

Studies on Entrepreneurship, Structural Change  
and Industrial Dynamics

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Luísa Carvalho · Conceição Rego  
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# Entrepreneurship in the Fourth Sector

Entrepreneurial Ecosystems and  
Sustainable Business Models

 Springer

# **Studies on Entrepreneurship, Structural Change and Industrial Dynamics**

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Editors

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# Contents

<b>Introduction</b> . . . . .	1
María Isabel Sánchez-Hernández, Luisa Carvalho, Conceição Rego, María Raquel Lucas, and Adriana Noronha	
<b>Part I Approaching the Fourth Sector</b>	
<b>The Fourth Sector: The Future of Business, for a Better Future</b> . . . . .	7
María Isabel Sánchez-Hernández, Luisa Carvalho, Conceição Rego, María Raquel Lucas, and Adriana Noronha	
<b>Cultivating the Fourth Sector: Active Citizenship and Governance in the Urban Change Process</b> . . . . .	23
Jorge Manuel Gonçalves	
<b>Municipal Policies in Spain to Promote Sustainable Development Goals (SDGs): An Approach to the Fourth Sector</b> . . . . .	47
Herenia Gutiérrez Ponce, Julián Chamizo González, and Elisa Isabel Cano Montero	
<b>Disability as a Driving Force of Sustainable Business Models in the Fourth Sector</b> . . . . .	75
Daniel Alonso-Martínez, Beatriz Jiménez-Parra, and Roberto Fernández-Gago	
<b>Reflections on Hybrid Corporations, Social Entrepreneur, and New Generations</b> . . . . .	99
Aurora E. Rabazo Martín and Edilberto J. Rodríguez Rivero	

## **Part II Social Innovation: Hybrid Models in the Fourth Sector**

### **Social Innovation in Theory and Practice: European Policies, Strategies and Experiences . . . . . 119**

Kemilly Bianca de Mello, Hugo Emanuel dos Reis Sales Da Cruz Pinto, and Wilson José Alves Pedro

### **Social Innovation for Sustainability and the Common Good in Ecosystems of the Fourth Sector: The Case of Distribution Through Alternative Food Networks in Valencia (Spain) . . . . . 141**

Sergio Belda-Miquel, Eugenia Ruiz-Molina, and Irene Gil-Saura

### **Energy Cooperatives: Socially Innovative Cooperative Enterprises in the Spanish Renewable Energy Industry . . . . . 169**

M. Pérez-Suárez, I. Sánchez-Torné, P. Baena-Luna, and E. García-Río

### **The Case of “La Hormiga Verde”: Recycling Electronic Waste (e-Waste) as a Paradigmatic Example of a New Entrepreneurial Trend in the Fourth Sector . . . . . 193**

Juan Luis Tato Jiménez, María Victoria Carrillo Durán, and María García García

### **Managing Creative Industries Through Cooperation: An Evidence of New Business Models in the Fourth Sector . . . . . 219**

Luis Manuel Cerda-Suarez

## **Part III Insights and New Trends**

### **New Trends in Marketing Aimed at the Fourth Sector in the Fashion Industry . . . . . 245**

Estela Núñez-Barriopedro and Maria Dolores Llombart Tárrega

### **Effects of the Orange Economy on Social Entrepreneurship in the City of Medellin . . . . . 263**

Sandra Milena Malavera Pineda, Paula Andrea Malavera Pineda, and Juan Santiago Calle Piedrahita

### **Understanding Sustainable Entrepreneurship in the Fourth Sector Through Integrated Balances: The Case of Uruguay . . . . . 287**

Javier Ramos and Aiblis Vidal

### **May “For-Benefits” Businesses Help Sustainability in Future Healthcare Services? . . . . . 309**

Conceição Maria Oliveira Cunha and Ana Alexandra Costa Dias

### **Beyond Business: Understanding the Foundations and Practices of Corporate Activism . . . . . 331**

Carlota López Aza, Teresa Pintado Blanco, and Joaquín Sánchez Herrera

# New Trends in Marketing Aimed at the Fourth Sector in the Fashion Industry



Estela Núñez-Barriopedro and Maria Dolores Llombart Tárrega

**Abstract** In the current environment, markets are becoming increasingly globalized and more competitive. So, organizations are challenged to differentiate themselves or die. The textile and clothing products sector represent a very important and well-established industry that also provides a dynamic boost to the Spanish economy. Especially on the fashion industry, it can be seen how large companies aim to follow the latest trends, it is known as fast fashion.

This work analyses the case of ECOALF, it can observe that this company has implemented a marketing strategy that revolves around sustainable marketing. Briefly developing ECOALF marketing strategies we can observe the following.

Regarding product strategies. Their garments are made from recycled materials, such as plastic bottles from the bottom of the ocean, recycled nylon, cotton and wool and recycled used tyres. The production points go along with the collection's points of the products, which are made in different countries such as Spain, Portugal, Taiwan or Japan among others. The aim is to create products that promote sustainability among consumers seeking design and quality. In addition, ECOALF does not incorporate natural fur or leather in its garment collection

Regarding the price, in the case of ECOALF, the high cost of manufacturing is reflected in the price of the final product to the consumer.

Based on multi-channel distribution, through online sales, but also with a distribution not only in their official stores (Spain, Netherlands and Germany), ECOALF has presence in different boutiques and shops in many countries: Besides having stands and points of sale in department stores.

Its communication strategy stands out because ECOALF seeks to retain and attract buyers by increasing the perceived quality of the brand, not only by increasing its social networks, or with the product placement or making alliances with more established brands in the market or celebrities. The company constantly seeks to improve the tangible attributes of its products. The philosophy behind brand

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management is not only based on sustainable marketing but they also want to communicate the quality of fabric and design.

The original of the case study is the change that is taking place in consumers' purchasing decision and how the world of fashion is evolving. On the one hand, the consumer culture and, on the other hand, consumers more aware with the Fourth Sector and sustainable fashion.

**Keywords** Marketing · Fourth Sector · Fashion industry · Sustainability · ECOALF

## 1 Introduction

Current concerns about values that are taking place in recent decades are driving companies to integrate sustainability into economic models (Romero 2018). This shift in the society occurs because of all the information to which it can have access in the twenty-first century. Sustainability can be explained as a principle of economic, social and environmental viability being a key point in the business strategy (Bocken et al. 2014). The fashion industry has contributed to the depletion of natural resources and has engaged in malpractice since its main purpose is profit-making. Nowadays, a change in the values of the textile sector is taking place. Companies are more aware to offer what it is known as “slow fashion” offering ethical fashion that benefits society and is conscious with the environment.

One of the main objectives of this paper is to analyse the characteristics of the ECONALF business model to be considered as a good example for benchmarking purposes in the Fourth Sector.

ECOALF is the company that will serve as a case of study, since its philosophy as a company is totally focused on the Fourth Sector. On the one hand, this chapter will help to have a clearer vision of how society and businesses are increasingly aware of the social and environmental problems caused by the fast fashion model and how companies have adopted new business models and consumers have changed purchasing patterns to consume sustainably. On the other hand, the sales and profitability of the company ECOALF will be analysed as it follows a sustainable business model.

## 2 Fourth Sector

The key challenge for twenty-first century corporate leaders is to develop innovative ways of doing business that integrate profit and social impact. The Fourth Sector is a fundamental pillar where business and citizens are involved in achieving sustainable production and social welfare. Increasingly, more consumers are betting on ethical companies, which go beyond the simple product characteristics. The interesting

point is the remarkable characteristics of ECOALF business model benchmarking purposes in the Fourth Sector.

The fact that companies are increasingly concerned about social and environmental impacts and traditional forms of corporate profiling have evolved between for-profit and non-profit enterprises, as it is very restrictive. Aspen Institute defines the Fourth Sector has a very broad definition and includes: corporate social responsibility, sustainability marketing with a cause, risk philanthropy, social investment, among others (Fourth Sector Network 2009).

The Fourth Sector is also a term that is related to Corporate Social Responsibility (CSR) (Navarro García 2008). Corporate Social Responsibility is the voluntary commitment of companies to the development of society and the preservation of the environment, from their social compassion and responsible behaviour towards the individuals and social groups with which they interact (Corporativa 2014; AECA 2004). The main objective is to introduce management and management elements aimed at innovating and improving the impact of companies, so that they generate socially responsible externalities (AECA 2004). The key is including Corporate Social Responsibility (CRS) within business objectives since an ethical and solvent business model guarantees greater business success and social progress (Cuesta-Valiño et al. 2019).

## ***2.1 Business Model and Hybrid Organizations***

In order to define the term business model, there is no universal definition. A successful Business Model must have the following four elements: key resources, key processes, customer value proposition and a profit formula. These four interlocking elements create and deliver value. The most important is the customer value proposition, followed by profit formula, key processes and key resources (Johnson et al. 2008).

The business model is an approach of an organization, which includes three main dimensions (Chesbrough 2010; Osterwalder 2004):

1. How key components and functions, or parts, are consolidated to deliver value to the client
2. How those parts are interconnected within the organization and throughout its supply chain and stakeholder networks
3. How the organization generates value or creates profit through those interconnections

However, among the definitions that can be found in the literature, there are two main lines of research. On one hand, some authors define the business model as the way in which organization carries out its activity. For example, Zott and Amit (2009) defines the concept as the way in which a company carries out its activity and the way in which it relates to its stakeholder, such as partners, customers and suppliers.

On the other hand, it is found that some authors describe the business model as the way an organization creates, delivers and captures value. For example, Osterwalder et al. (2004) define the business model as a conceptual tool that contains a set of objects, concepts and their relationships with the aim of expressing the business logic of a specific company. Therefore, they consider that such concepts and relationships allow a simplified description and representation of what value is provided to customers, how it is done and with what financial consequences.

Concerning sustainability, a sustainable business model helps to describe, analyse, manage and communicate the company's sustainable value proposition to its customers and all stakeholders, how it creates and delivers this value and how it captures economic value while maintaining or regenerating natural, social and economic capital beyond its organizational boundaries (Schaltegger et al. 2012).

To be successful, companies must commit to creatively integrating eco-efficient and eco-efficient innovations that contribute to the improvement of natural, social and financial resources into their main activities (Castelló and Lozano 2011; Jackson 2009; Rifkin 2014).

A practical tool to coherently integrate economic, social and environmental concerns into an organization's global business model vision is the Triple Layer Business Model Canvas (TLBMC). This model is built by adding two layers, environmental layer, which is based on a lifecycle perspective, and social layer, which is based on a stakeholder perspective. Taking together the three ranks of the business model, it is easier to see how organizations generate economic, environmental and social value.

According to Haigh et al. (2015), hybrid organizations are those that pursue with their activity and their business model to mitigate a social or environmental problem. For this purpose, they carry out both profit and non-profit practices. This is the case of ECOALF, the three main bases on which ECOALF is promoted are sustainability, innovation and sustainable design.

Hybrid business model focuses on creating social and environmental improvement and not just reducing the negative social and environmental impacts caused by business activity. These models seek mutually beneficial connections between communities, businesses and the natural environment around them (Haigh and Hoffman 2011).

The hybrid business model is articulated around three main aspects. First thing is achieving the social and environmental objectives, and the rest is secondary. Next, the most important thing is the relationship with suppliers, employees and customers that are mutually beneficial, not the cost and last and not least seek to shift traditional industry standards towards those that pursue social and environmental objectives (Haigh and Hoffman 2011).

Hybrid organizations are the key in sustainable business. An innovative business model can either create a new market or allow an enterprise to create and exploit a new window of opportunities in existing markets. Hybrid models are characterized by creating close relationships between communities by employing local people, involving them in decision-making and training them in specific sustainable techniques. Furthermore, paying fair wages allows a better quality of life. Relationships

are based on trust, positive consideration, compassion and vitality, which have proven to be fundamental to institutional resilience, learning and innovation. In this way, the renewal of social and environmental systems is encouraged. Companies must be thinking about adopting hybrid business model. According to Penelas Leguía et al. (2012), in 10 years, the idea that a company only cares about profit will be conceived as old-fashioned and irresponsible. Hybrid organizations have taken advantage of niche market opportunities, which has favoured competitive advantages and differentiation from other organizations.

Over and above fulfilling the characteristics of the hybrid business model, ECOALF is the first fashion brand in Spain to become a B Corp company. The community of B Corp companies represents a global movement of more than 3000 companies in 70 countries, which include more than 150 sectors. The purpose is clear, companies must compete to be the best for the world and society can create cycles of shared and lasting well-being. Companies with B Corp certificate go far beyond the economic target. The main objective of these companies is to innovate in order to maximize positively the impact on their employees, the relationship with the community and the environment.

However, it should not be forgotten that these companies meet the standards of social and environmental performance, transparency and accountability to solve not only environmental and social problems but also to contribute to sustainable development (Ravina Ripoll et al. 2019).

## ***2.2 Sustainable Marketing and Green Marketing***

Spain is classified as one of the most entrepreneurial countries of the present time, according to Global Entrepreneurship Monitor (2018–2019). If it is focused on the fashion industry, one can find different companies that are taking advantage of business opportunities contributing differently for a better world.

Nowadays, there is a growing interest in the ethics applied in the manufacture of sustainable products, which positively influences the purchasing decision of responsible consumers (Zarfino 2010). The notion of sustainable fashion (also known as ethical fashion) refers to a form of design, supply and production of products that maximizes the benefits of individuals and communities, while reducing environmental impact (Ethical Fashion Forum).

Over recent decades, the study of sustainable consumption has been a problematic issue and a novel field of scholarship (Cuesta-Valiño et al. 2020a). On the one hand, it can be conceived as a contradiction, since the meaning in the dictionary defines “consume” as the action of “destroy or extinguish”, a definition completely opposed to the meaning of sustain (Peattie and Collins 2009). On the other hand, sustainable consumption requires a different perspective from that of more conventional academic thinking, especially in the disciplines of marketing and economics. Broadly speaking, when consumption is discussed, it is usually about the context of



“buying”, different from the majority view in the literature of “intent to buy” (Junior et al. 2014).

There are different ways to approach a more sustainable model, and different responses can be perceived in companies that work day by day to be more sustainable. On the one hand, there are companies focused on those processes and activities over which they exercise direct control; nonetheless, others support an external collaboration strategy with a multi-stakeholder approach (Worley et al. 2010).

The concept of sustainable fashion is not only implemented by small innovative companies in their business model but large companies are also forced to include it since it has increased its significance in the value proposition.

However, small companies that include sustainability in the business model implies a competitive advantage through which you can obtain differentiation in new market niches, creating brand identity and thus survive in the competitive market (Caniato et al. 2012).

In the framework of green marketing, the consumer’s attitude towards the environment and perception of the brand’s performance have gone separately. Nevertheless, as the company ECOALF has carried out, when a brand offers sustainable attributes, attitude and performance are associated, and the brand becomes part of the set of associations that the consumer determines regarding a product and its sustainable functionality.

As a result, the buyer is thinking about purchasing a sustainable product and, automatically, the consumer would consider the brands that offer the sustainable attributes that he wants to find in the good that he will acquire (Spry et al. 2011).

The involvement of sustainable companies has led to changes in the marketing-mix plans to make the planning of a sustainable product or service more strategic (Kotler 2011). The proposal is based on the 4Ps of Marketing Mix developed by McCarthy et al. (1979).

Regarding the product, compared to the previous heading, Kotler (2011) determines the tendency of manufacturers to develop biodegradable or reusable packaging, which is why this physical attribute stands out as one of the marketing-mix axes that was traditionally ignored. With regard to distribution, it promotes sustainability and local manufacturing, declining towards decentralized production. Highlighting the omni-channel management due to the proliferation of digital channels and their coexistence with more traditional channels (Alonso-García et al. 2021). In the same vein, the author refers to promotion, recommending the promotion online.

Sustainable consumers are willing to pay a supplement for a sustainable product that meets their environmental and social concerns, as they associate the increase in manufacturing externalities (Peattie 2001; Kotler 2011). Peattie has already taken into account the importance of the price strategy in the process of changing towards corporate sustainability (Peattie 1999).

ECOALF brand guarantees to offer the sustainable attributes that consumers look for in their products, so that when the buyer thinks of sustainable products, he automatically associates the ECOALF brand with production sustainability. This shows how the credibility of the brand (the ability to offer the sustainable attributes that it promises and that the consumer seeks) can significantly influence the

consumer's perception of the ecological image of a brand and its brand equity. Thus, the brand boom emphasizes the need to manage the brand effectively, in order to maximize the company's profit and value (Keller 2008; Cuesta-Valiño et al. 2020b). Furthermore, Keller and Ailawadi (2004) ensure that creating a strong green brand equity allows companies to positioning their differentiated products in the market and gain competitive advantages.

Sustainable marketing seeks to create a sense of relevance through the brand. This not only affects the sustainable economic behaviour of the consumer towards the brand but also affects positively on the environmental commitment of the consumer. Kotler (2011) assures that to achieve a sustainable marketing in the global market there are different challenges, such as changing the guidelines, to establish new patterns in management fields and propose new combinations and strategies in marketing mix.

The key in the field of sustainable consumption is the need to create connections between consumer behaviour and the social and environmental consequences of consumption, as well as the impact on production systems. For their part, responsible consumers are satisfied because they are aware of the benefits of sustainable purchasing (Peattie and Collins 2009). As far as distribution is concerned, trademark notoriety is also involved. Any action that allows brand exposure will contribute to the creation of brand notoriety (Keller 2008). Moreover, products are organized by category so that consumers receive brand exposure (notoriety) by category, which will facilitate the connection between the product category and the brand.

### ***2.3 Fast Fashion and Slow Fashion***

The idea of Fast Fashion is broad defining, which responds to consumer preferences by providing new trends and to those of the industry by keeping pace with a globalized and interrelated world. There are two reasons why this phenomenon occurs. On the one hand, variety takes precedence over durability; in other words, garments do not last more than a season in stores, are rejected and discarded while new garments are incorporated in shorter and shorter cycles. On the other hand, the tight deadlines are due to the pressure on suppliers to deliver on time (Cobbing and Vicaire 2018). Fast Fashion is described as current fashion, affordable and economical (Bick et al. 2018).

This business model needs to satisfy its customers with garments that keep up-to-date styles and trends and that are also purchased at affordable prices. This makes companies compete with each other in terms of price and product renewal (Caro and Martínez de Albéniz 2014). In addition, this model is being affected by social and environmental impacts as a result of the speed with which trends change causing excessive textile consumption (Cobbing and Vicaire 2018).

The impact of this type of fashion on the environment is mainly caused by the long production chain behind each garment, since from production to the end of the garment's life, "it is contaminated with gases and chemicals, soils, air and water"

(Gómez 2018, p.1). According to Loetscher (2017), this industry contributes to global warming by emitting 1.7 billion tons of CO<sub>2</sub> per year, increasing toxin emissions, water pollution and generating 2.1 billion tons of waste.

Concerning social impacts, it should be noted that this industry employs 40 million people in low- and middle-income countries that generate 90% of world textile production. In most cases, workers are subjected to inhuman and intolerable conditions, exposed to health risks, as they breathe the toxic materials used in the production chain and are physically forced to perform various and repeated tasks of movement, leading to situations of stress and injuries (Bick et al. 2018).

The textile industry is being forced to transform its business model to minimize impacts, given high social and governmental pressure. Because of this, collaborations between firms and the most significant stakeholders are becoming increasingly important (Bocken et al. 2014).

Nowadays, it is very difficult for large fashion firms to implement sustainable measures. However, companies are suggesting certain models to incorporate sustainability into existing business models, reducing gas and energy emissions, and reducing waste and resources intensity (Bocken et al. 2014).

The circular economy is a production and consumption model that aims to preserve and restore natural capital and optimize the yield of resources, minimizing the risks arising from the process. The circular economy supports the care of nature, economic prosperity and the well-being of society, in which the aim is that technical and biological resources remain along the value chain of the products manufactured and consumed for as long as possible, trying as far as possible to keep the material within the production cycle, taking as a rule at all times, the optimisation of resources (MacArthur 2013; Cerdá and Khalilova 2016).

The circular economy has three main principles (MacArthur 2013):

1. Protect and repair natural capital by controlling finite resources and balancing natural resources
2. Optimization of performance in the technical and biological cycle to maximize the number of consecutive service life cycles
3. Reduction of damage to techniques and areas affecting the environment and society.

According to MacArthur (2013), with these three principles, the circular economy seeks to use renewable and higher-yielding resources through technology and innovation to improve nature by allowing its regeneration. The manufacture of products from their recycled components and materials are constantly in circulation with the objective of not generating waste and increase the useful life of the products, reaching its maximum use. The circular economy also eliminates different types of pollution. As a result, a better management of resource use is achieved.

Slow Fashion is not only the opposite of fast fashion but it is also a different vision of the business model, values and processes for the production and marketing of a garment. In addition, it is a vision that offers products and brands a new marketing angle, as it gives them durability and a long heritage of design (Fletcher 2010).

The Slow Fashion concept is characterized by being an emerging alternative textile model that carries rooted ethical, sustainable and ecological movements. It emerges as a new option to balance and resolve negative social and environmental aspects that cause a textile business model not to be sustainable (Jung and Jin 2016).

This model is distinguished by using less intermediation, in order to reduce the distance between producers and consumers, and encouraging local production, which helps to reduce the carbon footprint. In other words, it uses local natural raw materials or local resources, as well as nearby suppliers, to create more transparent production systems and facilitate collaboration between designers, producers and consumers (Ozdamar Ertekin and Atik 2015). Thus, generating stronger links between brand and stakeholder.

Moreover, Jung and Jin (2016) also stress that both local production and transparency in the system underpin the development and diversity of the population, one of the main components of social sustainability. The term Slow Fashion aims to bring value and make the consumer see the garments as an investment, providing quality and durable designs (Ozdamar Ertekin and Atik 2015).

### 3 Methodology

The main objective of this chapter is to study in depth the ECOALF case as an outstanding example of a for-profit company that prioritizes social and environmental objectives following the principles of the Social and Solidarity Economy. Specifically, the characteristics of ECONALF's business model are examined in depth so that it can be considered a good example for benchmarking purposes in the Fourth Sector.

An exploratory study has been carried out with an extensive review of the literature and secondary sources, such as books and academic journals, and information from the company itself has been analysed, in this case ECOALF, in addition to the processing of economic data from the SABI database.

Specifically, an extensive analysis of ECOALF has been carried out to relate the most important terms that are covered in the Fourth Sector. Additionally, the sales of ECOALF compared to two direct competitors of the company, Skunkfunk and El Naturalista, have also been analysed, since the three Spanish companies that use sustainable marketing in their business models have a vision of Slow Fashion and take part in the Fourth Sector. Likewise, the evolution of Return on Equity (ROE) of ECOALF is analysed.

Through this analysis, it can be seen how purchasing patterns are changing and how they are evolving as consumers become more aware of sustainable business model. Even though the results are not so favourable, they cover market niches.

## 4 Results

Achieving the characteristics of the circular economy, ECOALF is characterized by manufacturing products of 100% recycled waste, designed to last over time. These products are manufactured in the countries where the recycling of waste is carried out fulfilling a fair labour force. The company recycles. To do this, the company requires high research and development in order to look for materials that can be recycled and transformed with the least impact on the planet and society.

This has become the engine of its business activity belonging to the movement Slow Fashion previously described. Its founder, Javier Goyeneche, in 2009 created the company with a clear philosophy: to respect the environment and recycle products in a world where almost nobody does.

The company ECOALF promotes a positive social and environmental change as an organizational objective, the relationships that the company maintains with suppliers, employees and customers and the way to interact with the market, competition and industry that fulfil as explained above with a hybrid business model. As a matter of fact, the way in which it promotes social and environmental change in a positive way as an organizational objective is taken into account in the mission of the brand to integrate environmental objectives, in the control of its production process. Although it is longer and slower, it is more sustainable. Most of its products are 100% recycled. The company oversees recycling six different types of materials, PET plastic bottles, discarded fishing nets, used tires, post-consumed coffee and post-industrial cotton and wool.

Most of these products have a lifespan of 10 s into a jacket with a lifetime of 30 years. ECOALF develop its own fabrics. They have developed over 300 fabrics in the last years. The benefits of recycling depend on the product.

In case of used plastic bottles, there is 20% less consumption of water, 50% less consumption of energy and 60% less production of greenhouse emission (ECOALF 2020). The same happens when the company recycles wool or cotton, there is a reduction in the consumption of water and energy and there is less production of greenhouse emission. As a result of using fishing nets (the company only use 6.6 nets) to produce the best polyamide, the process is done only by seven chemical steps. If it is compared with the polyamide that comes from petrol, it needs 17 chemical steps. Also, the company started their first project in Spain, manufacturing flip-flops from used tires. Moreover, ECOALF has an agreement with a big cafeteria chain in Taiwan, where they recollect the post-consumer coffee and they humidify the compound, and after drying it, convert it into powder. This powder mixed with polymers from plastic bottles is used to manufacture technical fabrics throwing chemicals. Perhaps it should be pointed out the fact that the company never move the waste around.

One of the most ambitious communication campaigns being carried out by the company is called “Upcycling the oceans”, launched in 2015 in northern Spain. It is a revolutionary initiative that is intended to be carried out in other parts of the world as well. The main purpose of the campaign is to collect the garbage that is destroying the Mediterranean Sea and turn it into a top-quality thread. In order to carry out this

campaign, ECOALF counts on an intense research and development during years, as well as the support of specialists of the sea, in the case of Spain, the fishermen of Levante.

Regarding the price, many companies in the textile sector have sought their market niche by begging for discounted pricing strategies due to the phenomenon of low prices. Companies such as H&M, Primark, C&A and some Inditex chains offered various types of low-cost clothing. This was due to the possibility of producing in China and India, mainly, where the labour force together with the volumes of clothes is cheaper, as well as not having big advertising campaigns, which allows them to have a product in trend, regardless of whether the garment only lasts a season. On the other hand, in the case of ECOALF, the high cost of manufacturing is reflected in the price of the final product to the consumer. The brand also incurs transport costs from the place where their products are manufactured to the point of sale. Including production costs of I+D for tissue research and distribution costs makes the product more expensive.

Based on multi-channel distribution, through online sales, but also with a distribution not only in their official stores (Spain, Netherlands and Germany), ECOALF has presence in different boutiques and shops in many countries, besides having stands and points of sale in department stores.

To do this, they create multidisciplinary stores, where the consumer can better know the manufacturing process, learn about the brand and have a pleasant shopping experience. Gaining prestige through social media, they have 124K followers on Instagram.

Although ECOALF is a relatively young brand, since its creation its turnover has increased exponentially, using much of its benefits for research in innovation and technology in order to be more efficient and discover ever better ways of doing things. This has allowed them to develop over 60 patents on fabric together with a consolidation in international markets. The latter has been achieved, thanks to numerous strategic alliances that the group has formed with international brands, thanks to their distinctive capabilities: innovation and sustainability (Løw 2018).

Finally, making the lifecycle of the clothes as a circle under the condition of producers' and consumers' responsibility, an important contribution can be made to the preservation of our planet. The use of basic rules of sustainable fashion will help the producers to make not only environmentally but also economically profitable business.

The case of ECOALF is a good illustration to give an explanation to the business model and hybrid organizations. The company ensures the mutual benefit to itself and to the local communities of its suppliers by paying workers a living wage and investing time and resources in the training of sustainable techniques. In addition, ECOALF produces consistently at the same place from which the waste is taken, as the company claims that it would make no sense to use sustainable materials if they were then moved to Europe with all the environmental impact that it entails.

It must be pointed out that especially concerning the relationship with its suppliers, ECOALF makes sure to choose only those who hold certain environmental and social certificates. Regarding the interaction that ECOALF has with the market,



**Table 1** Basic information of ECOALF

Characteristic	ECOALF
Country of origin	Spain
Size	Small
N° employees	55
Geographic presence	9
Sales in € (2018)	6,192,047

Source: Author's elaboration based on ECOALF webpage and Information

**Table 2** Sales and earnings before interest and taxes

	ECOALF	SKFK	El Naturalista
Sales in € (2018)	6,192,047	754,679.09	3,898,894

Source: Author's elaboration

competition and industry, what is more, the company wants that its business model serves at all times as an example that benefits can be obtained at the same time, contributing positively to society and the environment. For this reason, ECOALF continuously gives talks and conferences.

ECOALF is also an example of for-profit businesses that prioritize social and environmental objectives following the principles of Social and Solidarity Economy. Since its creation in 2009, the company had a clear objective, create a truly sustainable fashion brand (Table 1).

Despite the fact that ECOALF is a small Spanish company, with only 55 employees, it continues growing and has a presence in nine countries (Germany, Austria, Spain, Italy, Switzerland, Japan and the United States) and has recorded in 2018 a sales figure of 6,192,047 €.

Table 2 shows that ECOALF's sales figure is 6,192,047 € in 2018, which is considerably higher than its most direct competitors, Skunkfunk (SKFK) and El Naturalista, in this sector.

On the one hand, Skunkfunk was founded in the 90s by Mikel Feijoo. Today it is known as SKFK, becoming a casual fashion brand without losing sustainability, its main value. It is present in 38 countries and all its pieces are designed with sustainable fabrics, natural fibres and organic cotton in the Basque Country and subsequently produced and supplied in a sustainable way in Europe, India and China.

On the other hand, El Naturalista is a Spanish brand that was born in La Rioja and was founded by the De la Peña brothers in 2001. But it was not until 2003 when they began with a strategic plan and the internationalization of the brand. It is currently part of the Life Concept group and has a presence in more than 40 countries. Besides betting on sustainable materials, they have a line of vegan footwear.

As it can be seen, the return on equity ratio (ROE) (Table 3) is responsible for measuring whether the company is making good use of its assets to earn revenue. This relationship besides being quite high is also positive, which means that it is a profitable company in terms of the correct use of its resources, with quite solidity and is able to create value for its shareholders. ECOALF is a company that, given its

**Table 3** Analysis of the evolution of Return on Equity (ROE) of ECOALF

	2013	2014	2015	2016	2017	2018
Return On Equity (ROE)	-46.69	-222.93	566.35	89.68	272.40	121.31

Source: Author's elaboration

explained characteristics, needs a large volume of financing in order to be able to carry out new productive systems and R&D of new materials that make its garments completely sustainable.

The rapid recovery of the ROE stands out, starting negative in 2013 (-46.69), worsening considerably the following year (-222.93) and then rising and remaining positive from 2015 onwards.

On the other hand, it is important to study the coefficient of return on total assets (ROA) which is used to measure the efficiency of total assets of companies, regardless of the sources of finance used or to measure the ability of each enterprise to generate income. In the case of ECOALF, the ROA is negative and where this is the case, it is possible due to the large investment required by the company for its production since the materials used by the company have a higher cost both in obtaining and manufacturing the same and is reflected in the final price of product influencing a lower income because they are less competitive in terms of price on the market. This means that sustainable businesses are less profitable than other businesses, although society is gradually becoming more aware of and appreciates more sustainability and good practices.

Although the profit margin presented by the company over the past 6 years has been negative, it is improving over the years. This shows that in future the company will obtain a positive profit margin when the company consolidates. The higher the profit margin, the more profit a company earns on each sale. Currently, the company is not earning enough due it high expenses in R&D.

ECOALF is a competitive company thanks to its strategy based on ethics and sustainability. Today, the Fourth Sector includes this type of company, as our society is increasingly aware of responsible and sustainable consumption for the environment and social welfare.

## 5 Discussion Remarks and Conclusions

Companies are evolving to contribute to a society with more justice and solidarity, worrying about social and environmental impact of the activities that they carry out (Núñez-Barriopedro et al. 2019).

In order to face the urgent economic, environmental and social challenges, the Fourth Sector is required. The Fourth Sector is related to both social and financial value creation, promoted by companies with social awareness. It is the intersection point among the three traditional sectors: public, private and non-profit sectors. Also,



the Fourth Sector is based on Social and Solidarity Economy (Gallardo-Vázquez and Sánchez-Hernández 2014).

In recent years, the textile sector has been carrying out responsible production practices, focusing on circular or hybrid systems (Kim et al. 2016). This is possible, thanks to the change in mentality of our society, becoming more and more aware of the world around us. As a result, many companies choose to be sustainable, despite the knowledge that they are not profitable. Others, like ECOALF, were created with the strong conviction of being fully sustainable, sacrificing the benefits to gain quality in their products and in the environment.

The concept of sustainable product is defined as the product that embraces positive social, environmental and ethical attributes; and is in essence associated with moral principles (Luchs et al. 2010). ECOALF is a brand that led the idea of being truly sustainable. Integrating breakthrough technology, they create clothing and accessories made entirely from recycled materials. ECOALF is committed with the planet, the environment and people in a coherent and transparent way, creating sustainable design.

In addition, it has managed to position itself in the market by managing brand equity and brand resonance. Defined by Aaker (1996) as the set of assets and liabilities associated with the name, term, logo or emblem of a brand, it allows it to improve or depreciate the value that a product or service generates in the consumer and in the own brands. So, in the ECOALF management model, it manages to improve its brand equity due to brand awareness, brand loyalty, perceived quality and brand associations (Aaker 1991).

The circular model is not easy to apply (Rizos et al. 2015). Although at first sight almost everything seems to be advantageous, there are several entry barriers to be able to implement it 100% (Curls, Behrens, Kafyeke, Hirschnitz-Garbers & Ioannou). In financial terms, the initial costs that have to be invested in adopting sustainable measures and business models are important for Smes (Hollins 2011).

The initiative “Upcycling the oceans” is not for profit but is an initiative that aims to remove the waste that damages marine ecosystems from the seas, giving a second life to the waste recovered with a vision of circular economy and raise awareness of the global problem that presents as marine litter.

A strong brand is therefore an instrument to create and maintain a valuable competitive advantage in competitive and globalized environments (Núñez-Barriopedro et al. 2013). For ECOALF, it is not a problem, being an exemplary company in sustainability and being less profitable. They are making great achievements, collaborating with big companies like Apple, actresses like Gwyneth Paltrow and have clients like the famous designer Marc Jacobs.

Also, ECOALF has been assessed and satisfies the requirements of the Global Recycled Standard (GRS). The GRS is designed to verify responsible social, environmental and chemical practices in their production. With the objective to define requirements to ensure accurate statements of content and good working conditions, where the negative environmental impact has been minimized and the use of chemicals has been reduced. The standard includes companies of finished and intermediate products in more than 50 countries.

So, the most sustainable product from ECOALF was not to keep using natural resources, the solution was recycling, creating a new generation of recycled products with the same quality and design as the best non-recycled ones. The enterprise has experienced an exponential growth, they have presence in different international markets and have managed to consolidate strategic alliances with the largest companies in the technological and textile industries. The evident success of ECOALF's circular economy results in a great improvement of the company's brand value and positioning in the market. A good management of its brand equity and brand resonance has allowed to achieve the optimal positioning in the market.

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