GREEN BUSINESS MODEL:
CHANGING OUR HOME DECORATION ACCORDING TO OUR MOOD

By

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ABSTRACT

MOOD is a new concept for home decoration. The purpose of MOOD is to make sustainable design products for creative and modern people living in small spaces. MOOD creates high quality and fashionable reversible decorative home articles, such as rugs, pillows and blankets that transform a home's decorative style in one easy step, allowing our homes to reflect the way we feel, or to modify the decorating style according to our needs.

MOOD has been designed to adhere to the principles of sustainable development, working in accordance with the triple bottom line: taking care of profits, people, and the planet. The main foundations of this business model that relate to sustainability are the creation of an upcycling process using recycled fabrics, and working with skilled women in handicraft (loom, knitting, crocheting and patchwork) living in developing countries.

During the first years, MOOD will design, produce and sell products in Chile. The strengths of MOOD relative to its competitors are associated with the exclusivity and quality of the products, the customer experience, and good service and relations with suppliers. The opportunities for MOOD compared to its competitors are related to trends, niche market, new technologies, distribution channel and social returns.

As for all entrepreneurial business ideas, MOOD has challenges that have to be managed. The internal challenges include the go or no-go decision, the creation of a team, engaging suppliers and economic risks. The external challenges include market barriers, competitors' responses, and the availability of the raw materials used in MOOD's products.

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This thesis is dedicated to the people that have always supported me in all the new challenges that I decide to take in life. Especially to my husband, Pablo, for taking care of me, and giving me the freedom to fly and dream big; and to my little sister Tamara, for her constant support and love.

Thanks to my family, my mom, dad, grandma and grandpa, for making me the person that I am. Thanks for giving me the most valuable tools: education, love, positivism and passion for life.

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Thanks for the unforgettable moments, and for giving me until now the best year of my life.

Rocio.

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Chapter 1 The Motivation

I believe that a business cannot be understood if it does not take into account the social and environmental aspects of its operations. Every business model should be created in terms of how to minimize its current impact, or to do even better by creating a positive impact on earth and people worldwide.

The inspiration behind this green business (which I call MOOD) comes from two different objectives related to current market needs:

- Supporting people living in small spaces, and
- Promoting recycled fabrics

In addition to these market needs, I have the personal aspiration to assist women in developing countries through providing them with meaningful and sustainable sources of income.

To understand the concept behind MOOD it is necessary to examine the state of the art in these areas, as well as to analyze how colors and emotions are connected in people's lives.

1. Small Spaces: Market and Trends

1.1 Living in a small space

Tiny houses come in all shapes, sizes and forms, but they are characterized by smaller spaces and simplified living. For most Americans, 1/3 to 1/2 of their income is dedicated to the space where they live; this translates to 15 years of working just to pay for living space, and because of this, 76% of Americans are living paycheck to paycheck.(The Tiny House Movement, 2007).

The benefits of living in a small house include the following (Gromicko, 2012):

- Increased cash flow. Smaller homes require a smaller mortgage, lower property taxes, as well as decreased homeowner's insurance, maintenance costs, and the expense required to furnish the home. Owners might even be able to purchase a smaller house in cash using the proceeds from their existing home. And with the extra money, they can afford improved insulation, higher-quality windows and flooring, and luxuries such as solar roof panels and skylights;

- Less maintenance. Fewer rooms and smaller spaces cut down on the time needed to clean and maintain, leaving more hours a day for more enjoyable activities;
- Lower utility bills. It is cheaper to heat and cool a small home than a large home. Typically, there is no wasted space in vaults in a small home;
- Reduced consumption. If there is little space to store items, homeowners are much less likely to buy new things. Fewer rooms and windows mean less money spent on TVs and curtains, for instance;
- More time with the family. Less space means that more room must be shared, which encourages group activities and dinners.

1.1.1 Small Spaces and the Environment

The three 'R's of conservation are reuse, reduce and recycle. Consumers interested in being environmentally friendly accomplish the three 'R's by building, purchasing or choosing to rent smaller homes. They would also conserve by investing more in green elements for their homes such as energy-efficient heating and cooling systems, low-flow faucets and dual-flush toilets, among other eco-friendly products. Other ways to conserve are to reuse and recycle. More and more consumers are demonstrating an increased awareness of sustainable materials and are using them throughout their residences (K&A, 2011).

1.1.2 Designing and Upgrading Small Spaces

Designing products, environments and spaces for purposes of meeting the needs of the population that will use them has become an important issue across the whole spectrum of social and economic activity. The challenge of designing inclusively for the whole population is not just a matter of social urgency; it has become one of the defining business priorities of the age (Bright & Cook, 2010).

In the view of the Commission for Architecture and the Built Environment (CABE), adopting the above principles of inclusive design will lead to the creation and management of spaces and places that are:

- **Inclusive:** So everyone can use them safely, easily and with dignity:
- **Responsive:** taking into account what people say they need and want;
- **Flexible:** so different people can use them in different ways;

- **Convenient:** so everyone can use them without too much effort or separation;
- **Accommodating:** for all people, regardless of disability, age mobility, ethnicity or circumstances;
- **Welcoming:** with no disabling barriers that might exclude some people;
- **Realistic:** offering more than one solution to help balance everyone's needs and recognizing that one solution may not work for all.

Consumers customize small spaces to efficiently accommodate their wants, needs and lifestyles. The trend of designing small spaces has become so popular that, in 2010 alone, many magazines, journals and related media wrote about the trend (K&A, 2011).

A small home is similar to the cockpit of an airplane – it requires thorough space planning, deliberate design and useful objects. Many consumers turn to designers for tips on how to enhance their smaller spaces. One of the tips is to purchase multi-functional pieces. These pieces can be statement pieces that also function as organization tools. Organization is especially important in small spaces to reduce clutter (K&A, 2011).

In addition to decorating their spaces, consumers are also investing in remodeling projects and upgrades to make their small spaces more efficient. These homeowners will concentrate on maximizing the usefulness of existing space by creating opportunities for multi-function spaces (K&A, 2011).

1.2 Single Person Households Market

Globally, the number of single-person households has increased due to improving standards of living and growing trends towards smaller household structures. The number of single-person households has risen by 30 percent over the last 10 years. This trend is seen across regions and within both developed and emerging economies. However, it is more pronounced in the developed economies of Western Europe and North America (Euromonitor International, 2012).

Exhibit 1-1 shows the projection for 2020 of the top 10 countries with the highest number of single households (Euromonitor International, 2012).

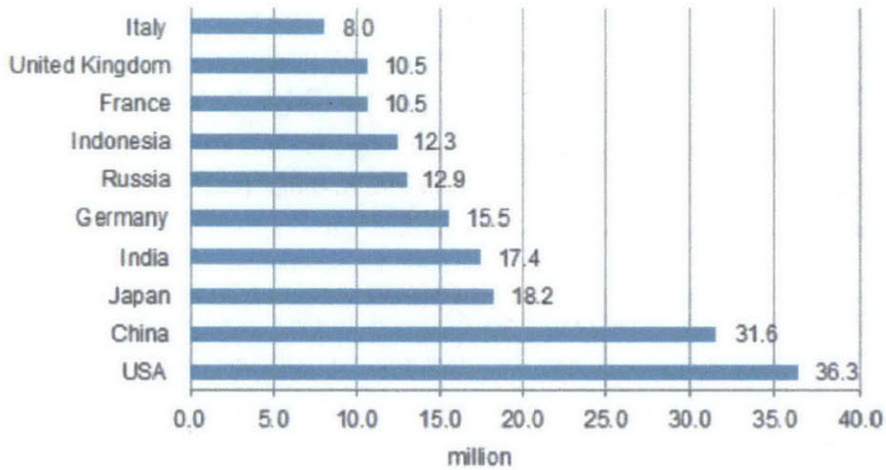

Exhibit 1-1 Countries with highest number of single households: 2020

The percentage of single-person households in Asia, the Middle East and Africa is also rising, but at a slower pace. This is because countries in these regions have a high incidence of poverty and a low standard of living. In addition, traditionally extended family structures are still prevalent. Exhibit 1-2 shows the proportion of single-person households by region from 2001 to 2011 (Euromonitor International, 2012).

The factors currently contributing to the global increase in single-person households include:

- Increased standards of living.
- Growing tendency of younger people to focus on education and careers.
- People delaying marriage.
- Rise in global female employment and growing ability of women to support themselves.
- Aging populations that lead to more elderly people living alone.

Single-person households are an important consumer segment, impacting worldwide consumer spending patterns. This market segment tends to consume more per person compared to those living in larger households and sharing resources, resulting in higher domestic consumption. For example, in Indonesia, consumer expenditure of single-person households increased from US$8.7 billion in 2005 to US$26.3 billion (or 5.6% of consumer expenditure) in 2011 (Euromonitor International, 2012).

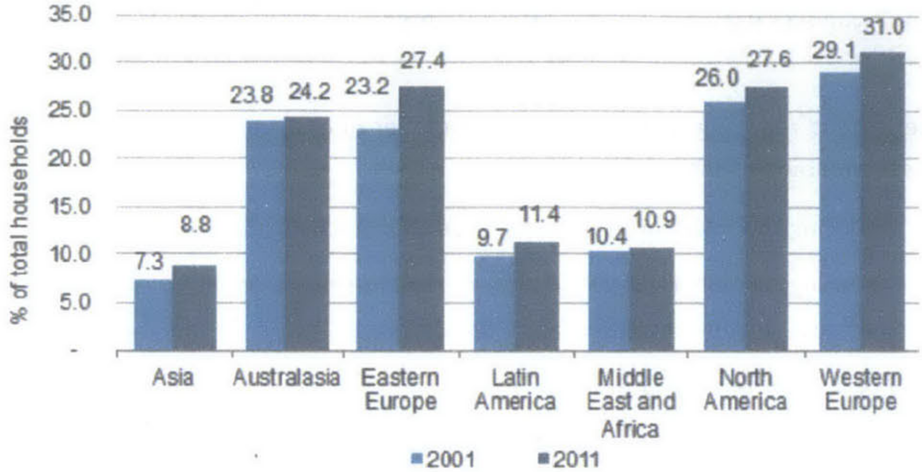

Exhibit 1-2 Percentage of single-person households by Region: 2001 and 2011

Business across sectors can target this consumer segment, which is mainly comprised of young professionals in fast growing emerging and developing economies, and elderly people living alone in aging developed economies. The trend presents opportunities in industries ranging from housing, appliances and leisure to food packaging (Euromonitor International, 2012).

2. Recycled Fabrics

The value of the clothing and textile industry (i.e., clothing, textiles, footwear and luxury goods) reached almost $2,560 trillion in 2010 (Breyer, 2012).

This industry uses vast amounts of natural resources, such as water, oil and land. The World Bank estimates that textile dyeing and treatment processes contribute up to 17-20% of the total industrial water pollution. In addition, the production of garments requires approximately one third of the world's water resources. The fashion and textile industry is one of the world's major energy consumers. Fuel consumption in textile mills is almost directly proportional to the amount of water consumed (Redress, 2013).

Textile production is a major contributor of today's environmental pollution through its high greenhouse gas emissions and its contamination of air and fresh water supplies. In addition, textile and clothing transportation in today's global fashion supply chains leads to increased pollution. It does not end here, because when consumers wash their clothes, chemicals continue to be released into the water system (Redress, 2013).

Recovering and recycling textiles provides a number of environmental and economical benefits such as the following (BIR, 2010):

- Reducing the need for landfill space: Certain synthetic fiber products do not decompose.
- Reducing air pollution: While natural fiber such as wool does decompose, it produces methane, which contributes to global warming.
- Reducing pressure to draw on new resources as natural fibers, cotton or wool, or to employ oil and other chemicals to produce synthetic fibers.
- Reducing pollution as well as water and energy consumption.
- Reducing the demand for dyes and fixing agents, lowering the number of problems caused by their use and manufacture.

Textile materials for recycling can be obtained through three primary ways (BIR, 2010):

1. Post-industrial — from scrap textiles of other industries.
2. By-product — from yarn and fabric manufacture for the garment-making and retail industry.
3. Post-consumer — from discarded garments, household items, vehicles, etc.

2.1 Textile Recycling Statistics

The textile and apparel recycling effort is concerned with recycling, recyclability, and source reduction of both pre-consumer and post-consumer waste (Wang, 2006).

To understand the global impact of the textile industry, Exhibit 1-3 shows the main countries related with textiles trade and production and their behavior in terms of recycling.

Country	Comments	Textile Production (Million ton/year)	Discharged fabric (Million ton/year)	% of Discharge Recycled
China	World's largest producers of textiles and clothing	41.3 (52-54% of the world's total production) (Breyer, 2012)	+26 (Gu & Xiao, 2013)	< 10% (Gu & Xiao, 2013)
United States	Biggest clothing brands and one of the main consumers	Not available	+13.1 (Wallander, 2012)	15% (Wallander, 2012)
India	Second largest producer of textiles and garments in the world	6.585 billion kilogram (IBEF, 2013)	1 (Saravanan, 2011)	25% (Saravanan, 2011)
UK	One of the main referents in textile recycling	Not available	0.8 to 1 (Redress, 2013)	> 25% (Redress, 2013)
Latin America	MOOD's potential initial market	Not available	Not available	Not available

Exhibit 1-3 Global Impact of the textile industry wastes

It is well established that recycling is economically beneficial, yet much of the discarded clothing and textile waste fails to reach the recycling pipeline (Wang, 2006).

2.2 The Textile Recycling Industry

The textile recycling industry is one of the oldest and most established recycling industries in the world. This industry has a myriad of players including consumers, policy makers, solid-waste managers, not-for-profit agencies, and for-profit retail businesses. Textile sorting companies, known as 'rag graders,' acquire, sort, process, export, and market pre- and post-consumer textile products for various markets (Wang, 2006).

Throughout the world, used textile and apparel products are salvaged as reclaimed textiles and put into new uses. This "hidden" industry consists of more than 500 businesses that are able to divert over 1,250,000 tons of post-consumer textile waste annually (Wang, 2006).

Furthermore, the textile recycling industry is able to process 93% of the waste without the production of any new hazardous waste or harmful by-products. The Council for Textile Recycling has indicated that virtually all after-use textile products can be reclaimed for a variety of markets that are already established. Even so, the textile recycling industry continues to search for new viable value-added products made from used textile fiber (Wang, 2006).

The pyramid model shown in Exhibit 1-4 represents the sorting categories of textile recycling by volume. Sorting categories include textiles that are exported to developing countries, converted to new products from open recycling[1] or redesign, cut into wiping and polishing cloths, dumped into landfills or incinerated for energy, and 'mined' as 'diamonds.' For the most part, volume is inversely proportional to value (Wang, 2006).

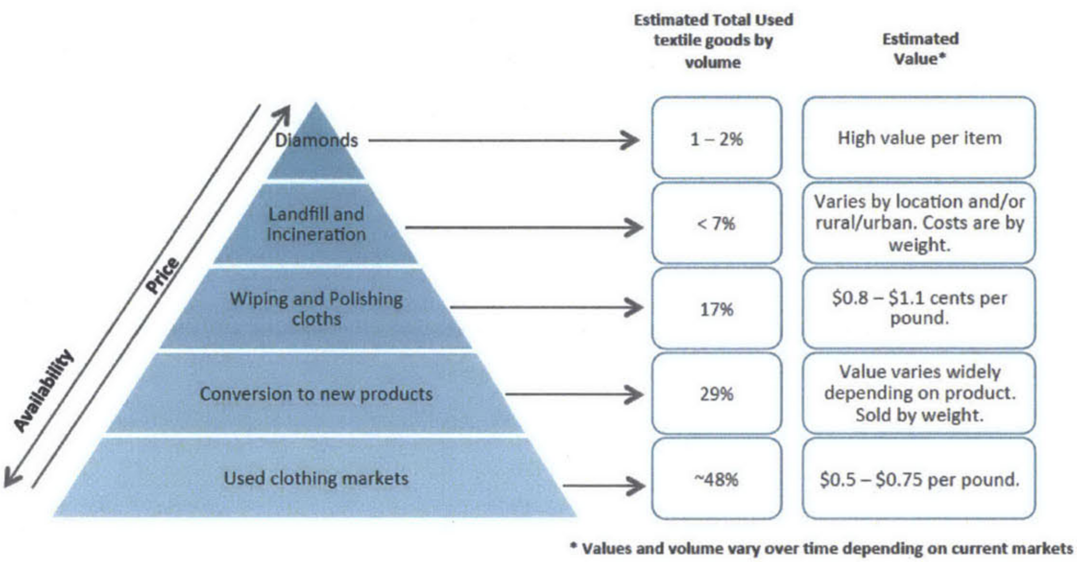

Exhibit 1-4 Pyramid model for textile recycling categories and estimated value by quantity.

2.2.1 Used clothing markets (export of second-hand clothing)

The largest volume of recycled goods is sorted for second hand clothing markets (approx. 48%), primarily for export to developing countries or disaster relief, for example USA exports $61.7 million in sales to Africa. Western clothing is a highly valued commodity and perhaps serves as the only source of affordable clothing in many developing countries where levels of income are so low that food and clean water are the primary concerns (Wang, 2006).

[1] Open recycling refers to the process of mechanically or chemically 'opening' the fabric so as to return it to a fibrous form. Mechanically this involves cutting, shredding, carding, and processing the fabric. Chemically it involves enzymatic, thermal, glycolyse, or methanolyse methods. Once the post-consumer textiles are 'opened' they can be further processed into new products for renewed consumption.

2.2.2 Conversion to new products

With the second largest volume of recycled goods (29%), there are three typical categories of conversion to new products:

- **Breakdown of fabric to fiber using mechanical processes:** Shoddy (from knits) and mungo (from woven garments) are terms for the breakdown of fabric to fiber through cutting, shredding, carding, and other mechanical processes. The fiber is then re-engineered into value-added products. The majority of this category consists of unusable garments – garments that are stained, torn, or otherwise unusable. A vast number of products are made from reprocessed fiber because much of this fiber is re-spun into new yarns or manufactured into woven, knitted, or non-woven fabrications, including garment linings, household items, furniture upholstery, insulation materials, automobile sound absorption materials, automobile carpeting and toys. This process represents an economic and environmental saving of valuable fiber that would otherwise be lost to the landfill. Ironically, the most unusable and damaged of post-consumer textiles often have the highest level of specifications forced upon them by the end-use industries (Wang, 2006).

- **Re-design of used clothing:** Current fashion trends are reflected by a team of young designers who use and customize second-hand clothes. This concept is common among boutiques with a youth oriented target market (Wang, 2006).

- **Waste Fabrics to create recycled raw materials:** It is possible to use available technology in order to extract the raw materials used in the creation of textiles, to recover and generate new fibers that then can be reused. These materials include recycled polyester, nylon and cotton (Bealer , 2012).

2.2.3 Wiping and polishing cloths

This category (17%) is comprised of the clothing that has seen the end of its useful life as such, and that may be turned into wiping or polishing cloths for industrial use. T-shirts are a primary source for this category because the cotton fiber makes an absorbent rag and polishing cloth (Wang, 2006).

2.2.4 Landfill and incineration for energy

With less than 7% participation in the recycling stream, this category has two components. For some reclaimed fiber, no viable value-added market has been established, so the used goods must be sent to the landfill. The incineration of used textiles as an alternative fuel source is more commonly done in Europe than in the USA (Wang, 2006).

2.2.5 'Diamonds'

The 'diamond' category in the model accounts for approximately 1% of the total volume of goods that enters the textile recycling stream, yet this category also accounts for the largest profit center for most textile recycling companies. In the United States, this category includes couture clothing and accessories, iconic American items such as Harley Davidson and Levi's clothes, uniforms like the ones worn by Boy Scouts, certain branded items, trendy vintage clothes, luxury fibers (e.g. cashmere and camel hair), and antique items. Many customers for the items in this recycled category are well-known designers or wealthy individuals (Wang, 2006).

3. Women and Economic Empowerment

While many international agreements affirm women's human rights, women in the developing world are still much more likely than men to be poor and illiterate. They usually have less access than men to medical care, property ownership, credit, training and employment. They are far less likely than men to be politically active and far more likely to be victims of domestic violence (UNFPA, 2012).

Despite these hardships, women's lives have improved greatly over the past decades. Enjoying higher levels of education, women have begun to have greater control over their life choices. They use those choices to participate more in the labor force, have fewer children, diversify their time beyond housework and child care, and shape their communities, economies, and societies. And for many women in the developing world the pace of these changes has accelerated (The World Bank, 2012).

Women now represent 40% of the global labor force, 43% of the world's agricultural labor force, and more than half the world's university students. Productivity will be raised if their skills and talents are used more fully. And eliminating barriers that discriminate against women working in certain sectors or occupations could increase labor productivity by as much as 25% in some countries (The World Bank, 2012).

Women's access to paid employment is an indication of their integration into the market economy. In most countries, women's wages represent between 70 and 90 per cent of men's, with even lower ratios in some Asian and Latin American countries (UN Women, 2013). As women benefit from more regular income, they are more likely to achieve greater autonomy, self-reliance in the household and in their personal development, and increased decision-making power (United Nations, 2013).

Increases in income-earning opportunities for women do not mean they have secure, decent jobs. Nor does it mean they are on an equal footing with men. As of 2011, 50.5% of the world's workingwomen were in vulnerable employment, often unprotected by labor legislation, compared to 48.2% for men (UN Women, 2013). In fact, the data suggests that women in developing regions are more likely than men to work as contributing family workers—on farms or other family business enterprises or as own-account workers—with little or no financial security or social benefits (United Nations, 2013).

The benefits of women's economic empowerment are compelling and include the following:

- When more women work, economies grow. If women's paid employment rates were raised to the same level as men's, in 15 major developing economies, per capita income would rise by 14% by 2020 and 20% by 2030 (UN Women, 2013).
- An analysis of Fortune 500 companies found that those with the greatest representation of women in management positions delivered a total return to shareholders that was 34% higher than for companies with the lowest representation (UN Women, 2013).
- Productivity per worker could soar by up to 40% by eliminating all forms of discrimination against female workers and managers (UN Women, 2013).

4. Color and Emotions

Artists and interior designers have long understood that color can dramatically affect mood, feelings, and emotions. Color is seen as a powerful communication tool that can be used to signal action, influence mood, and cause a variety of physiological responses (Cherry, 2012).

Given the importance of color and visual descriptions in conveying emotion, obtaining a deeper understanding of the associations among colors, concepts and emotions may be helpful for understanding their influence on people's behavior (Volkova, Dolan, & Wilson, 2012). How do color associations develop? How powerful are these associations on real-world behavior? Can color be used to increase worker productivity? Which colors could have an impact on consumer behavior? Do certain personality types prefer certain colors? Why is color such a powerful force in our lives? What effects can it have on our bodies and minds (Cherry, 2012)?

Color has a strong influence on how a space is perceived and can affect, either intentionally or unintentionally, the mood of those using it. A number of studies examining the effect of color on mood have established some general principles concerning the mood creation of a wide range of colors. Research findings of the mood-related effects of color in the UK, the EU and the USA for design and home environments are summarized in Exhibit 1-5 (Bright & Cook, 2010).

Color	Effect
White	This color is used to denote innocence, perfection, cleanliness, faith and purity. White also reflects the greatest amount of light, is neutral, and can be used with any color.
Black	This color can indicate both power and submission, and is strongly associated with formality, death and grief. When used in conjunction with red or orange, it can produce quite aggressive color schemes.
Red	This is often regarded as the color of love, energy, strength and courage, all of which are emotionally intense experiences.
Orange	This color has associations with creativity, sunshine, endurance and warm, tropical places. Although not as aggressive as red, orange is claimed to enhance mental activity and give an impression of heat or warmth.
Blue	This color has a range of opposite reactions to red and is associated with peace, loyalty, wisdom, truth, and cold. It is perceived as a masculine color, providing a calming effect.
Green	The human visual system is tuned to perceive greens better than all the colors. It is associated with relaxation, harmony, nature, growth and stability. Often used as a color of safety, it is also considered restful and to possess powers of healing.

Yellow	This color is associated with joy, honor and spontaneity. Yellow increases mental and physical activity, demands visual attention and is optimistic, but is also seen as unstable.
Purple	This color is associated with power, nobility, royalty, dignity, luxury and mystery. It is claimed to be preferred by 75% of children, yet it is rarely found in nature.
Brown	It is suggested that this color is most preferred by men and is perceived as reliable, stable and wistful.

Exhibit 1-5 The effect of color on mood in the USA, UK and EU

Color, lighting and contrast influence many aspects of how we live our everyday lives. For example, they can be used to communicate information, to stimulate our senses, to influence our emotions, to enable independence and participation, and to instill feelings of wellbeing, comfort or danger. Well-selected and properly maintained color and lighting schemes can enhance considerably our experiences of the world in which we live (Bright & Cook, 2010).

Colors, like features, follow the changes of the emotions. - Pablo Picasso

Chapter 2 The Idea

1. The MOOD Concept

Every day we wake up with a different mood. One day we feel shiny and colorful, but other days we just want to be quiet and neutral. It is in our human nature, that all of us, in some ways are two (or more) different people at the same time. As mentioned in Chapter 1, it is possible to influence our mood using different colors.

We can often see this idea of mood expressed in the way we dress. It is possible to have in our wardrobe different clothes and accessories than can help us to reflect the way we feel or the colors that we want to use. But what happens with our home decoration? How can we change it according to our mood?

If we consider that the global tendency is for people to live in small spaces, the amount of space dedicated to storage is fewer everyday. Consequently, it is complicated and probably expensive to have different decoration styles that allow us to change them whenever we want.

MOOD has been created to help us to reflect in our home the way we feel, or modify our decorating style according to our needs. The purpose of MOOD is to make high quality and fashionable reversible decorative home articles, such as rugs, pillows and blankets. These items will accommodate in just one decorative piece, styles that are either colorful and bright or neutral and traditional, thus giving the possibility to change the look and feel of small spaces without having to purchase and store extra accessories. Exhibit 2-1 shows an example of a reversible pillow.

"Neutral or Traditional" Side

"Bright and Colorful" Side

Exhibit 2-1 Example of a reversible pillow

Using MOOD decorative accessories, people living in small spaces will have the possibility to change their home decorations according to their mood, humor or the occasion. For example, when having drinks with friends, people can use the colorful side, but when they have a dinner for their conservative boss they can flip everything to the traditional side.

With MOOD, it is possible to create entirely new spaces visually. For example, Exhibit 2-2 shows how to change a bedroom space, from the traditional to colorful style just by turning over the accessories.

"Neutral or Traditional" Side

"Bright and Colorful" Side

Exhibit 2-2 Example of a reversible bedroom

MOOD has been designed to be a company with a green business model. The company will have two main foundations related to sustainability: the creation of an upcycling process using recycled fabrics, and working with women skilled in handicraft living in developing countries.

Introducing the upcycling concept, MOOD products are designed to be reversible pieces with higher quality and greater value than the materials in their original state. The raw materials for the process will be procured from post-industrial processes, obtained from manufacturing companies in the textile industry, helping them minimize their current environmental impact.

As mentioned in Chapter 1, it is possible to convert textiles or fabrics into new products through different processes. MOOD will be focused on the process of breaking down fabric to fiber using mechanical processes so as to re-engineer the fiber into value-added products.

The MOOD team will be composed mainly of women living in developing countries. Working with MOOD will help them to improve the quality of their lives through appropriate training, fair working conditions including good salaries, workspaces, and jobs. By working with these women, MOOD will recover, upgrade and update (with fashionable designs) typical handicraft skills such as looming, knitting, crocheting, and patch working.

In this way, MOOD seeks to create a sustainable business, helping people to decorate their small houses according to their mood or needs, from creative to traditional, in just one simple step.

2. Sustainable Design

Sustainable design products are aesthetically appealing products with a clear identity and usability. These products thoroughly integrate social and environmental dimensions in their complete life cycle from production through to consumption and end of life (CBI, 2011).

Exhibit 2-3 shows the environmental and social dimensions involved in product design sustainability (CBI, 2011).

Environmental Dimensions	Social Dimensions
Raw Materials	**Fair Trade**
• Products made with organically produced raw materials • Products made of materials from sustainable sources/plantations • Products made of materials that take into account the protection of biodiversity • Products made of recycled materials • Products made from novel materials that have an overall near zero impact	Products that are Fair Trade WFTO certified or produced following fair trade principles which implies that they are: • Made according to the fair trade principles • Made by transparent suppliers • Made by suppliers who invest in their communities
Production Process	**Cause-driven Trade**
• Products that are made in a cleaner process (less waste, cleaner materials, less energy) • Products that are made in a leaner process (faster, more lightweight, less transport) • Smart products that use parts that can be reused/used in other products	• Products made by (disadvantaged) communities or minorities • Products that support a good cause • Products that are made locally
Product Life Cycle	**Culturally-informed Trade**
• Products that are recycled • Products that are re-used or up-cycled • Products that are easily recyclable after use • Products that are cradle–to–cradle	• Products that reflect cultural values • Products that show special skills[2] • Products made to preserve and further local skills and techniques
Product Use	
• Products that are smarter (multi-purpose, modular, detachable) • Products that are more durable (made to last longer) • Products that are simpler (more timeless, less trendy, with a versatile design)	

Exhibit 2-3 Environmental and social dimensions associated with sustainability in product design

[2] Special skills in this context refer to the capability to make different types of handicrafts.

When combining "sustainability" and "design" there are two alternative paths:

- **Sustainability designed products:** where the design process is intended to make a product sustainable. Design and sustainability are of equal importance and the resulting product is of a high quality.
- **Design products with sustainability attributes:** where products have a high design value, and sustainability is incorporated whenever possible. Here, design takes precedence over sustainability in the final determination of the product (CBI, 2011).

MOOD will focus on creating high quality sustainable designed products, where design and sustainability will have the same level of importance in determining the products.

Using the definitions of Exhibit 2-3, the main social and environmental characteristics of MOOD products are shown in Exhibit 2-4.

Environmental Dimensions	Social Dimensions
Raw Materials	**Fair Trade**
• Products made of recycled material	• Made according to the fair trade principles
Production Process	**Cause-driven Trade**
• Products that are made in a cleaner process (less waste, cleaner materials, less energy)	• Products made by (disadvantaged) communities or minorities • Products that are made locally
Product Life Cycle	**Culturally-informed Trade**
• Products that are re-used or up-cycled	• Products that show special skills[3]
Product Use	
• Products that are smarter (multi-purpose, modular, detachable) • Products that are simpler (more timeless, less trendy, with a versatile design)	

Exhibit 2-4 Environmental and social dimensions of MOOD

[3] In the case of MOOD, special skills refer to the capability of those women who know how to loom, knit, crochet and do patchwork.

3. Upcycling Fabrics

3.1 Definition of Upcycling

The term 'upcycle' began to gain traction in the middle of the nineties. Then in 2002, William McDonough and Michael Braungart's book 'Cradle to Cradle: Remaking the Way We Make Things' brought the term and the concept to the public eye, and solidified its use in popular culture. McDonough and Braungart were pioneers in the field of upcycling, advocating that we should all strive to extend a product's life. Nowadays, that idea is interpreted as meaning that we should create from what is being discarded, whenever possible (Upcycle Magazine, 2009).

The following are some definitions of upcycling:

- Upcycling is a process that can be repeated in perpetuity, of returning materials back to a pliable, usable form, without degrading their latent value—moving resources back up the supply chain (Cane, 2010).
- Upcycling is the process of converting old or discarded materials into something useful and often beautiful. Upcycling gives an item a better purpose (Hipcycle, 2012).
- With upcycling, an item is no longer being used for its intended purpose, but is repurposed – given a new purpose – and along with this new purpose it also increases in value, aesthetically and monetarily. It is worth more in its new form (Disfunctional Designs, 2012).
- Upcycling is the practice of taking something that is disposable and transforming it into something of greater use and value, leading to higher material and energy benefits (Ravasio, 2012).
- To upcycle is to reuse discarded objects or material in such a way as to create a product of a higher quality or value than the original (Oxford English Dictionary).

According to William McDonough, the 2013 definition of upcycling goes beyond what we already know. In his April 18, 2013 presentation and book release at UC Berkeley, he defines the goal of upcycling as producing a delightful, diverse, self-healthy and just world with clean water, soil and power, economically equitable, ecologically and elegantly enjoyed. In other words, a world that is less unsafe, less unhealthy and less unjust.

3.2 MOOD Process for Upcycling Fabrics

In order to convert textiles or fabrics into new products through different processes, MOOD will break down the fabric to fiber using mechanical processes. To get the new raw materials, the recycling processes usually include the following (BIR, 2010):

- **Sorting:** collected textiles are manually sorted and graded according to their condition and the types of fibers used.
- **Re-sorting:** Mills grade incoming material according to their type and color. The color sorting means that no re-dying is needed, thus saving energy and avoiding pollutants.
- **Shredding and pulling:** Textile materials are shredded or pulled into fibers. Depending on the end use of the yarn, other fibers may be incorporated.
- **Carding:** The blended mixture is carded to clean and mix the fibers.
- **Spinning:** The yarn is re-spun ready for later weaving or knitting.

Of these, MOOD processes will focus specifically on sorting, shredding and spinning. Exhibit 2-5 shows the upcycling process that will be used to create MOOD products.

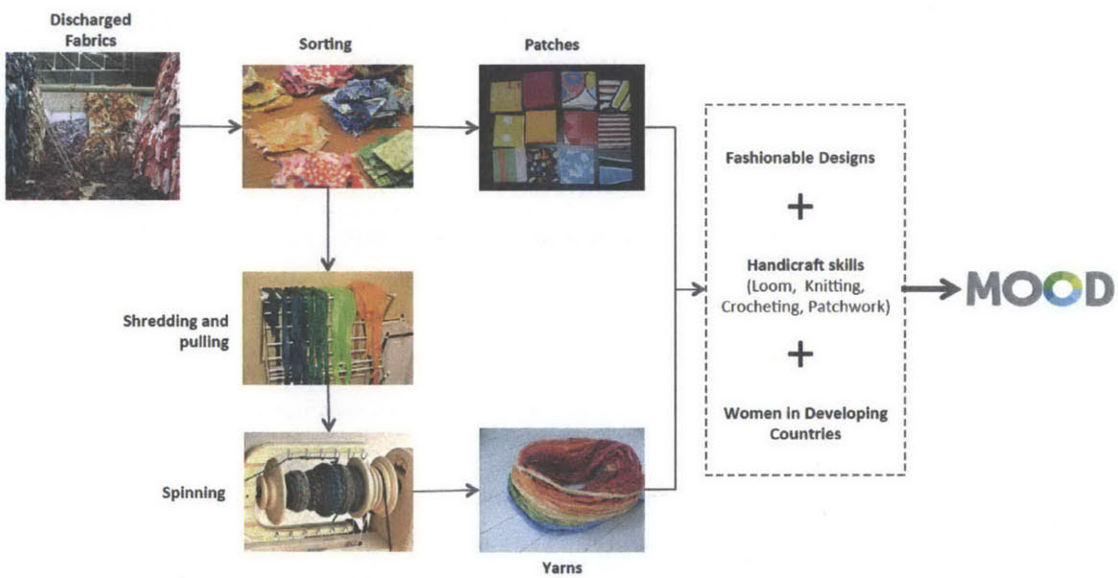

Exhibit 2-5 Upcycling Process to obtain MOOD products

By incorporating sustainable design principles and upcycling processes, MOOD will be able to create sustainable as well as fashionable and high quality products using discarded fabrics.

Chapter 3 The Business

MOOD is an Innovation-Driven Enterprise (IDE). It is a risky and ambitious entrepreneurial business that will serve markets beyond the local market, aiming to sell products on a global or at least regional level (Aulet, 2013).

This chapter will explain the core of the business, including MOOD's business values, business timeline, business model and financial evaluation.

1. Business Values

According to the World Council for Economic Development (WCED), sustainable development is development that *"meets the needs of the present without compromising the ability of future generations to meet their own needs."*

MOOD has been designed to adhere to the principles of sustainable development, working in accordance with the triple bottom line: taking care of profits, people, and the planet. In order to achieve this goal, MOOD will work with the following main practices:

- **Company Identity:** MOOD has been designed to be a company that will embrace sustainability, from inside the company to the outside. MOOD will not just create green products; the company will develop a green supply chain too. MOOD will have a leadership focus on long-term decisions, creating aspirational goals and seeking transformational changes. Our actions will inspire others inside and outside the organization.

- **Embed sustainability into the corporate culture:** MOOD will engage and motivate its team, capture their hearts and minds. To create this real engagement, MOOD will promote company-wide efforts of engagement, creating an organizational structure that supports, articulates, connects, stimulates, rewards and communicates the impact of all the initiatives created by the company and their employees. MOOD will promote open spaces to work within both MOOD's headquarters and its manufacturing plants. Such open spaces will allow everybody to talk to each other, and generate a place where employees can feel part of the whole organization. The entire corporation must feel that they have the chance to change the world and improve people's lives.

- **Stakeholder engagement:** MOOD will work to engage customers and value chain members. The company will initially start engaging with women worker associations and the suppliers of fabric, working closely to accelerate sustainability across a value chain with the purpose of reducing negative social and environmental impacts and eventually innovating in new products and processes. Stakeholder engagement will not be just pushing out messages, but understanding opposition, finding common ground and involving stakeholders in joint decision-making. A simple example is helping suppliers, through workshops and consultancy, reduce their water and energy consumption as well as their waste generation. Another example, in the case of fabric suppliers, is helping them improve the fabric disposal process, trying to create a process where the waste fabric can be classified by color, type, quality, etc. This change in the process will help suppliers sell the waste fabric easier (or it may help them realize that they can reuse some), and will simplify the process of fabric selection for MOOD.

- **Green Practices:** All the processes inside the company will always seek a sustainable approach. Related to environmental impacts, the use of green practices will focus on process efficiency (energy and water consumption and waste generation), pollution reduction, and the use of recyclable materials. MOOD will continuously look for new green practices, having an open innovation approach, where the ideas can come from everywhere (clients, suppliers, other industries, etc.)

- **Analyze and measure our impact:** MOOD will measure, analyze and control its impact and sustainability efforts. MOOD will use a set of appropriate metrics and tools for measurement that will allow it to show and reflect sustainability efforts in terms of environmental and social impact. Some of the tools that could be used include Life Cycle Analysis (LCA analysis) to measure and analyze the impact of MOOD products, carbon footprinting to measure the emissions generated, and water footprinting to measure water consumption.

- **Reporting:** The Company will create clear and strong messages, and transparency will be one of its critical assets. MOOD will communicate and report targets broadly and honestly, as well as progress toward meeting those targets. One kind of report standard that can be used here is the GRI (Global Report Initiative).

These business values were created using a personal approach to sustainability, and following the example of leading companies such as Patagonia, Natura, Chipotle, IKEA, Marks & Spencer and the Canadian Network for Business Sustainability (NBS). Another complementary source of information was the article "How to become a Sustainable company" by (Eccles, Miller, & George, 2012).

2. Business Timeline

Exhibit 3-1 shows the timeline for the development of MOOD, with consolidation and success projected within 5 years.

Exhibit 3-1 Timeline for MOOD business

During the first year of business, MOOD will raise funds, create the internal team, build alliances with suppliers of raw materials and woman associations, embed MOOD values in its practices, develop the necessary investments to start the business, train people, create the website, generate prototypes, and sell the first lines. In the following year, MOOD will start an intensive marketing campaign, building sales, creating a system to obtain market feedback and reinforcing relations with the suppliers and woman associations.

The third and four years will be focused on consolidating the market in Chile, and starting to create the business model for markets in Europe and US. In the fifth year, MOOD will open markets in US and Europe, and will continue operating in Chile.

The business model for the first two years is described below.

3. Business Model

"A business model describes the rationale of how an organization creates, delivers and captures value" (Osterwalder & Pigneur, 2010)

The MOOD business model was created using the "Canvas" Business Model proposed in 2009 by Alexander Osterwalder. It should be noted that the business model is an iterative and continuous process, which can and often does change over time. Exhibit 3-2 shows the business model for MOOD for the first two years.

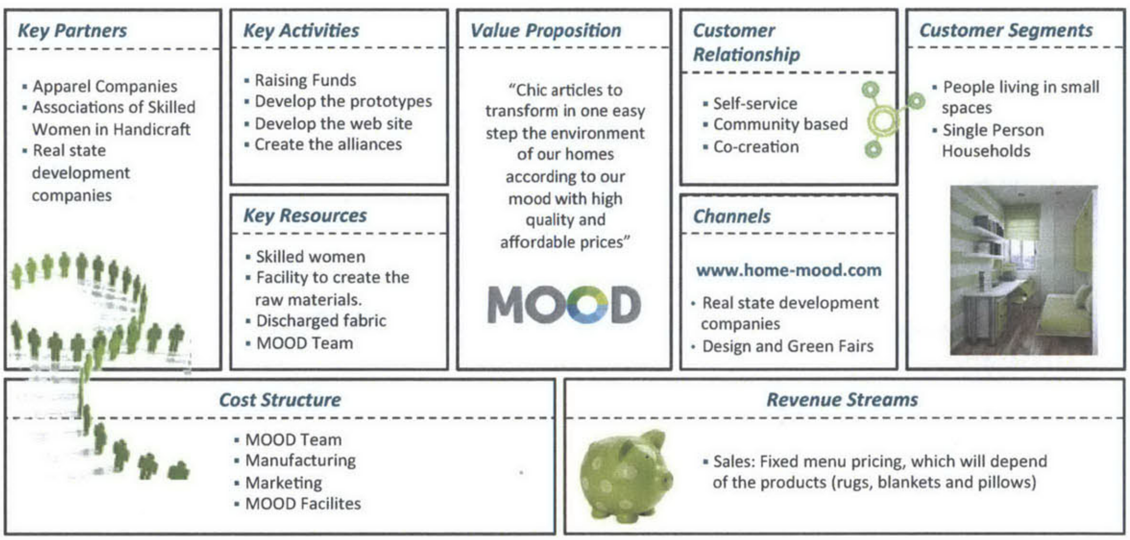

Exhibit 3-2 MOOD Business Model

The nine blocks cover the four main areas of a business: customers, offering, infrastructure and financial viability. The information below describes each block, following the order proposed by Osterwalder & Pigneur: Customer Segments, Value Proposition, Channels, Customer Relationship, Revenue Streams, Key Resources, Key Activities, Key Partnerships and Cost Structure.

3.1 Customer Segments

Customers comprise the heart of any business model. Without (profitable) customers, no company can survive for long (Osterwalder & Pigneur, 2010).

In order to better satisfy customers, MOOD distinguishes customer segments by common needs, common behaviors, and other attributes.

MOOD is a B2C company, where the customer is the final user of the product. MOOD products will be offered in a niche market, focused mainly on people living in small spaces with the profile of **smart affluents** and **trendy creatives** (detailed information of this specific market in Chapter 4: The Market). Exhibit 3-3 and Exhibit 3-4 provide descriptions of the two main profiles of MOOD's intended customers.[4]

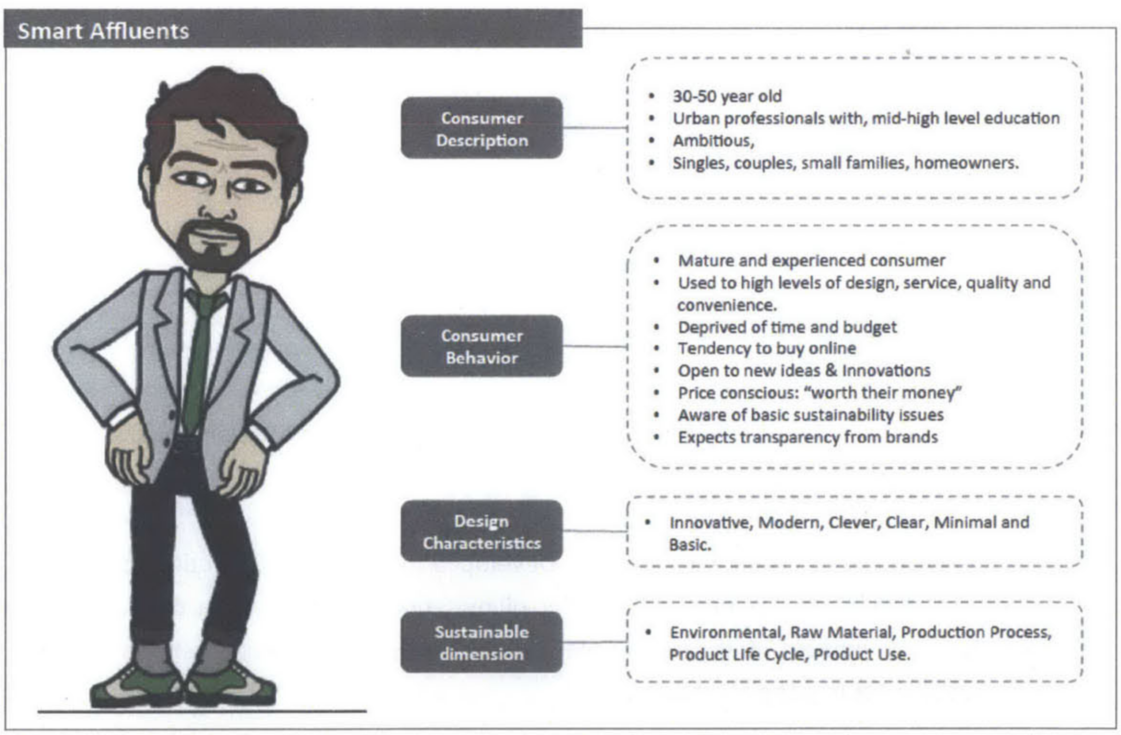

Exhibit 3-3 Smart Affluent profile

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[4] Caricatures were made using http://bitstrips.com/create/character/

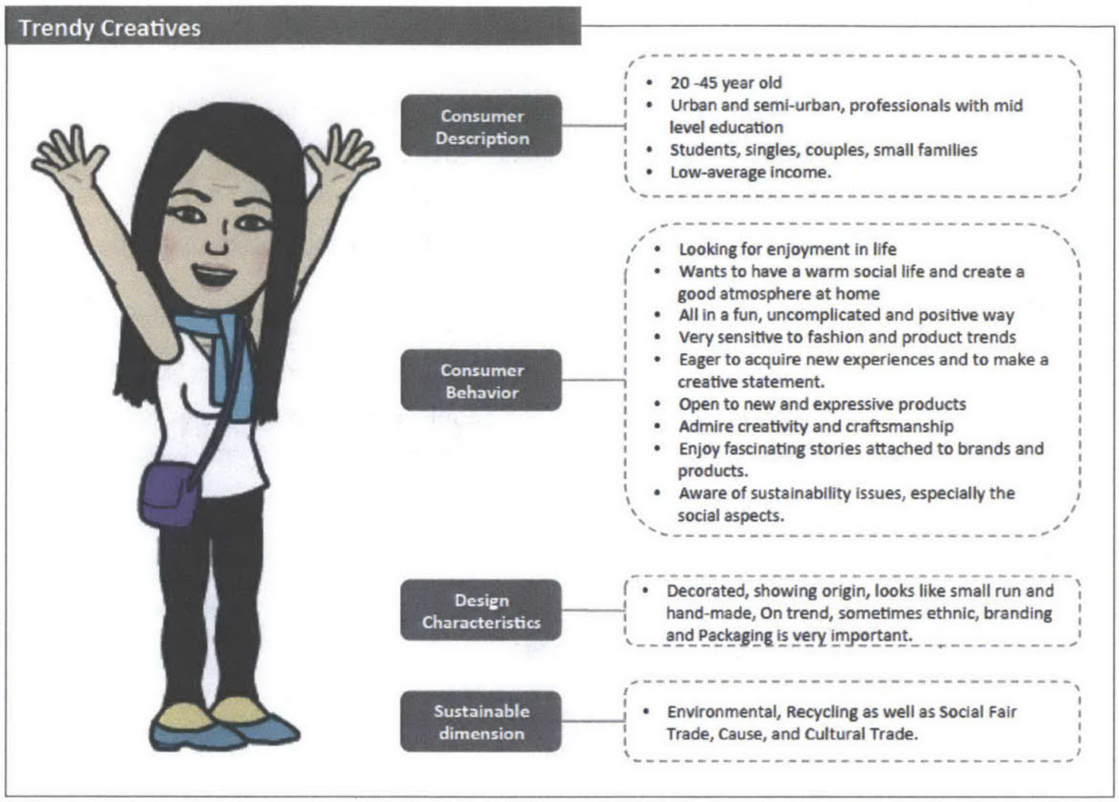

Exhibit 3-4 Trendy Creatives profile

3.2 Value Proposition

The value proposition is an aggregation, or bundle, of benefits that a company offers customers (Osterwalder & Pigneur, 2010).

MOOD is a new concept for home decoration. Developed for creative and modern people living in small spaces, MOOD creates high quality, chic pillows, blankets and rugs at affordable prices that transform a home's decorative style in one easy step, thus easily and flexibly accommodating shifts in people's moods.

The benefits of MOOD products include the following:

- **Exclusive and high quality designs at an affordable price:** Rescuing fabrics that cannot be used by high quality apparel brands due to their small size, the products are designed by a team of innovative designers and are handmade by trained and high skilled women in developing countries.

- **Enabling different decorative environments according to mood or need:** MOOD products are reversible, creating two different kinds of environments with one piece. One side is a "traditional side" with neutral colors and the other one is the "creative side" with bright colors and patterns. By having more than one piece in the same space, it is possible to create multiple environments with one simple step.

- **Easy to change:** In one simple step it is possible to reverse the product, without the need of special skills or dedicated extra time.

- **No need to have extra space to storage:** Due to the characteristic of being reversible, it is possible to transform small spaces without requiring extra products and additional storage for home decoration.

- **Sustainable Design:** Design as well as social and environmental aspects are the key drivers of MOOD. The company was conceived to use upcycled fabrics, have processes that have low energy and low water demands, that generate low waste, that work within fair trade principles, and partner with woman in local communities with special skills.[5]

Exhibit 3-5 is an example MOOD's value proposition: *"Chic articles to transform in one easy step the environment of our homes according to our mood with high quality and affordable prices".*

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[5] Special skills in this context refer to the capability of those women who know how to loom, knit, crochet and do patchwork.

"Neutral or Traditional" Side

"Bright and Colorful" Side

Exhibit 3-5 Example of a reversible living room

3.3 Channels

The channels category describes how a company communicates with and reaches its customer segments to deliver a value proposition. Communication, distribution, and sales channels comprise a company's interface with its customers. Channels are customer touch points that play an important role in the customer experience (Osterwalder & Pigneur, 2010).

Channels have five distinct phases. Each channel can cover some or all of these phases. We can distinguish between direct channels and indirect ones, as well as between owned channels and partner channels (Osterwalder & Pigneur, 2010):

- Awareness: How do we raise awareness about our company products and services?
- Evaluation: How do we help customers evaluate our organization's value proposition?
- Purchase: How do we allow customers to purchase specific products and services?
- Delivery: How do we deliver a value proposition to customers?
- After Sales: How do we provide post purchase customer support?

Using this description of channels, MOOD will have three touch points with the customer:

- **MOOD website:** This will be the main interface with costumers and an important influence on their experience with the product. This website will be created to show, sell and provide post-purchase customer support. It will be an interactive website with simulation spaces, where people can enter a virtual living room or bedroom, play with the different products of MOOD, and visualize what they will look like together. In order to get ongoing feedback from the customer and create a community, it will be possible to share customer reviews, upload photos and propose new designs and improvements. This website will be created in Spanish (for the Chilean market) and in English (for the global market).

- **Real estate showrooms:** As the market of small spaces is growing, MOOD will partner with real estate companies to display MOOD products in their showrooms and in this way attract potential customers.

- **Exhibits in Design and Green Product fairs:** MOOD will have stands in the main design fairs associated with home decoration and those related to green products. This channel will allow MOOD to communicate and share MOOD core values as well as sell it products.

Exhibit 3-6 describes how MOOD will deliver the value proposition to their costumers in the different channel phases. Each channel can cover some or all of the phases (Osterwalder & Pigneur, 2010).

Channel Types	Channel Phases				
	Awareness	Evaluation	Purchase	Delivery	After Sales
MOOD website	This website will be highly interactive, with virtual showrooms to show the products and simulate spaces. MOOD will create a community, where customers can upload photos of their spaces to share experiences, helping potential customers with their potential buying decisions.	It will be possible to include customer's reviews, and it will be open to the community to propose improvements and new designs.	Payments will be online, using electronic transfers, credit cards or the PayPal system.	The delivery will be made in a MOOD box that will communicate the core MOOD values. It will be designed to be a reusable storage box.	Through the website, customers will be able to send emails to ask questions or express their concerns; these will all be answered in less than 24 hours.
Real estate showrooms	The showrooms will include all MOOD's products to display the benefits of the products in small spaces.	Non-applicable.	Non-applicable.	Non-applicable.	Non-applicable.
Exhibitions in fairs	Using an exhibition stand, MOOD will communicate and display their values and promote their products.	The feedback from the assistants will be shared with MOOD's team via conversations or feedback forms	The fairs will include a stock of products that can be purchased using cash, debit or credit cards.	The delivery will be at the point of purchase, and packaged in a reusable MOOD box.	Non-applicable.

Exhibit 3-6 Description of MOOD's Channels

3.4 Customer Relationship

The customer relationship describes the types of relationships a company establishes with specific customer segments (Osterwalder & Pigneur, 2010).

The relationship with the customer is the key factor for the success of the MOOD concept and its products. This relationship will be based on three main elements: self-service, community and co-creation.

Through its website, MOOD will provide its costumers with tools to help themselves. These tools will include: catalogue of products, virtual rooms, reviews, customer and community experiences and a co-creation platform that will allow customers to design customized MOOD's products and improve the connections among the MOOD community members. This co-creation platform will make available online all of MOOD's fabrics, prototypes of different models of rugs, pillows and blankets, and customers will be able to design their own products, choosing the fabrics, patterns, and sizes. In addition, customers will be able to receive feedback related to the design that they are creating, ask for online feedback from MOOD's designers or other community members. This will provide customers the experience of creating their own and exclusive MOOD products while at the same time having the option to receive design consultation and advice.

Besides its products, MOOD will transmit its core business values. As our customers are mainly people living in small spaces with profiles of smart affluents and trendy creatives, MOOD will be constantly transmitting, in a clear and strong way, its core values and design philosophy, as well as report on its sustainability targets broadly and honestly.

There are four main strategic capabilities associated with effective Customer Relationship Management (CRM): Technology, People, Process, and Knowledge & Insight. Using MOOD's website as a main channel, Exhibit 3-7 shows MOOD's CRM strategic capabilities using the model proposed by Gordon (Gordon, 2002).

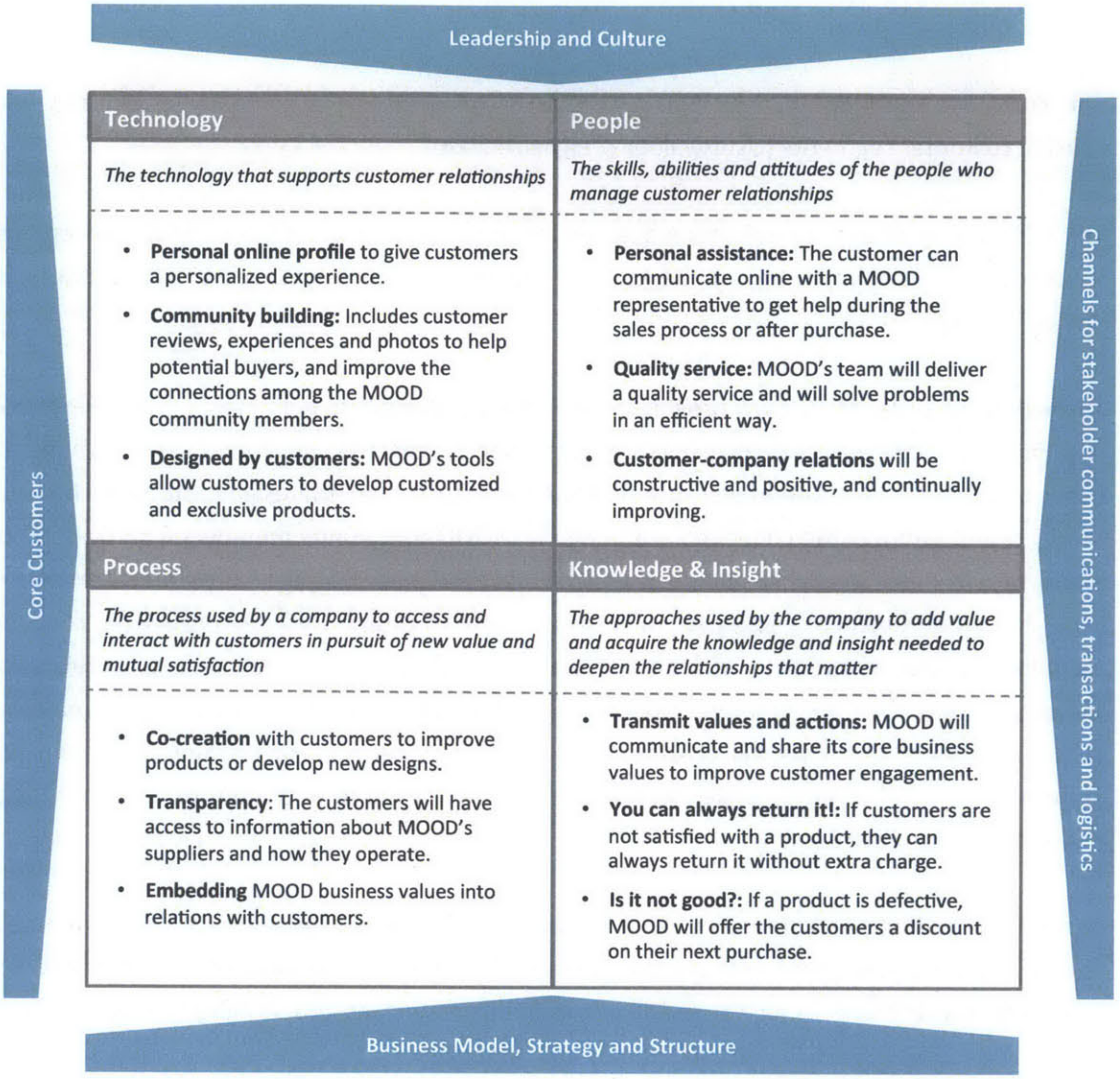

Exhibit 3-7 MOOD's Customer Relationship Management (CRM) strategic capabilities

3.5 Revenue Streams

This category refers to the revenues that a company generates from each customer segment (Osterwalder & Pigneur, 2010).

The business model of MOOD will involve transaction revenues resulting from one-time customer payments due to the selling of their three main products: blankets, pillows and rugs.

The price of each rug, pillow or blanket will depend on the characteristics of each product, because MOOD's raw materials will be constantly changing in term of design, quality and available volume of certain fabrics.

3.6 Key Resources

This category describes the most important assets required to make the business model work. Key resources can be physical, financial, intellectual, or human. Key resources can be owned or leased by the company or acquired from key partners (Osterwalder & Pigneur, 2010).

MOOD's key resources are:

- **MOOD Team:** This human asset is the key to promoting the core values of the company and guaranteeing the success of the business through ensuring fashionable designs, quality products, good supplier and customer relationships, powerful customer experiences, and a strong community. To achieve these, MOOD will need a committed and aligned team of people who truly believe in the core MOOD values.

- **Associations of Skilled Women in Handicraft:** In the first two years, and with the goal of reducing infrastructure costs and experimenting with an innovative way to work, MOOD will partner with existing groups of women associated through their skills of looming, knitting, crocheting and patchworking. The relationship with these groups is a key factor to assure the quality of MOOD's products. How to engage them, and how to train them is a challenge. MOOD will provide payment per product (currently, these women are doing the work as a hobby), appropriate training to achieve the required quality and designs, and improvements in their existent workspaces.

- **Facility to Create Raw Materials:** In order to convert textiles or fabrics into products through different processes, MOOD will need facilities to create the raw materials. These facilities will have the purpose of sorting, shredding and pulling, as well as spinning to create the raw materials (patches and yarns). These facilities will be run by designers who will make decisions concerning how the raw materials will be created in order to generate the new designs.

- **Recycled Fabrics:** The first source of fabric will be the one that is typically discarded by the apparel companies due to its small size. MOOD will recover this unused fabric just before it is sent to the landfill. The second source will be new fabrics or garments that could not be sold and that are in storage places waiting to go to a landfill or be reused. The third source of fabric will be used clothing, but this fabric will need to be of a very high quality to be used in MOOD's products. This recycled fabric will be processed to create new products, the MOOD products. Without these recycled fabrics, MOOD will not have the raw materials to generate their products.

3.7 Key Activities

The key activities describe the most important things a company must do to make its business model work (Osterwalder & Pigneur, 2010).

MOOD's key activities are:

- **Develop prototypes:** Creating the first prototypes of MOOD's products during the first six months is a key activity that will generate the engagement of potential partners, team members and investors.

- **Raise Funds:** One of the main activities during the first year will be to raise funds. As a new entrepreneurial company, the first source of funds sought will be friends and family. In parallel, MOOD will apply for available Chilean grants that are oriented to supporting new innovative businesses.

- **Develop the website:** This platform is a key aspect of MOOD's business success. MOOD's website is the main communication and sales channel, the place where the company will interact with its customers and where they will experience the products. This website will be created by a multidisciplinary team, composed of web developers, MOOD's designers and marketing experts. Due to the highly interactive nature of the website, it will be important to have "in house" know-how related to website development and marketing.

- **Create alliances:** Alliances will be made with women associations and suppliers of discarded fabric. Before creating an alliance, MOOD will do extensive research related to women associations and suppliers to understand which of these can provide the relevant services, enter into talks with them, and examine how they work in order to assess if they are able to produce the quality materials that MOOD requires.

3.8 Key Partnerships

The key partnerships describes the network of suppliers and partners that make the business model work (Osterwalder & Pigneur, 2010).

All MOOD's key partnerships are strategic alliances with non-competitors. These alliances will be made with a view to developing long-term relationships:

- **Apparel Companies:** The suppliers of the raw materials will be the apparel companies. These companies will be selected based on the quality of their fabric and their reputations (how they work and how they deal with other partners, employees and customers).

- **Associations of Skilled Women in Handicraft:** The partnerships will be selected manly by their passion, commitment and creativity. To achieve MOOD's quality standards, these women will be trained to improve their techniques in looming, knitting, crocheting and patchworking.

- **Real estate development companies:** MOOD's products are intended for use in small spaces, so the real estate companies will be selected based on their reputations, market segments and apartment sizes. In this way, MOOD will be able to align its products with the real estate development companies' potential customers.

As mentioned in the description of MOOD's business values, MOOD will engage their stakeholders through alliances across the value chain with the purpose of reducing negative social and environmental impacts, and eventually innovating in new products and processes. For example, if the apparel companies deliver their fabric waste to MOOD, they will reduce their landfill deposits and decrease their footprint. In addition, once MOOD is recognized as a brand concerned with social and environmental issues, MOOD's website can also help to show the suppliers how it is helping them with their brand image and reputation.

3.9 Cost Structure

The cost structure describes all costs incurred to operate a business model (Osterwalder & Pigneur, 2010).

MOOD will try to balance two cost structure classes: cost-driven and value-driven. The company will minimize costs wherever possible (for example, the first year will improve on the installations that women associations already have), but without sacrificing the exclusivity and quality of the products and the core values.

The most important costs that MOOD will incur are as follows:

- **MOOD Team:** In the first two years, MOOD will employ at least 6 professional staff: 1 manager, 1 website developer, 2 designers and 2 technicians to create the new raw materials. The team will vary depending on the growth of the company.

- **Manufacturing:** This is the cost associated with the women engaged in the handicraft work, and the raw materials. In the first two years, this will be a variable cost, where the women will work in their own (improved) facilities, and they will receive a payment per unit produced that achieves the quality standards. If MOOD succeeds and the partnerships are working well, MOOD will improve their benefits, giving them a fixed salary plus payment per unit. These women will receive a fair remuneration for their services. Related to the raw materials costs, is not yet clear if the apparel companies will donate the wasted fabric to address their waste problem, or if MOOD will have to pay for it. For the financial evaluation of MOOD, a cost for the raw materials was included.

- **Marketing:** The marketing costs are the costs associated with MOOD's primary (web site) and secondary channels. The cost related to the website was included as part of the costs of the MOOD team. Real estate showrooms and exhibits in design and green product fairs will incur costs associated with the creation of merchandising articles such as flyers, MOOD products and stands. In addition, marketing includes additional costs for Internet advertising (Google, Gmail and Facebook).

- **MOOD Facilities:** These costs include all fixed costs of MOOD's headquarters, depreciation and use allowances, interest on debt associated with MOOD's building, equipment and capital improvements, operations and maintenance expenses (mainly electricity, water, and depreciation and maintenance of machinery to produce yarns).

- **Administration:** General administration, general expenses and all other types of expenditures not listed specifically under the facilities' categories.

4. Economic Evaluation

Exhibit 3-8 shows the economic evaluation (in US dollars) for the first 5 years of MOOD, using a conservative scenario. This projection is just focused on estimated sales for the Chilean market.

	Year 0	Year 1	Year 2	Year 3	Year 4
Total Sales (Revenues)	**119,500**	**196,600**	**376,500**	**889,200**	**1,540,500**
Rugs	*80,000*	*120,000*	*240,000*	*600,000*	*900,000*
Pillows	*27,500*	*55,000*	*82,500*	*165,000*	*330,000*
Blankets	*12,000*	*21,600*	*54,000*	*124,200*	*310,500*
Cost of Goods Sold	**14,340**	**23,592**	**45,180**	**106,704**	**184,860**
Manufacturing	*14,340*	*23,592*	*45,180*	*106,704*	*184,860*
Gross Profit	**133,840**	**220,192**	**421,680**	**995,904**	**1,725,360**
Operating Expenses:					
MOOD Facilities	*(44,400)*	*(48,840)*	*(53,724)*	*(59,096)*	*(65,006)*
Selling, General & Admin	*(270,000)*	*(283,500)*	*(340,200)*	*(408,240)*	*(489,888)*
Marketing	*(10,000)*	*(12,500)*	*(25,000)*	*(25,000)*	*(25,000)*
Operational Income	**(190,560)**	**(124,648)**	**2,756**	**503,568**	**1,145,466**
Other Income/Loss					
EBIT	(190,560)	(124,648)	2,756	503,568	1,145,466
Interest Expense					
Income Before Tax	(190,560)	(124,648)	2,756	503,568	1,145,466
Taxes (19% in Chile)			(524)	(95,678)	(217,639)
Net Income (USD)	**(190,560)**	**(124,648)**	**2,232**	**407,890**	**927,827**

USD	517,772.98	NPV
	55%	IRR

Exhibit 3-8 Economic Evaluation of the Project

According to the projected cash flow shown in Exhibit 3-8, in the first two years of its business MOOD will experience losses, but from the third year, it will start to have progressive gains. The Net Present Value (NPV) of this cash flow, using a discount rate of 12% and projected with a conservative scenario, is **USD 517,773** and the Internal Rate of Return (IRR) is **80%**. When the NPV is bigger than zero and the IRR is higher compared to the 8%[6] of the historical market average yearly return, the project should be undertaken. This means that MOOD is an opportunity that should be seriously considered.

Chapter 4 The Market

MOOD will focus on creating sustainable rugs, decorative pillows, and blankets/covers. To analyze the potential market size for MOOD it is necessary to know the market for home decoration and the trends and market sizes for sustainable products.

1. Home Decoration Market

The worldwide home furniture and decoration industry is expected to reach $700 billion by 2015, according to Global Industry Analysts. Increased consumer interest in home decoration is fuelling new market growth. In particular, demand for organic home furnishing products is continuing to rise thanks to increased consumer awareness regarding the importance of choosing more environmentally friendly materials. Other factors driving market growth include availability of wider product ranges, regional market development and electronic media campaigns. Consumers are showing particular interest in natural products and alternative materials in the home furnishing products sector (ReportLinker, 2012).

The home textile market, considered to include sheets, towels, draperies, carpets, blankets, and upholstery, accounts for 37% of all textile output. The trade publication "Home Textiles Today" estimates the size of the U.S. home textiles market at the wholesale level, excluding carpets, to be between $6.5 billion to $7 billion annually. The industry is expected to realize a steady increase over the next few years (BPlans, 2013).

[6] http://www.investopedia.com/walkthrough/corporate-finance/4/capital-markets/average-returns.aspx

MOOD will have three main products at the beginning: **rugs, pillows and blankets**. The following describes the state of the art for the rugs market (it was not possible to find public information available for the distinctive markets of decorative pillows and blankets).

1.1 Rugs Market

The expansion of the global woven carpet and rug industry is forecast to reach 9.8% in the coming years. Between 2007 and 2013 the market increased with an average annual growth of 4.0%. Currently, woven carpets and rugs of man-made materials cover the largest part of the world market accounting for 56.1% of the demand. Exhibit 4-1 shows the global market share distribution for the different kind of carpets and rugs (Market Reaserch Reports, 2014).

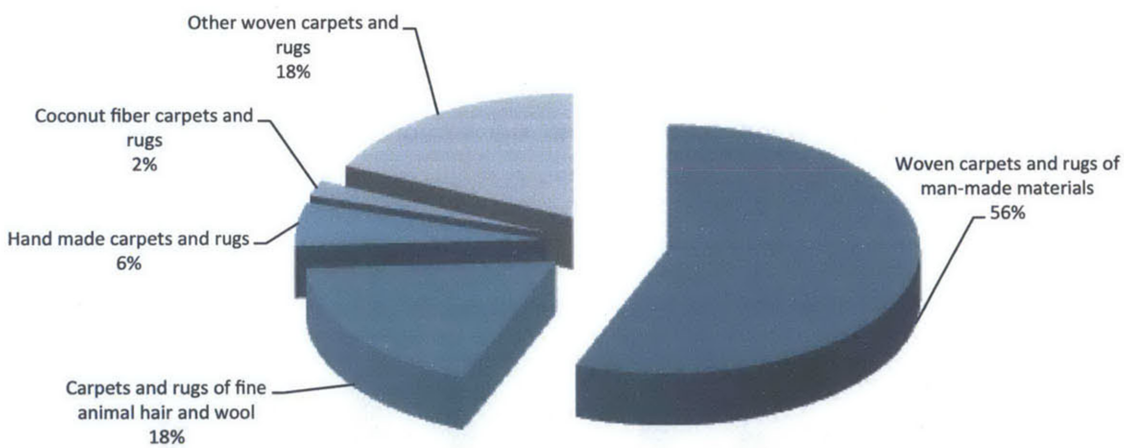

Exhibit 4-1 Global market share distribution for different types of carpets and rugs

China, Japan, Turkey, the United Kingdom, and the United States represent the largest woven carpet and rug markets, while the strongest annual supply growth is forecast to occur in Morocco (19.0%), Greece (18.5%), Azerbaijan (18.4%), Estonia (16.7%) and Kyrgyzstan (16.3%) (Market Reaserch Reports, 2014).

Specifically in US, the demand for carpet and rug products is projected to rise 7.9% annually from a weak 2010 base to 16.5 billion square feet in 2015. Tufted carpets and rug products, particularly broadloom carpets, will continue to dominate demand. Nylon will remain the dominant face fiber material, while polyester fibers displace polypropylene (The Freedonia Group, 2012).

The major rug suppliers, both domestic and importers, agreed that the total US area rug market in 2012 amounted to approximately $2 billion in manufacturer's dollars. They reported that business in 2012 began to recover from price pressure as consumers began to shop for accessories to freshen up homes and retailers requested better goods. Of the total rug market, $0.9 billion is hand made including hand tufted, hand hooked and hand knotted and the rest is machine made including domestic and imported (Herlihy, 2013).

2. Sustainable Products Market

The size of the sustainable market for all products is significant and expected to grow to $922 billion by 2014 as shown in Exhibit 4-2. This represents an increasing but still relatively small portion of the US and world economy, with the size of the US economy in 2010 being approximately $15 trillion and world economy about $60 trillion (Gittell, Magnusson, & Merenda, 2013).

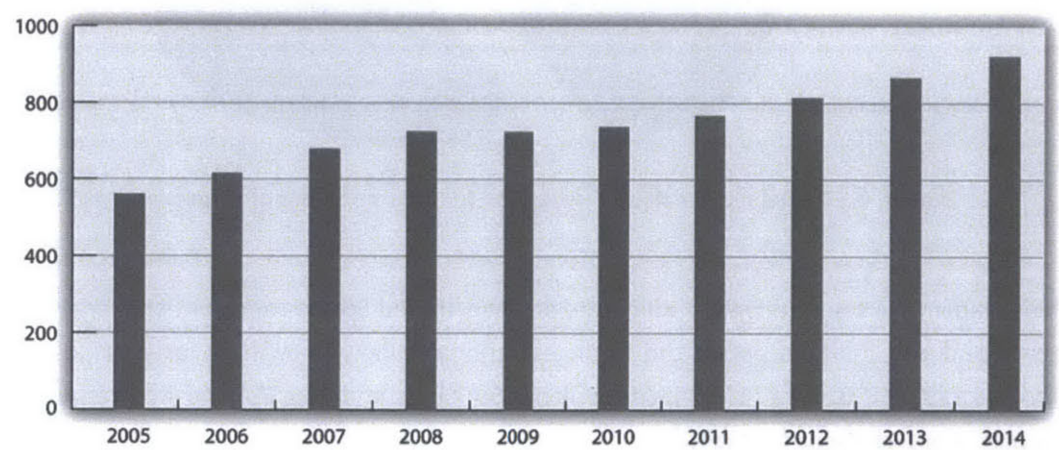

Exhibit 4-2 Size of US Green Market, 2005 - 2014 ($billions)

Exhibit 4-3 indicates the number of launched products marketed as sustainable since 2004 in the United States. It is clear that companies are increasingly seeking to differentiate their products and services based on "sustainable," "eco-friendly" or "environmentally friendly" criteria. Market research indicates that there are over 500,000 eco-labeled products on the market as of March 2010, and that the pool of green products continues to grow at a rapid rate. At least 377 different eco-logos exist on the market today (Bowles, 2011).

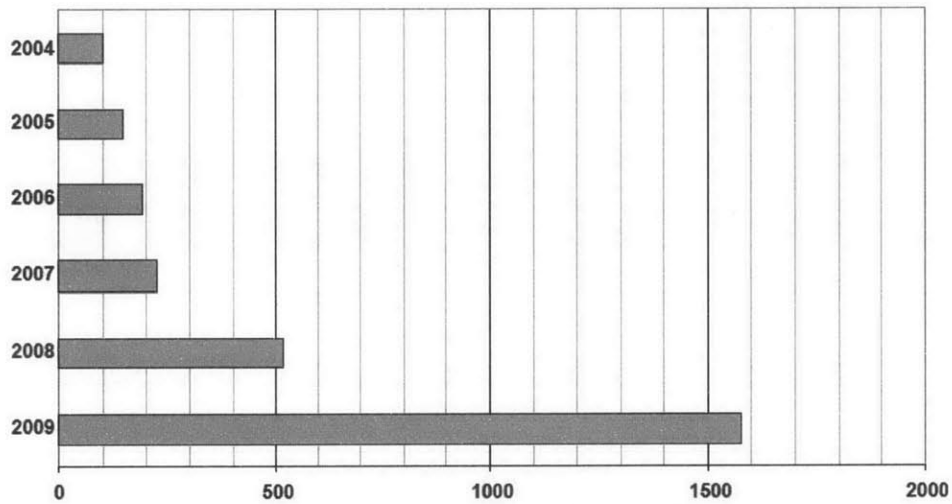

Exhibit 4-3 Number of "Sustainable" Product Launches in the United States since 2004

2.1 Green Shoppers' Behavior

A significant portion of consumers are considering social and environmental benefits as part of their calculation of product value in their purchasing decisions. There is an unfulfilled, latent demand for green products that could be realized through increased product development, in-store communication, and product availability. Despite the openness and willingness of shoppers to buy these products, only 22% of consumers in the US purchased a green product in 2009 (GMA and Deloitte, 2009).

Green shoppers are a great customer target, representing a high value segment who buy more products on each trip, visit the store more regularly, and demonstrate more brand and retailer loyalty in their purchasing behavior. They are active consumers rather than austere minimalists.

They are less price sensitive than the average shopper, they tend to stick with a green product once they have adopted it and they are generally not bargain hunters (GMA and Deloitte, 2009).

Exhibit 4-4 shows green purchases for different products categories (GMA and Deloitte, 2009).

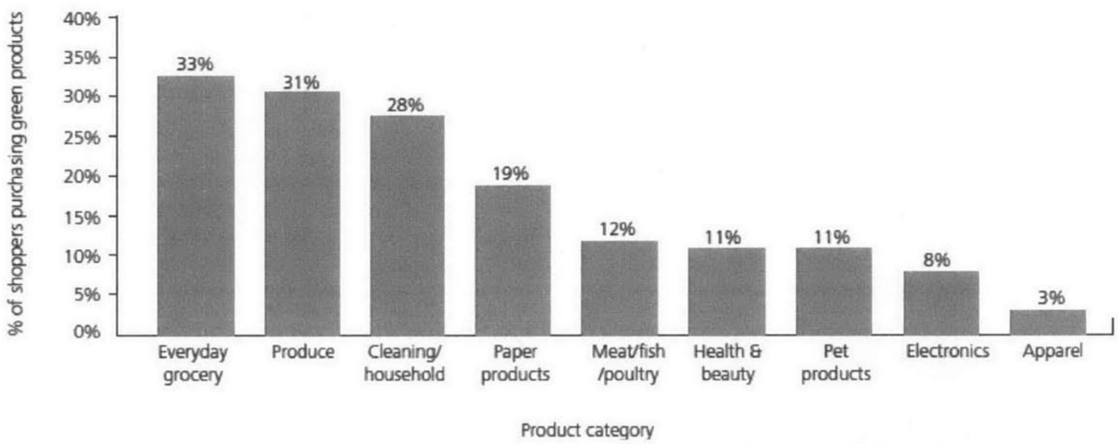

Exhibit 4-4 Green purchases are far larger in more consumable categories

2.2 The Market for Sustainable Design Products in Home Decoration & Home Textiles

The market for sustainable design (SD) in home decoration and home textiles is represented by those consumers who are aware of – or who subscribe to — sustainable objectives and regard design as important in the products they buy. They try primarily to fulfill their desire to surround themselves with beautiful, comfortable, convenient and durable objects that carry a meaning/story (CBI, 2011).

There is no public information related to the size of this market in US, but the total EU market for home decoration and home textiles (HD-HT) was USD55 billion in 2010, where home decoration represented 67% of the market (USD36.85 billion) and home textiles represented 33% of the market (USD18.15 billion) (CBI, 2011).

Based on sales statistics, CBI estimates the market for SD HD-HT at around 1% of the total HD-HT market in Europe in 2010. Given a total HD-HT market of USD55 billion, this gives an approximate figure of USD550 million (CBI, 2011).

2.2.1 Market Segmentation

The consumers attracted to SD can be found in any age group, at different levels of income and with different lifestyles. Based on their attitude towards both design and sustainability it is possible to find 3 markets segments for SD products in HD-HT:

- Trendy Creatives
- Smart Affluents
- Design Purists

These key segments encapsulate more precisely the specific and main types of consumer needs and preferences, attitude towards consumption and being ethical, shopping behavior and lifestyle.

Each of the three key market segments is described in detail in Exhibit 4-5 below (CBI, 2011).

	Market Segment for Home Decoration & Home Textiles in EU		
	Smart Affluents	**Trendy Creatives**	**Design Purists**
Market Share	**≈ 40 %**	**≈ 35%**	**≈ 25%**
Consumer behavior	This is a mature and experienced consumer, who knows brands and is well informed. Strong opinion on benefits that products offer, and is used to high levels of design, service and quality. This consumer is often deprived of time and budget to do thorough research or compare products. Therefore, they buy increasingly online. They expect a solution from brands and retailers, wants brands to understand their everyday needs. They are open to new ideas and innovations, as long as those are clever, convenient and offer value for money. They are very price-conscious, but that does not mean products need to be cheap, but rather 'worth their money'. Is aware of a wide range of basic sustainability issues. Expects initiative and transparency from brands.	This consumer is looking for enjoyment in life, and wants to have a warm social life and create a good atmosphere at home. Family is important and so is caring for others. All in a fun, uncomplicated and positive way. Consumers in this group are very sensitive to fashion and product trends. They are eager to acquire new experiences and to make a creative statement. They are open to new and expressive products, and choice is very important to them. They admire creativity and craftsmanship, and enjoy fascinating stories attached to brands and products. They are aware of sustainability issues, especially the social aspects. They want to see these aspects expressed in products. Products can be visibly ethnic (in a quirky, but not traditional way), or recycled or clearly supporting a good cause.	This is a group of very conscious consumers. 'Who I am is what I buy'. They are well informed, are aware of brands, designers, background stories and heritage. They buy products for a lifetime, and take time and energy to make a buying decision. They expect nothing but the best of the best and are looking for timeless and outstanding design. They are willing to save up money and pay a higher price. Aesthetics in design or outstanding materials and finishing are leading the buying decision. Appreciation for materials, techniques, designers and makers. Aware of sustainability issues, and looking for the best quality.

	Market Segment for Home Decoration & Home Textiles in EU		
	Smart Affluents	**Trendy Creatives**	**Design Purists**
Consumer Description	30-50 year old, urban, professionals, committed, ambitious, singles, couples, small families, mid-high level education, homeowners, average income.	20 -45 year old, urban and semi-urban, professionals, students, singles, couples, small families, mid level education, low-average income.	35-65 year old, urban, professionals, committed, singles, couples, high-level education, homeowners, average-high income.
Sustainable dimension	Environmental, Raw Material, Production Process, Product Life Cycle, Product Use.	Environmental, Recycling as well as Social Fair Trade, Cause-driven, and Culturally-informed Trade.	Environmental Raw Materials, Production Process, Product Use as well as Social, Cause-driven Trade (locally made, using outstanding craft techniques)
Consumer attitude towards sustainability	**Clever and convenient consumer:** about **60%** of Smart Affluents. Makes fast and calculated buying decisions and expects the best value for money. Expects sustainable objectives to be included in the whole brand/ product package. Is willing to pay a reasonable price for that package. Status is in the brand, not in the sustainable statement. **Eco consumers:** about 25% of Smart Affluents. They make a conscious and rational decision to buy sustainable products. Have been buying these products for years, go for labels and certificates and are used to paying a higher price. That does not mean they are very well off. **Buy Less-but-better consumers:** about 15% of Smart Affluents are making a statement by minimizing. They have a more extrovert approach, and go for brands that promote this conscious lifestyle. Aware of trends and brands. Status driven.	**Fun-factor-consumer:** about **70%** of Trendy Creatives looking for new, quirky, trendy products. Wants and expects to be surprised. Look and feel is very important. Sustainability is important, and needs to be visible in the product and the brand communication. This consumer will actively express their dedication to sustainable issues, in a light-hearted way. **Cultural-consumer:** about 30% of Trendy Creatives includes some consumers that have been buying ethnic products for years. Wants to see cultural stories or creative approaches reflected in a product. Product must be visibly sustainable. This consumer will actively express their dedication to specific sustainable issues, in a personal way.	**Best-of-the-best-consumer:** about **50%** of Design Purists. Makes careful and considered buying decisions, looking for timeless and outstanding design. Will buy local products, made by outstanding craftsmen, made of the best materials. They feel different, and express this in an extrovert way. Not necessarily looking for information sustainability, but assume them as a given. **Pure-consumer:** about 50% of Design Purists. A conscious consumer, whom have been buying sustainable products for years. Is concerned about health and well-being. Focusing mainly on environmental objectives. Wants to feel and do good. Expresses this in an introvert manner. Is used to paying a higher price for sustainable products. Brands or products should not be visibly sustainable. Information must be transparent and labels and certificates must be in order.

	Market Segment for Home Decoration & Home Textiles in EU		
	Smart Affluents	**Trendy Creatives**	**Design Purists**
Market segment	Low Mid priced (and part of High) Market Segments - across all price segments	Mid priced market segment, available through upper mid market retailers, often brands and chain retailers.	High priced market segment, available through specialist stores, concept stores and department stores
Design Characteristics	Innovative, Modern, Clever, Clear, Minimal and Basic.	Decorated, Showing origin, Looks like small run and hand-made, On Trend, Sometimes ethnic, Branding and Packaging is very important.	Sophisticated, Statement pieces, Designer signature, Well Considered, Pure, Natural, and Pared Down.

Exhibit 4-5 Description of the main market segments for SD Home Decoration & Home Textiles

Exhibit 4-6 clarifies how sustainable design consumers in these three segments value design and sustainable objectives. The size of the circle shows the projected size of the market by 2015.

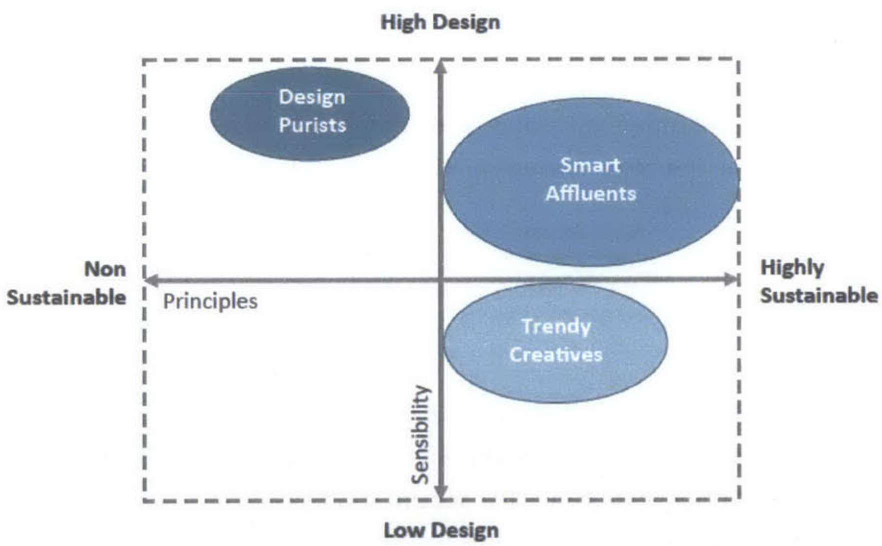

Exhibit 4-6 Positioning of key segments in the SD HD & HT Market projected by 2015

Using the information provided by CBI (CBI, 2011) it is possible to calculate the size of the European Union market for sustainable design for home decoration and home textile, as shown in Exhibit 4-7.

		Market Share		Market Segment Distribution		
		%	USD Million	Consumer Attitude	%	USD Million
Market Segment	Smart Affluents	40%	220	Clever and convenient consumer	60%	132
				Eco consumers	25%	55
				Buy Less-but-better consumers	15%	33
	Trendy Creatives	35%	192.5	Fun-factor-consumer	70%	134.75
				Cultural-consumer	30%	57.75
	Design Purists	25%	137.5	Best-of-the-best-consumer	50%	68.75
				Pure-consumer	50%	68.75
Total Market for SD for home decoration and home textile		**100%**	**550**			

Exhibit 4-7 Market Size distributed by segment for SD for HD-HT

Chapter 5 Competitive Landscape

This chapter describes the competitive landscape comparing traditional products for HD-HT with sustainable products in the same market, and also considers how sustainable products can create market competitiveness.

1. Global Competitors

The most common competing sourcing countries for retailers and importers of SD HD-HT products are China, India, Pakistan, Cambodia, Thailand, Turkey, Bangladesh, Nepal, Philippines, Indonesia, Vietnam and Northern Africa. For specific products categories, sourcing destinations are virtually interchangeable:

- **Bed and Bath linen:** China, Pakistan, Portugal and Eastern Europe.
- **Decoration Textiles:** Indonesia, India, Philippines, South America, Northern Africa and Nepal.
- **Rugs and Carpets:** India, Pakistan, Northern Africa and Nepal (CBI, 2011).

2. Home Decoration Market Competitiveness for Sustainable Products

The analysis of the competitive landscape was based on the European market, because Europe is one of the world's leaders in sustainability and we have detailed information for different categories of sustainable products. It is the only market with detailed information related to home decoration market for sustainable products.

Porter's Five Forces model is used to analyze competition in the European home decoration market. The five forces are the power of buyers, the degree of rivalry amongst suppliers in the target market, the power of suppliers, product substitutes, and opportunities for new entrants (CBI, 2013).

The most important forces that determine competition in the home decoration market are the strong buyer power and the degree of rivalry. Buyer power is expected to remain strong in the coming years, while rivalry is increasing due to changes in the supply bases in Europe and Asia. By targeting the high-end market with a unique product, new entrants can differentiate from competitors, while making their product less open to substitution. Flexibility in the core materials is another means of preventing substitution and makes new entrants more powerful as suppliers. Making sustainability a core value of the company could give a head start over competitors, since buyer demands in this area are expected to rise (CBI, 2013).

Comparing the five forces (Exhibit 5-1) that act in the mainstream market and the SD market, it becomes clear that when the current exporters focus on developing SD products with high design aesthetics, the market could become more favorable to them (CBI, 2011).

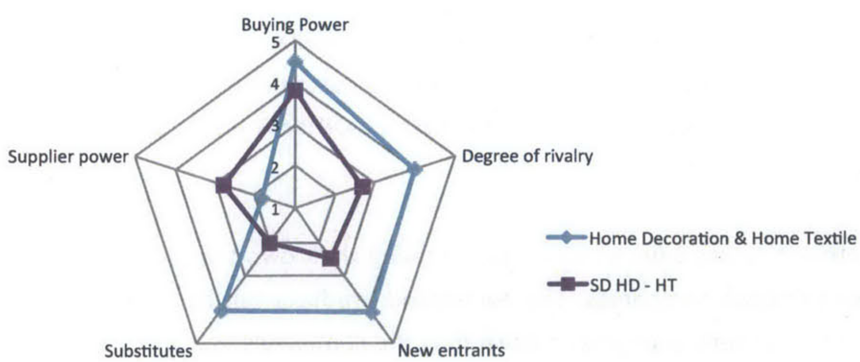

Exhibit 5-1 Competition and forces analysis for Home Decoration and Textile Products

Focusing on developing SD HD-HT products, it is possible to gain a higher power over buyers because of the following:

- The product will be unique, not only in terms of aesthetics, but also for its intrinsic value (quality and ethical credentials).
- As a result, potential replacements will become more difficult, and the relationship with buyers will be stronger due to increased transparency.
- The number of potential entrants will be lower because SD is a concept and process that needs time to mature and be implemented properly (CBI, 2011).

3. Chilean Competitors

The first five years of MOOD's business will be mainly focused in Chile, due to the fact that the founder lives in the country and has an aspiration to help Chilean women. In addition, the real estate market for small spaces (studios and one bedroom apartments) in Chile grew 30% in Chile between 2003 and 2010[7]; highlight an important business opportunity for MOOD products.

The following offers a description of the main competitors, their distribution channels, and a comparison of these competitors and MOOD using a SWOT analysis.

3.1 Main Competitors and Distribution Channels in Chile

There are currently four main competitors in this market: one store dedicated exclusively to HD-HT (Casa&Ideas) and three department stores (Ripley, Paris, and Falabella).

Casa&Ideas could be a direct competitor, as it has a similar customer target, and the capability of rapidly adapting designs and quality according to customer feedback. Casa&Ideas customer is quite different from MOOD customers, because Casa&Ideas products are of lower quality and lower price.

The department stores work in two ways: creating their own-brands and selling products from independent Chilean companies. The own-brand products can be created by adding labels to already existing generic products or expanding the company's own-brand ranges to offer 'good,

[7] http://www.latercera.com/noticia/tendencias/sociedad/2010/08/741-282316-9-vivir-solo-en-chile.shtml

better, and best' price/quality combinations and later adding further sub-brands and niche ranges. The author conducted field analysis during December of 2013 that included visits to each department store in Santiago de Chile, and found that in both cases, the products are made mainly in China, Taiwan, Thailand and India.

Casa&Ideas[8] is a Chilean company founded in 1996. The company buys existing HD-HT products from around the world and sells the products in their 48 stores in Chile, Bolivia and Peru. In 2013, Casa&Ideas was declared bankrupt due to the failure of their international business (specifically in Peru). In Chile, however, the company remains successful and it is currently trying to raise funds to improve their financial position with a renewed focus on the Chilean market.

Falabella[9] is the biggest and oldest department store in Chile. Created in 1889, Falabella currently has 101 stores in Latin America (45 in Chile, 9 in Argentina, 21 in Colombia and 26 in Peru). The HD-HT department has two own-brands (Basement and Mica) and has commercialized one "made in Chile" brand (Nina Herrera[10]).

Paris has 50 stores (44 in Chile and 6 in Peru) and is part of the Cencosud consortium, the biggest retailer in Chile. The home decoration and home textile department has two own-brands (Stylo and Attimo) and has commercialized one Chilean brand (Nina Herrera).

Ripley[11] is a Chilean department store created in 1956. Currently it has 76 stores, 43 in Chile, 7 in Colombia and 26 in Peru. The home decoration and home textile department works mainly with four brands, two own-brands (Marquis and NTO) and two Chilean brands (Cannon[12] and Nina Herrera)

Even though **Nina Herrera** products are sold by the three main retailers, it is not considered a direct competitor for three main reasons: only one product competes with MOOD — the blankets; the target customer is different — people with high incomes that buy classical and traditional designs; and the product design is very classic with very high quality standards and high prices.

[8] http://www.casaideas.com/
[9] http://www.falabella.com/
[10] http://www.ninaherrera.cl/sitio/
[11] http://www.ripley.cl
[12] http://www.cannonhome.cl/

Related to the channels of distribution, MOOD will be the only company in Chile that will use one main direct channel to commercialize their products — the MOOD website (as described above). Casa&Ideas, Falabella, Ripley and Paris only have a one-level distribution channel.

Exhibit 5-2 shows the different distribution channels for MOOD and its main competitors.

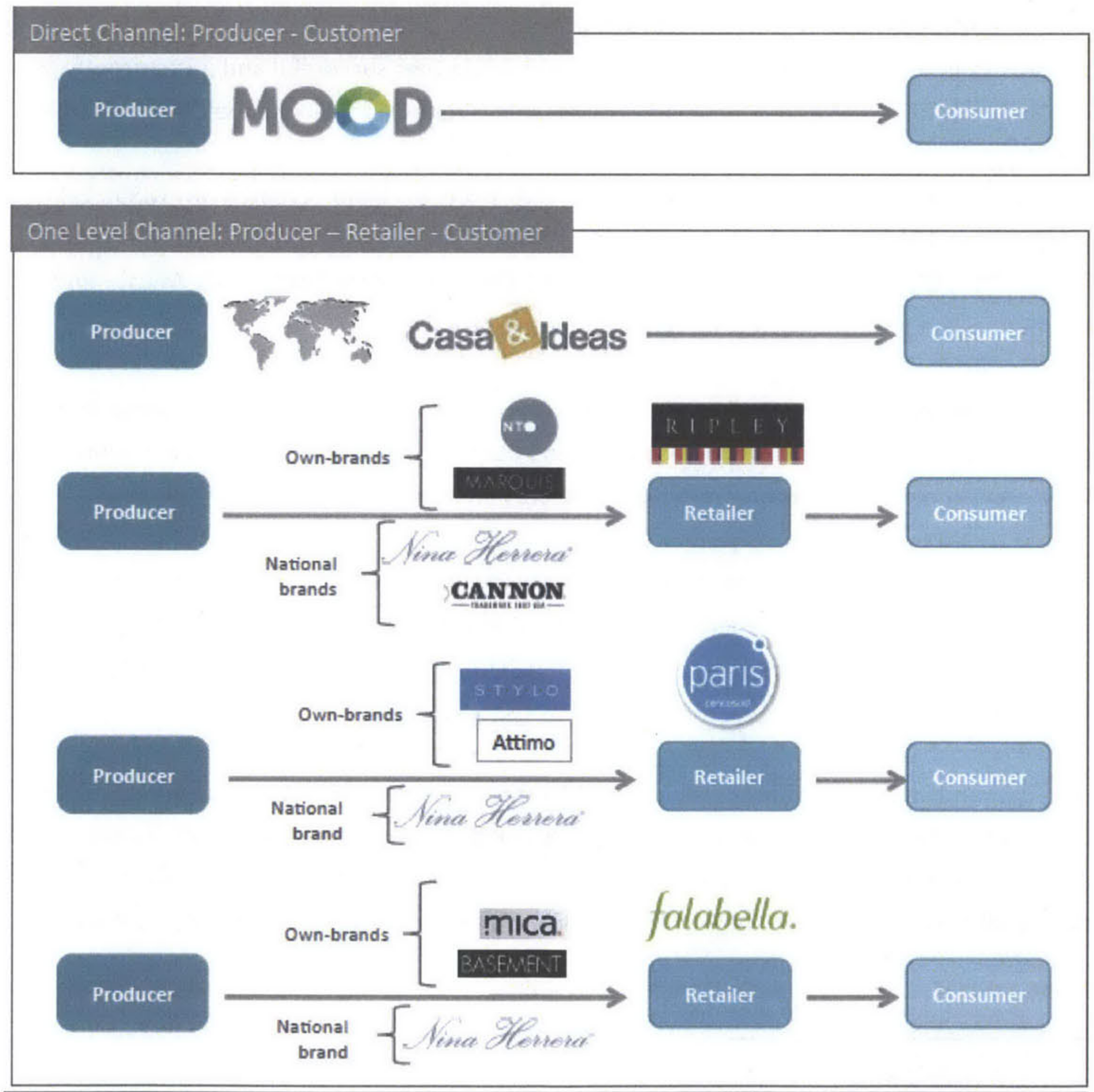

Exhibit 5-2: Distribution Channels of MOOD's Competitors

3.2 Competitors' SWOT Analysis

Analysing the potential customers' objectives, assumptions, capabilities and resources, it is possible to develop a SWOT analysis for each competitor to understand and compare their Strengths, Weaknesses, Opportunities and Threats with those of MOOD.

Exhibit 5-3 is a qualitative SWOT analysis of MOOD and its competitors. Casa&Ideas was considered as a direct competitor and the other three department stores where considered as a single (indirect) competitor, because they are very similar, having the same customer target, very similar products and prices. The scale below is from 1 to 3, where 1 = worst, 2 = standard and 3 = best.

The SWOT analysis for MOOD was made considering the first three years, where MOOD is trying to create its brand reputation and establish its position in the Chilean market.

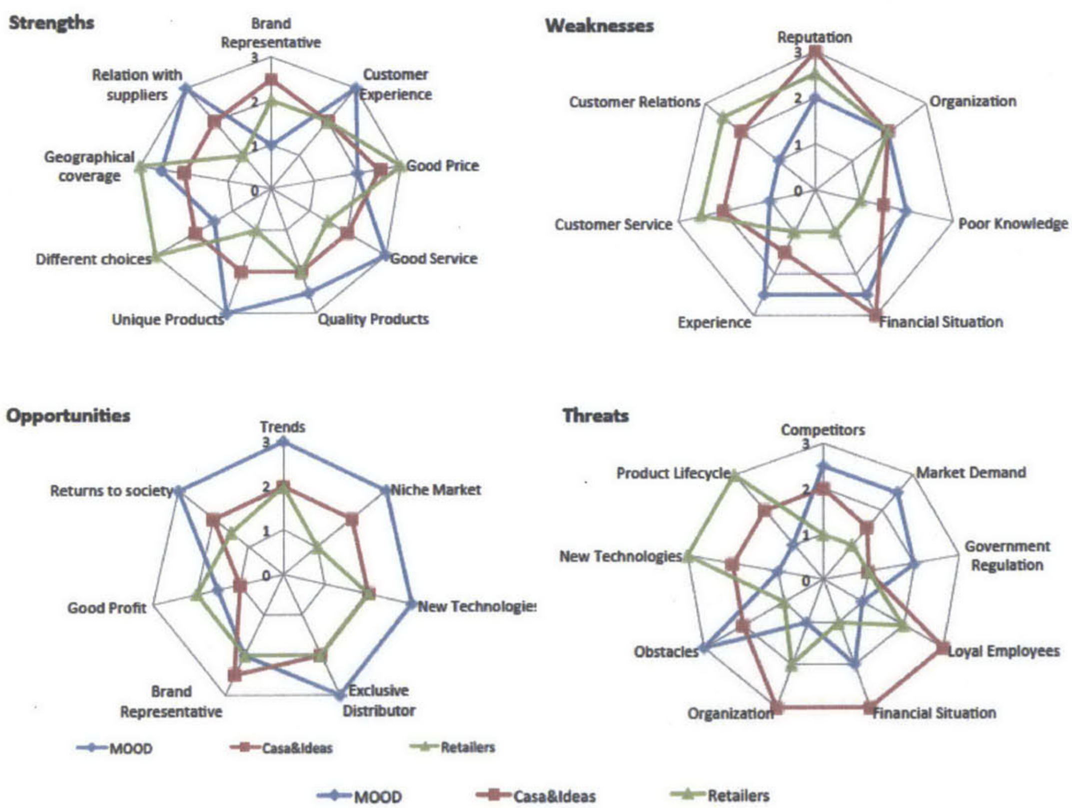

Exhibit 5-3 Competitors SWOT Analysis

The strengths of MOOD related to its competitors are associated with the exclusivity and quality of the products, the customer experience, the good service and relations with suppliers. The competitors' strengths are associated with brand representation, good price, different choices and relations with suppliers.

In the first 3 years, the main MOOD weaknesses are related to experience and knowledge of the market. Department store (retailers) weaknesses are associated with customer relations and customer service. Casa&Ideas, due to its current state of bankruptcy, has serious problems related to reputation and financial situation.

The opportunities for MOOD compared to its competitors are related to trends, niche market, new technologies, distribution channel (exclusive distributor) and social returns (taking care of the environment and society in its business model). The opportunities for the competitors are associated with brand representation in the market, and profits.

Finally, the threats to MOOD are connected with how competitors and the market will react to this new line of products, and potential Chilean regulations related to the upcycling process that could create unanticipated obstacles. Casa&Ideas' threats are associated with the current financial situation of the company and the effects of this on employees and the organization. Threats to the department stores involve the implementation of new technologies and product lifecycle analysis by their competitors.

Chapter 6 Challenges

MOOD is designed to be an Innovation-Driven Enterprise (IDE), a risky and ambitious entrepreneurial business that will serve markets beyond the local market, aiming to sell products on a global or at least a regional level (Aulet, 2013). It faces a number of challenges that have to be managed.

The identified challenges for MOOD include internal challenges (related to the company) and external challenges (related to the ecosystem).

1. Internal Challenges

MOOD will have to make the go or no-go decision to launch the business, create and manage a team, and develop relations with suppliers, and do so according to its business values while keeping in mind the economic risks of business failure.

- **Go or no-go decision:** This thesis presents the MOOD concept to create the business, and information related to the potential market (small spaces, home decoration, sustainable products and green shoppers behavior). To make a go or no-go decision to create the start-up, a number of issues still have to be resolved:
  - ⇒ **Initial Investment:** It is necessary to calculate the necessary initial investment to raise funds. It is also necessary to understand the real costs associated with raw materials and labor. It was not possible to contact the potential suppliers of the raw materials or any associations of skilled women in handicrafts. Thus, the current economic evaluation is based on the general Chilean market information related to the raw materials and labor. This will need to be updated with real data on the ground.
  - ⇒ **Headquarters Country and Primary Market:** The proposed market is Chile, due to the fact that the founder lives in the country and aspires to help Chilean women. In addition, the real estate market for small spaces (studios and one bedroom apartments) is growing rapidly, offering a valuable business opportunity. However, the lack of information related to the size of the market and the consumer behavior related to green products in Chile could generate huge risks. To minimize those risks, MOOD could change the location of the

headquarters and start the business in the US or Europe, where the size of the market is known, and bigger in terms of total population. If the decision to change location is made, MOOD will have to analyze the proposed business model and update the economic evaluation.

⇒ **Business Plan:** The proposed green business model provides a detailed business idea, but aspects such as initial investment, logistics, product transportation and production were not considered. It will be necessary to do so in order to develop MOOD's business plan.

- **Creation of a Team:** If there is a go decision, with the location of the headquarters and the primary market already defined, the next step is creating MOOD's team. How to hire people who are aligned with the spirit of MOOD will be a key aspect. Even though MOOD will work to engage and motivate its team, the candidates applying to work in MOOD must share the core values. Once the baseline team is formed (6 professional staff members: 1 manager, 1 website developer, 2 designers and 2 technicians), they will help to promote the core values of the company and the creation of the MOOD community. The challenge for MOOD will be focused on the process of hiring the right people and ensuring the process of keeping the business values aligned with the team's work.

- **Engage Suppliers:** Engaging the women associations and the suppliers of the discarded fabric with the purpose of delivering their inputs according to MOOD's quality standards will be essential for the business. To minimize the risks of choosing a wrong supplier, MOOD will perform research related to potential suppliers before the creation of any alliances to ensure that they can provide the services required by MOOD's key values and processes. To have the right alliances and the correct processes to build a green supply chain will be one of the big challenges for MOOD.

- **Economic Risks:** If MOOD's founder decides to pursue the business, there are economic risks that have to be managed and monitored. There is the possibility that MOOD's products will not capture a market and win the acceptance of potential costumers. As a consequence, the company will not generate sales. If this should happen, there would be two options: to increase the expenses associated with the marketing strategy, or decide to shut down the company. In both cases, there are economic risks that have to be evaluated.

2. External Challenges

The external challenges identified for MOOD are associated with market barriers, competitors and raw materials.

- **Market Barriers:** There are three key barriers that sustainability marketers need to keep in mind to better position their products for growth: Price, Performance and Behavioral change (Gittell, Magnusson, & Merenda, 2013).
  - ⇒ **Price**: Price is a well-recognized hurdle for many consumers in purchasing sustainable products and services. Many consumers view environmentally friendly products as too expensive. Reducing the sustainability price premium is a key factor in getting a greater percentage of average consumers purchasing more environmentally favorable products (Gittell, Magnusson, & Merenda, 2013).
  - ⇒ **Performance**: MOOD needs to clearly communicate its products' benefits, its sustainable position, and the effectiveness of its products. The challenge is that historically some greener products have not always performed well. Many consumers still question the efficacy of green products compared to their regular, non-green product alternatives, despite huge strides in green product performance (Gittell, Magnusson, & Merenda, 2013). This consumer misperception will need to be overcome.
  - ⇒ **Behavioral Change**: Many sustainable practices require consumers to change their habits and adopt new ones. Typically, changing a behavior is a slow process as consumers have to be taught a new habit. Most behavioral changes are more readily adopted when there is a perceived consumer benefit. MOOD has the challenge of helping consumers adapt more quickly to a new behavior by highlighting the benefits and long-term cost savings in using their products (Gittell, Magnusson, & Merenda, 2013).

- **Competitors:** If competitors think that there is an interesting market in MOOD products, they may be able to create and deliver similar products at a cheaper price. Competitors have the advantage of already being in the market for a longer time, and new companies face a risk of failing to gain traction. MOOD will have the challenge of creating a competitive advantage that is related to exclusivity and quality of the products, positive customer experience, and good service and relations with suppliers.

- **Raw Materials (Fabric):** There are two external challenges associated with the availability of the fabric needed to create MOOD products: lack of supply and legislation.

    ⇒ **Lack of Quality Fabric:** Some apparel companies generate their own fabric to produce their cloth. This fabric may be protected (through copyrights or trade mark) thus forbidding their reuse to be upcycled.

    ⇒ **Legal issue regarding certain features of Upcycling fabrics and products:** Approaching upcycling from a recycling perspective, where fabric offcuts from clothing manufacturers are used to create an entirely new product in order to reduce textile waste, generally carries little or no legal risk. However, laws related to copyright of designs, patents, and trademarks may apply (Phipps-Rufus, 2013). In the case of MOOD, the potential risks are associated with the designs embedded in the fabrics, which could be protected by copyright, or the use of a well-known signature fabric, for example one that may have been used by the original owner as a trademark.

Chapter 7 Conclusion

This thesis was made with the goal to develop a new concept for home decoration. According to the market analysis and trends, in terms of the growing market of people living in small spaces and people looking for sustainable products, MOOD seems to be a very competitive business idea to provide unique and valuable products for this globally expanding, niche market.

According to the market requirements and the author's personal aspiration to make a contribution to world's social and environmental challenges, MOOD has the potential to generate a disruptive offering, which is the creation of chic and high quality reversible products at affordable prices, allowing costumers to have different decorative environments according to their mood or needs, using the approach of sustainable design.

The B2C business model with a sustainable approach generates strengths and opportunities relative to its Chilean competitors. The strengths are associated with the exclusivity and quality of the products, the customer experience and good relations with suppliers. The opportunities are related to trends, niche market, new technologies, distribution channel and social returns.

The economic evaluation of MOOD shows that this green business model is an opportunity that should be seriously considered. However, as with all entrepreneurial ideas, there are challenges that need to be managed. The main internal challenges include the go or no-go decision, the creation of a team, suppliers' engagement and economic risks. The external challenges include market barriers, competitors' responses, and the availability of raw materials.

Through the development of innovative products for a niche market and the approach of a business model based on sustainability parameters, MOOD has the unique opportunity to create a new concept for home decoration.

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