

## INNOVATIVE MODELS FOR APPROACHING MANAGERIAL PRACTICE

*Doina I. POPESCU*<sup>a\*</sup>, *Eduard Gabriel CEPTUREANU*<sup>b</sup>, *Sebastian Ion CEPTUREANU*<sup>c</sup>

<sup>a, b, c</sup> *Bucharest University of Economic Studies, Romania*

---

### ABSTRACT

*The paper presents the challenges that companies face in the new socio-economic context, which demand changes at strategic level as well as at operational and functional level. In this context, innovating firms, adopting sustainable business models which maximise customer experience with zero environmental impact, are presented. Also, the innovative solutions used in the new business models enable a larger brand-consumer interaction. In addition, brands are now capable of creating circular business models and of generating multiple revenue streams from the same product, more than in a linear business model.*

**KEYWORDS:** *circular economy; connected products; innovative business models; societal marketing; sustainability.*

**DOI:** 10.24818/IMC/2021/03.13

---

### 1. INTRODUCTION

In this century, turbulence is the "new normality", interrupted by periodic and intermittent outbursts of prosperity and decline. In their work "Chaotics: The Business of Managing and Marketing in the Age of Turbulence", Ph. Kotler and J. A. Casilione state that "turbulence, and especially heightened turbulence, with its consequent chaos, risk, and uncertainty, is now the normal condition of industries, markets, and companies". This "interlocking fragility" in the global economy (Kotler & Casilione, 2009) is the effect of:

- globalisation, driving force leading to business interconnection and interdependence;
- New Information and Communication Technologies (NICT), the main force making possible the transfer of information at the speed of thought; the Internet extends business partners' "power to connect", creating a new universal space for spreading information, for collaboration and commerce (Gates, 2000). In this context, all companies need to:

1. *learn to live* with:

- risk, which is quantifiable;
- uncertainty, which is not quantifiable.

2. *build*:

- a system of early warning;
- a scenario building system;
- a quick reaction system, guiding management during turbulent times (recession or depression) - (Kotler & Casilione, 2009).

Entrepreneurs' difficulties reside less in revealing the great turbulences of their environment, which are often broadly visible and predictable, than in detecting the real ruptures, some of which, subtle and hidden, predict future prospects and profitability in a sector of activity (Popescu, 2009). On a global scale, these changes explain the emergence of new markets which will need to become

---

\* Corresponding author. E-mail address: [doina.popescu@man.ase.ro](mailto:doina.popescu@man.ase.ro)

known in order for them to be exploited by the company, but also shared with other partner companies or with competition. It's not only about a geographic explosion of markets and competitors, but also about a new state of the environment, technologically and culturally, which offers opportunities which need to be seized quickly, seeing that today competition is said to revolve around time (Popescu, 2018; Popescu, 2017).

The permanent transformation of the environment has radically changed the nature and characteristics of the information traditionally required by the company in order to know its present and most importantly its future, as an essential premise for the success of its business' marketing thinking. In order to effectively manage the competitive environment in perpetual change, a new information is consequently required, which must be: prospective, extrovertive (open), qualitative (together with quantitative data), obtained from fragmented signals (on target market segments) and uncertain, hence the need for a synthetic informational approach (Ristea & Ioan-Franc, 2010; Popescu, Alexandru, Ceptureanu & Ceptureanu, 2018).

The development of the Internet may transform businesses and allow organisations to react faster and more efficiently, by accelerating the three basic elements of any economic enterprise (Gates, 2000):

- the company's relationships with its consumers and partners;
- the company's relationships with its employees;
- business processes.

The new economy, also known as the digital economy, is based on NICT. Today's economy is a hybrid between "the old economy", relying on the logic of manufacturing industries' management, and "the new economy", emerged from the consolidation of the digital revolution's achievements and from the complex globalisation process of the world's economy (Kotler, Jain & Maesincee, 2009).

Entering the knowledge-based informational society requires a shift in companies' mindset. Without abandoning many of the skills and competencies which ensured their success in the past, companies need to "reconsider and form brand new concepts and competencies. To reconsider the role of marketing in the company's strategy" (Kotler, Jain & Maesincee, 2009). This change in mentality needs to focus on the assertion according to which only through performing holistic marketing activities, destined for the analysis, creation and supply of value, will companies be able to continuously renew their own markets.

The challenges that lie ahead for companies demand the restructuring and revaluation of the manner in which they carry out their marketing activity. As early as the end of last century, Malcom McDonald (1998) already made a distinction between two large categories of changes happening in terms of marketing optics, namely: *changes at strategic level* (linked to the conceptual and strategic role of marketing within an organisation) and *changes at operational and functional level* (which occur at the level of the practical marketing function).

The changes related to the company's strategic level are projected in the sphere of issues of societal legitimacy, of entrepreneurial vision and organisational culture. These strategic changes to the organisation bring, conceptually, new paradigms differentiating between post-modern marketing, brought in discussion by specialists in the field at the end of the 20<sup>th</sup> century, and traditional marketing. Thus, we can speak of three perspectives in understanding marketing optics in a system approach:

- civilisation marketing;
- internal marketing;
- relational marketing.

Under these conditions, corporate governance imposes a new marketing optics: civilisation marketing. It's a natural reaction for the company, knowing the wishes of its clients, to choose those that are consistent with its strategic goals, without considering society's long term interests. Hence

for instance, a fruit industrialisation company promoting soft drinks with sugar in their composition contribute to the increase in sugar consumption (with repercussions in the possible onset of diabetes and obesity for certain consumer segments); or the design of disposable packaging, albeit light and practical, generates an increase in the quantity of waste disposed of in nature. Some companies can promote green marketing, respecting the environment, and accepting that the ecologic argument can stimulate sales (Ristea & Ioan-Franc, 2010).

On the other hand, it would be utopian for one to expect from companies a self-discipline with the long term effects of systematically achieving benefits for the betterment of society. This is why, as Matricon (1993) pointed out, a third will is required: that of society itself, represented by its institutions. Kotler and Dubois (1992) propose on this topic the notion of societal marketing: a management orientation which recognises that the main undertaking of the company is to study the needs and desires of its targeted markets and to carry out its activity in such a way as to satisfy them better than the competition, but also in a manner that conserves or improves consumers' welfare and the prosperity of the community. The definition underlines the fact that societal marketing could factor in individuals' long term welfare.

The need to adapt business models to the new socio-economic context is presented in the following articles: "Green fashion- a new possible lifestyle for Romanians" (Popescu, D.I., 2013), "Ways for Romanian clothing companies to perform whole exports in the international slump context" (Popescu, Bagu, Popa, & Hancu, 2009), "The correspondence between workforce skills and company needs" (Popescu, D.I., 2013), "The expansion potential of using sales promotion techniques in the Romanian garments industry" (Popescu, Popa, Cicea & Iordanescu, 2013), Eco-innovation Capability and Sustainability Driven Innovation Practices in Romanian SMEs (Ceptureanu, Ceptureanu, Popescu, & Orzan, 2020), "Relationships between Knowledge Absorptive Capacity, Innovation Performance and Information Technology. Case study: the Romanian Creative Industries SMEs" (Popescu, Ceptureanu, Alexandru & Cepureanu, 2019), "Social Responsibility and Business Ethics. IX. Green Management and Sustainable Development of the Firm" (Popescu, 2019), "Social Responsibility and Business Ethics. VII. Circular Economy and the Role of Corporate Social Marketing" (Popescu, 2018), "Social Responsibility and Business Ethics. VI. Redefining Company Strategy in the New Socio-Economic Context" (Popescu, 2018), "Social Responsibility and Business Ethics. IV. Social Responsibility and Process driven by Customer" (Popescu, 2017).

## **2. THE NEW INNOVATIVE BUSINESS MODEL - FROM ANALOGUE TO DIGITAL**

In the fashion industry, the circular economy is more and more talked about, while CO<sub>2</sub> emissions caused by the textile industry are estimated to increase by over 60%, up to almost 2.8 billion tons per year by 2030. The European Commission predicts that the textile industry generates waste of around 16 million tons per year.

One of the most innovative solutions for clothes, once sold, to come back full circle, is provided by technology. Thus, clothes can have a digital fingerprint, through which their journey can be monitored throughout their life cycle, and the related data is stored in cloud.

Although this sounds like a science fiction script, there are already top players on the market such as YKK, EON and outdoor or fashion brands like Houdini or Gabriela Hearst who have made significant steps in this direction.

In the year 2020, a pilot project was launched that developed the technology to close the circle in the fashion industry. Hence, it had to start from somewhere, and when it comes to cutting edge sustainability, the pioneering came yet again from a Scandinavian brand. It's namely the Houdini brand, whose mission was and is that of maximising customer experience, with zero impact on the environment. Thus, with the aid of YKK's intelligent zippers NFC (Near Field Communication) which act as hardware identification instruments, a digital identity is created in cloud for each

article of clothing. Here is where EON enters the game, by bringing the products online so that they can offer an exchange of updated information, and so that brands like Houdini can see the real life cycle of their product. Jasper Danielsson, Head of Design & Product at Houdini Universe in Stockholm, considers it is not helpful to create circular products if you do not know where they are or where they end up. In this context, Houdini's plan is to adapt this system to their products, and not only to the newly launched ones.

The universe of the Houdini brand is an entire ecosystem, containing three types of flows: of materials, products and information. Danielsson explains that Houdini sees all the resources that they use as being borrowed from the planet, and that ultimately they will have to give them back, a reason for which, by the year 2022, all of Houdini's products will be circular. With regards to the product flow, Houdini does not stop with the fabrication of high performance circular products, but also maximises their utilization via activities such as rental, subscriptions, re-use. Moreover, through information flows, the brand shares its innovative ideas and inspires people to reconnect with nature. Consequently, fashion does not have to end at the counter or at the online payment.

EON is a revolutionary platform powering circular commerce in fashion. EON introduces a language for connected products. To speak, that language is called the CircularID Protocol (circular identification protocol). This protocol, launched in 2020, aims to transform the current fashion business model. Because until 2020 there was no proper identification system for customers and recyclers, the first step was for the industry players to highlight what the essential pieces of information in circularity are. Thus, what was necessary to best quantify a re-sell or recycle was a protocol of circular identification, which is the language of these connected products. Hence, with the aid of technology, EON does not only keep close to its community, it also goes to the next level, by fully controlling the resources flow and ensuring that the articles of clothing remain in that system.

The CircularID protocol is a global language for connected products by means of which brands may initiate circular business models. Through this protocol, products, customers and partners connect throughout the entire life cycle and essential information is collected for product identification and management within the circular economy.

The protocol's main functions are:

- product identification – supporting the continuous use and circulation of the products;
- product identification and continuous monitoring via circular business models (for example renting or re-sale) and product management via channels for continuous use and circulation (for instance, repairs, reverse logistics, peer-to-peer, collections, etc.);
- materials identification – supporting the continuous use and regeneration of materials;
- materials identification for regeneration, including dismantling and recycling.

Elyse Tosi, Director of the Connected Products programme within EON, stated that the main objective is to bring 400 million clothing products online by 2025.

Through "connected" clothes, the fashion circular economy can finally be scaled, making a simpler connection with the client.

The transition to the new innovative business model is made possible by EON through the collaboration with industry leaders that are heading towards this change, namely Houdini and YKK. In this way, brands are now capable of creating circular business models and of generating multiple revenue streams from the same product, more than in a linear business model.

YKK, the Japanese producer of smart fastening solutions, is another pioneer in the domain of sustainability. The company thus developed its first recycled zipper in the year 1994.

YKK collaborated with Lifekey, a portable technology company, on the development of Touchlink – an interactive zipper which can be connected to phones. By using Near Field Communication (NFC), the new product allows the company to communicate with its consumers and to offer them digital updates.

The consumers can reach the zipper using their NFC-compatible smartphones and receive information about their clothes. The use of intelligent zippers can also act as an alternative to labels and allows a larger interaction between brand and buyers.

According to the Lifekey founder, the platform can also become an innovative advertising space. Retailers and brands can launch exclusive content catered to their customers, they can offer important details about the product, cleaning and care instructions, product warranty or safety information, etc. (Turp-Balazs, 2021).

### **3. INNOVATIVE FIRMS THAT TRANSFORM WASTE INTO BIODEGRADABLE HIGH QUALITY PRODUCTS**

Founded in 2012, Renewcell is a circular fashion business with a lot of awards up its sleeve, who transforms textiles into biodegradable high quality products.

Through a patented process, Renewcell can recycle cellulose textile waste, such as cotton and viscose clothing, into a new clean material, named Circulose. This is a circular material, produced out of 100% recycled textiles, which can be used as raw material in the manufacture of natural biodegradable textile fibres, such as viscose and lyocell.

Renewcell created the Circulose project dedicated to circular fashion together with brands such as Levi's, H&M and others, in order to re-route textile waste from the landfill, by offering them a new life. In 2020, H&M and Levi's became the first brands to launch on the market products fabricated from Circulose. The fashion retailer BESTSELLER has been collaborating since 2021 with Renewcell, with its 3 brands Vero Moda, Object and Selected using Circulose recycled material. BESTSELLER launched an innovation laboratory called "Fashion FWD Lab" which focuses on low impact circular materials, new production technologies, as well as circular business models. Fashion FWD Lab acts like a catalyst for collaborations consisting in pilot projects, workshops, case studies in order to accelerate durable change.

In 2020, Renewcell announced an increase in its recycling capability in order to keep abreast of the growing circular fashion trend. In this respect, a new Renewcell recycling unit will be built on the platform of a former paper mill in Sundsvall, Sweden. It will have the capacity to recycle millions of clothes per year, through an environmentally friendly process that works 100% on green energy. It is estimated that the new factory will hire a hundred workers and will have the ability to recycle 60,000 tons of textiles per year, which would represent around half of the annual textile consumption in Sweden.

Renewcell also signed a contract with the viscose Chinese producer Tangshan Sanyou, to whom it will deliver 175,000 tons of Circulose fibre recycled from textile waste. The contract is in force for five years and is one of the most important in scaling the circular and biodegradable materials in the fashion industry.

The agreement with Tangshan Sanyou is a key element for ensuring the financing of the new factory which is scheduled to start production in the first half of 2022. Once operational, the new factory will be able to recycle the equivalent of 300 million T-shirts, helping to close the fashion cycle and reducing fashion's dependency on virgin materials such as cotton and oil (Turp-Balazs, 2020).

### **4. CONCLUSIONS**

In this work, circular business models from the fashion industry are presented, by means of which clothes, once sold, can come back to close the circle, and through the use of innovative technologies, clothes can gain a digital fingerprint to track their journey throughout their life cycle, with data stored in cloud. Thus, through "connected" clothes, we can scale the fashion circular economy, creating a simpler connection with the customer.

In addition, the article showcases firms that have adopted circular business models through which they transform textiles in high quality biodegradable products.

## REFERENCES

- Ceptureanu, S. I., Ceptureanu, E. G., Popescu, D. and Orzan, O. A. (2020). Eco-innovation Capability and Sustainability Driven Innovation Practices in Romanian SMEs. *Sustainability*, 12(17), <https://doi.org/10.3390/su12177106>
- Gates, B. (2000). Afaceri cu viteza gândului. *Spre un sistem nervos digital*. Editura Amaltea, București
- Kotler, Ph. and Casilione, J. A. (2009). *Chaotics: Management și Marketing în era turbulențelor*. Editura Publica, București
- Kotler, Ph. and Dubois, B. (1992). *Marketing Management*. Editura Publi-Union, Paris
- Kotler, Ph., Jain, D. and Maesincee, S. (2009). *Marketingul în era digitală. O nouă viziune despre profit, creștere și înnoire*. Editura Meteor Business, București
- Matricon, C. (1993). *Le Système marketing*. Editura Dunod, Paris
- McDonald, M (1998). *Marketing strategic*. Editura Codecs, București
- Popescu, D. I. (2019). Social Responsibility and Business Ethics. IX. Green Management and Sustainable Development of the Firm. *Quality-Access to Success*, 20 (168), 135-138
- Popescu, D. I. (2018). New Strategic Approaches in the Context of New Opportunities and Threats of the Environment, 31<sup>st</sup> International Business Information Management Association Conference. *Innovation Management and Education Excellence Through Vision 2020*, Vols I-XI, Apr. 25-26, 2018, Milan, Italy
- Popescu, D. I. (2018). Social Responsibility and Business Ethics. VI. Redefining Company Strategy in the New Socio-Economic Context. *Quality-Access to Success*, 19 (163), 102-106
- Popescu, D. I. (2018). Social Responsibility and Business Ethics. VII. Circular Economy and the Role of Corporate Social Marketing. *Quality-Access to Success*, 19 (162), 118 -122
- Popescu, D. I. (2017). Social Responsibility and Business Ethics. V. The Faces of Social Responsibility. *Quality-Access to Success*, 18 (161), 135-140
- Popescu, D. I. (2017). Social Responsibility and Business Ethics. IV. Social Responsibility and Process driven by Customer. *Quality-Access to Success*, 18 (160), 68-73
- Popescu, D. I. (2013). The correspondence between workforce skills and company needs. *Industria Textila*, 64 (3), 168-175
- Popescu, D. I. (2013). Green fashion- a new possible lifestyle for Romanians. *Industria Textila*, 64 (1), 46-54
- Popescu, D. I. (2009). Competitive advantage assuring within clothing manufacture companies in Romania. *Industria Textila*, 60 (3), 153-158
- Popescu, D. I., Alexandru, A., Ceptureanu, S. I. and Ceptureanu, E. G. (2018). Analysis of MSEs in ICT Domain from Bucharest- Ilfov County by Using Nonaka - Takeuki Model. *Studies in Informatics and Control*, 27 (1), 107-116
- Popescu, D. I., Bagu, C., Popa, I. and Hancu, D. (2009). Ways for Romanian clothing companies to perform whole exports in the international slump context. *Industria Textila*, 60 (6), 334-340
- Popescu, D. I., Ceptureanu, S. I., Alexandru, A. and Ceptureanu, E. G. (2019). Relationships between Knowledge Absorptive Capacity, Innovation Performance and Information Technology. Case study: the Romanian Creative Industries SMEs. *Studies in Informatics and Control*, 28 (4), 463-475
- Popescu, D. I., Popa, I., Cicea, C. and Iordanescu, M. (2013). The expansion potential of using sales promotion techniques in the Romanian garments industry". *Industria Textila*, 64 (5), 293-300
- Ristea, A. L. and Ioan-Franc, V. (2010). *Marketing Strategic*. Editura Expert, București
- Turp-Balazs, A. (2021). Noul model de afaceri al modei, de la analog la digital. *Dialog Textil*, nr. 3/2021, 10-14
- Turp-Balazs, A. (2020). Suedezii de la Renewcell transformă blugii vechi în fibre noi. *Dialog Textil*, nr. 11/2020, 30-32