ABSTRACT
The fashion industry is a dynamic and volatile place, continuously exposed to macro-environmental factors that trigger fashion business models to change. The fast fashion model is currently at the forefront of the apparel market casting questions on whether its underlying philosophy is about to change as well. Therefore, the purpose of this study is to identify external drivers that might lead to such dynamic changes in the fast fashion model. Moreover, it will be investigated whether these may allude to a possible convergence to the newly emerged slow fashion model which is currently trying to penetrate the fashion market. The international retailer Zara has served as fast fashion representative for this analysis and has been examined for business model adjustments, which might have been triggered by macro-environmental factors. It was found that especially social, environmental and technological factors have influenced developments in the fast fashion model and that it has indeed adopted slow fashion principles in some of its building blocks to respond to such emerging trends. The future of the fashion industry appears to be tailored by such externalities, continuously reshaping the fast fashion model to eventually arrive at a version that brings a long-lasting competitive edge. However, only time can indicate whether this version will eventually be the result of a conflation of the fast and slow fashion model.

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              Björn Kijl, MSc.

Keywords
Business models, business model dynamics, PESTEL, canvas framework, fast fashion, slow fashion
1. INTRODUCTION
All companies have business models (Gambardella & McGahan, 2010; Casadesus-Mansanell & Ricart, 2010). The reason for this is that they are powerful concepts in today’s business contexts and can significantly contribute to a firm’s competitive advantage (Teece, 2010). The importance for solid and sustainable business models has obviously influenced the management strategies over the last couple of years. Visualisation tools like the Business Model Canvas by Osterwalder and Pigneur (2010) have been increasingly used and enjoyed acceptance and penetration in many industries. Despite their widespread adoption, however, most business models cannot remain static (Demil & Lecocq, 2010; Ferreira, Proença, Spencer & Cova, 2013) and need to change over time. The continuous emergence of influencing macro-environmental factors challenges their future viability and determines if existing business models are still competitive in the market. In order to maintain a thriving business and cope with such changes, companies are compelled to thoroughly rethink their overall business plans and respond to these external influencers by adapting their business models accordingly (Al-Debei & Avison, 2010). Companies are then trying to differentiate themselves with innovative business models in order to perform differently and outcompete those threatened by obsolescence.

Such business model dynamics can particularly be observed in the fashion industry. Fashion trends and styles come and go, change within a few weeks or merely within years or decades. Changes in fashion trends are differently responded to depending on the respective fashion company and its way of distributing and selling the clothes to its customers. Business models in the fashion industry are multiple and “fashion brands and retailers are struggling to find the right business model answers” (Rinnebach & Richter, 2014, p. 2). Recently, the majority of companies choose to capture the latest fashion trends while new entrants increasingly try to emphasise quality over quantity by striving for a more sustainable and long-lasting approach. These differences are illustrated by two comparatively new business models, which have emerged over the past years within the fashion industry, namely the fast fashion and slow fashion model. According to Cachon and Swinney (2011) companies following the fast fashion business model are characterised by a quick response to the latest fashion trends as well as short production and lead times resulting in a high-speed-to-market. Well-established international fashion retailers like Zara or Top Shop take the lead in fast-fashion and are successfully applying the idea for years. They introduce new designs and collections within several weeks, which keeps customers continuously dropping by the stores in order to review the latest fashion styles (Triplady, 2006). Compared to the fast fashion model, slow fashion is more novel and has not yet penetrated today’s fashion market. It has to be thought of as a response to the fast fashion model and is concerned with creating a more sustainable and ethical supply chain highlighting the use of local resources and longer product lives (Pookulangara & Shephard, 2013). In contrast to fast fashion, slow fashion promotes a more conscious buying behaviour and motivates customers to be more aware of the materials that are taken from the environment to create their looks. It tries to incorporate green thinking into the (fast) fashion world and pulls customers away from the throw-away culture that has been created with the emergence of the fast fashion concept.

Nevertheless, slow fashion is still a niche market and fast fashion the prevailing mainstream in the apparel industry. The dynamics and ever-changing customer demands in the world of fashion allow supposing that these businesses models are continuously exposed to upcoming macro-economic trends. Therefore, it is worthwhile to ask whether the fast fashion model is indeed challenged by external influences that lead to business model changes or even to a possible convergence to the novel slow fashion model. The research question, which will be tackled in this thesis, is: Has the fast fashion model moved towards the slow fashion model in the fashion industry, as a consequence of business model dynamics?

The results of this thesis will give academics and practitioners valuable insight into dynamic factors that influence and trigger business model changes in today’s fashion industry. Especially in times when the slow fashion model seeks market penetration and the strong fast fashion model is increasingly challenged by external forces, this topic appears worth discussing. No recent studies have tackled possible convergence effects or business model trends in the fashion industry yet, particularly with reference to the changing business environment and in regard to such newly evolved business models.

The next section of this paper reviews the business model concept and its dynamics and thereby provides a theoretical framework for the further proceedings of the study. After clarifying the methods being used for the analysis part, the apparel industry will be systematically expounded in search of decisive macro-economic drivers affecting the fashion companies from today. Then, it will be investigated if these factors indeed have an influence on changes in the fast fashion model and whether this leads to a convergence to the slow fashion model. In order to achieve this, the fast fashion business model of the international fashion retailer Zara will be analysed by using Osterwalder and Pigneur’s business model canvas framework. It will be systematically scanned to detect business model developments that may be traced back to the previously identified external drivers.

2. THEORETICAL FRAMEWORK
2.1 Business Models
Casadesus-Mansanell and Ricart (2010) state that the origin of the business model goes back to the writing of Peter Drucker, whereas the term itself was firstly introduced in a scholarly article in 1957 by Bellman et al. during an investigation of business games. From then on until the 1990s, the literature on business models was relatively limited, albeit continuously increasing. The topic was just brought up into deeper discussion with the advent of the Internet in the mid-1990s (Beqiri, 2014; Zott & Amit, 2008; Zott, Amit & Massa, 2011). When new, highly competitive businesses were established as a response to new opportunities that opened up through the rise of web and telecommunication technologies (Afuh & Tucci, 2000). Thenceforward, the business model has received widespread attention by both academics and practitioners and has been, as new unit of analysis, discussed in a steadily growing literature.

Although widely used and acknowledged, the business model concept is often confused with terms like strategy, business concept, revenue model, economic model or business process modelling (DáSilva & Trkman, 2013). One solid reason is that there has not yet been found consensus on one widely accepted definition of business models within today’s literature (Zott et al., 2011; Al-Debei & Avison, 2010), which gives rise to ambiguous interpretations and disparate conceptualisations. Theorists address the topic from many different perspectives, contexts and sectors like e-business, strategic or information management and not seldomly make its meaning fit their research purposes (Shafer, Smith & Linder, 2005). It is therefore not surprising that “many executives remain confused about how to use the concept” (Shafer et al., 2005, p. 200). Considering Zott and Amit’s (2013) suggestion that business models need to be clearly defined in order to come to proper
and unambiguous solutions, the first part of this theoretical framework will result in an attempt to come to a common definition by taking into account the main relevant studies tackling this topic.

Until the present day, many business model definitions have been published trying to capture the meaning, use, purpose and essence of the concept. After reviewing more than 30 academic articles and journals it was found that all definitions of the business model are currently – and clearly – heading towards one specific direction. To come straight to the point, the business model concept has been considered as being value-based. Scholars like Shafer et al. (2005), Casadesus-Mansanell and Ricart (2010) or DaSilva and Trkman (2013) argue that a business model contains a specific set of choices and corresponding consequences, which lead to the generation of value. It is a holistic framework (Al-Debei & Avison, 2010; Zott et al., 2011) that represents the underlying business logic of an organization (Teece, 2010; Al-Debei & Avison, 2010; Shafer et al., 2005) and directly results from its respective corporate strategy (Casadesus-Mansanell & Ricart, 2010). Many theorists (Shafer et al., 2005; Casadesus-Mansanell & Ricart, 2010; Zott et al., 2011; Demil & Lecocq, 2010; Tongur & Engwall, 2014; Johnson, Christensen & Kagermann, 1996; Zott & Amit, 2008; Arend, 2013; Sonna, Trevinyo-Rodriguez & Velamuri, 2010; Cheshire & Rosenbloom, 2002) are in accordance that business models exist to explain the way companies are creating value. In this respect, it is important to envisage that the business model must not be seen in isolation. Although it is focused on a specific company, its boundaries are much wider than only firm-specific and similarly encompass exchanges and interactions with the stakeholders in its network (Zott et al., 2011; Zott & Amit, 2007, 2013). It is additionally worth clarifying that it is not only the customers who should be profiting from the value creation. As Freeman already suggested in his stakeholder theory (Freeman, Harrison, Wicks, Parmar & De Colle, 2010) a company is only successful if it generates value for all stakeholder groups that are anyhow engaged with the business. Sonna et al. (2010) and Zott and Amit (2007) confirm this opinion when stating that business models are externally focused and concerned with exchanges and “boundary-spanning transactions” (Zott & Amit, 2008, p. 3) with others. Besides, Zott et al. (2011) go one step further by proposing that business models rather have a dual focus and also concentrate on how the firm captures value, for instance in terms of profits gained, for itself. Scholars like Shafer et al. (2005), Zott and Amit (2013), Sonna et al. (2010), Demil and Lecocq (2010) and Baden-Fuller and Morgan (2010) are equally agreeing on this proposition. As distinguished from this view, Demil and Lecocq (2010) and Johnson et al. (1996) provide an indication to a third dimension, namely value delivery, which is to be included in the business model definition as well. It follows that creating value is just the entering wedge of the interactions between parties within the value network since the value, disregarding of its form, then needs to be delivered to and appreciated by the stakeholders. This in turn is the prerequisite for the company to eventually appropriate a share of the created value for itself. Osterwalder and Pigneur (2010) have perfectly captured this finding by concluding that “A business model describes the rationale of how an organisation creates, delivers and captures value” (p. 14). This definition of a triple value focus of the business model concept sets the framework for this research study. Figure 1 visualises this finding with the aid of a simple relationships graph.

Having clarified what is actually meant by the term ‘Business Model’, it is now worth finding out how it can serve as a powerful strategic concept and what encourages academics and practitioners to give so much thought about it. Generally, it can be stated that the business model is an essential strategic tool for every company. It helps making and implementing strategic choices and “facilitates the analysis, testing, and validation of the cause-and-effect relationships that flow from [these]” (Shafer et al., 2005, p. 203). Arend (2013) and Zott et al. (2011) point out that business modelling further promotes the reduction of the complexity companies are facing in today’s information-overladen industry contexts. In this respect, Cheshire and Rosenbloom (2002) add that transactions and interdependencies between market participants can be facilitated and made clearer. Al-Debei and Avison (2010) also stress that the business model defines how a company is related to and interacting with its environment and all other participants in the value network. This is made possible through the provision of a common language among the stakeholders involved, which, according to Zott and Amit (2013), is an important function of the business model. It provides information for stakeholders concerning for instance the value proposition (Johnson et al., 1996), the customers (Baden-Fuller & Morgan, 2010) or key resources (Demil & Lecocq, 2010) of the respective company, which is “helpful in translating strategic objectives into implementation tasks and functions” (Al-Debei & Avison, 2010, p. 365). With this information, stakeholders get a better understanding of how the company works (Baden-Fuller & Morgan, 2010) and how its internal business structure and functions operate and interplay with each other (Al-Debei & Avison, 2010). All this makes the business model, if properly applied, a tool for increased efficiency (Zott & Amit, 2013), better decision making (Hacklin & Wallnöfer, 2012) and secured sustainability (Demil & Lecocq, 2010). As a result, business models have the potential to give the firm a competitive advantage over other participants in the industry by not only generating more value for the stakeholders but also capturing more value for the shareholders than rivals do (Zott & Amit, 2013). Teece (2010) is further concerned about which other conditions can make the business model a source of competitive advantage. He explains that, next to representing a reasonable business logic, the business model further needs to be difficult to imitate for competitive companies and should be designed to cater for the customers’ needs and the interests of other stakeholders. Casadesus-Masanell and Ricart (2010) add that business models “can guide the search for novel, interesting and profitable new ways to compete” (p. 212) to remain competitive, better react to inconsistencies and exploit uncharted market opportunities.

In order to fully enjoy the advantages a successful business model can bring, a company needs to make sure that its whole business community understands what the business actually does and how its activities, functions and processes interlink and interlock within the business. Experts emphasise different strategic components, which form the building blocks of every business and, taken together, generate a shared language for the creation, delivery and appropriation of value. Several frameworks or so-called ontologies are available in order to achieve clarity among the stakeholders regarding the design and

![Figure 1. Triple focus of business model.](image-url)
connection of such business model components. They intend to ensure a structured, clear and comprehensive overview of the importance, linkages and interactions between business model components, which helps to grasp the business model concept of a company as a whole. Table 1 summarizes five different frameworks introduced in the academic literature.

**Table 1. Overview of business model frameworks.**

<table>
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<th>Framework</th>
<th>Components of Business Model Framework</th>
<th>Model as a Conceptual Tool to Describe Key Components and Their Relationships that Represent the Organisation’s Core Logic</th>
<th>Business Model as a Coherent Framework Given That It Depicts the Business Logic Comprehensively</th>
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</table>

Although all frameworks have several characteristics in common, the business model framework by Osterwalder and Pigneur (2010) appears to be the most applicable for this research. Their canvas is a management tool for designing a new or illustrating an existing business model and constitutes the starting point for the upcoming business model analysis. It describes an organisation with nine building blocks that contain all necessary elements needed for the construction of a comprehensive business model. The model is easy to understand, communicate and use since there can be found a substantial amount of resources and literature introducing and elaborating on the canvas. Besides, using the framework by Osterwalder and Pigneur (2010) seems reasonable because it is also their definition of business models that sets the basis for this research.

The canvas describes an organisation’s business model by means of nine building blocks, which are assigned to the four main areas of any business, namely customers, offer, infrastructure, and financial viability (Osterwalder & Pigneur, 2010). The customer area covers the customer segments for which the company is creating value, the channels to reach these customers and the relationships the company establishes with them. The offer represents the value proposition, which are the products or services that create value for the customers and are offered onto the market. The infrastructure reveals the key activities, partners and resources required to create, deliver and capture the value. Finally, the financial viability encompasses the revenue streams that are generated and the cost structure that characterises the business model. With all these components, Osterwalder and Pigneur (2010) created a comprehensive framework to map, design and manage business models over their lifetime. It is a substantial business model framework to ensure that all stakeholders of the company know its underlying business logic and use the same language when talking about its business model. The canvas helps to focus on the critical things and thereby supports both continuous improvement and innovation. This seems especially important for a company in order to stay competitive in the market.

### 2.2 Business Model Dynamics

Remaining competitive now gives the cue for the often-undervalued act of adjusting, improving or even renewing existing business models. As is often the case, managers do not yet understand their current business models properly, which makes it difficult or even impossible for them to recognize the actual need for change (Johnson et al., 1996). Consequent wrong adaptations of business models or the identification of false market opportunities can lead to decreased financial performance (Achtenhagen, Melin & Naldi, 2013) making revenues and profits fall rapidly. Likewise, not reshaping business models if the need is eventually identified might also come from the managers’ resistance to change or, put another way, an inability to look beyond short-term targets and a comfort with the status quo. However, an increasing number of scholars agree that business model innovation is actually the key to a company’s survival and success (Sosna et al., 2010; Al-Debei & Avison, 2010; Gambardella & McGahan, 2010; Achtenhagen et al., 2013; Cheshire, 2010). Solely focussing on product innovation is not enough anymore.

Today’s business environments are not static but rather exposed to continuous changes, increasing complexities and higher performance pressures than ever before (Al-Debei & Avison, 2010; Weißer & Neely, 2013). External forces like globalization, deregulation as well as environmental, technological or socio-economic changes have an influencing impact on companies, which, as a response, are forced to develop specific tactics to mitigate the risks entailed and ensure sustained value creation (Achtenhagen et al., 2013). In order to keep up with this external volatility, businesses need to view their business models as subjects of innovation (Zott et al., 2011) and incorporate the macro-economic shifts in their business modelling practices (Teece, 2010). Hence, business models are required to remain flexible and adaptable over time. Demil and Lecocq (2010) even go so far as to say that business models simply cannot remain static and are in a “permanent state of disequilibrium” (p. 242). Nonetheless, academic articles on business models often disregard their relation with external influences, which in fact are triggering the change or even the renewal of existing business models. However, before digging deeper into the rationale of business model dynamics, it is...
useful to shortly review what is actually meant by this designation. Clearly, and as the term ‘dynamic’ already indicates, business model dynamics suggest that the business model does not hold on to a certain design over time and is subject to change. In this respect, Gambardella and McGahan (2010) adopt a resource-based view by opining that business model dynamics involve a company changing its approach of commercializing its assets. Zott and Amit (2013) put it in other words by defining it as the way business models “are shaped and adapted by entrepreneurial actors over time” (p. 409). Al-Debei and Avison (2010) direct more emphasis on the internal and external variations, which reflect the business model configurations and the corresponding design changes. Others argue that business model dynamics rather arise through the interactions between business model components and its building blocks (cf. Demil & Lecocq, 2010). It can be seen that here, too, has not yet been found a common definition of what business model dynamics actually entail. However and put into simple words, they have to be thought of as changes of existing business models in the form of, for instance, revisions, adaptations or improvements of their components or even full business model innovations, which are triggered by specific internal and/or external influences created in dynamic industries.

In order to better understand what makes business models change, one must consider several influencers that are affecting this trend in any industry. On the one hand, drivers for these business model dynamics may be endogenous i.e. firm-specific, like the availability of new resources or the exploitation of strong research competences (Sosna et al., 2010; Al-Debei & Avison, 2010). On the other hand, numerous external forces coming from the complex and challenging macro environment will affect the decisions of managers in any business and can either constitute an opportunity or a threat to the existing business model (McGrath, 2010). In this respect, Teece (2010) draws attention to two different external triggers of business model change. First, he mentions that if the underlying technology has changed, this will raise different customer needs, which in turn gives an urgent signal to change the respective business model. Next to such technological developments, Teece (2010) points to a second driver that encourages the managerial rethinking of business models. He detects that successful business model entrepreneurs have an “understanding of some ‘deep truth’” (p.188) of current and upcoming customer needs, competitors’ responses to those needs and technological as well as organisational possibilities for improvement. According to him, only those managers who properly understand these issues are able to design competitive business models and accommodate their components to upcoming changes in order to build the basis for a sustainable and long-lasting business success. Next to these drivers of business model dynamics, De Reuver, Bouwman and MacInnes (2007) further bring on socio-economic trends, political and legal changes, while Sosna et al. (2010) especially alert that “market changes [like new innovations] can quickly make existing business models obsolete or less profitable” (p. 384). Globalization (Casadesus-Masanell & Ricart, 2010) as well as demographic and environmental changes (McGrath, 2010) constitute other influencers that have the potential to help managers innovate their business models so that they can compete differently. Figure 2 illustrates the idea of business model dynamics, however focusing on macro-environmental triggers since these are in the main focus of this paper.

By all means, implementing business model changes is seen as an entrepreneurial act (Chesbrough & Rosenbloom, 2002) and requires insight into all business process as well as technological and market conditions. Changing or even innovating an existing business model is not a simple task to be done. Many companies are lacking the necessary resources, knowledge, analytical tools and skills in order to brusk up their business model effectively. Many scholars agree that business model changes are achieved through experimentation in order to find the most effective and suitable model (Sosna et al., 2010; Chesbrough, 2010; McGrath, 2010). The resulting learning process will take time since new knowledge must be added to the existing knowledge repertory of the company (Sosna et al., 2010). Especially skills of “creativity, insight, and a good deal of customer, competitor and supplier information and intelligence” (Teece, 2010, p. 187) are important for prosperous trial-and-error learning (Sosna et al., 2010). However, like the majority of experimentations, trying to develop and design a more advanced business model might lead to failures, which can negatively affect the company’s performance. Furthermore, experimentations are time-consuming, costly and might also require numerous other non-financial resources. Nevertheless, as long as companies can derive some learning experience and valuable insights into new approaches, markets or customer needs, such failures may even serve as motivators for further attempts to business model innovation (Chesbrough, 2010). Next to that, it has been found that business models itself create virtuous circles (Casadesus-Masanell & Ricart, 2010), which serve as feedback providers for the effectiveness of different business model components and their interconnection. Thereby, managers can evaluate strategic choices and the corresponding consequences in order to maintain a successful functioning of the business model or eventually undertake improvement changes.

What this all amounts to is that a business model is indeed a necessary management tool for a company and the organisation of its business. Business models are dynamic in nature (Al-Debei & Avison, 2010; Achtenhagen et al., 2013) and need to adapt over time in order to ensure business success and a strong presence in the industry. In this respect, Demil and Lecocq (2010) mention the idea of ‘dynamic consistency’ and claim that while remaining its capability to maintain an appropriate performance level, a company needs to continuously overhaul its business model by adapting to external trends in order to keep its competitive position within the industry. Therefore, it is pertinent to ask which industry-specific forces are driving changes in the way businesses are organizing their activities.

![Figure 2. Business model dynamics.](image-url)
This is where the PESTEL framework comes in. It is a useful analysis tool to scan the macro-environment in which a firm operates in order to identify external factors that can influence the organisation’s business activities and performance. It also helps managers to determine if the factors are likely to change and what implications this might have for the company. PESTEL stands for Political, Economic, Social/ Cultural, Technological, Environmental and Legal external factors that may drive changes in business models.

3. METHODOLOGY

Business model dynamics can be best expounded within the context of an industry which is characterised by high complexity, fierce competition and continuous growth since these features set the foundation for dynamic changes of business models (Al-Debei & Avison, 2010). The fashion industry offers such conditions since it distinguishes itself by ever-changing demands, increasing customer requirements and buying power, market complexity and a sustained innovation pace (Rinnebach & Richter, 2014; Nenni, Giustinian & Pirolo, 2013; Cillo, De Luca & Troilo, 2010). Fashion incumbents as well as newcomers are still trying to figure out the most appropriate business model that embraces this volatility and turns these conditions into a sustainable competitive edge. The continuous search for best practice standards that prove successful in the long-run and attract a large number of customers is a decisive reason for the existence of the manifoldness of business models that are trying to find their contestability within the apparel industry (Rinnebach & Richter, 2014). Therefore, it is interesting to analyse which factors are influencing business model changes. To begin with, it is useful to identify drivers that are affecting today’s fashion firms and possibly find corresponding interrelations or combination effects between them.

3.1 PESTEL Framework

Considering that, a macro analysis of the fashion industry will be undertaken by making use of the PESTEL framework. Fashion companies are likely to be exposed to several external drivers of change. Political factors refer to the stability of the political context and are concerned with, for instance, changes in government or regional policies, level of state intervention, taxation changes, deregulation or the attitudes of political parties on the government policy. They are closely linked to the legal factors, which cover legislative issues like consumer, labour or safety laws. However, political and legal factors are not assumed to influence fast fashion business models in the apparel industry in a way that may lead to significant changes. Therefore and due to scope limitations, this research will look at economic, social, technological and environmental factors since these are expected to have a more considerable impact on changes in fashion business models. Hence, the economic environment will be examined for elements such as economic growth, unemployment rates, resource price changes, labour costs or disposable income of consumers. The environmental aspect includes all those elements that are concerned with ‘green’ and sustainability issues. In the fashion context these may be climate change, air and water pollution, waste disposal and the treatment of scarce resources like water or oil. Social, also known as socio-cultural, factors reveal how marketers must understand their customers and what drives their behaviours and attitudes. Corresponding indicators that will be looked at include demographic changes, lifestyle and trends, attitudes, consumer demands, income distribution and health consciousness. Technological factors like the rise of the internet, social media platforms or process innovations might also affect fashion businesses in the way they can produce, sell, distribute or advertise their products, but also open up new ways for customers to purchase these.

3.2 Fast Fashion and Slow Fashion Model

In order to detect whether these factors indeed have an influence on the change of business models in the fashion industry, one incumbent business model will be taken as subject of analysis and a rather novel one as point of reference. Quite recent but noticeably distinct business models adopted in the fashion setting are the fast and slow fashion model which will enjoy the main attention in this paper. The main characteristic that distinguishes both concepts is that fast fashion is time-based whereas slow fashion is rather quality-based (Fletcher, 2008). Adopters of the fast fashion model are concerned with bringing new products very quickly to the market in order to capture and directly respond to the latest trends in the market (Johansson, 2010). It is defined by low prices, a short time-to-market and reduced lead times resulting in a delivery of new clothes several times within a season. By comparison, slow fashion rather stands for attributes like sustainability and quality and an effort to decrease over-consumption and encourage a

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<th>Table 2. Overview of fast fashion and slow fashion model.</th>
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<td><strong>Definition</strong></td>
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<td><strong>Emergence</strong></td>
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<td><strong>Slow Fashion</strong></td>
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more conscious approach to purchasing clothes (Clark, 2008; Fletcher, 2008; Fletcher, Grose & Hawken, 2012). It goes beyond sustainability where companies also engage in a transparent supply chain management, and corporate ethical and social responsible initiatives while not losing sight of creativity and fashionability of their products. The fast fashion concept is, compared to the slow fashion concept, well-established in today’s apparel market and numerous renowned fashion companies like Zara, H&M or GAP have successfully implemented the approach in their business strategies (Choi, Hui, Liu, Ng & Yu, 2014; Bhardwaj & Fairhurst, 2010). For this reason, the fast fashion concept will represent the incumbent business model in this paper and thereby the unit of analysis. The prominence of the slow fashion business model, however, is recently increasing and more and more entrepreneurs establish new and prospering businesses under this concept (Poopulangara & Shephard, 2013). Due to this upheaval, the slow fashion concept will be considered as a new entrant since it is only in the early stages of market establishment. Table 2 provides a more detailed overview of the two business models in discussion.

3.3 Case Company
In order to investigate whether the selected external factors may indeed have an influence on changes in the fast fashion model, the business model of the international fashion retailer Zara will be analysed. This company has been chosen to illustrate the fast fashion model since it is considered a flagship company for this business concept and is, as such, widely discussed in the literature (Bhardwaj & Fairhurst, 2010; Tokatli, 2007). Table 3 gives a short overview of the case company with data derived from the company website and latest annual report.

<table>
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<th>Table 3. Overview of the case company.</th>
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<td><strong>Ownership structure</strong></td>
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<td><strong>Headquarter</strong></td>
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<td><strong>Markets</strong></td>
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<td><strong>Target group</strong></td>
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<td><strong>Net sales (in millions)</strong></td>
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<td><strong>EBIT (in millions)</strong></td>
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<td><strong>Mission statement</strong></td>
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The Business Model Canvas constructed by Osterwalder and Pigneur (2010) constitutes the starting point for the business model analysis of Zara. Developments in Zara’s business model will be expounded based on its nine building blocks. Emphasis will be put on the analysis of the building blocks Value proposition, Channels, Customer relationships and Key partners. Business data for this analysis will be derived from secondary sources like company presentations, the corporate website, press releases, annual reports and scholarly articles that are concerned with the case company. The aim is to reveal whether the detected developments in the fast fashion model have been made as a response to the previously identified external factors that have an influence on fashion companies. Eventually, it will be discussed whether these may also lead to a convergence to the slow fashion model.

4. ANALYSIS

4.1 Dynamic Factors affecting Business Models in the Fashion Industry

4.1.1 Environmental
In the environmental dimension of the PESTEL framework several trends can be observed which are likely to have an impact on companies in the apparel industry. First of all, climate change and global warming might pose serious challenges to fashion companies in the future, especially within developing countries (OECD, 2009). Contingent events like droughts, tsunamis or floods are often unforeseeable and can harm the growth of cotton and the maintenance of manufacturing facilities. Since many retailers have shifted the production to so-called developing countries in Asia (Bhardwaj & Fairhurst, 2010; Johansson, 2010; Joy, Sherry, Venkatesh, Wang & Chan, 2012), they need to be particularly aware of such environmental risks and prepare production plants and workers for upcoming events. Besides, in order to counteract and reduce the consequences of the changing climate, fashion companies are especially demanded by stakeholders to reduce their carbon footprint and incorporate environmental practices alongside their whole supply chain (Johansson, 2010; Poopulangara & Shephard, 2013). A related critical debate that has been pursued over the last years and may continue to be at issue in the future is about the environmental contaminations that are attributed to the supply chain activities of companies in the apparel industry. Fashion leaves a great environmental footprint along its supply chain and life cycle. For instance, growing non-organic cotton is cheaper than organic cotton and requires a big amount of chemicals, water and pesticides, which harm human health and have a significant, long-lasting impact on the environment (Déri, 2013). Besides, overconsumption in the course of the collection overload in the fast-fashion world leads to greater amounts of waste and encourages disposability (Poopulangara & Shephard, 2013). Textile production facilities use a lot of energy and water and, in order to remain low-cost, process toxic chemicals and fertilisers that generate contaminated water and volatile emissions (Déri, 2013; Johansson, 2010). Nevertheless, many managers and business owners seem to still be separating environmental and business issues although they are closely interlinked and need to be combined in order to create a positive and long-lasting brand image. It is not for no reason that more and more consumers, governments and other stakeholders demand more sustainable and ethical practices in daily business operations. If fashion companies want to maintain loyal customers, they need to reduce their impact on the environment and invest in sustainable and eco-friendly practices in order to reduce waste and minimize the pollution of water and air.

4.1.2 Economic
There is a wide range of economic factors, which affect companies in the apparel industry nowadays and are also likely to have an impact in the future. One factor constitutes the increasing disposable income of households, which has been witnessed in most OECD countries over the last couple of years (OECD, 2013b). This implies that there is more money left for consumers to purchase clothes, which may increase the total sales of fashion companies. However, the employment rate in most OECD countries has continuously decreased over the last years with the advent of the financial crisis in 2008 (European Commission, 2013). In the course of this trend, there might be less people able to buy fashion clothes due to the unemployment, but those who are employed can spend more money on the products due to the higher disposable income.
This may have an essential impact on the strategy of retailers since their average spend per customer may rise, even if the total number of customers is decreasing. Consequently, fashion firms may for instance enhance the product quality since price increases become an option or simply scoop in higher profits for themselves. Still, according to the OECD, the global economy is expected to strengthen and grow in the next years and issues like unemployment may be tackled to further recover from the financial crisis. The European Commission (2014) declares that the fashion industry itself has constantly grown at around 10% until 2011 and may show similar rates in the upcoming years. Remy, Schmidt, Werner and Lu (2013) even claim that the global women’s apparel market growth rate is expected to increase by 50% over the next 12 years. This may mainly be driven by the fast growth of emerging markets, which are assumed to “account for 50 percent of global GDP growth by 2025” (p. 3). As a result, mature and emerging markets will be equally important (Remy et al., 2013) and the internationalisation of apparel brands and retailers becomes an even bigger opportunity. Nevertheless, Rinnebach and Richter (2014) points to a transforming sourcing environment in the apparel industry, which is characterised by rising labour and production costs for today’s fashion companies. Raw materials like oil and water are becoming scarce and lead to such increased prices in the manufacturing of apparel (Guercini & Runfolo, 2012; Rinnebach & Richter, 2014). The European Commission (2014) alerts that due to the decline of the manufacturing industry, skilled labour has decreased and become more expensive, which may pose a threat to the competitiveness in the apparel industry. As a response to these two trends, firms tend to outsource the textile production to low-cost manufacturing countries like Bangladesh or Cambodia in order to cut production and labour costs (Bhardwaj & Fairhurst, 2010; Johansson, 2010; Joy, Sherry, Venkatesh, Wang & Chan, 2012). However, experts alert that even in these countries, the resource prices already have and will be rising significantly in the future (International Labour Organisation, 2013).

4.1.3 Social
The fashion industry is one of those industries that may be most affected by the impact of socio-cultural trends (Curtis, Watson & Sephton, 2007). For instance, it has been witnessed for decades that the world population is ageing (OECD, 2013a). Such a demographic change may result in a threat for solely teenage-oriented apparel firms because the competition for their shrinking segment becomes more intense. However, an opportunity can open up for new or more flexible incumbent fashion retailers. They may differentiate in the future by additionally focussing on more mature customers and offer appropriate sizes and simpler designs with more qualitative and durable materials. Moreover, there is an increased demand for a more convenient shopping experience, especially in times when people become more career-seeking and have less time left that can be dedicated for leisure and shopping (Chaturvedi, Marti, & Ruwadi & Ulker, 2013). Another social trend is that customers are more and more concerned about their health, which can be confirmed by a steady increase in individual health expenditure over the last decade (OECD, 2011). This may lead to a greater customer interest in the materials used, their origin and their processing methods, demanding more transparency and accountability on behalf of the fashion firms. In this respect, more and more customers have gone ‘green’ and support sustainable and ethical activities of companies (Johansson, 2010; Pookulangara & Shephard, 2013). Besides this, fashion tastes and trends of teenagers and young adults are very diverse and volatile nowadays and are influenced by celebrities and the media (Rinnebach & Richter, 2014). The ‘hipster’ trend is a recent example and companies may have to decide if they follow such temporary fads or if their business is stable enough to sustain within their usual channels. The media, however, does not only spread trends to customers but also makes aware of scandals and negative publicity about bad Corporate Social Responsibility (CSR) practices like child labour, sweat shops or inhumane working conditions as a consequence of outsourcing companies. One example was the incident at the Rana Plaza in Bangladesh in 2013, a factory which makes garments for chains like Primark, where more than 1,100 workers died when the bedraggled building collapsed above their heads (The Guardian, 2013). Subsequent changes in customer behaviour and attitudes towards fashion companies are increasing the demand to more reporting activities and auditing processes on labour conditions and wages to ensure a fairer treatment of workers.

4.1.4 Technical
The fashion industry has always been subject to technological changes and has influenced the way in which apparel products are produced, supplied and delivered to customers. The emergence of the Internet and improvements in communication technologies have facilitated and accelerated the information flow of new trends and brands from the customer to the retailer, which enables companies to respond more quickly to the latest market impulses (Nenni, Giustiniano & Pirolo, 2013). In turn has this advancement increased customer demands since the media continuously updates them about the newest fashion styles (Rinnebach & Richter, 2014). A similar improvement in knowledge transfer and interaction can be witnessed between retailers, wholesalers and manufacturers, which are able to benefit from more efficient distribution and communication channels (Bruce, Daly & Towers, 2004). Besides, a rise of multi-channel customers (Rinnebach & Richter, 2014) has opened up low-cost advertisement and marketing options for retailers through social media platforms or a corporate website and new ways of buying fashion products for consumers. Innovations like matrix coding, the co-creation of products and online shopping has made the decision and purchase of fashion easier and more convenient for customers (Lester, Forman & Loyd, 2005; Stout, 2013). Despite the technological enhancements that could be detected in the last decades and years, the apparel industry remains rather labour-intensive with limited automation because of frequent design, textile and demand changes (Sura, 2004). Table 4 summarises the external drivers that may affect firms in the fashion industry.

4.2 Business Model Developments and the Influence of Dynamic Factors
This section elaborates on the most significant developments in the building blocks of Zara’s fast fashion model and displays which external factors can be related to these business model changes and whether there are signals of a convergence to the slow fashion model.

4.2.1 Value Proposition
The value proposition consists of those offerings, services or products that create value for the customer and are the reason why s/he benefits from a transaction with a company (Osterwalder & Pigneur, 2010). In order to increase customer value creation, Zara has chosen to undertake several developments in this building block to enhance the business model and stay ahead from its competitors. Continuous product innovation and design changes are a core strategic element in Zara’s business model and the key to its sustainable competitive advantage and success (Inditex, 2006). The new product line...
and collections that are delivered every two weeks to the stores are heavily dependent on the company’s ability to accelerate product updates and delivery times. This helps Zara to keep its promise of continuously offering clothes with the latest trends in a wide range of appealing designs. Linked to this is the social demand of responding to temporary fashion fads like the hipster hype. Since Zara always listens to its customers such style demands will equally be absorbed just like any other trend that is prevailing in the apparel market. This especially highlights the customer centricity and ensures that the company and its customers can always keep pace with fashion changes. Besides, Zara has reacted to another social change in customer behaviour and attitudes, namely regarding the environment. The increased awareness of the importance of environmental sustainability has triggered more and more customers to go ‘green’ and support environmentally friendly products. As a response, Zara has stepped into the world of eco-fashion and has introduced clothes made of organic fabrics just like slow fashion companies do. Thereby, the company additionally addresses the increased health concern among the customers since organic materials are advantageous, especially for people with allergies and chemical sensitivity because they do not contain any toxic substances. With this environmental approach, the retailer is not only pleasing environmentally and health conscious customers but consequently addresses external environmental factors as well. Producing eco-friendly fashion reduces the environmental footprint during the product’s life cycle and counteracts environmental contamination that occurs during the production process. Thus, Zara is actively reacting to the customer’s demands and incorporates satisfactory elements in order to create the highest value possible with its products. These developments embody the slow fashion principle of offering clothes that are eco-friendly, sustainable and of qualitative superior garments than actual fast fashion products.

4.2.2 Channels
This building block describes the channels through which Zara reaches its customers, which deliver the fashion products in such a way that it provides a positive purchase experience for the users (Osterwalder & Pigneur, 2010). Such channels may be communication, distribution or sales channels and serve customers to purchase products, receive support, give feedback and seek information about new offerings or events.

Over the last decade, Zara has developed into a multichannel retailer giving customers the opportunity to explore, evaluate and purchase its products via more than a single channel and thereby improving and facilitating the shopping experience of its customers. Since its foundation in 1975, Zara has put its stores at the centre of the whole operation and continuously emphasises their essential role in its business model. The store is the touch and contact point that connects the customer with the retailer and much effort has been put into its prime locations, design and layout in order to offer visitors the most pleasant purchase environment possible. Frequent but significant changes in the store layout are undertaken by the

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<th>Dynamic factors</th>
<th>Environmental</th>
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<th>Economic</th>
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<td>Increasing demands of stakeholders to reduce carbon footprints</td>
<td>Increasing health concerns</td>
<td>Higher disposable income</td>
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<td>Increased environmental impact of supply chain</td>
<td>Aging population</td>
<td>Higher unemployment</td>
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<td>Contingent events</td>
<td>Increasing environmental consciousness</td>
<td>Higher labour, raw material and production prices</td>
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<td>Emergence of temporary fashion fads</td>
<td>Demand for convenient shopping experience</td>
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<td>Increasing concern about labour conditions</td>
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<td>People are more career-seeking and have less time to purchase</td>
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<td>Technological</td>
<td>Advancements in information technology</td>
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<td>Emergence of the Internet and E-Commerce</td>
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<td>Labour-intensity of apparel market</td>
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company to strengthen the brand and make the customer’s browsing experience easier. The importance of the store becomes further apparent, as it serves as the most important image vehicle for the company. Zara only spends about 0.3% of their revenue on promotion “as opposed to 3–4% of traditional retailers” (Tokatli, 2007, p. 30) and mainly relies on word-of-mouth advertisement using the store as key promotional tool to attract customers. In this respect, the store has always proven a successful and effective channel to drum up and retain customers over the last decade. The most recent proof of the company’s awareness of the store’s importance has gotten a great deal of attention in 2012. By then, Zara has presented its new Global Store concept on 666 5th Avenue in New York (Inditex, 2012b). The underlying intention was to trigger off a new brand image highlighting principles of beauty, clarity, functionality and sustainability. Special emphasis has been put on the design simplicity, which additionally facilitates the direct and easy contact with its customers in store. Besides, sustainability and eco-friendly features and the use of clean technologies have gained in importance when setting up the new store. From then on, this concept has served as the new international standard for upcoming store openings of the international fashion retailer.

In 2010, Zara has launched its online store (Inditex, 2011), making it a place where purchases are made more convenient and supplemental product information easier accessible for the customer. The new online environment provides the same products to the same prices and follows the same philosophy as the physical stores do. With the new distribution channel, a second revenue stream has open up for the company, however new costs will incur as well. It can be seen that Zara clearly has built its business from a customer centric perspective and serves the customer via more than one channel, which enhances the customer service but also creates synergies between the two channels in use. This reveals a significant development in the Channels building block, which has not only arisen customer curiosity and purchase interest but has also boosted the number of sales internationally.

External factors influencing changes in the channels

This building block development can be attributed to two dynamic factors that have influenced and notably advanced Zara’s fast fashion model over the past years. First, there have been major technological improvements that have enabled the change to a multichannel retailing strategy for Zara’s sales and advertisement activities. This was especially triggered by the emergence of the Internet and thereby the possibility to make use of e-commerce. Continuous advancements in information technology made it eventually possible for Zara to launch its online store and sell its products via the web. The second external factor that has influenced the change in the Channels building block is social in nature. Men and especially women have become more career seeking over the last decades and have less leisure time available to easily drop by the stores every few weeks to stay up to date with the latest fashion trends. Zara reacted to this issue by launching its online store. It not only enables busy career women and men to track the newest products but also pleases their needs for convenience and more flexibility by providing the possibility to shop at home and at any time. Next to that, Zara has responded to social demands for more simplicity and convenience. The new Global Store concept pleases social demands of environmental consciousness and frequent improvements in the store layouts, attractive window displays and the prime location of the store convert the sales points into real destinations that offer positive shopping experiences through more emotional and customer centric aspects.

4.2.3 Customer Relationships

This building block describes the relationships a company is establishing with its customer base which are affecting the experience the customer is having when approaching and interacting with the company (Osterwalder & Pigneur, 2010). At Zara, the customer is at the heart of the company. Its whole business activities are built around the demands of the customer, making it a key priority to incorporate a strong and efficient Customer Relationships Management (CRM). This philosophy is reflected in several developments to better understand the customers and improve relationship building and maintenance.

In 2007, Zara has implemented a customer care model, which ensures that the store personnel enable a positive shopping experience in a pleasant environment to all shop visitors (Inditex, 2008). To achieve excellent customer service and consultancy, employees from then on regularly attend courses held by professional trainers and receive feedback by store supervisors on their assistant services. The implementation of this model was motivated to acquire more walk-in-shoppers, retain customers and build customer loyalty.

Next to the customer care teams in the stores, Zara has introduced multiple dialogue tools for customers in order to stay in close contact with the company to communicate their product demands, recommendations, questions or complaints. The fact that customers know that their feedback is directly shaping changes in the company makes them feel valuable, increases their satisfaction and builds further loyalty. Hence, in 2006, the company has launched its corporate website (www.zara.com) as means to improve the information sharing between Zara and its customers (Inditex, 2007). It has not only become an important communication tool but, besides the physical stores, the second touch point to stay in contact with the customers. In 2009, the website was updated and interactive communication tools like videos were added in order to improve the web experience of the visitors (Inditex, 2010). Later on, Zara has added the so-called lookbook to the website which displays the most recent styles and in-store collections, thereby serving as new source of fashion inspiration for current and prospective customers. In the same year, Zara has introduced applications for the iPhone and other smart phones enabling their users to conveniently stay informed about fashionable new products that arrive daily at the stores. By means of these developments, customers can approach the company online and view the products at any time without visiting the actual store. Additionally, Zara has stepped into the world of social media in 2009 and established several presences in the most far-reaching social networks like Facebook, twitter and YouTube. By now, Zara is also active on Pinterest and Instagram. These corporate decisions have opened up new touch points for customers to meet their fashion proposals, receive a high level of service and build relationships with Zara. Customers can get into dialogue with the company, for instance with the product quality and safety department, via the store, the website, the social media sites but also by e-mail, phone, mail or the complaint forum on the webpage. The web activities help the company focus on customer acquisition and retention and thereby become more involved with and informed about needs of prospects and customers.

Moreover, in order to facilitate the payment for its products, Zara has offered the so-called ‘Affinity’ card for its customers already in 2001, which is managed by a third-party financial entity that takes the risk of payment default (Inditex, 2002). Customers can use the card to easily obtain transactional data and execute transactions online. Previously serving as a convenient means of payment, the card has developed until 2010 into a communication tool with an own website in each
country where it is used. With this, cardholders can receive monthly newsletters and benefit from special offers like an exclusive service of stylistic advice with a professional image advisor. In this respect, the card especially serves customer retention by encouraging existing buyers to become loyal in order to increase the average revenue per customer.

Customers are concerned and responsive to social cause activities and tend to build closer relationships to companies that act in a socially responsible way (Kim, Lee, Lee, & Kim, 2010). In 2001, Zara has implemented an internal code of conduct alongside its supply chain and for all parties anyhow involved with the company’s operations, such as manufacturers, designers, suppliers or employees (Inditex, 2002). This proves customers that the firm is committed to the welfare and integrity of its stakeholders. In 2003, Zara has started to develop strategies to improve its corporate social responsibility and ethical standards (Inditex, 2004). It has contributed financial aids, sponsoring and donations to disadvantaged groups in its production countries for community development and was engaged in various social investments and charitable causes, for instance as donor for the Red Cross. Next to that, Zara’s corporate responsibility services include the monitoring of suppliers’ workshops and factories to ensure that the prevailing conditions are in line with human and labour rights. In order to avoid worker maltreatments like inhumane working conditions, child labour or unfair pay, Zara has formed supplier clusters and Multifiber Agreement Forums to design, promote and control the adherence to compliance standards in the workshops. Such initiatives are made transparent for customers in the annual reports to increase their awareness of Zara’s activities alongside the supply chain and how its fashion is produced and consumed. This shows that Zara is adopting the slow fashion feature of being mindful about the impact on society and other stakeholders involved.

In 2007, Zara has launched an essential environmental programme for sustainability, namely the Strategic Environmental Plan (Inditex, 2008). It aims at incorporating environmental and sustainability standards with the objective to reduce the environmental impact derived from Zara’s activities. The focus of the activities is laid on waste minimisation, the reduction of CO₂ emissions and more sustainable water use and energy consumption. As an example, the company has already integrated and optimised its own energy production for process electricity, heat and steam by building tri-generation plants in proximity to the production facilities. The development of own wind machines and solar cells, or sustainable environmentally friendly stores are further examples of how the company expresses its environmental concern. Moreover, Zara has provided Standards of health (Clear to Wear), safety (Safe to Wear) and socially responsible production (Tested to Wear) for their clothes in 2007 (Inditex, 2008). In 2013 these were extended by Team to Wear, Green to Wear and Social to Wear, embodying business ethics, environmental friendliness and community investments respectively (Inditex, 2014). These standards indicate that the slow fashion philosophy has again been integrated in Zara’s fast fashion model.

External factors influencing changes in the customer relationships

It can be observed that the customer relationship building block has become a main priority for the international fashion retailer. This has been influenced by three external factors that contributed Zara to undertake several adjustments. First of all, technological enhancements have made it possible for the company to manage its relationship with the customer off-store by using communication tools like the website, social media platforms or mobile phone applications. Especially for Zara these IT developments and adoptions have been necessary to keep in touch with the customers since these are the principal points of attention for its operations. The building block has also been shaped by certain social factors that are driven by changing customer needs. In particular, the growing demand for purchase and browsing convenience has been developed over the years, especially when time is getting a scarce resource for ambitious career-seekers. The online store and the above mentioned online tools have made this feasible. While the launch of the ‘Affinity’ card has been pushed by technological possibilities, it clearly responds and supports the changing need for more convenient shopping as well. Further has the customer care model taken this social demand into account by giving customers a real and comfortable shopping experience. Through Zara’s social investments and increased emphasis on corporate social responsibility, the company is now able to approach and assuage the increasing concern by customers about questionable labour conditions and breach of the human rights. The third external factor that has triggered changes in this building block involves environmental elements. Having recognized that the activities along the supply chain are having an increased impact on the environment has pushed the demand on behalf of stakeholders to reduce Zara’s carbon footprint. As a result the company is heavily investing in measures to minimise the environmental impact and starts to build the business model around an eco-efficient concept. All these external factors have driven and enabled Zara to invest in its customer relationships and thereby encourage customers to become loyal and appreciate the company, its philosophy and values.

4.2.4 Key Partners

This building block gives insight into the key partnerships to external parties that a company is establishing in order to optimize its business model efficiency (Osterwalder & Pigneur, 2010). In 2000, more than 80% of Zara’s manufacturing activities have been undertaken in Europe, mainly in own production facilities in Spain. Keeping the production in-house is more expensive but lets the company respond more quickly to changing fashion trends with shorter lead times and a more flexible supply chain. Although this strategy has become an important source of Zara’s competitive advantage, things have been changing over the last years. Increasingly, the company has shifted its manufacture to external suppliers in low-cost countries mainly in Asia, like India, Bangladesh or China. As an example, in 2004, 23% of the production has occurred in Asia, while in 2006 it rose to 36%. Besides, in 2012, about 45% of suppliers were from Asia, while less than 42% were European (Inditex, 2005, 2007, 2013). The increased outsourcing shows that for Zara external suppliers have become key partners in their value chain helping to make its business model work. Besides, the ongoing internationalisation of Zara, especially in Non-European countries, even offers to produce in Asia to react quickly to trends and source closer to these growing Asian sales points.

External factors influencing changes in the key partners

The outsourcing increase in Zara’s business model may have been influenced by economic factors, which have triggered the shift of the production activities to low cost countries. According to the OECD, labour costs have grown much faster in credit boom countries like Spain than in the rest of the EU area. Since Spain has been the main production country for Zara and because fashion production is very labour-intensive, increasing labour costs make Zara’s production more costly and it is hard for the retailer to keep its low product prices when manufacturing in Spain. Therefore, Zara is reducing in-house
production and shifts its production activities to external suppliers in European and lower cost countries. The partnerships are formed to reduce labour and production costs and optimize efficiency enabling to still offer fashionably clothes to affordable prices.

4.2.5 Residual Building Blocks

The residual building blocks of Zara’s business model are the customer segment, key resources, key activities, revenue streams and cost structure. These building blocks have only shown minor changes over the last decade and have proven successful for Zara even during the turbulence in the fashion industry. Due to limitations in scope, their characteristics and developments will only be studied concisely in this paper.

Zara has remained loyal to its prior customer segments over the last decade. On a demographic point of view the company has always been targeting women and men between 16 and 45 that are price-conscious, mid-income shoppers who put great emphasis on trendiness and fashionability. From a psychographic perspective, Zara’s customers prioritize fashion as a lifestyle and want to show their ambitious, striving way of living with trendy and en vogue clothes. In 2002, Zara has added a new customer group, namely children, toddlers and babies and is since then covering all members of the modern family. In 2007, Zara has introduced Zara for Mum, a collection particularly designed for pregnant women who also seek to have a convenient shopping experience, even during their pregnancy. Thereby, the company has responded to social needs of the fashionable modern-day mothers and has thereby strengthened its strong customer orientation.

Next to this, Zara’s most important resources are and have always been human in nature, i.e. the skills and capabilities of the production and design teams, the store personnel and other professionals. This is reasonable because the apparel industry is very labour-intensive. In order to improve human efficiency, technical resources in the form of state-to-the-art communication systems like the new network information platform Store Management Terminal (SMT) in 2006 have been implemented with the emergence of new technological possibilities. Synergizing design and production capabilities with a fast distribution network lets Zara hold its promise to constantly deliver new trends and collections every few weeks.

Key activities of Zara refer to the constant exchange of information throughout the whole supply chain but most importantly between in-store managers and designers and designers and the production staff. Communication and information management has always been one of the core activities that contribute to the functioning of its fast fashion business model and eventually to Zara’s fast response and production capabilities. Especially advancements in technology and increasing customer demands for quick reactions to upcoming trends have made and sustained information management a key activity.

The revenue streams have largely remained the same with main generator being the clothes, shoes and accessories sold in the physical and online store. Such an asset sale is reasonable for a fashion company since consumer goods and their ownership rights are transferred to the customers with the purchase. Nevertheless, Zara sells most assets with the right for the buyer to return them when certain conditions are met. The resulting future returns are estimated by experience, forecasts and other relevant factors. The revenues from advertising have always been very low because hardly any promotion activities are undertaken. This makes sense for the fast fashion model because customers shall not associate the company with any one style because the trends change so fast. Concerning the pricing mechanisms, Zara is clearly following the fixed menu pricing. It has a list price for each product, which is feature as well as customer segment dependent. Children’s clothes are, for instance, cheaper than the adult versions, because they require less fabric and production work, are simpler in their design and are charged a zero rate of VAT (Seely, 2013). Products in the physical stores are primarily bought by cash or with credit card payment. Still, online fashion sales have become another revenue stream for the fashion retailer since 2010. With the launch of Zara’s online store and advanced technological possibilities, payment methods for the products have been extended from payment by cash to credit card, affinity card, direct debit or PayPal.

Concerning the cost structure, Zara does not produce in high volumes to attain economies of scale; rather it produces in small batches to create a sense of product scarcity for its customers and to enable the change of collections every two weeks. In order to maintain an efficient cost structure and outbalance the increased costs, Zara is using several methods for cost reduction, which allow the company to offer its products at affordable and attractive prices. The fashion retailer has almost no expenses for advertisement and relies on the store locations and not on promotional activities like the hiring of star designers to attract customers. Besides, Zara has lower designing costs because designs are requested by customers and inspired by catwalk clothes of top designers. Plus, the company does not sell high quality products, which additionally reduces manufacturing costs and facilitates attractive price setting. Zara has followed this cost-driven strategy for years and has become and remained successful with it.

Synergizing the external factors with all building block developments of the fast fashion model of Zara has shown that the company has been exposed to business model dynamics triggered by several macro-environmental drivers. Table 3 provides an overview of these findings.

5. DISCUSSION AND CONCLUSION

This study set out to understand whether companies in the fashion industry are triggered by certain macro-environmental forces to change or adapt their business models over time. While the prevailing literature has focused on business models and business model innovation in a general sense, here, the fashion industry was taken as an example to change the emphasis to a more specific area of research. The most recent and competitive business model in the fashion industry, the fast fashion model, was systematically analysed to detect adjustments in its building blocks that might be attributable to external triggers that are challenging companies in the turbulent fashion environment. The analysis revealed that changes in the building blocks of the fast fashion business model may indeed be attributable to external factors, however with each building block being influenced to a different degree. Major evolutions and radical changes in the business model could not be detected as Zara has maintained its fast fashion model ever since. Nevertheless, small-scale adaptations and improvements could be tracked over the years, which seem to have been influenced by the dynamic macro-environment of the fashion industry. External factors that may have especially triggered changes in the fast fashion model were social, technological and environmental in nature. It is reasonable that social factors have a great influence on fast fashion firms since the customers are at the centre of attention of all business processes. They make or break the success of the company, which makes it inalienable to react to their changing expectations, behaviours and demands. Technological advancements have opened up new possibilities for fast fashion companies to more quickly and efficiently
Table 3. Dynamic factors and building blocks

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<tr>
<th>Dynamic factors</th>
<th>Building Blocks</th>
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<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td>Channel</td>
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<tr>
<td>− Increasing environmental consciousness</td>
<td>− Increasing health concerns</td>
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<td>− Increasing demands of stakeholders to reduce carbon footprints</td>
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<td><strong>Economic</strong></td>
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<td><strong>Social</strong></td>
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<tr>
<td>− People are more career-seeking and have less time to purchase</td>
<td>− Demand of the fashion latest trends</td>
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<tr>
<td>− Demand for convenient shopping experience</td>
<td>− Emergence of temporary fashion fades</td>
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<tr>
<td><strong>Technological</strong></td>
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<tr>
<td>− Advancements in information technology</td>
<td>− Emergence of the Internet and E-Commerce</td>
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Embrace fast-changing tastes of customers by optimizing the information transfer and the whole functioning of their supply chains. Environmental demands and increasing concerns by stakeholders about sustainability and ecological issues force fast fashion companies to not only consider the end product that is sold but also approach crucial issues concerning its production process and origin.

Especially the value proposition, the customer relationships and channels are influenced by such changes in the macro environment. For the underlying logic of the fast fashion model this makes sense because the customer is at the heart of the business model since products are principally produced on their request. Therefore, improving or optimizing the relationships to customers and other stakeholders, for instance through the multi-channel strategy, is essential in order to stimulate the continuous interaction and communication of demands between the fashion retailer and potential buyers. Besides, enhancing the customer relationships is closely linked to changes in the value proposition building block of the fast fashion model. If the relationships to customers are improved and adapted to external trends, new customers may be attracted and existing ones more satisfied which results in a greater information input for styles through more purchases. This will directly influence the upcoming product offerings. Adapting to these building blocks is essential for a fast fashion company in order to stay competitive and survive the turbulent fashion environment in which it is operating.

It is remarkable, however, that external factors have not influenced all building blocks to the same extent. Zara has stayed close to their existing strategy in building blocks like customer segments, key activities or revenue streams. If there were adjustments made in the residual building blocks, these were mainly a consequence of changes launched in other building blocks. For instance, technological and social factors have triggered Zara to launch an online channel next to its regular stores. This in turn has influenced the cost structure since more costs like maintenance expenses need to be taken into account with the new distribution channel.

Besides all this, companies need to be aware that the external factors are not only influencing their own business models but also those of their competitors. There can be a serious threat for Zara’s fast fashion model if strong competitors like H&M react faster and better to external drivers and are then able to derive first mover benefits from demanded business model dynamics. Clearly, competition is part of the environment in which a company is operating with its business model. This implies that the functioning of a business model may not only be dependent on its own strengths and weaknesses but also on those of competing ones. The (long-term) success of Zara’s business model is therefore both determined by its inner structures and by the features and dynamic capacities of competitors’ fast fashion models with which the firm interacts. In this respect, differentiation as well as the adaptation to external factors seems to play a decisive role in building a sustainable competitive advantage. Moreover is the competition from dissimilar business models an essential factor, which must not be disregarded. A company needs to pay attention to whether its business model is at risk of becoming obsolete or be disregarded. Having such a dynamic view on business models seems to be valuable to effectively catch up or outperform this imminent competition. What this implies is that seeing businesses models...
in isolation is precarious because there appear to be certain interdependencies between competing business models. Competition might rather pressure companies to adapt their business models to changing external trends.

5.1 Converging Fashion Business Models?
The question that remains is whether the fast fashion model might be triggered by the macro-environmental trends to eventually converge to the emerging slow fashion model. The analysis has shown that some components of Zara’s fast fashion model have indeed moved towards the slow fashion philosophy. Drivers that push fast fashion companies to adopt green practices were mainly social and environmental in nature. However, solely the value proposition and the customer relationships have revealed significant changes in this direction. The value proposition of Zara has developed in so far that the fast fashion company has been increasingly encouraged to incorporate environmental and sustainability aspects in its product offerings. Several external factors, like increasing environmental consciousness or increasing health concerns of consumers have been the reason behind Zara’s business model change. Just like the slow fashion philosophy has its fast fashion model been influenced to integrate environmental, ethical and sustainable issues and start (for instance) to produce eco-friendly clothes made of organic cotton. Next to this, Zara’s attempts to make its customers more conscious about the products and their consumption discourages over-consumption, which also embodies slow fashion values. The retailer has started to attach eco-labels to its products and launched the Green to Wear initiative to inform customers about what they are actually buying. Besides, more and more practices and standards have been established alongside the supply chain to ensure that during the production process the human rights are properly respected and workers are treated fairly and humanly. Working against negative impacts on workers and ecosystems also come under the slow fashion philosophy. All this builds stronger customer relationships and ensures that the customer can buy Zara’s products with a better conscience. It shows that not only customers but also fashion companies are getting more aware of the need to take environmental and social issues into account when buying the clothes since they are starting to look beyond the end product. Does this indicate that the fashion industry might move towards the slow fashion business model in the future? It is difficult to predict how future business models in the fashion industry will actually look like. Even Zara’s business model is still evolving and subject to adjustments to eventually come to a point where a long-lasting competitive advantage is secured. It can be presumed, however, that for those fast fashion firms, which continue to consider sustainable fashion to be paradoxical, an oxymoron, it might be hard to survive the turbulence of the fashion industry in the next decades. Fast fashion models that solely concentrate on a quick supply chain, fast production cycles and the end product while paying no special attention to quality, sustainability and ethical issues are seriously threatened by those competitors that adapt to such external trends. While it is still questionable if the slow fashion model can eventually penetrate the fashion market, it seems likely that the fast fashion model will remain in the next decades because customer demands of fast fashion are still growing and shoppers have gotten used to the constant novelty of clothes through the fast fashion concept. Nevertheless, the analysis indicates that fast fashion firms are triggered by external factors to adopt slow fashion principles, mainly in the value proposition and in the customer relationships. The fast fashion model itself seems to have reached a level of maturity and therefore, combining quick designs with slow fashion principles could serve as a new frontier for fast fashion companies to differentiate and expand their life cycle. This has already begun since fast fashion followers increasingly offer clothes that last longer but are still trendy and fashion forward. The fast fashion giant H&M is, next to Zara, another exemplary company that adapts to the changing fashion climate by launching its new brand Collection of Style (COS) in 2007, which concentrates on high-end design and good quality at affordable prices. It seems that the future in the fashion industry makes fast fashion better, with ethical and environmental upgrades, more sustainable approaches and in stronger consideration of human labour. In the end, however, it is in the hands of the customers how the business model will develop because it is them who determine which one will be successful and which will not.

5.2 Theoretical and Practical Implications, Limitations and Suggestion for Future Research
This study sought to contribute to the existing and emergent literature on business models. The value of the insights this study has brought lies in the application of an industry perspective to business model dynamics. While there is a considerable body of literature tackling business models and their dynamics, the fashion industry has not yet found any attention in current business model research. Scholars like Arend (2013) or Teece (2010) have only mentioned that business models should be seen in relation to the respective industry to come to significant conclusions. Therefore, combining the latest business models in the fashion industry with the work of, among others, Osterwalder and Pigneur (2010) regarding business models and with Teece (2010), Zott and Amit (2013), Achtenhagen et al. (2013) and AI-Debei and Avison (2010) in terms of business model dynamics, has uniquely and positively contributed to theory development. The findings have revealed that in the fashion industry business models are dynamic and are likely to be continuously overhauled by companies in order to keep a sustainable competitive edge. This similarly builds on recent claims that the research on business models would be worth tackling from a dynamic point of view (Sosna et al., 2010; Demil & Lecocq, 2010). By analyzing this from the perspective of a contemporary and successful retailing company that has survived the turbulent fashion environment, theoretical assumptions about the existence of the dynamics of business models could be challenged and approved. Moreover, the study provides a new and real-time perspective on what may lead to these dynamics in the fashion industry by relating to macro-environmental factors that are driving such changes. The fast fashion model is not only challenged by social, environmental and technological trends but also by the emerging slow fashion model to adapt to the new environmental reality. Besides, while the existing literature has not only excluded business model dynamics in the fashion setting, it has also missed to tackle possible convergence effects or trends, particularly with reference to the changing business environment and in regard to current fashion business models. The analysis and case study has revealed that the fast fashion model has already adopted certain elements of the slow fashion model, particularly in regard to ethical, quality and sustainable upgrades. Since such changes are also increasingly observable in different industries, like the food industry with the slow food movement (Poorkulangara & Shephard, 2013), business model frameworks like the one by Osterwalder and Pigneur (2010) might need to be adapted to such cross-industrial trends. The results of the study can be useful for fast fashion companies to take a more sustainable perspective on their business models.
They may benefit from the understanding that adaptations to particularly social, environmental and technological trends are vital for a sustainable competitive advantage. Also those, that were not responded to by the case company, like the aging population, should be taken into account to properly prepare for the future in the fashion environment. Practitioners may reflect the design of their business models and notice the need to change selected components in the course of such emerging trends. It was also found that fast fashion companies should put special emphasis on value and customer related building blocks since these are the most influencing ones for the success of their business models. They must be aware that their survival and prosperity is linked to their ability to sustain value and change when the customers’ needs are changing as well.

The study is subject to several limitations, which suggest further avenues for future research. Firstly, restrictions in time and scope only allowed a greater focus on four building blocks of the business model and four macro-environmental factors. It would be interesting to further study the residual macro-environmental factors and go more in depth when analysing the residual building blocks in order to arrive at more comprehensive results. Secondly, it cannot be assumed that there is a causal relationship between the macro-environmental factors and developments in the business model. There might be other influencing forces, perhaps from the micro or meso environment, that are triggering fashion business models to change. Such factors and environments should be further evaluated in order to additionally support and strengthen the validity of the study results. Since the findings are based on logical reasoning and critical assumptions, only the retailer itself can eventually affirm the actual causes for Zara’s business model changes. A third limitation is that only one case company has been analysed to detect business model dynamics in the fast fashion model. Since the main source for the analysis were Zara’s annual reports and public press releases, the information given may be biased due to the subjective reporting of the company’s development. Extending the research with other fast fashion companies like H&M or TopShop would determine if the results of this study can be confirmed and if fast fashion business model dynamics can indeed be attributed to the emergence of external factors. It would be additionally interesting to analyse developments in the slow fashion model if it has eventually found penetration in the industry and compare its dynamics with those of the fast fashion business model. Lastly, the business model canvas by Osterwalder and Pigneur (2010) may not be the most appropriate concept to analyse business models in the fashion industry. Although it takes into account the three business model components value creation, value delivery and value capture, it does not consider, besides customer and economic value, other types of value like social or environmental value, although these are gaining importance in strategy formulations in the fashion industry. Moreover, it disregards the customer’s role in value creation, despite being an important element when analysing fashion business models and their corresponding dynamics. Future research on business models in the fashion industry should therefore be based on a (possibly new) framework, which not only includes economic profit as a value dimension, but instead the triple bottom line to provide a more holistic and sustainable approach of doing business successfully.

6. ACKNOWLEDGMENTS
I greatly thank Mrs. Zalewska-Kurek, PhD. and Mr. Kijl, MSc. for their valuable suggestions and comments on earlier drafts and my family and friends for the mental support.

7. REFERENCES


