



Developing Agile Operating Model for Beauty Products and Services Providers' Sustainability Transformation

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**Developing Agile Operating Model for Beauty Products and
Services Providers' Sustainability Transformation**

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**Ketterän toimintamallin kehittäminen kauneustuotteiden ja -palvelujen tuottajien
kestävään kehitykseen siirtymiseen**

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Tämän opinnäytetyön aiheena on ketterien menetelmien hyödyntäminen kestävän kehityksen toimintamallin kehittämisessä. Opinnäytetyö perustuu aikaisempaan Liiketalouden Tradenomin (YAMK) opinnäytetyöhön, jossa luotiin alustayritykselle pienin toimiva tuote (MVP) Lean Startup-menetelmiä hyödyntäen. Alustayritys edustaa vastuullisesti tuotettuja kosmetiikkatuotteita ja -palveluita. Tässä opinnäytetyössä tavoitteena oli luoda sopiva teoriapohja ketteristä menetelmistä ja kehittää työkalu, joka edistää asiakasyrityksiä kestävän kehityksen muutoksiin.

Opinnäytetyö toteutettiin yksittäisenä tapaustutkimuksena. Teoreettinen viitekehys rakennettiin kirjallisuuteen, artikkeleihin ja aiempaan kestävän kehityksen tutkimukseen. Empiiriset tiedot ovat aikaisemmasta tehdystä opinnäytetyön kyselylomakkeesta, jossa tiedot kerättiin ja analysoitiin määrällisesti. Tutkimustekniikka koostui kyselyistä mahdollisille alustan käyttäjille sekä kauneus- ja hyvinvointiryhmiä.

Tämä opinnäytetyö on rajattu käsittelemään kauneustuotteiden ja palveluntarjoajien kestävän kehityksen strategioita ja toimintatapoja, sekä aikaisemman tutkimuksen empiirisen osan perusteella kehitettiin ketterä työkalu kestävän kehityksen muutokseen. Kehitetty työkalu edistää alustayrityksen toimintatapaa asiakasyritysten kestävässä kehityksessä.

Tuija Korppi

Developing Agile Operating Model for Beauty Products and Services Providers

Sustainability Transformation

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The topic of this Thesis research is the development of an agile operating model for beauty products and services providers sustainability transformation. The research is based on the researcher's previous Thesis research in which was utilised Lean Startup methods when establishing a platform service company. This Thesis's objective was to create a suitable theoretical basis for sustainability and create an Agile Transformation Tool for Sustainability Change. With the tool's help, it is possible to develop the operating model for case companys' customers, i.e. beauty products and services providers, sustainability change.

This Thesis work was implemented as a single case study. The theoretical framework was built on literature, articles, and previous research focusing on sustainability. The empirical data was from the previous Thesis works' questionnaire survey, where data was collected and quantified for analyses. The research techniques consisted of a questionnaire survey among representatives of beauty and wellness companies.

This Thesis work was narrowed down to studying sustainability strategies for beauty products and services providers. Based on the empirical part of the previous study, in which the interest of potential customers and producers in the platform service and sustainability was investigated, the tool for sustainability transformation was developed.

Keywords: cosmetic industry, sustainability, agile operating model, lean methodology

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1 Introduction

The background and motivation for this Thesis research are provided initially. Besides, the research objectives and questions and the cased company are presented. The structure of the Thesis is explained in the final part of this chapter.

The research context for the Thesis work is the global beauty and cosmetics industry. In the researchers' previous Thesis research at Master of Business Administration Study in Lapland University of Applied Science, the minimum viable product for sustainably produced beauty products and services platform was developed. The purpose of a created minimum viable product is to attract beauty products and services providers and customers to validate the sustainable platform in the early stage of the platform development cycle (Korppi 2020). This Thesis research leans on researchers' previous Thesis work and will further develop the tool for beauty products and services sustainability transformation.

The beauty industry is one of the oldest and one of the world's most valuable consumer business and is growing faster than ever before (Biron 2019). Now the market is changing dramatically, and traditional business practices are under threat. By diversifying business models and using digital tools, loyal communities can be built by collecting data on demographics, technological and consumer behavior. Through digitalization, international brands find more opportunities to meet consumer needs outside of their home market. (Ang 2018, Biron 2019.)

Sustainability is a significant megatrend and affects people's behavior, thinking, decision making and businesses. Megatrends are described as large variable global forces with far-reaching influences. Consumers are aware of and worried about this issue and expect companies to be environmentally, socially, and economically sustainable. (EY Megatrends 2020.)

The personal motivation for conducting this Thesis research derives from the researcher's background in the beauty business and the interest in sustainability and digitalization. More than 30 years of experience in this business area has enabled to observe activities and concerns raised about the state of the beauty and cosmetics industry. (Korppi 2020.) The beauty industry has struggled for years with various ethical issues, such as unethical sourcing of ingredients, excessive consumerism, animal testing, false claims, and misleading advertisements (Gould 2017). A turning point has taken place in recent years, and the whole beauty industry is changing positively alongside the megatrends and consumers' expectation. The companies operating in the beauty field are required to be more transparent in their environmental, social, and corporate governance (Sahota 2014, 7-9). The Case Company's

sustainable platform will be created to promote sustainability, reliability, and transparency of the sustainable beauty industry. (Korppi 2020.)

More profound knowledge of the topics studied has taught the importance of sustainability and digitalization and their positive effects on the company's competitive advantage and performance. This pandemic, Covid-19, is forcing companies to transform to grow or even stay in business digitally. These above reasons led to the idea of an innovative sustainable beauty platform, which connects responsible beauty products and service customers to sustainable beauty products and services providers.

In this Thesis research, the case company is a startup platform company for sustainable beauty products and services, and it is referred to as the Case Company. The Case Company represents sustainable beauty products and services providers who are committed to adhering to sustainability. The startup company will represent beauty products and services providers with sustainable aspects. Companies must prove sustainability through certificates or other reliable means, such as commitment to a sustainability development program.

Based on the previous Thesis research (Korppi 2020), a questionnaire survey was conducted to determine sustainability awareness and interest. As a result, this Thesis research's main objective was to create a developing tool for a sustainability transformation for beauty products and services providers. To achieve that objective, a suitable theoretical basis needed to be created using sustainability and strategy methods.

Based on the objectives of this Thesis research, the following research questions were addressed:

RQ 1. What are the most effective activities of sustainability transformation?

RQ 2. How does the developed agile operating model tool help in sustainability transformation?

These first two research questions help identify the advantages of sustainability transformation and use the agile operating model tool in sustainability transformation.

RQ 3. How can the sustainability of beauty products and services be identified?

RQ 4. How interested the customers and providers are in sustainability today?

These two research questions above entail the analyses of customers and providers interest in sustainability. This information was gained in the researcher's previous Thesis research by analyzing empirical data derived from a survey questionnaire.

This research and development work was implemented for a startup company. The case company represents sustainably produced beauty products and services. The quantitative research of this Thesis is based on the previous Thesis work (Korppi 2020) conducted based on the collected data from the prospective platform customers, i.e. customers who are using beauty products and services and the other target group the providers, i.e. beauty products and services providers.

The research was conducted during Covid-19, it might have potentially affected the activity, as well as the general mood of the respondents. The prospective customer respondents' response rate was satisfactory to conduct the analyses of the questionnaire survey findings and draw conclusions based on the questionnaire survey results. On the other hand, the prospective provider respondents' response rate was low to conduct analyses and draw conclusions based on the questionnaire. Therefore, the gap derives from the low number of responses was complemented by the researcher's long-term experience and knowledge of the beauty field, together with information from the literature.

This Thesis is divided into two main sections, i.e. theoretical and empirical. In chapter 2, the methodology of this work is presented. The theoretical framework is constructed from the following topics: sustainability in chapter 3, Agile Operating Models, i.e. the PESTLE analysis, SWOT analysis, Lean Startup and Lean Canvas in chapter 4.

The subsequent chapters are dedicated to the qualitative research part, the business plan and the MVP created. Chapter 6 is dedicated to the empirical findings, chapter 7 for sustainable solutions. In chapter 7, the tool for sustainable transformation is built, and chapter 8 concludes the conclusion as well as chapter 9, the discussion from this Thesis research.

2 Methodology

The methodology of the Thesis research is presented in this chapter. The research methods are explained and motivated, and the research techniques, as well as the data analysis methods, are presented.

The research approach in this Thesis research is that of a case study. A case study includes an empirical investigation when there is no clear understanding of the phenomena and its context. The main case study may have nested case studies, and in this way, it may include single or multiple cases if it investigates the same problem. Case studies should be limited, not too broad, and have at least one clear objective. A case study can include both quantitative and qualitative data based on a variety of data sources. (Yin 2018, 60-64.)

This Thesis research was based on the qualitative and quantitative approaches to study sustainability in beauty products and services. Qualitative research is a concept for a wide variety of research methods. The given result is non-quantitative, consisting of, e.g., interviews, notes, documents, visual materials, and material accessible on internet sites. (Saldana & Leavy 2011, 3-4.) As a case study, the empirical method incorporated the real-world case to this Thesis research.

This Thesis research adapted the case study method by applying the framework of the Lean Startup methodology. The Lean startup method helped to build the core product into the validation phase.

The theoretical framework of this Thesis research consists of the literature on sustainability, Startup methodology, and other management analysis methods. The theoretical part sources consist of books, eBooks, articles, and YouTube, focusing on this research's relevant information. The theoretical framework works as a blueprint for the study guiding the data collection and analysis (Yin 2018, 80). The theoretical part guided the empirical data collection and aided in defining the understanding of the topic.

The main empirical part of this thesis research is based on the researcher previous thesis research's data collection used questionnaires. The researcher herself collected the data through a structured questionnaire survey form. The research was conducted in two questionnaires. One of the questionnaire surveys was sent to the beauty products and service provider, and another questionnaire was sent to the beauty products and service consumer. The empirical data connects the research questions to their conclusions (Yin 2018, 79).

Data analysis took on the content analysis approach. To achieve the objective of the Thesis research, must the collected data be analyzed and reflected. The questionnaires' collected data were quantitatively analyzed by Survey Monkey, an on-line survey development cloud-based software. In Survey Monkey were tools for the researcher to analyze the questionnaire in a different variable of interest.

The developed agile transformation tool was conducted to the previous analysis of questionnaire survey, and the literature of the topic and researcher's experience and knowledge of the beauty field. In additional, defined political, economic, social, technological, legal, and environmental factors in the business environment, i.e. in digital platform marketplace.

3 Sustainability

This chapter discusses the definition of sustainable development, environmental impacts of cosmetic products, drivers of sustainability in the cosmetic industry, sustainability in cosmetics, sustainability in services, and how digitalization contributes to sustainability. This Thesis research is built around sustainability.

The most common used definition of sustainable development was introduced in 1987 by The World Commission on Environment and Development. The Commission, called Brundtland Commission, defined *sustainable development* as “using resources to meet the presents’ needs present without compromising future generations’ ability to meet their own needs”. (Winter & Knemeyer 2013, 32.) The roots of sustainability go far back in the past, but it is only in recent years that the subject has become a practice for the public and companies.

According to Willard (2010) the sustainable business must have progressive environmental and human rights policies. They must prevent the depletion of natural resources through radical productivity, invest in natural capital, i.e. protect the natural resources, implement a circular economy, move to a service economy where companies replace goods with services and rent products and solutions instead of selling, and finally shift to responsible consumption, radical resource productivity. Prevent companies from overharvesting and depletion of natural resources.

Concerning the third research question, ‘How can the sustainability of beauty products and services be identified?’ Considering these above listed five criteria in guiding and accepting the providers’ companies for the Case Company’s sustainable platform. The companies are guided on this five-stage journey of sustainable development to reach the destination. The journey needs to have a clear and straightforward enough blueprint to know the development stage and when the destination will be reached. (Willard 2010.)

Today world’s used natural resources in the economy seem limitless, and the earth’s capacity to absorb the waste and emissions associated with the production and use of these resources is minimal. Towards significant reductions in environmental impact and the achievement of cost savings, tracking metrics help. These metrics are used to generate sustainability reports that allow stakeholders to monitor the company’s sustainability.

3.1 Sustainability in Cosmetics

The cosmetic industry’s high economic and environmental costs include waste and emissions from production facilities, retail stores, salons, and households. Surface and groundwater are polluted as potential effluents from production flow into the environment, potentially contaminating drinking water and causing eutrophication. Besides, cosmetics manufacture

requires a high standard of purity, leading to waste streams that require treatment before being released into the water. (Sahota 2014, 158.)

Greenhouse gas (hereinafter GHG) emissions are generated through transport, production, and the provision of the cosmetic industry services. Figure 1 displays the three scopes for the GHG accounting and reporting purposes by the GHG Protocol.



Figure 1: The scopes of GHG accounting and reporting. Source: SGS. (Sahota 2014, 19.)

Scope 1 displays direct GHG emissions are from a source owned by the company. Scope 2 displays electricity indirect GHG emissions from the generation of purchased electricity consumed by the company. Scope 3 displays other indirect GHG emissions due to the company's activities but not owned by the company.

One important method for assessing the environmental impact throughout its life cycle is the life-cycle assessment (hereinafter LCA). It considers all stages of the life cycle, i.e. from the extraction of raw materials to the material processing, manufacture, distribution, use and disposal or recycling of materials. Life cycle assessment aims to model all the environmental impacts of products and services to improve processes, communicate impacts, and support policy and strategic decision-making. The LCA procedure is part of the environmental management standards: ISO 14040: 2006 AND 14044: 2006. (Sahota 2014, 20.)

As stated in the introduction chapter, consumers' purchasing behavior has changed lately, and they are increasingly aware of their products' environmental and social issues. It is understood that purchasing decisions have a direct impact on the environment and social communities. Consumers want beauty products that are ethically made and contain natural

and organic ingredients, in addition to paying attention to the product's carbon footprint and the sources of the ingredients. (Sahota 2014, 7.)

Raising consumer awareness, the media, Non-Governmental Organisations (hereinafter NGO) and industry groups have an essential role in environmental, social and sustainability issues. Consumers know how to demand products that meet high ethical and ecological standards. As the world's population and life expectancy are increasing, pressures on the planet's finite natural resources will increase. Concerns about climate change and a shortage of energy, water and other raw materials are driving organizations to focus on efficiency and sustainability. Resource reduction is a significant feature of the sustainable development plans of cosmetics companies. Cosmetics and ingredients companies are developing alternative raw materials due to the declining supply of petrochemical raw materials. This development promotes the emergence of green cosmetic ingredients from agricultural-based raw materials. (Sahota 2014, 8.)

Operators in the supply chain are also encouraging sustainable development initiatives. Consumers and NGOs' expectations lead to retailers' demands on suppliers for more traceability and transparency, especially in terms of ingredients, adherence to labor laws and contracts, and production methods. The purpose of environmental legislation is to regulate the purpose of the interaction between humanity and other bio-physical or natural environments to reduce the impact of human activities on both nature and humanity itself. (Sahota 2014, 9.)

One sustainability driver is related to the business benefits. Improving resource efficiency can have a significant impact on profitability. Besides, sustainability improves a company's morale and performance and strengthens customer loyalty. (Sahota 2014, 10.)

Sustainability science is a practice of "applied" science to work for and towards sustainability. Sustainability science can be included in many categories, i.e. a science for sustainability, a science of sustainability or science with sustainability. The main objective of sustainability science is to benefit and advance the transformation to sustainability and was created in the early 2000s when was published an article suggested sustainability science as a free-standing, separate scientific discipline. Since then, several hundreds of different academic initiatives have developed sustainability science as their field. (Riuttanen 2021.)

Typically, three dimensions of sustainability are discussed: environmental, social, and economical. All these three dimensions must be addressed to attain the most sustainable outcome possible. The sustainability outcome will exponentially rise, and the best-fitted businesses will lead in terms of competitiveness compared to the others. Therefore, many businesses are taking Corporate Social Responsibility into their core business to enable emerging markets to catch up and be competitive. (Sahota 2014, 3.) These three dimensions

of sustainability create sustainability as a whole. All three dimensions of sustainability will be considered when evaluating sustainable platform beauty products and services providers.

Historically, the beauty industry has been associated with concepts such as excessive consumerism, high cost, elitism, or guilty pleasures. However, the new generations are taking over the market with their new values. The Millennials and Generation Z are the most dedicated to sustainability and deeply care about a brand's ethical standards. These younger generations want their brands to be involved and provide a positive contribution to the ecosystem with practical actions. (Deloitte 2019, 4.)

The natural resources are finite, and the global population is increasing as the life expectancy. Several external factors are encouraging cosmetic companies to adopt sustainability initiatives. Cosmetics producers are developing green formulations as an alternative to agricultural-based raw materials because of the loss of biodiversity (Sahota 2014, 8). The pressure is also on suppliers because they are increasingly asking for traceability and transparency in ingredients, adherence to labor laws and treaties and production methods (Sahota 2014, 9).

Customers are paying increasing attention to the ethics and environmental friendliness of products and are aware that their choices directly impact the environment and social communities. They are looking for ethically manufactured products that contain natural and organic ingredients and take a close look at the product's carbon footprint and sources of ingredients. These ethical and environmental considerations are becoming increasingly important for customers. (Sahota 2014, 7.)

The major challenge for cosmetic companies is to get a message of sustainable development for consumers. Consumers rarely read sustainability and corporate responsibility reports, and the best communication channels that reach consumers are advice at the point of sale, packaging eco-labels and consumer engagement to campaigns. (Sahota 2014, 51.)

Eco-labels and standards seem to indicate certain aspects of sustainability to consumers, but they are related to natural and organic cosmetic standards. However, there are no standards and eco-labels specifically for the cosmetics industry covering broader sustainability aspects, such as packaging, carbon and water footprints, resource usage, and waste materials. (Sahota 2014, 217.)

At Cosmetics Europe, a European organization for the cosmetics industry, has taken the principles of sustainable development, as illustrated by the mission statement: "Cosmetics Europe's mission is to support the development of an innovative, sustainable, competitive and respected cosmetics industry in Europe, which best serves consumers". In line with the three dimensions mentioned above, Cosmetics Europe strives to reduce environmental footprint,

generate economic benefit through high-value jobs and growth, and enhance the social value of products and support the communities in which products are manufactured or purchased. (Cosmetics Europe 2020.) Certain countries have Corporate Social Responsibility (hereinafter CSR) and sustainability reporting to improve transparency and corporate accountability. Sustainability can also bring many business benefits, such as more efficiency in resource use, reducing raw material and energy use, and reducing waste materials. Besides, sustainability can improve company morale and performance by motivating employees, strengthening customer loyalty, and creating brand differentiation. (Sahota 2014, 10.)

3.2 Sustainability in Services

A dominant logic in economics is based on the exchange of tangible resources, i.e. manufactured outputs. Over the past several decades, a new perspective emerged, as early as 2004, Vargo and Lusch (2004) introduced in their paper the concept of service-dominant logic (hereinafter SDL). This new perspective has a revised logic focused on intangible resources, the co-creation of value, and the relationship. This SDL concept suggests that integral to any economic exchange between producer and customer is applying specialized knowledge, mental skills, and the actors' physical labor. (Vargo & Lusch 2004.)

The shift from goods to services under SDL motivates creating a product-service system (hereinafter PSS). PSS refers to a mix of goods and services, producing more efficient solutions than the product alone, a combination of changing the use of resources and increasing co-creation to the value production, delivery and use stages. PSS can also serve as a framework for producing more sustainable solutions and are also called eco-efficient services. (Brezet, Bijma, Ehrenfeld & Silvester 2001.)

The Startups' sustainable platform also raises the profile of sustainable beauty services and thereby promotes sustainability. The sustainable beauty products and services platform also aim to improve the quality of beauty services. Sustainability is right at the core of the sustainable beauty platform and will take all the aspects mentioned above sustainability into account.

3.3 Sustainable Production

Applied sustainability is well expressed, for example, in sustainable production and sustainable design. Both are widely researched fields, thus exemplifying the feedback loop between the theory and application of sustainability. Sustainable production can be generally conceptualised under a few key features. Sustainable production, as the counterpart to consumption, is also an example of how the ecological-economical praxis of sustainability's pillars functions together. However, the socio-cultural pillar is also innately present in this

praxis: the design and production are typically commodities like products and services, either offered to the consumers by the private sector or to the public sector's citizens.

Sustainable production stands to produce goods and services that:

1. Conserve energy and materials and apply production methods that are the most appropriate for the desired results, both for the product and sustainability;
2. Minimises the negative environmental and human impact by using safe materials and practices;
3. Is economically viable: by performing well in creating value for the manufacturer, the user, and the environment; and
4. Products and services that are designed to be safe and environmentally sound throughout their life cycle. (Riuttanen 2021.)

3.4 Digitalization Contributes Sustainability

Businesses realize that sustainable operations also bring benefits to the company itself. Reducing energy and raw material consumptions saves money. As a result, the productivity of companies increases, which help the company more profitable operations. It has also been found that staff is more motivated to work with the good one's purposes, and customers are more loyal and long-term. (Sahota 2018, 9.)

Over the last ten years digitalization has brought about change and challenge. In addition to the rapid emergence of new brands, new geographic markets and new sub-categories made possible by the worldwide adoption of digital technologies enable a new environment of influence such as Facebook, Twitter, Snapchat, Instagram and the all-powerful blog and vlog medium. From these influencers and innovators, the new challenge for leading beauty brands has emerged. (Deloitte 2018, 1.)

Digitalization can contribute to a more sustainable circular economy by enabling more efficient companies' production, minimizing waste generation by extending the product's life and minimizing transaction costs. In this way, digitalization increases the circular economy business model by closing the material circle, slowing down the material circle, or increasing resources' efficiency to narrow the material circle. Combining cyber-physical systems, Big Data, data acquisition and analysis, and new business models can offer significant opportunities for more value in creative, sustainable production, value creation and the circular economy. (Antikainen, Uusitalo & Kivikytö-Reponen, 2018.)

In this digitalisation era, where information is everywhere and available for everyone, one of the essential technologies for every company, be it a big multinational company or a small startup company, is big data. It enables businesses to utilize available data in the enhancement of operations and competitiveness. (Warner 2019.)

3.5 Circular Economy

In this final chapter of sustainability is the circular economy introduced. The circular economy's principle aims to reform the current produce-use-dispose economy. With these economic activities to reduce, reuse, and recycle the resources, it aims to achieve economic prosperity while maintaining environmental quality. (Riuttanen 2021.)

The circular economy has given context creates an intervention to the production, circulation, and consumption of goods and services. The circular economy creates opportunities for both re-conceptualisations of exiting practices and for new “eco-innovations”, i.e. eco-innovation, which means any innovation towards sustainable development. (EU 2021.)

The key principles of a circular economy, the 3R's means that products, components, materials, and services are being designed to reduce consumption. Existing resources are being refurbished and remanufactured to be reused. Resources are being recycled. (Riuttanen 2021.)

The circular economy aims to keep the material resources' values being utilized, i.e. natural, recyclable earth materials as well manufactured materials. The industrial economy is described in Figure 3.

In Industrial ecology is shown how the process is integrated into the natural system to combine the biosphere's and the technosphere's interactions in looking at the lifecycle from raw materials, material processing, manufacturing, utilizing byproducts using, and recycling with some disposed of materials. (Riuttanen 2021.)

4 Agile Operating Model

In this chapter 4 are some meanings of the strategy introduced. Moreover, some of the agile operating models regarding the meaning and the scope of this Thesis research are discussed.

Strategy as a word dates to history's wartime times, when the king wanted to be the king of two hills, but one hill had another king. In this case, the strategy was enlargement. To realize this vision, the king needed his subordinates and a good tactic, or operation plan, to help him

get the goal. The same is true today, decisions are made in the strategy, what we are, where we want to go and on what principles. Once the strategy is clear, it is easier to make an operation plan and move on step by step. (Lukkarila 2017, 4.)

Porter associates strategy with positioning, value creation, and creating a competitive advantage to find its position in the value chain and create a competitive advantage. The strategy is a vision for the company's future and is based on customer needs, accessibility or diversity of products and services. (Porter 1985, 3.)

The Operating Model enables the strategy to execution, an Agile Operating Model is a way to maximize outcomes in an environment of the new strategy and execution demands using agile patterns. In this Thesis research, the strategy is the beauty products and services providers' sustainability development. To execute the company's strategy is operating model needed. This agile operating model is developed using lean strategic management tools and techniques.

In the following chapters are strategic management tools and techniques regarding the scope of this Thesis research discussed. The PESTLE analysis is for understanding the external factors. The SWOT analysis identifies the internal factors, and the Lean Canvas is a business model validation tool to help document a business model, measure progress and communicate learning with stakeholders.

4.1 PESTLE Analysis

Organizational decisions and planning are dependent on external factors. Environmental factors describe the PEST analyse, which stands for Political, Economic, Social, and Technological factors. The other two factors, i.e. Legal and Environmental, were added later (Cartwright 2002, 39). These factors play an integral role to describe the environmental framework where the organization is currently operating and indicate which factors will influence organizations' operation in the future. (Bensoussan & Fleisher 2012, 187.)

Political factors include different government policies and law, which affect the business directly. These factors, such as tax policies, trade tariffs, and other safety rules and regulation, expose how the government and law enforcement agencies are intervene in the business. (Bensoussan & Fleisher 2012.)

Economic and competitive environmental factors include macroeconomic factors such as inflation rate, interest rate, foreign exchange rate, economic growth patterns. The above factors are an influence on business operations and the decision making of the organization. (Bensoussan & Fleisher 2012.)

Social factors include health consciousness and all demographic and cultural aspects of the environment. They include lifestyle trends, consumer attitudes, cultural norms, ethical issues such as attitude towards business ethics, animal welfare, health, and safety. Social factors affect product origins and product content. (Bensoussan & Fleisher 2012.)

Technological factors directly affect the output's and quality and include the fast pace of technological change and communication technology. These factors may affect the operations of the industry and the market favourably or unfavourably. (Bensoussan & Fleisher 2012.)

Legal factors influence the company's operations, costs and demands for its products. They are various laws such as Consumer law, Employment law, Discrimination law, Health and Safety law. All these factors are needed to be considered while doing business. (Bensoussan & Fleisher 2012.)

Environmental factors include all ecological and environmental aspects such as climate change, increased pollution, shortages of raw material, and natural resource management. These factors are essential for business innovation, and the concept of green business as climate change is a top discussed topic these days. (Bensoussan & Fleisher 2012.)

In this case, legal and environmental factors are also considered due to the developing tool's nature, and both have external and internal sides. Specific laws affect the business environment in a particular country, for example, consumer laws, safety standards, copyright law, health and safety law, fraud law. Factors of a business environmental analysis include global changes in climate, environmental issues, which play a significant role in this platform. Environmental law is a rapidly growing discipline, and the focuses of modern environmental law are environmental protection law, nature conservation and natural resources law and land use and building law. (Makkonen & Garcia 2018.)

4.2 SWOT Analysis

The SWOT, or a four-field-analysis, is a multidimensional tool for strategic analysis. It identifies an organization's internal factors, i.e. strengths and weaknesses and its external factors linked to its environment, i.e. weaknesses and threats, it also prioritizes factors in terms of expected impact, whether positive, i.e. strengths and opportunities or negative, i.e. weaknesses and threats. At the top of the table are the company's current state and internal affairs, while the future and external affairs are at the bottom. On the right, there are negative factors and positive factors on the left. An analysis is seen at how strengths can be developed to eliminate weaknesses and opportunities to eliminate threats. (Speth 2016, 7.)

4.3 Lean Startup

Today, building an innovative product is easier than ever because construction costs are lower than before due to the prevalence of the Internet, cloud services, and access to open-source software. However, nine of the ten startups still fail (Patel 2015). More than half of successful startups report that they have changed plans during the startup process, which indicates that it is not essential to have a big plan initially, but it is crucial to iterate during the process to arrive at a feasible plan. (Maurya 2012, XXI.)

One of the experimental development methods is Lean Startup, which acts as a systematic agile method approaching creating and managing the new products processes to get the desired product faster to the customer's hand, teaching when to turn and when to grow further. This method aims to minimize all unnecessary work, maximize the benefit, and create a new kind of business or innovation. (Ries 2011, 69, 77, 129.)

Lean Startup is based on Steve Blank's Customer Development Methodology, and the main idea was that understanding the customer is crucial when developing a product or service. Startup is a temporary organization designed to search for a repeatable and scalable business model. With this definition, the startup entrepreneurs fail more petite, and with the help of the scientific method, the combination of business model design, customer and agile development are the tools to help founders search for the business model. (Blank 2013 as cited in Ready 2018.)

One of Blank's students, Eric Ries, developed a methodology and trademarked the concept as Lean Startup. The methodology combines Customer Development, Agile Software Development methodologies and Lean philosophy from Taiichi Ohno and his process of lean manufacturing of the Toyota Production System. Lean means reducing waste and using resources effectively. (Ries 2011.)

Lean Startup is a method that can be used to create a new product or service in extremely uncertain circumstances (Ries 2011,12). One of Lean Startup's main goals is to create the product or service that customers really want (Ries 2011, 12.). The co-operation with the customer has started by conducting the questionnaire survey. In the future, the agile sustainability transformation tool will be tested by the early adopter to the extent that a publishable version. Ries (2011, 66) defines that early adopters are the customer who wants the product most and is ready to forgive the mistakes and willing to give feedback about the product. In this way, the product or service that the customers really want will be created. Adapting these previous principles, the main objective in this Thesis work was to create a sustainability transformation tool for beauty products and services providers, which can be tested further through the Build-Measure-Learn loop.

4.4 Lean Canvas

Lean Canvas is a validation tool to document a business model, measure progress, and communicate learning with stakeholders. Lean Canvas is adapted from the original Osterwalder's (2005) Business Model Canvas. Lean Canvas is a tool for a quick and easy way to design and implement business models. In both cases, canvas represents the whole, but Lean Canvas describes a simplicity, a lack of excess. (Maurya 2012, 19, 34-35.)

Lean Canvas is a practical tool that allows an easy way to act on the Canvas items that are tactical and practical designed to help create a startup. Lean Canvas differs from the traditional business plan in that it is faster to write, and it is possible to write in just a few hours while writing a traditional business plan might take several months. The Lean Canvas is only a one-page format, it is simple enough to share with others and is easily available for being updated more often. (Maurya 2012, 34-36.)

Based on the previous Lean Startup method, the sustainability transformation tool is created based on the previous analyses and tools. This Thesis research's main objective was to create the operating model for sustainability transformation for beauty products and services providers.

5 Empirical Findings

This chapter concerns research on collecting, representing, and analyzing the data. Data were collected by questionnaire survey in the researcher previous thesis research for prospective sustainable beauty platform customers and providers.

To determine the prerequisite, the potential customers' and providers' knowledge, the interest of the sustainability and interest of sustainably produced beauty products and services need to be analyzed. The data analyzed were collected through various methods. The structured questionnaire was chosen as the research technique to collect the empirical data for this analysis. The questionnaires were distributed to prospective respondents, and it was conducted in a digital form using Survey Monkey in October 2020. (Korppi 2020.)

The sampling methods were a non-probability voluntary sample, i.e. a sample made up of people who self-select into the questionnaire survey, and they have a strong interest in the main topic of the questionnaire. The survey was sent via Instagram, Facebook, and e-mail for prospective platform customers, i.e. the random group of beauty products and service customers, and for the providers, i.e. beauty products and services providers, around the world. The quantitative data analysis aids in answering the fourth question of the Thesis: How interested the customers and providers are in sustainably produced beauty products and

services platform? The questionnaire was conducted for both beauty products and services customers and beauty products and services providers. (Korppi 2020.)

One of the questionnaire survey objectives conducted among potential providers was to find out the cosmetics providers' awareness and interest for sustainability. This questionnaire was sent to randomly selected 50 beauty products and services provider. There were altogether nine respondents, four of them act in Finland, three in Switzerland and two in the United Kingdom. The questionnaire was conducted in both the English and the German language. According to the questionnaire results, it was more common that beauty products and services providers are interested in sustainability and increase sustainability awareness. (Korppi 2020.)

The survey conducted among potential customers aimed to determine their awareness of sustainability, willingness to use an application to book appointment for sustainably beauty service provider or beauty products order, visibility and accessibility of sustainable service and products. A link to the survey was sent to 70 respondents via Instagram, Facebook, and LinkedIn. There were 31 responders from 13 different countries. Other demographic questions were gender and age. A total of 75% of the respondents were female, and 25% of them were male. The question of gender is seen in Table 17 below. These demographic questions, i.e. gender, age, and location, allow identifying the products' realistic target market. (Korppi 2020.)

The survey examined the importance of sustainability, its recognizability in companies and prospective customers willing to use an application for sustainable products order and treatment booking. The largest group of respondents were 40 to 55 years old women. Most of the respondents, i.e. 77%, reported it crucially essential to purchase sustainable products and services. Altogether 26% of the respondents stated that they received enough information about the company's sustainability. In comparison, 49% replied that they did not get enough information, and 19% informed that they did not know if they received enough information about the company's sustainability. The most important question was about the willingness to use an application to book a treatment or order products. A total of 71% of respondents were optimistic, maybe answer 21%, and only 7% answer no they would not use the use an application for booking sustainably produced beauty services or purchasing sustainably produced beauty products. (Korppi 2020.)

Based on these above surveys, there is a demand and need for sustainably produced beauty products and services platform, both among customers and providers. Guidance is needed for providers as well as sharing information with customers. The results were very encouraging and indicative of the sustainable platform business. Based on results, it is very conducive to

develop a tool for beauty products and services providers to develop their sustainability strategy.

In terms of political factors, political leaders' attitude towards environmental issues has changed. In recent years, the rise of environmental interest has forced environmental issues such as climate change, plastic waste, and air pollution into the political sphere. These issues have been prominent features of policymaking and political debate. (Sims 2019.)

Regarding economic factors, consumers increasingly want brands that embrace purpose and sustainability. Products with sustainability claims exposed twice the growth of their traditional counterparts. (White, Hardisty & Habib 2019.) Although Covid-19 time has set more challenges for the global economy, e-commerce sales have risen.

Concerning social factors, people have a strong desire to fit in and will conform to the behavior of those around them. Using "social norms" is possible to change their behavior, which means informal understandings about what constitutes acceptable behavior (White 2019). According to Salonen (2019) there has been a move from improving living standards to improving the life quality. Connecting one's own life as a solver to the world around us is in full swing in welfare societies such as Finland. Still frothing about the experiences, but relevance is that hard-witted thing. A business that aims to strengthen human dignity, correct social skills, and promoting planetary good is the thing.

New sustainable technologies are being developed constantly to meet climate and environmental challenges. Moving on-line is environmental-friendly and, allows 24-hour access and is not in time or place dependent. Further, Big Data helps understand the requirements of consumers and support for making a real-time decision.

6 Sustainable Solutions

This chapter 6 describes solutions for sustainable development. In the cosmetics industry, calculating the carbon footprint is very complex and challenging. In addition to each ingredient in a product, the life cycle of the bottle, cap, label, everything related to that product should be traced, and the amount of carbon dioxide emitted at each stage should be calculated. Because this process is very challenging, many assumptions and trade-offs must be made. (Carbon footprint, 2021.)

There are described solutions for beauty service providers, i.e. beauty salons and spas, digital transformation, sustainable packaging and supply change, circular economy, and in the last chapter United Nations' Sustainable Development Goals.

6.1 Beauty salons and spas

There are describes some solutions towards more sustainable development for the beauty salons and spas. Sustainable development is good to start by repairing own actions in salons and spas, and onwards through supply chains to production and raw materials.

The 3 'R's, Reduce, Reuse and Recycle, are an important way to cut down on the amount of waste. To reduce the amount of produced waste, reuse items as much as possible before replacing them, and recycling items wherever possible. (Riekkinen 2021.)

In the beauty salons and spas, reducing the produced waste, choosing products with less packaging and refill options, reusable products, recycled aluminium in foils, reusable cups, cloths, towels, and protective equipment. Reaching this goal often requires a change from disposable to durable products, i.g replace plastics cups with glass ones, replacing the couch role with organic sheets, disposable cotton wool with washable mitts, sourcing for recycled furniture and devices.

To make sustainable development visible for the customers is good to consider. Some actions, i.g. not offering plastic bags but providing them with a biodegradable one, integrating labelled recycling bins visible and organizing them to paper, glass, plastics, hair, foils, and general waste, positively affect the company's image to customers.

One crucial action towards sustainable development is to engage employees and stakeholders in sustainable actions. The means to engage employees are investing in sustainable staff training, communicate clearly about the goals, and involve them in the planning. Furthermore, with stakeholder is essential to communicate to reduce the amount of packaging or reduce them, and sourcing for sustainable suppliers to promote and use sustainably produced products and materials.

Taking care of environmental quality in the salon and spa environment is also a significant sustainable action. Air quality can be affected by the likes of Acetone fumes, nail file dust and strong chlorine. Using chemical-free alternatives as much as possible minimize the pollutants. Besides, ensuring to use eco-conscious laundry products, use cold water in washing machines and washing only with a full load to save energy and water.

Also, remember to save energy. Adjust the energy to change standard bulbs to LED light bulbs, to use motion sensor lights in less busy areas of the spa or salon.

6.2 Digitalisation transformation

Digitalisation has fundamentally changed consumers behavior. While most customers are non-stop on-line, especially small businesses should take competitive advantage of digitalization. Digital transformation is the process of making changes, automating processes, using social media, marketing, collecting, and analyzing data to commit customers and build loyalty. The following are described some functions for beauty products and services providers that are useful for implementing the digital transformation.

Since most customers are on the on-lines non-stop and live in a very hectic era, customers expect a very fast-response appointment system. The mobile-based appointment system is the convenient solution for that. The customers can easily find a suitable treatment, timing, and cost with an appointment application. The appointment application allows many benefits for service providers, i.e. no interruption in treatment because of taking phone calls for reservation, unsold treatment appointments are visible for the customers, maybe even for sale prices, the cash-based booking system also saves time in the customer's payment transaction.

This prevailing Covid-19 pandemic period has increased the relevance of e-commerce. The pandemic has forced a substantial digital boost in many ways in many companies where digitization had not previously been appropriately implemented. There are many far-reaching advantages to e-commerce for the customer, i.g. easy accessibility, flexible and fast buying process, product and price comparison, targeted advertising. The advantages for the seller, i.g. on-line sales release resources for other core activities, enables border customer base than traditional retail, affordable advertising and marketing, collecting and analyzing Big Data to serve customers more individually.

Digitization enables agile on-line training possibilities for both in-house training and customer training. Instead of a travelling trainer, digitalisation enables training on-line, videos, pictures, remotely, thus reaching the customer both professionally and consumers easily, without boarder also pandemically safe.

In addition to these activities mentioned above, it is desirable to experience digital transformation throughout the supply chain. Digitalisation save on costs, enable more connection between corporations, create value across the company, the main targets of digitalization are manufacturing processes and work, business model, products and services (Agrawal and Narain 2018).

6.3 Opportunities for Circular Economy

One solution for this inefficient reality of sustainability in the cosmetics industry is the Circular Economy. The circular economy represents the idea that materials and products are never wasted but always reused and/or recycled.

There are many ways to make the recycling economy more efficient. One is the "cradle to cradle," where all the materials associated with industrial and commercial processes are nutrient-free. The second is performance improvement, which focuses on improving products' lives, making products reusable, or owning a product entirely for companies' responsibility. The third is industrial ecology, which supports closed-loop processes in which waste acts as a feed and eliminates unwanted side streams. (Aprinova 2019.)

Figure 2 display reuse possibilities of the existing packages.

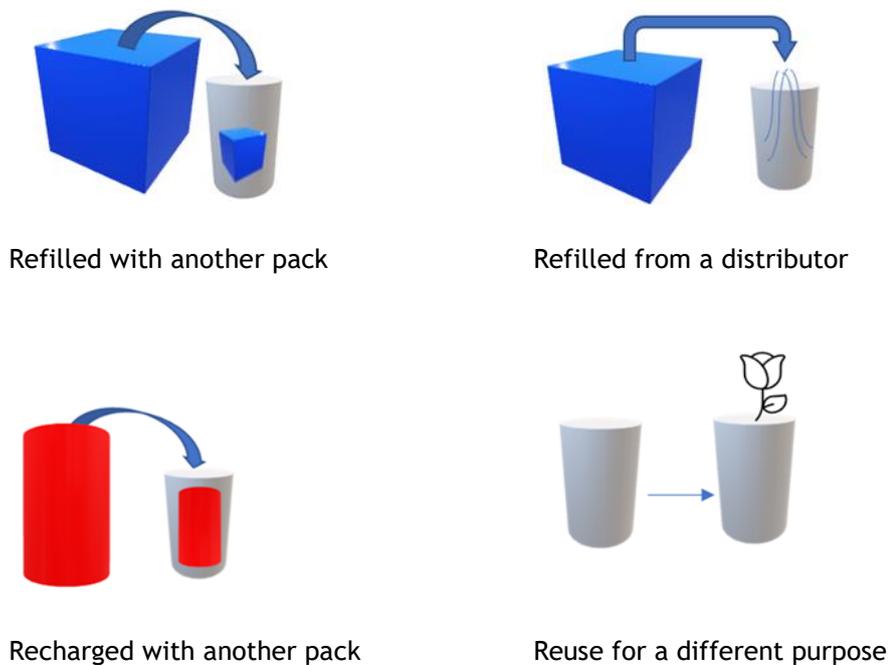


Figure 2: Reuse of existing packages.

Multiple-use packaging displays how the jar is refillable fill from enormous container which in solid packaging, i.e. refill of cream, eye shadow, or lipstick or liquid, i.e. toner, fragrances, or lotion. The jar, a multipurpose pack, is recharged with another products pack or reused total with a different purpose on the bottom line.

Side stream

Figure 3 display food industry's side stream to the cosmetics industry.

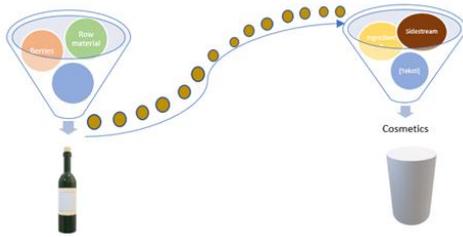


Figure 3: Side stream

In many cases is the possibility to utilize from food and agricultural industry side streams to the beauty industry. These side streams are affluent in components suitable for cosmetic application, but a lack of extraction expertise, handling know-how, and finance slows down industry advances. Instead of seeking out the following ‘magical ingredients’, the cosmetics industry should consider the enormous amounts of waste material available already and solve how these could be valorised and used in cosmetic formulations. (Culliney 2019.)

Figure 4 display take-back for reuse

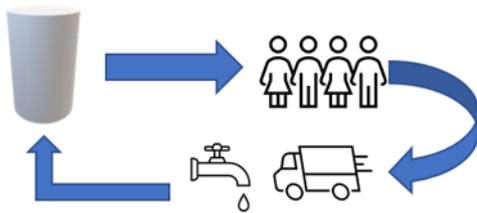


Figure 4: Refurbishing and logistics

In this take-back for reuse must be considered that the packaging is designed for reuse, the customers really use the existing reuse program, the cost of transport from customer home to retail, the washing or refurbishing of the pack and its refill. (Quantis, 2018.)

Recycled packaging

One crucial requirement for sustainable packaging is its end-of-life, i.e. when product packaging is disposed of. Collectable larger bio-PET and bio-PE containers having biobased carbon are not biodegradable nor compostable. The responsible companies who are using these biobased products need to have a clear strategy for collecting and recycling the products. These companies can provide a truly environmentally responsible brand image when they build up separate collection and recycling systems for biobased PE, PP and PET packaging. (Sahota, 2014, 39.)

Taking advantage of reusing, recycling, or recovering the waste has been found to decrease the transportable waste, i.e. cardboard, paper, plastic, dirty packaging, pallets, and

manufacturing residues. L'Oréal, for example, has decreased by 24.2% between the years 2005 and 2011, excluding returnable packaging. (Sahota 2014, 39.)

All companies are at some stage dealing with packaging and should also be considered, whether in the position of consignor or consignee. Packaging must be safe and healthy throughout its life cycle, be manufactured using clean import technology, optimizing the use of renewable or recycled raw materials, and meet market criteria (Sahota 2014).

Favouring local raw materials and the possible use of side stream from the other industries. Transport is responsible for most of the emissions in the cosmetics industry. To reduce emission, avoiding air shipment and maximizing the sea and rail transport wherever and whenever feasible. Working closely with other companies to maximize loads, minimize route distances and ensuring that the most efficient vehicles available are used.

6.4 Sustainable Development Goals

It is good to set and follow own goals for sustainable development, as follow the local and other set goals for sustainable action.

The Sustainable Development Goals (hereinafter SDGs) is a set of 17 global goals provided by the United Nations. The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future.

There are to choose the most relevant goals to make the most significant impact through company's operations and implement in own sustainability strategy and daily business. The United Nations, 17 global goals for Sustainable Development are presented in Figure 5.



Figure 5 Source: Sustainable Development Goals UN

7 Agile Transformation Canvas for Sustainability Change

This chapter introduces in this thesis research developed tool for sustainability change. The tool is named the agile transformation canvas for sustainability change and developed to promote a companies' transformation to sustainability. The created canvas is based to some extent on the Lean Startup tools presented above; PESTLE and SWOT analysis, and Lean Canvas, to the results of the questionnaire surveys, and the researcher's long-term experience and knowledge of the beauty field, together with information from the literature.

The agile transformation canvas for sustainability change is presented in Figure 6.

	COMPANY	SUSTAINABILITY	BARRIERS	ACTORS	THREATS	STRENGTHS
P A S T	Introduction - business area - personal -turnover	Actions so far	Obstacle to the sustainable implementation	Related stakeholders		
N O W	<u>DRIVERS</u> Outside / Inside The most relevant drivers for sustainability transformation	<u>OBJECTIVES</u> The most relevant features	<u>BARRIERS</u> <u>The most relevant barriers</u>			
N E X T	<u>GOALS</u> The sustainability goals	<u>STEPS</u> Activity Dates	<u>SOLUTIONS</u> How does solve problem			
T O B E	SCENARIO	OF	SUGGESTIONS	AND	GOALS	
PLAN => TEST => FORWARDS / U-TURN						

Figure 6. The Agile Transformation Canvas for Sustainability Change.

The agile transformation canvas's top line displays the company's basic information, sustainability activities until now, an obstacle to the sustainable implementation, as an actor the relevant stakeholder, and last the threats and strengths of the activity.

The following line, "now", describes outside and insider drivers for the sustainability change. Objectives mean the most relevant features, such as the previous, the 7th chapter's actions, the most relevant barriers, and previous line actors, threats, and strengths. The "next" line describes the sustainability goals, operating activities to reach them, the solution "how do they solve the problems", the last lines are as in two previous lines, the related stakeholders, threats, and strengths of activities. The last line, "to-be", is the future scenario for suggestions and goals of sustainability.

The agile transformation canvas for sustainability change is designed to create an operating model for sustainability change. This canvas is a principled approach to create and manage

actions towards the new sustainability strategy, to get the desired operating models faster to be more easily implemented, teaching when to turn and when to go further. This canvas aims to minimize all unnecessary work, maximize the benefits, and create the sustainability strategy's operating model.

8 Conclusions

This chapter, the conclusions, introduces the solution to the development task and answers the research questions. Besides is presented how the developed operating model can be an effective tool in the case company.

The main objective of this Thesis research was to create the agile operating model for beauty products and services providers' sustainability transformation. To achieve the objective, a theoretical framework was built up from literature focusing on sustainability. An empirical study consisted of a researchers' previous Thesis research's survey questionnaire for beauty products and services providers (Korppi 2020). The empirical study's finding was analyzed and reviewed against the theoretical background and the aspirations of this thesis research.

Based on the Thesis research and analyses conducted, the concrete outcome is the created tool for operating sustainability transformation. The created tool is named Agile Transformation Canvas for Sustainability Change for Beauty Products and Services Providers. This tool is a concrete aid to the case company to operate in customers' companies' sustainability transformation and improves customer companies' sustainability in all activities. This concrete, easy-to-use tool can be used to assess a company's sustainability in the past, present, and plans. The tool, Canvas, is agile, it can be easily modified to efficiently respond to changes in the environment and within the company. The developed operating model has been loosely compiled to allow for a more detailed consideration of the company's business and the need for sustainability development.

Further, the solutions and benefits of sustainability change are presented. Sustainable development increases companies' responsibility and transparency and thereby strengthens the company's position in the market. All this increases the sustainability, responsibility, and transparency of the whole cosmetics industry.

To conclude, the results of this Thesis research provide a vision of success for the platform company. This research has increased the researcher awareness of the knowledge of sustainability and agile developing methods. Validated by the Thesis research results, the researcher will implement the created tool in case company's operations.

9 Discussion

In this discussion chapter interprets the results of the Thesis research and presents their usability in business life. Moreover, suggestions for further research are discussed.

As stated already in the introduction chapter of this thesis research, the beauty industry is committed to a significant megatrend, sustainability. The beauty market is growing faster than ever before and is changing dramatically. Sustainability affects peoples' behavior, thinking, decision making and businesses. The traditional business practices are under threat, and new business models have to create. Digitalisation is one of the critical players in sustainable development, and the prevailing covid-19 pandemic has forced a significant boost in digital transformation.

The challenges of sustainable development and sustainable definition for beauty products and services providers are prevalent. This Thesis work enables awareness of sustainable development activities and provides a tool to promote sustainable development.

Some suggestions for future research can be acknowledged. Suggestion for future research would be to standardize the sustainably produced beauty and wellness services. Sustainability is starting to be an essential strategy for all companies. The definition of service sustainability is currently open and requires further research as such for sustainable strategies for beauty and wellness services.

Another suggestion for future research would be to develop the carbon footprint meter for beauty products and service providers. This kind of indicator would make concrete development of sustainability realization.

This study was just a scratch on the sustainability surface, but still, but it is still one step towards sustainability. Sustainability has come here to stay, and now it is time to act sustainably.

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