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For subtheme (iii) Discovering Business and Industry – the Fashion Vitality

**Profit and purpose: The case for sustainable luxury fashion**
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**Abstract**

The development of the fashion industry into a large-scale multinational operation and the resulting potential for damage to planet and people has attracted the attention of environmental and social activists since at least the 1960s, but consumers on the whole remain broadly ignorant of how their personal fashion purchases and widespread industry practices contribute to negative environmental and social impact (Connell and Kozar, 2014). The luxury sector, in particular, has much to lose in terms of reputation by revelations of exploitation and irresponsible environmental actions along the supply chain, given that much of its premium-pricing is based on notions of authenticity and quality production (Kapferr and Bastien, 2012). Previously, a focus on eco or sustainable fashion was seen as marginal or niche, but more recently consumers demonstrate a desire for greener products creating potential for businesses to work for profit and purpose (Ottman, 2011). This change has resulted in a new hybrid business model- the social enterprise- which adds value by meeting market needs and wants through responsible business and employment practices (Radclyffe-Thomas and Roncha, 2016).

Tengri, a London-based luxury knitwear label is one such social enterprise business and this paper explores social enterprise in the luxury sector through a case study of Tengri’s business model that combines social and environmental awareness with luxury product development to create a virtuous cycle of ethical fashion production and consumption. Founder Nancy Johnston was inspired by her experiences travelling with Mongolia’s yak herders where she was confronted with the harshness of the nomadic way of life and threats to its continuing existence from land degradation and exploitative business practices. She was driven to action when she juxtaposed these conditions with the promoted glamour of the luxury fashion industry, which relies on supplies of ingredients from just such workers in supply chains that stretch across the globe.

Informed by primary research with Tengri and industry experts supplemented with analysis of Tengri’s business, product development and marketing materials, this paper investigates how Tengri works to balance environmental and social engagement with launching a start-up luxury business aimed at engaging the new global sustainable luxury consumers, a group described by Caroline Holme Director of Globescan as the ‘Aspirational’ consumer – a segment that combines a desire to be ethical with a love of style, design and shopping, particularly prevalent in emerging markets.

Keywords: sustainability, luxury, fashion, social-enterprise, innovation
Introduction

‘...it’s the relationship between the land, the animals and the people. How that is then delivered in product and it’s about taking our audience on a journey, the same journey I took and letting them own that journey as the end result of that journey.’

Nancy Johnston CEO and Founder Tengri

It is over fifty years since fashion businesses became actively engaged with issues of ethics and sustainability and the new millennium has seen an exponential increase in awareness-raising initiatives; yet consumers remain generally uninformed about the environmental consequences of both their individual consumption choices and of the negative impact of the wider clothing industry (Connell and Kozar, 2014). Fashion, particularly at the luxury level, is a glamorous industry however once the mask slips an uglier side is sometimes revealed. Although heritage and authenticity are key drivers for fashion consumers (Kapferer and Bastien, 2012) and brand positioning around artisanship, ingredient branding and country of origin are central to fashion marketing strategies (Anholt, 2004) consumers are mostly far-removed from the lives of those at the beginning of the supply chain who may be surviving on subsistence wages whilst providing the ingredients for global luxury labels.

Ottman (2011) proposes that increased consumer demand for ‘greener’ products gives opportunities for entrepreneurs to create both profit and purpose in their work and we are seeing a new type of business emerging— the social enterprise- that operates as a hybrid business model being both ethically and profit-driven (Radclyffe-Thomas and Roncha, 2016). Tengri, a London-based luxury knitwear label is one such social enterprise business. Founded by Nancy Johnston as a response to land degradation and subsistence-farming she encountered travelling with the nomadic Yak herders of Mongolia, Tengri has combined social and environmental awareness with luxury product development to create a virtuous cycle of ethical fashion production and consumption. This case study is based on Tengri’s innovative business model analysed through primary research interviews with the Tengri team and industry experts supplemented with an analysis of their business, product development and marketing materials. It reports on the extent to which they have succeeded in achieving a balance between engaging with environmental and societal issues and running an efficient business and how they are using multi-channel marketing to engage with the new global sustainable luxury consumers, a group described by Caroline Holme Director of Globescan as the ‘Aspirational’ consumer – a segment that combines a desire to be ethical with a love of style, design and shopping, particularly prevalent in emerging markets.

Fashion and the new sustainability sensibility

The issue of sustainability in fashion appears to have reached a tipping point; what was once considered primarily of interest only for fashion activists has entered the mainstream fashion industry consciousness. This change has come about partly as a result of the increased scrutiny of fashion’s sourcing and manufacturing processes prompted by social activists who can organise internationally and share bad practices via social media. A recent Good Business report by
Deloitte talks of the ‘age of transparency’ as one in which critics of unethical practices are increasingly empowered to access information on fashion business practices that would previously remained hidden (Deloitte, 2017:22). Concurrent with these developments prompted by such digital transparency, awareness-raising has prompted governments to legislate against poor working practices and are increasingly holding international fashion brands accountable for every stage of the supply chain e.g. through the UK’s 2015 Modern Slavery Act.

Ottman (2011) predicted how the opportunities afforded by business transparency would lead to raised demand for greener products and services. A 2015 Mintel Report, The Ethical Consumer, proposes that the ‘Key to an ethical reputation is to further consumer perception that ethics are woven into a brand’s identity’ (Mintel, 2015). In support of this position, consumer research by international trend agency WGSN is showing how the concept of brand authenticity has extended and that today’s ‘consumers crave brands that are transparent and honest’ (WGSN, 2017:18). It may be in the luxury segment where brands have most opportunities to leverage transparency and truthfulness. Trend Strategist Lori Gooding tells WGSN that ‘today’s consumer climate also gives luxury brands the opportunity to thrive, rather than just survive… the key is to move beyond clever lifestyle messaging and well-honed product assortments to a persona grounded in ethics and values’ (WGSN, 2017:32).

So, future fashion has a formidable divide to straddle, how to monetize consumers’ appetite for authentic and ethical products as well as conforming to their expectations for sustainable practices? The current highly-industrialised fast fashion system has developed in response to consumers’ predication for more and quicker fashions and has mostly delivered products and profits with no consideration of the resulting negative social and environmental impacts. Porter and Kramer (2011) have proposed that effective business strategy can not only support local economies but also provide solutions to social issues in a model of shared value. Research by Mandacharita and Poothong (2011) showed how consumer loyalty increases when ethical concerns are integrated across the business model yet the Fashion Transparency Index, which asks large scale fashion brands to make public commitments to paying living wages still has a relatively low response rate (Fashion Revolution, 2017).

However, it appears as though the fashion industry may now be on the cusp of enacting Elkington’s (1997) pre-twentieth century concept of the triple bottom line for business finances, where social, environmental and commercial sustainability are all accounted for in company returns. Certainly, this type of rebalancing of fashion’s responsibilities would be in alignment with the United Nation’s Sustainable Development Goals (UN, nd.), adopted multi-nationally in 2015 and which aim to eradicate poverty (SDG1), provide decent work and economic growth (SDG 8) and call for industry innovation and infrastructure (SDG 9).

**Sustainability and luxury brand storytelling**

As we enter an era of radical transparency luxury brands are moving beyond purely aspirational brand communications, and brand storytelling can be an effective strategy for engaging consumers, conveying positive brand attributes without being perceived as purely commercial (Lundqvist et al., 2013). Speaking at the 2016 London Design Festival on a Future Luxury panel, Editor-at-large for Wallpaper magazine, Henrietta Thompson, contended that luxury brands
wanting to engage contemporary and future luxury customers will need to find ways of including supply chain information in their brand storytelling.

The Council for Fashion Designers of America (CFDA) recently partnered with DHL to investigate how both emerging designers and established brands can bridge the seeming contradiction of ‘a customer who both wants new product more frequently, as well as more eco-friendly fashion’ (Milnes, 2017). Their report concludes that many brands are missing both operational and strategic opportunities with regard to supply chain management. Firstly, they highlight the inefficiencies of siloed supply chains, but furthermore posit that brands which focus on increasing transparency in the supply chain and reconceive the traditional supply chain/production cycle as part of their customer-facing communications strategy can gain competitive advantage over those that do or cannot.

According to WGSN almost 50% of British luxury businesses were started in the last 50 years yet in their survey of brand strategy WGSN found that the largest threat to brand longevity is a lack of innovation (WGSN, 2017). It was Aaron Hurst CEO of Imperative and founder of the Taproot who coined the expression The Purpose Economy, wherein ‘innovative thinkers in luxury- who see sustainability as a driver rather than a brake on innovation’ are influencing the business environment in such a way that a tipping point for this new economic era is predicted by 2020 (Positive Luxury, 2016:8). In the past sustainability and growth have been seen as dichotomous strategies, however, in the luxury sector it is those innovative businesses prepared to challenge conventional thinking and practices that are finding that sustainability can be core to value creation and sales. Sales figures have shown a growth rate of 4% for those businesses which demonstrated their sustainability commitment as opposed to a standard sector growth rate of less than 1% (Positive Luxury, 2016).

Methodology

The aim of this case study is to undertake an exploration of the business strategy of a social enterprise operating in the luxury sector in order to reveal motivations, decisions and practices in action. The research reported on in this case took place between Spring 2016 and Autumn 2017. The approach taken is primarily inductive with an iterative analysis of multiple internal and external data sources in line with a mixed methods qualitative approach to business research that recognises the complexity of businesses (Gummesson, 2005).

The researcher undertook thorough desk research including a media review as well as analysing the brand’s promotional materials and conducting field research to Tengri’s marketing events in London. Furthermore, the researcher conducted semi-structured interviews with key informants from the brand as well as inviting the brand to join a sustainable fashion experts’ panel hosted at the London College of Fashion’s Fashion Business School which were recorded, transcribed and coded by the researcher. By collecting data from these multiple sources the researcher sought to provide ‘thick’ description of a particular business’ multiple processes and activities, as well as provide a degree of triangulation that supports credibility, transferability, dependability and confirmability as the most appropriate measures for qualitative research (Guba and Lincoln, 1994). A grounded theory approach was taken to analyse the data sets, that whilst limited to an individual case in this instance may resonate with readers and help provide comparisons and insights that provide insights into an innovative business model and enable the extension of
marketing theory (Daymon and Holloway, 2011).

The Tengri Story: Findings and Discussion

‘The route from “yak to personal wardrobe” is a fascinating story’ (Tengri website).

Mongolia is one of the least densely populated countries on earth with ‘an innocent landscape and an immutable culture’ (Solomon, 2016:246). Its picturesque sweeping grasslands, or steppes, and the historic nomadic culture that live on them are facing possibly catastrophic threats from encroaching industrialisation with a devastating combination of mining and overgrazing ‘leading to wide desertification and a significant loss of plant density’ and mass migration resulting in a situation where more than half Mongolia’s population lives in its capital Ulaanbaatar and a fifth of the country lives below the poverty line (Solomon, 2016:247).

Describing her own encounter with Mongolia Nancy Johnston, CEO and Founder of Tengri, shares an anecdote about her first trip to Mongolia that starts with a cup of milk tea and ends with her founding a luxury yak fibre label. A social worker by profession it was during a post-redundancy trip to Mongolia in 2013 that she was confronted with the extreme levels of poverty and land degradation and became aware of the precariousness of the livelihood of its nomadic yak herders. Staying with a family of nomadic yak herders in the Khangai region, her host family offered her milk tea, but without any milk, as they had none their yak herd having perished the previous winter. In common with many social entrepreneurs Johnston did not set out to start a business, but taking direct action by purchasing a ton of yak fibre on a follow-up trip, Johnston founded the luxury fibre line Tengri, incorporated in Spring 2014, to protect the herders’ lifestyle.

Nancy’s earliest connection with Mongolia came in grade school when she saw a pamphlet recruiting volunteer teachers, doctors and social workers to travel there. The sight of the Mongolian landscape and the idea of living off the land enchanted her and contrasted sharply with her own ‘urban concrete jungle’ surroundings. She became a social worker and was settled in that career until redundancy prompted her to take that life-changing trip to Mongolia. However, her own links to the fashion industry reach much further back to her early childhood where childcare meant working alongside her mother as the finisher in an LA sweatshop factory. Nancy’s family history, and the socioeconomic and political factors that led to her family immigrating to the US from Vietnam via a Malaysian refugee camp, mean that although not formally trained in either fashion or business she claims an inherent understanding of transparency in the supply chain. Her own experiences as a child worker in a sub-contracted factory are recalled as an example of illicit practices that still occur within the fashion industry and act as a reminder that those whose hands touch the product are often out of sight and far removed from the profits of their labours.

Johnston’s research into the Mongolian fashion economy revealed how its position as the world’s second largest supplier of luxury fibres, particularly cashmere, instead of bringing the rewards associated with those at the top of luxury business, is in fact causing unsustainable levels of farming and overgrazing that are leading to desertification and compromising herders’ futures. Furthermore, the Mongolian government is subsidising a low-wage economy through mining, which is further jeopardising ‘their livelihoods, their lifestyles (and) the land.’ Intrigued by the
findings of her initial research Johnston, discovered that Mongolia trades cashmere with most of the world’s luxury brands, many of whom claim to trade fairly. But the disparity between the profits made by the luxury companies and the subsistence lives she observed made Johnston question how the concept of Fair Trade was enacted in Mongolia. Subsequently, inspired by the business models of Patagonia and Divine Chocolate, Johnston has reconceived the fashion system to create a ‘Fair Trade 2.0’ or ‘Fair Share’ business model and founded Tengri as a ‘social business’ to work with herder families and to introduce yak into the marketplace: proposing yakshmere as a responsible alternative to cashmere.

Yak fibre, in Johnston’s words, is ‘a natural hypoallergenic luxury fibre’ largely ‘unexplored’ in the fashion market. She recounts the properties of the fibre: ‘as soft as cashmere, warmer than merino, odour resistant, water resistant, hypoallergenic, machine washable, moth-resistant, static electric resistant and it’s organic and it supports… the biodiversity and wildlife in Mongolia as well as (the) nomadic way of living.’ In Mongolian agriculture, the yak is not cultivated for its coat, in fact the yield is rather low. Yaks are hand-combed once a year resulting in only 100g of fibre from each animal that is suitable for fashion usage; until now it has primarily been used for industrial purposes in composting or cement-making. Johnston’s vision was to take this luxury fibre to market and build a shared value mission-driven business with a responsible supply chain starting with a group of 298 families. Johnston was inspired by the power of Patagonia’s model of environmentally-sensitive business and using her life savings to buy that first ton of yak fibre Tengri has ‘been built from the ground up from the herder families in Mongolia’. Johnston brought the yak fibre back to London where she ‘corralled a whole network of friends and friends-of-friends’ and designed a range of sustainable luxury knitwear and accessories and has grown the product base and business largely promoted through word of mouth and fortuitous collaborations.

Tengri’s mission statement, in Johnston’s words was ‘to introduce sustainable and natural fibres into the global luxury goods market as a sustainable alternative with the aim of supporting the land, the animals and the livelihoods of people in remote parts of the world that don’t have access.’ Tengri works in collaboration with nomadic herder families in a vertical supply chain that ensures their precious fibres get to market without the need for a middleman or the risks of loss inherent in remote unsupervised supply chains. Not only do Tengri pay a premium price for the yak fibre, but this is paid in advance divided across the year into two or three payments to provide a stable income and mitigate against the of vagaries of climate. Johnston recounts how this model of Fair Share has resulted in bonus payments to herders in profitable years but also protected livelihoods in difficult winters when ‘in other regions as much as twenty-five to thirty thousand families lost their livelihood.’

In common with many social enterprises, Tengri operates a lean business model, with minimal marketing spend relying instead on strategic partnerships to generate PR. Tengri’s ability to acquire willing collaborators is a result of the authenticity of its mission. One of Johnston’s early collaborators was designer and art director Winnie Lee, who immediately agreed to take on the task of branding the business reportedly did so because ‘it has meaning’. Johnston had been more focused on production rather than telling the brand story and so it was Lee, who helped Johnston define the brand identity and logo by questioning her about her personal values and beliefs. It was during this process she articulated that ‘it’s about not having any barriers to language… it’s
trying to remove as much as possible and then to really focus on the core things that underpin Tengri…’

Brand strategy is central to success in an overcrowded fashion space; brand guru Wally Olins famously stated that ‘The best and most successful brands are completely coherent. Every aspect of what they do and what they are reinforces everything else’ (Fisher, 2014:34). The brand vision for Tengri was to create a brand identity that avoided producing just another fashion label and the Lee was guided by the need to create a brand identity that transcended the superficialities of marketing and reflected and respected the Mongolian people and animals the brand was inspired by and sought to serve. Lee was able to construct and articulate a brand identity for Tengri based on Johnston’s personal and business philosophy, combined with research on Mongolia’s history, cultural heritage and geography. Thus, brand design was informed by Mongolian warriors, including the notable national hero Genghis Khan, indigenous textile design and the lifestyle of the yak herder families lived out against the backdrop of Mongolia’s spectacular but challenging landscape and climate. A key consideration launching a sustainable luxury brand was to avoid ethnic clichés and to develop an edgy minimalist feel. In addition, Johnston was mindful that the brand identity should be applicable beyond fashion so as to allow future brand extensions into other lifestyle areas. The resulting brand imagery puts Mongolia, the herders and their animals at the core with timeless black and white portrait photography depicting snapshots of everyday herder life, whilst the logo is a ‘T’ for Tengri stylised to reflect the yak’s head. The brand logo was recognised at the 2013 International Brand New Awards winning best logo.

Tengri launched as a men’s knitwear label and has extended its product offer through its B2B activities. Partnering with Savile Row tailors H. Huntsman & Sons to provide quality men’s suit fabric is an example of collaboration adding value and opening opportunities for growth. Huntsman was a founding member of the Savile Row Bespoke Association, formed to protect the identity of the bespoke tailoring trade. As such each tailoring house abides by the Association’s regulations including those stipulating the number of fabrics a house must offer its clients (Radclyffe-Thomas, 2016). Although a very new entity, the quality and craft associations of Tengri match well with Huntsman’s mission to source exclusive luxury fabrics and with longevity being a core value for Savile Row suits, Tengri’s high quality Khangai Noble Yarns® makes a valuable addition to Huntsman’s sustainable offer. The scarcity of the yak fibre means that only 60m a year are woven into a hopsack weave by Yorkshire-based weavers R. Gledhill Limited and offered as an extremely exclusive fabric for bespoke tailoring in its natural undyed silver hue or an eco-friendly dyed navy blue. The strategy behind co-branding partnerships such as this one with Huntsman offers benefits to both parties through a multiplier effect, each brand’s equity is seen to be enhanced by its association with another brand that matches its core mission and vision but can add an extra dimension as well as additional marketing channels and new customers. Other fashion brand collaborations have seen Tengri partner with retro menswear brand Harry Stedman on a limited-edition men’s knit ‘The Mariner’.

Shining a light on the often-hidden practices in the pre-supply chain had made Johnston aware that frequently up to 90% of fibre is rejected as unsuitable for fashion or luxury use and as a result creates textile waste that frequently adds to landfill. Determined to remedy that situation, Johnston has sought to collaborate outside luxury fashion by reconsidering textile usage and as a result to minimise waste. Diversification through product category is common in fashion and
luxury fashion brands often create brand extensions into homeware. Seeking additional outlets for Tengri’s textiles resulted in a developing collaboration with British textile designer Nile & York on a range of cushions that combine Nile & York prints with Tengri’s woven fabric, and cushion pads stuffed with yak fibre. Aside from their classic design aesthetic, the appeal for Tengri to partner with Nile & York lies in the fact that they are made in the UK. A more radical and innovative diversification has been to forge a partnership with luxury bed-maker Savoir Beds. Tengri has partnered with Savoir on another limited-edition product, a bespoke model- the Savoir No 1 Limited Edition- that utilises yak fibre in the mattress and topper. From each sale £500 is donated towards the Wildlife Conservation Society supporting conservation research and outreach in Mongolia.

Undoubtedly the appeal for Tengri’s collaborators is firmly rooted in the quality of the product i.e. the yak fibre. Additionally, the romantic appeal of the story from Mongolian herder to luxury product makes it ideal for marketing communications. Multiple media platforms have reported on the Tengri story and iconic London department store Selfridges selected Tengri as one of their key sustainable producers in a 2016 physical and digital sustainability showcase: Material World, that ran from January to March 2017 and comprised a multimedia retail experience focused on the provenance of fashion fabrics in an exploration of sustainable innovation. The Tengri brand story was represented in an Oxford Street-facing window, in an installation in the atrium, whilst Tengri products including limited-edition menswear and knitwear was showcased in the designer menswear department which Johnston reports ‘really helped position it’ amongst established luxury brands.

Made in the UK is a core strand of Tengri’s promotional materials and London is the HQ of the Tengri brand, its location a deliberate celebration of modern multiculturalism and the historic home of quality menswear. The current renaissance for handcrafts and artisanship links the traditions of the nomadic herder with the contemporary celebration of local production weaving the intangible culture of the Mongolian steppes into luxury fibres destined for contemporary sustainable luxury consumers, those ‘aspirationals’ identified by sustainability consultant Caroline Holme Director of Globescan. The hand touch is an important strand of luxury production and at a trunk show hosted in Covent Garden’s Library Club as part of their Saturday Brunch Club aimed at female entrepreneurs and professionals Stephanie Sobey-Jones, Tengri’s hand-knitting specialist, discussed the qualities of the yak yarn whilst knitting a bespoke sweater.

Tengri is seeking to develop its international market through trade missions to North America and the Middle East, but the spiritual home of Tengri is Mongolia and that is where the impact of the social enterprise luxury brand can be measured. Tengri now works with about 1,000 families and sources 20 tons of yak fibre per annum which greatly increased the market value of yak fibre. In addition to the economic impact of supporting herder families, Tengri’s social impact is evidenced through the co-creation of a local festival initially conceived as a way to show the herder families the fashion resulting from their supply of yak fibre and now self-organised by the local community. The festival generated so much press and additional income that Tengri is now advising Mongolia on tourism and highlighting the herders’ cause has enabled them to gain land rights. But one of Johnston’s proudest claims is the fact that the yak, where her story started, has now been recognized as a national icon of Mongolia.
Conclusion

The Deloitte report on connecting sustainable development with enduring commercial success reminds us that ‘Businesses can only exist and succeed by virtue of the communities and environment’ in which they operate (2017:19). According to the Tengri website their work with nomadic herders supports Sustainable Development Goals 8, 12, 15 and 17 ‘by promoting sustainable economic growth, ensuring sustainable production patterns, protecting and promoting sustainable natural ecosystems use and combating desertification through our global partnerships for sustainable development.’ By adopting a social enterprise business model and brand strategy that celebrates transparency, Tengri has been able to build a social enterprise business model reflects shifts in the global economy, business and culture applying processes and practices which run counter to traditional models. In Johnston’s words:

‘I came up with the quadruple bottom line for Tengri and that is the quadruple Ps: people, planet, profit and purpose’

The aspiration to create quality luxury products with meaning and longevity whilst rewarding those at every stage of the supply chain and putting transparency at the core of strategy has created a business model whose mission, values and practices resonate with the new conscious luxury consumer and offers a template for other businesses seeking to use fashion business for good.

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