanthropic organizations' strategies. Nonetheless, as mentioned above, the replicability of the framework was not considered by scholars in the sustainable fashion field. Related to this specific gap in the literature lays the significance of the thesis which offers an innovative outlook to the application of Moon's

(2012) CSO framework. Additionally, its application to South Korean, and Japanese brands presents the investigation of a geographical area that has not been thoroughly given attention to by the academia. Finally, the study provides benchmark cases in South Korea and Japan where sustainable fashion is still a novel concept, and the implementation of its production practices is considered a tortuous and unclear task.

The limitations this thesis was faced with were diverse. Firstly, the research focused its analysis on case studies in South Korea and Japan. The selection of sustainable companies in two specific countries narrowed down the area of analysis (initially supposed to consider multiple Asian brands in different countries), as well as the results of the thesis. Hence, the replicability of the CSO framework applied to the social and environmental strategies of RE;CODE and Avanti, might not show the same outcomes for other companies. In fact, results might vary when implementing CSO strategy in different areas of the Region due to dissimilarities related to consumers' preferences, sustainable regulations, or society's needs. Nonetheless, being the framework aimed to suggest guidelines to improve any business' social and environmental activities (through CSO in order to create a positive-sum game) it can be implemented and customized based on firms' expertise, goals, and beliefs.

Secondly, the research was limited because of the lack of data and literature regarding sustainable fashion in Asia. Although the topic of ethical and environmentally friendly fashion is still an emerging issue in the West, the number of studies published is far higher compared to Asia. In fact, the quantitative and qualitative researches focusing on successful sustainable companies are not scarce as illustrated by Michel et al. (2016) study of *Patagonia*'s sustainable practices, or Weber's (2019) research on circular economy strategy implemented by *Eileen Fisher*. However, the majority of the literature on the topic in Asia mainly focuses on the efforts of global fast fashion chains towards the UNSDGs or sustainability policies as mentioned in Gupta's (2019) comparative study of Asian and European brands approaches to sustainable regulations.

Finally, the nature of corporate websites as the main source of data collection for both RE;CODE and Avanti's social and environmental initiatives has resulted to be a barrier in terms of

transparency. While newspaper articles might report personal experiences of the journalist regarding the sustainable fashion brands' initiatives, the data reports and posts published on the businesses' websites might be mediated by the brands themselves. Furthermore, considering that both brands are classified as SMEs, the chances of finding detailed corporate reports like the ones published annually by global firms are quite low. In addition, some of the information published was only available either in Korean or Japanese, which partly limited the collection of more detailed explanations of RE;CODE and Avanti's company structure, as well as the organization of their corporate social activities.

It would be significant for future research on the topic of sustainable fashion brands in Asia, to apply Moon's (2012) CSO framework to countries other than the ones studied in this thesis. Moreover, conducting direct interviews and collecting quantitative data about sustainable companies would present more detailed and realistic results. This would provide the pre-existing literature with more case studies on the topic, as well as the opportunity to apply innovative and extended models on sustainability on a broader array of examples to better support the framework and prove its replicability. The presence of case studies in country-specific scenarios could also provide firms with practical strategies to efficiently improve their businesses, or for entrepreneurs to establish startups through the illustrated guidelines.

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## Abstract

# CSO를 통한 경쟁력 확보: 한국과 일본의 지속가능한 패션 브랜드 사례 연구

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지속가능한 패션은 패션업계가 환경에 미치는 영향을 우려하여 등장한 패션 분야의 새로운 움직임이다. 이 주제의 비교적 새로움으로 인해 기존 문헌에서는 이러한 현상에 대한 소비자의 행동 동향에 대한 조사와 가치사슬의 이슈를 해결하기 위한 브랜드의 비즈니스 전략을 주로 서구 사례에 초점을 맞췄다. 따라서 본 연구는 한국과 일본의 지속가능한 패션 브랜드가 어떻게 효과적으로 경쟁 우위를 점할 수 있는지 조사하는 동시에 사회적 활동과 이익을 통해 환경 이슈를 공략하는 것을 목표로 한다. 이번 연구는 한국과 일본의 지속가능한 브랜드들의 사회적, 환경적 활동에 기업의 사회적 기회 프레임워크 (Moon, 2012)를 적용하여 이 연구문제에 의해 제기된 문제에 대한 해결을 시도하고 있다. CSO 프레임워크는 기업이 제공하는 CSR 활동을 분석하기 위해 엄선된 브랜드인 레코르드와 Avanti 두 곳에 적용했다. 이를 위해 Porter's Diamond Model 에 대한 CSO 응용 프로그램에서 설명한 결정 요인을 기반으로 사회 및 환경 활동을 먼저 검토했다. 사회 및 환경 활동이 결여된 요인을 식별하였고, 결과적으로 개선을 위한 제안의 작성을 허용하였다. 그 결과 시설·단체·기관과의 제휴가 CSO 를 만드는 데 가장 적합한 수단인 것으로 나타났다. 또한 사회 및 환경 활동 강화로 브랜드들의 지속가능한 실적, 수익, 사회참여력 향상은 물론, 시장에서의 경쟁력 있는 비용 우위 확보로 이어질 수 있는 것으로 나타났다. 이를 바탕으로 아시아 국가에서의 사례 연구 차원에서 사회·환경 활동을 함으로써 이윤 창출과 경쟁우위 확보 문제에 대한 해법을 제시한다. 마지막으로, 그 결과 또한 그 중요성을 강조하는데, 이는 아시아 지역의 지속 가능한 패션과 관련된 문헌의 격차를 메우려는 시도와 관련이 있다.

**Keywords:** CSO, apparel industry, sustainable fashion brands, South Korea, Japan

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