

CARCEL

Luxury Made in Prison

Can a Danish Fashion Label Address
Female Incarceration and Poverty?



CBS Responsibility Day

Programme: 3rd September 2018

Morning Session - Tivoli Congress Center, Arni Magnussons Gade 2, 1577, Copenhagen V.

- 09:00 - 09:30 Doors Open
- 09:30 - 09:40 Introduction by Kai Hockerts
- 09:40 - 09:50 Welcome by CBS President, Per Holten-Andersen
- 09:50 - 10:00 Distinguished Speaker
- 10:00 - 10:10 Introduction to CBS Students
- 10:10 - 10:15 Presentation on Academic Responsibility
- 10:15 - 10:25 Speech by European Commissioner for Competition, Margrethe Vestager
- 10:35 - 11:15 Panel Debate
- 11:15 - 11:50 Case Presentation + Q&A
- 11:50 - 12:00 Case Competition Kick-off QVARTZ

Afternoon Session - CBS Campus, Solbjerg Plads (see final page for room allocations)

- 12:00 - 13:00 Travel from Tivoli Congress Centre to CBS Campus - Lunch served at Solbjerg Plads 3
- 13:00 - 15:00 Afternoon Session
- 15:00 - 17:00 Case Lounge with QVARTZ

Prizes

PRIZE FOR THE WINNING TEAM:

T-shirts from Carcel, coffee from Risteriet Sueños, bags from grünBAG

PRIZE FOR THE TOP THREE TEAMS:

A Day at QVARTZ, Academic Books Gift Cards

PRIZE FOR THE BEST TEAM IN EACH PROGRAMME:

1 month membership to Donkey Republic, sustainable glass water bottles

QVARTZ



CARCEL

PRME Principles for Responsible Management Education

an initiative of the United Nations Global Compact



The Case Competition

This case is your first formal assignment as a bachelor student at Copenhagen Business School. If you don't know how to do a case competition, that's OK! The purpose of this day is to introduce you to cases and the way things are done at CBS. You will be welcomed to the case competition style at the case lounge where experienced case solvers and your intro tutors will give you further advice. Case solving of this sort is great experience, so kick-start the next 3 years of study with a real-life example of a complex business issue.

Here is how we expect you to work with the case:

1. Read the case carefully before Responsibility Day and feel free to research additional material online.
2. In order to prepare for Responsibility Day and the case competition, you are expected to form groups of 2-4 students to discuss the tasks outlined in the case. You will meet your fellow students in the intro weeks where you will have a chance to form groups.
3. During Responsibility Day, you will get an introduction to the case company and the problems facing them as inspiration for your case answer. In the afternoon session, you will most likely discuss the case questions in your first lecture and be introduced to strategies to write the best academic answers.
4. A case lounge will be open at the CBS Solbjerg Plads Main Hall on Monday 3rd (from 15:00-17:00) and, 4th and 5th of September (10:00-13:00). Experienced consultants from QVARTZ and CBS Case Club will give advice and assist you in the case writing process.
5. Your final case answers should be a (max.) 2-page written document, outlining your solutions and the risks involved. It should be feasible, innovative, and align with Carcel's vision. It should also be easy to read (in Danish OR English) and well argued. To submit your answer, email it to rdcase@cbs.dk by 12:00pm (noon) on Thursday 6th of September, 2018.
6. The three best case responses will be selected to present their ideas on Wednesday 12th September, 2018 at the case final, where a jury of industry experts will select the overall winner of the competition.

If you have other questions about Responsibility Day or the case competition, please do not hesitate to contact the Responsibility Day team via rd@cbs.dk.

Good luck!

Carcel's Challenge for CBS



Have you already thought about what you want to do after graduating from Copenhagen Business School? For Veronica D'Souza, the answer has always been clear. She wanted to use business as a driver to solve problems in society. Now, Veronica is turning towards you – the incoming class of 2018 – to help fine-tune her latest business strategy.

Veronica intends that her newest company, Carcel, become a global fashion label that can help hundreds of incarcerated women improve their lives. Moreover, she wants to challenge the industry's current wasteful business model which relies on fast fashion trends.

After having launched Carcel with a bang in 2017, sales are up and the company is looking to expand production into Thailand. Your task is to critically reflect on Carcel's strategy and develop ideas for how to improve the company's market approach and profitability.

From CBS Student to Serial Entrepreneur



Veronica D'Souza started at CBS in 2005 in the Business, Language and Culture (BLC) Bachelor Programme. After an exchange to Buenos Aires, she returned to CBS and enrolled in the International Business and Politics (IBP) Master Programme.

Even before completing her IBP studies, Veronica was working with two other CBS students to start a social business. Driven by her passion to change the lives of women living in poverty, Veronica launched her first social enterprise in 2011. [Ruby Cup](#) is an award-winning social business that distributes menstruation cups to low income women in Kenya.

After returning to Denmark to start a family, Veronica set her eyes on new poverty-related challenges. The trigger came from her time in Kenya where she had visited a woman's prison. In the middle of the prison yard, there was a place called the factory, where the women had access to basic sewing facilities to make their uniforms, small gifts for their children and things to sell in the visitor's shop.

Veronica wondered whether these informal sewing facilities could be professionalised to offer job training and an income to more women in prison. Veronica realized that three things were missing in order to address societal issues and create a sustainable, profitable business:

- Access to quality materials that would allow production of more appealing items,
- Training in sewing techniques and innovative, modern designs, and finally,
- Access to international fashion markets via a dedicated brand.

This made her think: Would it be possible to create a world-class fashion label that stood for quality items, manufactured by women in prison? To decide where her brand could have the most impact, Veronica started mapping the world. She identified countries with high rates of poverty-related crime, and those that had readily available, exclusive and high-quality materials.

Peru immediately stood out. Not only did the country have a long tradition of working with alpaca wool, it also had a high (and unfortunately increasing) rate of poverty related crime.

Veronica chose the name Carcel for her new brand - the Spanish word for Prison.

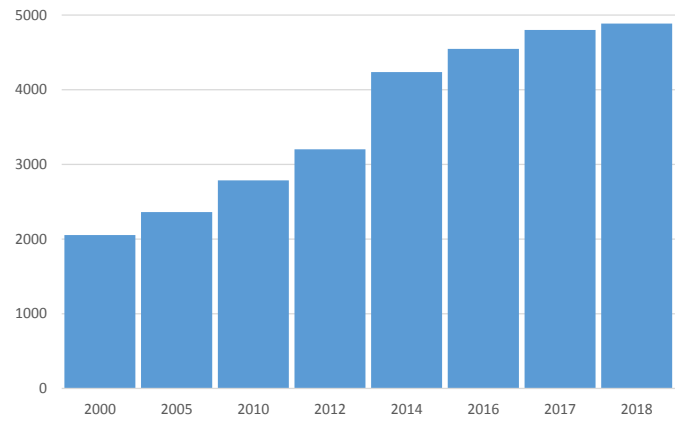
The Young, the Beautiful and the Pregnant

After researching crime in Peru, Veronica learned that the majority of women in prisons had been convicted of non-violent, drug related crimes. Peruvian drug smugglers targeted lower educated women to transport drugs into Brazil, the US, or Europe. The best candidates were young, beautiful, pregnant women, as they were most likely to get through customs unnoticed. The women were either tricked into carrying drugs for men posing as their boyfriends, or they were attracted by the opportunity to get out of extreme poverty.

As a result, the number of women in Peruvian prisons increased by almost 150% from 2001-2018 (World Prison Brief 2018), and over 60% of these women were incarcerated for drug-related crimes (CEDD 2015). Separated from their families and often young children, the women were at risk of developing anxiety, depression or post-traumatic stress disorder (PTSD) while incarcerated. The World Health Organization (WHO) estimated that up to 90% of women in prison suffered from these illnesses. Prisons reported self-harm and suicide attempts as a common result of depression among female inmates (WHO 2018).



Figure 1: Female Prison Population, Peru



The U.N. Office on Drugs and Crime (UNODC) suggested that prison sentences can be made more meaningful through “purposeful activity and mental stimulation” (UNODC 2008: 48). Education and vocational training were seen as especially important, as women used these skills after release to obtain qualifications, find work and improve their future prospects (WHO 1998). Inmates who received such training also responded with decreasing rates of depression and overall improvements in mental health (UNODC 2008).

Aspirational Designs and a New Business Model

As Veronica planned for her new business, Carcel, she knew that extraordinary design and knowledge of the fashion industry would be key. She therefore teamed up with fashion designer, Louise Van Hauen, who had studied in London and worked extensively with both Danish and international fashion brands, including Louis Vuitton. Louise became partner and creative director of Carcel.

Veronica and Louise were convinced that in order for Carcel to succeed, they needed to build an aspirational fashion label, rather than portray it as charity clothing made by prisoners. They wanted Carcel to combine the highest quality, timeless designs with luxurious products that customers would love and wear for a lifetime.

The fashion industry is stated to be the second most polluting industry in the world. With this knowledge, Veronica set out to challenge the status quo of the industry and to build a new type of supply chain that would eliminate waste and protect the planet. She called it fashion of the 21st Century.



The Fashion Industry

A Moment on the Skin, A Lifetime in the Bin

It was estimated that each year, the fashion industry used approximately 141 billion cubic meters of water (McKinsey 2016). This was equivalent to 22 years' worth of drinking water for every person on the planet. Cotton, both the most common, and the most water-intensive material, required up to 2.700 litres for just one T-shirt (Press 2016). The environmental footprint of the fashion industry has worsened with the recent fast-fashion trend. From 2016, companies such as H&M, Zara and Bestseller constantly produced higher and higher quantities of lower quality clothing. H&M delivered to stores every week, TopShop produced 7000 new styles every year (equivalent to almost 20 new styles per day) and Zara delivered over 948 million pieces of clothing per year (Press 2016, 4, 8).

As retailers accelerated their new designs, this incentivised customers to discard their clothing faster and more often. Research estimated that by 2018, on average, a piece of clothing was worn only 7-8 times before being thrown away. Along with consumers, stores often discard clothing that was not sold quickly enough and within 1 year of production, approximately 60% of all low-cost, fast fashion clothing was either incinerated or dumped in a landfill (McKinsey 2016).



The price paid for this wasteful practice was not just born by the environment. As fashion labels fought to keep prices down, production costs were constantly being squeezed. The result was often poor working conditions and salaries, and complaints against the labour practices of the fashion industry were common.

Veronica and Louise wanted to counter short-lived fashion trends, high resource waste and poor labour conditions in the fashion industry. Instead they wanted to generate timeless products that would be worn by consumers for many years, while never producing more than could actually be sold.

***“Stock less than
you’ll sell and
never discount
a thing.”***

Accordingly, Carcel decided to sell its products exclusively online, allowing them to avoid the fast fashion trends of brick-and-mortar retail stores. This decision was inspired by Michael Preysman, the founder of New York-based online fashion label Everlane. In 2015, he was included in Forbes' *30 Under 30* for reinventing fashion retail and e-commerce. Preysman's mantra was: “Stock less than you'll sell and never discount a thing.”

With this strategy, Veronica was also able to tap into the “slow movement”, which stressed high quality products and conscious consumption. As such, Carcel's products are of the highest quality and only made with 100% natural materials. Global forecasts of slow fashion and conscious consumption movements were growing worldwide, and market research for 2019 expected it to be one of the top five key market trends, generating up to €30 billion per year (Passport 2018).

Into the Field: The Road to Peru

By April 2016, it was time to get into the field. Through a government website, Veronica got in touch with the head of the Peruvian judicial system, Mr. Julius Caesar. After a brief telephone conversation, he ended by saying “Great. Call me when you get here”, before abruptly hanging up. Although unsure of how things would go, Veronica, her boyfriend and their one and a half year old daughter packed up everything and travelled blindly to Peru to get started. On the ground, she contacted Mr. Caesar again, hoping that he would remember their phone conversation.

Not only did he remember Veronica, he gathered seven high ranking officials from the Peruvian prison administration to meet her. She left with an open invitation from them to visit any prison in Peru to choose her first production site. Eventually she settled on a prison in Cusco, a small tourist town high in the Andes Mountains. Many of the women had experience sewing on hand machines and the prison had the right facilities (such as lights, tables and chairs).

Veronica decided that every item produced would also include a tag with the name of the maker. Customers could then read the stories of the women on the website and Carcel could create a personal bond between the maker and wearer of Carcel’s clothing.

“Each product is handmade, and it’s a sign of quality and dignity to have the name of the woman who made it right there with the Carcel label,” explains Veronica. “It’s also a comment to the current industry where there is no transparency, and few people ask or communicate who made their clothes.”



A final bonus of selecting Cusco was the readily available, high quality, luxurious raw material: baby alpaca wool. The material also had environmental benefits. Alpacas eat from the top of the grass so do not destroy the root system (leaving the land more fertile) and their hooves have soft pads which do not tear up the ground. Alpaca farming in the Andes, unlike many forms of farming, allows the animals to roam free on vast stretches of land.



Kickstarter Startup Capital

So far, Veronica's personal savings had funded travel and the initial brand development. But as more substantial costs were on the horizon, Veronica and Louise needed to raise start-up capital. For this, they turned to Kickstarter, a global crowdfunding platform focused on creativity and merchandising. In return for financial support, Carcel's backers were promised the first products to be delivered. That is, if the campaign didn't fail...

KICKSTARTER

In the case of Carcel, this meant that backers would receive anything from a simple Alpaca scarf (for backers who contributed €70) all the way to a full wardrobe (for backers who contributed €1850). The question now was whether consumers would believe in their products.

To Veronica's delight, [the campaign](#), launched in October 2016, was a resounding success. Within just 30 minutes Carcel reached 50% of its target, and by the end of the first day it was already fully funded. When the 30-day campaign ended, Carcel had raised a total of €47,250, more than doubling their initial target.

In addition, Carcel also received an interest-free loan for €13,333 from the [One Life Foundation](#), a small Copenhagen-based foundation supported by approximately 100 individuals. Carcel used the funds acquired to purchase industrial knitting machines, materials (including the alpaca wool, oil for the machines etc.) and labour costs (for training the women and production).

Production Crew Shines Through

After the Kickstarter items were delivered, Carcel could get back to living up to the ambitious plan Veronica had set in the beginning of her venture. The 15 women employed by Carcel grew confident in their skills and were producing a steady stream of garments. On the marketing side, clients seemed to love the new brand. Some customers sent unsolicited letters to the prison in Cusco, thanking the women for making their clothes. Every time a woman received a letter, it boosted the confidence of the entire group. They gained a sense of pride in the work and formed identities as craftswomen instead of prisoners.

As recommended by the International Labour Organisation, Carcel used the living wage in Peru, approximately €215 per month, as a base wage. On top of this, the women were able to produce one to three items per day, allowing them to earn bonuses. Moreover, the salaries were paid at the beginning of every month, unlike other prison wages, which usually were paid-out only every 3-4 months. An important part of Carcel's brand identity was transparency in the cost structure. The Carcel website hosted a detailed break-down of the cost associated with the Milano, one of Carcel's signature fashion items.



With production in Peru ramping up, Veronica set her sights on establishing a second production site in Thailand. In February 2018, Carcel was the first international company granted permission to produce inside women's prisons in Thailand. The partnership agreement was signed by Carcel, the Thai Ministry of Justice and the Kamlangjai Project (The Inspire Project), initiated by the HRH Princess Bajrakitiyabha. The Princess was the UN Goodwill Ambassador and co-writer on the 'UN Bangkok Rules' which aimed to improve the rights for women in prison. Using local materials, Carcel planned to begin production with 100% locally-sourced silk in the high-security prison in Chiang Mai. This expansion was made possible by another €33,000 grant from InnoBooster and later, a philanthropic grant from the IVL Foundation in Thailand for €135,000.

From Passion to Profitability

In August 2017, Carcel launched at Copenhagen Fashion Week - the perfect setting to attract international press. The most exciting review came from Vogue International, who called Carcel "the coolest new label in Copenhagen" (Vogue 2017). Carcel launched their online store and began collaborating with Danish fashion designers. The idea was to use the retail concept of pop-up shops to physically represent Carcel's online brand in the real world. In November 2017, Carcel's pop-up shops began surfacing, starting with Mads Nørgaard's retail outlet on Copenhagen's central shopping street, Strøget.

Another result of the Copenhagen Fashion Week had been a conversation with representatives of Net-A-Porter, the world's premier online retailer for luxury fashion brands. This led to an agreement to sell Carcel via Net-A-Porter's retail channels from the summer of 2018. This gave Carcel a worldwide platform and access to an established base of clients comfortable with buying luxury fashion online.

Steadily, Carcel gained publicity, customers and increased their sales. By mid-2018, Veronica had taken Carcel from an idea to a working brand on a steady path towards profitability. While the two founders still had not paid themselves a salary, all other staff working in Copenhagen had received wages since January 2018. The clothing was selling well in Denmark, and by June 2018, approximately 50% of sales were domestic, and the other 50% worldwide.

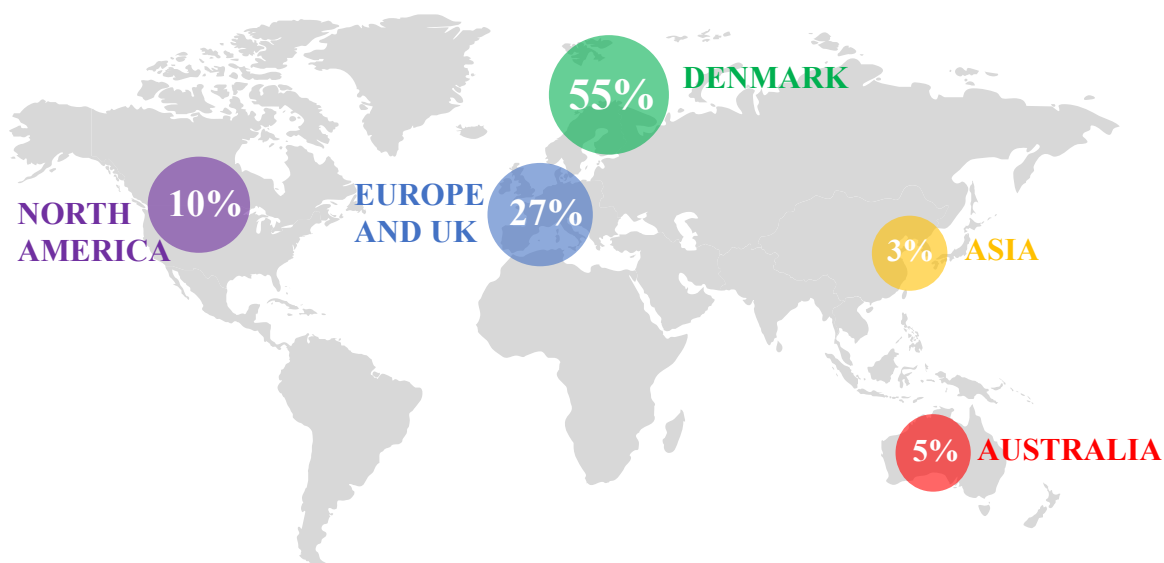


Figure 2: Geographical Proportions of Sales (Carcel, 2018)

The Responsibility Day Challenges

“We invest in the women in prison, in the best materials in the world, and in designing beautiful designs that can create a new market. The more we sell, the more women we can employ, and the bigger change we can create.”

Veronica D'Souza, CEO and Founder, Carcel.

In order to get new ideas for the fledgling brand, Veronica is now turning towards CBS. As the incoming bachelor class of 2018 you are invited to present your ideas for how Veronica might expand her business and reach greater profitability.

Please select **ONE** of the following assignments and prepare a short word document (max. 2 pages). Feel free to research additional data online to back-up your argument. The three best submissions will be presented to Carcel and a jury of judges, who will pick the most outstanding idea.

- 1. Marketing Strategy.** How could Carcel make its brand more visible? Select one of the three target markets: Copenhagen, Denmark, worldwide. Design an online marketing and social media strategy for Carcel that would help to create the personal bond that Veronica aspires to, and that creates a community between Carcel, the women in Cusco and customers. Your aim will be to reach new customer groups and significantly increase sales. Substantiate your proposal with relevant figures.
- 2. Extending the Supply Chain.** Veronica's goal is to employ women in 3-5 countries within the next 5 years. Keeping in mind her two main parameters (high poverty-related female incarceration rate and access to local, high quality, sustainable materials), where could Carcel set up production after Thailand and what material could they use? Justify your answer with relevant data both regarding the country as well as marketing potential.
- 3. Shipping and Logistics.** Currently, Carcel transports their products using air freight from Cusco to Copenhagen where each item is checked for quality by hand. Then it is shipped onwards to the end consumer. As the brand grows this process will be increasingly unsustainable. Can you suggest alternative shipping strategies while maintaining Carcel's luxury quality strategy? What would be the advantages of these strategies?
- 4. Communicating the Social Impact.** Carcel was designed to address issues of poverty in developing communities. Imagine you wanted to verify and quantify Carcel's actual social impact. How would you do this? Think about the root causes of poverty (no education and job training) and the role employment and work plays in prisons? Reflect critically on the venture and outline how you would like Carcel to track and monitor its social and environmental impact.



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Room Allocation

Study Programme	Room Allocation
HA Almen Erhvervsøkonomi	SPs01
HA Europæisk Business	HOW601
HA(fil.) - Erhvervsøkonomi - filosofi	SP112
HA(it.) - Erhvervsøkonomi - informationsteknologi	SPs08
HA(jur.) - Erhvervsøkonomi - erhvervsjura	SP210
HA(kom.) - Erhvervsøkonomi - virksomhedskommunikation	SPs10
HA(mat.) - Erhvervsøkonomi - matematik	SP213
HA pro. - Erhvervsøkonomi og projektledelse	SP113
HA(psyk.) - Erhvervsøkonomi - psykologi	Ks43
BSc Business Administration and Digital Management	SPs12
BA Interkulturel Markedskommunikation	SP205
BSc International Business in Asia	SP114
BSc Business, Language and Culture	SP202
BSc International Business	SPs05
BSc International Business and Politics	SPs16
BSc International Shipping and Trade	SP103
BSc Business Administration and Service Management	SP216
BSc Business Administration and Sociology	SPs03

This case was prepared for CBS Responsibility Day 2018 by Grace Livingstone, Rebecca Watterton and Felix Wittke, together with Prof. Kai Hockerts, Copenhagen Business School.

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