The Company Low-Cost High-Value NAU! and the Collaboration with the League for the Environment

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Abstract

Companies that choose to adopt Low Cost/High Value strategies produce goods or services with characteristics which are important for customers like design, environmental safeguards and easy access, for more natural, ecological environmental products. Nau! manufactures and sells prescription eyeglasses, sunglasses and contact lenses, high levels of design, choice of low impact frames using re-cycled materials, closely attuned to the trends and habits of their customers. This company has chosen Legambiente as a partner; the association, which works to protect the environment. Legambiente has an original and innovative approach to the issue of economy and employment. Their aim is to promote and enhance the large variety of production activities (local typical products, cultural heritage, technical innovation and urban and land maintenance) that are able to improve the quality of environment and give more competitiveness to Italy. Nau! presented on the market Relight-Up is a collection of leaders in sustainable and renewable materials such as corn, soybean, algae and organic cotton, non-petroleum-based and are created without chemical treatments, while protecting the environment. The project Relight-Up door the signature of Relight Group, key player in the European market for renewable energy. Part of the proceeds raised will be donated to the no-profit company to fund projects that safeguard our environment.

Keywords: low cost high value strategies, low impact, Legambiente, league for the environment, business model

1 – Introduction

Low Cost- High Value companies are new entries in those areas of the competitive system, in many cases they are prime mover companies that launch innovations, invest in the development of new products, and accept the risk of exploring unknown territory. Consumers’ requirements are always evolving. This research is therefore focused on one company that choose to adopt Low Cost/High Value strategies pro-
duce goods or services with characteristics which are important for customers like design, environmental safeguards and easy access, for more natural, ecological environmental products. In the study of the companies low cost high value, among other we studied the Nau! through a cross analysis with companies that apply the same business model, but with different strategies. Nau! manufactures and sells prescription eyeglasses, sunglasses and contact lenses, high levels of design, choice of low impact frames using recycled materials, closely attuned to the trends and habits of their patrons. This company has chosen Legambiente as a partner; the association, which works to protect the environment. Legambiente has an original and innovative approach to the issue of economy and employment.

The purpose of this research is furthermore to add significant value to previous studies on the relationship between eco efficiency and economic performance financial that for more than a decade holds great significance in the world academic and managerial. Thus deepens the relationships between performance economic and environmental, that find their synthesis in the concept of eco efficiency. In particular it seeks to identify the key definitions of this concept resulting be quite heterogeneous and which are not limited only to the achievement economically efficient and environmentally friendly. In a broad concept that describes the process according to which the value is increased to the maximum by reducing the use resources, waste and pollution (Schmidheiny S. et Zorraquin F.J.L.,1996).

2 – Study Area & Methods

To define the business model for Low Cost High Value the case studies are considered the most effective course to come up with answers to “how” and “why” questions when researchers have only limited control over events, but at the same time want to explore concurrent trends with the aim of explaining certain phenomena and casual relationships. This is the reason why case studies and real stories are the research strategies that are most suitable to this kind of study.

Yin (1981) suggested applying the logic of “literal theoretical replication”, which is based either on the identification of cases that will give similar results (literal replication) or which will give different results, but for predictable reasons (theoretical replication). The importance of this logic is that it allows for the extension or replication of the emerging theory.

Using case studies in research focused on quality is a rather recent approach for which two authors, Kathleen Eisenhard (1989) and R. Yin (1981), laid down the guidelines. They judged this the preferable form of research to determine “why and how” certain phenomena develop and evolve in specific contexts. Yin (1989), in particular described a case study “as a research strategy, the distinguishing a characteristic of the case study is that it attempts to examine: (a) a contemporary phenomenon in its real-life context, especially when (b) the boundaries between phenomenon and context are not clearly evident. Experiments differ from this in that they deliberately divorce a phenomenon from its context. Histories differ in that they are limited to phenomena of the past, where relevant informants may be unavailable for interview and relevant events unavailable for direct observation” and Hartley (1994) states that research based on a case study “a detailed investigation, often with data collected over a period of time, of one more organizations, or groups within organizations, with a view to providing an analysis of the context and processes, involved in the phenomenon under study”.

3 – Results & Discussion

In the study of the business model, (Osterwalder A. et al 2005), of low cost high value the company Nau!, producer and marketer of optical products, has been analyzed in the panel of cross analysis along with two other companies and was characterized by its commitment to the environment and its sustainability. The company low cost high value are first movers that introduce an innovation to the field, carrying the expense of developing a new product and the risks of exploring unknown territory.

The definition of first mover is ambiguous because, if a company moves into a consolidated market but takes advantage of certain technological gaps or sectors where there is a new demand, can it be considered a first mover? Can this be classified as the first move? There are no published answers to this question but from the data of the PIMS (Profit Impact of Market Strategy) it appears, for instance, that more than half of all the business units are “pioneers” among several competitors within the same market area.

The advantage of being first movers lies in the ability of the company to be in a pole-position to gain economically and this can be reached through several stages. In the first stage a particular advantage of the pioneer over its rivals can usually be attributed to some variable such as unique resources, or a particular foresight, or even just to a stroke of luck. Once this variable occurs, a series of mechanisms allow the company to take advantage of its position to increase the scope, or the length, of its profit as a first mover It is important to bear in mind that in certain markets there is only room for a limited number of profitable enterprises so the first move is to select the most interesting niche sectors and then to put into effect those strategies that will limit the space available to further competitors (M. B. Lieberman and D.B. Montgomery,
The next step is to pass from narrow and traditional skills to the wider and newer skills necessary, at the same time as the rules of the game are being rewritten. (R. Norman 2002) calls prime mover innovator/inventor those individuals that he considers “creators of sleeping assets markets”. The prime mover transforms these assets into liquidity that can be advantageously employed in a different context. In this sense the prime mover makes all the players richer, leading others to identify untapped assets to be exploited, such as, in the realm of low cost high value health services, short waiting lists, comfortable accommodation and convenient geographical locations. They have a new approach as subjects capable of impacting on the outside environment. They are organizations that don’t only understand the changing market but, in some ways, implement or direct the change itself (Norman R. 1998) (figure 1).

**Figure 1.** Prime mover (Source: Norman 1998)

The prime mover has considerable advantages, among them technological leadership, learning curves, brand identification, as well as the opportunity to shift the switching expenses on to the client and the chance to exploit the positive effects generated by customer satisfaction. The leading company that is the first to invest in new technology, particularly when this involves skills, will enjoy a preeminent position among its competitors, at least until they are able to reach the same levels of skills. Even in the case of easily copied technology, the leading company can count on lower costs due to the faster pace of the learning curve.

The benefits gained by cost efficiency, based on the learning experience, are mainly due to the repetition of certain patterns, with positive effects on the production process, on the production schedule and with the elimination of inefficient patterns and wasted time. Positive effects on costs, of more than secondary importance, are generated by incidental innovations that occur as the knowledge of a certain field grows.

If the first movers work in a dynamic field, which that of health care services is becoming for the reasons outlined here, creative organizations will put on the market new products with better performances or with different options than those already available, and their ability to constantly introduce new procedures and better organization will allow them to maintain a high level of efficiency and a better level of quality than those of their competitors. Brand Loyalty, or identifying with a brand, is another advantage that first movers have, because if they have been able to create a favourable impression this will ensure a series of repeated treatments, limiting customer desire to change to other providers since every change involves an expense, defined as a switching cost, due to the need to learn about a new product, become familiar with it and go through with a new purchasing experience (E. Querci 2014).

The disadvantages are mainly due to the early followers who take advantage of the lower costs of the investment and of the improvements in the product as compared to the innovation, to position themselves in the new market areas opened up by the life cycle of the product.

Furthermore, the first mover must develop a valuable industry network, both for supply lines and for maintenance. For a first mover to maintain a competitive advantage in a constantly changing, and ever more complex environment, where company boundary lines are vague and customers are increasingly demanding, it is necessary to adopt strategies that are a “natural synthesis between the future, the present and the past” (Harry Mitzberg, 1987).

The world of low cost high value mainly takes place in mature environments where the innovation involves changing an old business. When a company carries out a gradual improvement, where an already existing product or procedure is improved or made faster or more economical, we talk about ambidextrous capacity. Those with ambidextrous capacity use profitable elements of production along with existing procedures to recombine them so as to create new opportunities.

Once having faced that hurdle it will be necessary invest and to train company employees in order
to ensure a repeatable procedure, (C.A.O’Reilly III, e M.L., Tushman. 2004). In this context the eco-innovation is one of the aspects that contribute to a more intelligent production, using new knowledge to make old products more efficient both from the point of view of production that the use of the same (WBCSD 2000).

The World Business Council for Sustainable Development (2000) cites other parameters of eco-efficiency, along with eco-innovations, such as:

- Process optimization: transition from end-of-pipe to approaches which aim primarily at preventing and reducing pollution.

- Recycling of waste: use waste products of a company or industry as raw materials and resources of another bringing to achieve the goal of produce zero waste.

- New services: encouraging the use of leasing products rather than sales, pushing companies to more attention to the preservation of products and recycling.

Networks: resource sharing increases the effective use of assets material.

The behavior of companies with respect to the concept of sustainable development are very different. Some companies take into account sustainable development from the beginning of their activities during the strategic planning phase, others integrate later or others even reject the belief that sustainability involves only creating additional costs. With the passage of time there is still a progressive approach by companies in this issue, this fact is often due to pressure from the context in which they operate.

**Figure 2.** Linkage of Environmental Management to Firm Profitability (Source: Klassen and McLaughlin, 1996)

A phenomenon that typically pushes companies to adopt sustainable policies is the so-called isomorphism, which can be declined in coercive isomorphism, when the community or other organizations from which the company depends pushing to adopt such practices, mimetic isomorphism when the company emulates the sustainable strategies of other successful organizations and lastly normative isomorphism, when are the institutions that push towards sustainable development (Di Maggio e Powell 1983).

A model to assess the relationship between environmental management and corporate profitability, by (Klassen and McLaughlin 1996). In this model, (figure 2) are brought to light the factors and dynamics through which you generate the report and shows how, despite the high cost of implementing strategies to improve the environmental performance, you can then watch a reduction in costs and / or increased revenue. In the market positioning and operating cost structure are identified the two main factors through which environmental management affects profitability. Another element that emerges is the environmen-
tal certification of products, more and more relevant and considered a sort of barrier to entry in certain markets, given the growing attitude of consumers towards "green" products.

Also with regard to costs, through monitoring of emissions, it is possible to avoid future damage and environmental liabilities due to accidents at uncontrolled discharges and consequently the substantial costs associated with such events. As regards environmental regulation, it must be taken into account that this is mainly based on the concept of best available technology, therefore, those companies that are able to make their own technology a standard of reference they will obtain a potential barrier at the entrance (Di Cristofaro and Trucco, 2002). It therefore seems increasingly clear the key role played by technological innovation that to deliver the maximum benefits, however, must be included in corporate strategies since their initial design.

An important environmental certification is ISO 14001:2004 sets out the criteria for an environmental management system and can be certified to. It is a framework that a company or organization can follow to set up an effective environmental management system. It can be used by any organization regardless of its activity or sector. Using ISO 14001:2004 can provide assurance to company management and employees as well as external stakeholders that environmental impact is being measured and improved. The benefits of using ISO 14001:2004 can include:
- Reduced cost of waste management
- Savings in consumption of energy and materials and the recycle of waste milling
- Lower distribution costs, like transport and packaging
- Improved corporate image among regulators, customers and the public.

Various researchers have studied the existence of a relationship between the presence of the certification and ISO14001 reduction of polluting effects, among these Russo (2002), which in its analysis of 316 US companies of electronic installations has shown that the ISO14001 certification is associated with a reduction in emissions pollutants in the atmosphere.

4 – Case study: The Company Nau!

The company Nau!, manufactures and sells prescription eyeglasses, sunglasses and contact lenses (figure 3). It was founded in 2004, and is located in the province of Varese in northern Italy.

Nau! is associated with AssoLowcost. AssoLowcost finances specific market research, issues annual reports, and organizes conventions, all of which give visibility and support to companies that have chosen to adopt the philosophy, web sites are a fundamental means to give the clientele information regarding prices and services, allowing them to make comparisons and contact the companies.

Figure 3. Mix product category of Nau! (Source: www.nauottica.com)

The business model that AssoLowcost recommends for its members is based on the following success factors: clear and transparent information regarding the prices charged for different services, careful attention to contact and reservation procedures, with several options for remote access to services, concentrate on certain services to achieve those economies of scale necessary to contain costs, adopting quality control standards in order to guarantee high levels of quality, implementing purchasing procedures and underwriting supply contracts with partner companies, relies mainly on word of mouth from clients, who pass on to others their favorable impressions regarding services rendered. So that a product or service enters the wider family of low cost and high value is not just a product or service sold at a low price because of lower quality, it is necessary that the general reduction of costs should not be attributed only to the lower cost the raw material or to a lower level of quality in the production phase, but should be attributed in large part to the optimization of other activities that are part of the value chain in the respect of ethical values, social responsibility and environmental protection.

The company chose Legambiente as partners; the association, which works to protect the environment. Legambiente has an innovative approach to the topic of the economy and employment. Their aim is to promote and enhance the wide variety of production activities (local products, cultural heritage, technical innovation and maintenance of urban and regional), which are able to improve the quality of the environment and to give more competitiveness for Italy. Since 1986, every summer, the Green Schooner Legambiente makes the circumnavigation of the Italian coast by collecting and examining about 500 water
samples and performing on each of the analyzes required by law.

Apart from spreading in real time the results of the analysis of the places visited, the boat offers environmental events in each stage to talk with citizens and governments of all the issues that affect the health of the sea: from fishing to tourism activities, from nautical cabotage, by reckless coasts to the phenomenon of erosion.

Promotes and enhances the fundamental role of marine protected areas for the conservation of the fragile marine ecosystem. Promotes sustainable tourism in respect of the territories and ecosystems. The crew of the schooner green wears glasses recycled plastic Nau! Nau! signature and supports projects for the protection and preservation of the environment, supports campaigns to protect the ecosystem and donates, for every pair of glasses sold in recycled plastic, a contribution to Legambiente.

Concern for the environment has led Nau! optics to realize the first eyeglasses and sunglasses in recycled plastic. The particularity in the processing is that the recycling, defined pre-consumer, takes place with the use of milling and curls of machining of its frames. The production process of these collections is certified by the Institute for the Promotion of the plastics for recycling that issued the Certificate of Conformity Plastic Second Life - Category B. The line of eyewear (E.Querci 2013).

The CEO Nau! Dr. F. Broggi, in an interview in June 2011, said:
“Our recovery is pre - consumer, is the first in the world. When they suggested to make the frames with the recycle pre consumer I remained silent because I did not believe it. We’re going to throw money. I asked how much it costs, and I said, oh well, hopefully good, it means that at the end of the year we will destroy them. I asked him to do only two models for men and women. We try, there will be some magazine that will speak of this new product. It seemed impossible to produce them. Four producers have told us that you could not do.
The fifth producer has thought a night, and the next morning he called us and told us that we could perhaps do with a number of problems, but you could do, just black. Then the solution was found with a pre - consumer recycled, with the curl of the milling process. For this material the end life was in landfill site, without recycling, with an estimated time of disposal of 250 years.

So we came up with the first pair of glasses plastic recycled and 100% made in Italy and it has been a successful purchase and print. We also made a choice not to do so first price, because it takes the environment and respect for people's pockets. Because you have less impact on the environment you have to pay more? I have never been in agreement with the tax environment, the tax on the environment I have never shared. These glasses are 100% made in Italy has a price of only € 19.90. When we write 100% made in Italy, are completely made and assembled in Italy. Are 98% recycled. The certification authority of recycled products had to change their parameters because they had not planned recycling at km 0 or better in meters 0”.

The Environmental Benefits encountered relate to the recovery and reuse of waste materials resulting from normal production of optical frames and sunglasses. The scraps, difficult to dispose of in the environment, are recovered and reground in order to be reused as raw material for a new production of frames. This consequently allows not continue to draw on raw materials.

The use of renewable energy sources in the stores and shoppers biocartene, that can be reused by the customer for wet waste disposal and elimination of unnecessary packaging in liquids, solutions and contact lenses are the choices made by Nau! for the low environmental impact.

Nau! for working the lenses enters directly into the production cycle of the Zaiss. Is used a computerized machine that makes direct contact with the manufacturer of lenses. In this way the company conquer efficiency. The savings and margins are for customers, with a saving of 50% on average compared to the competition on the market. So there is not stock or a disposal problem of broken lenses and a saving is 30% of the cost of breakage of the lenses during processing. Nau! is certified with environmental certification ISO 14001:2004.

The soul of the green Nau! is expressed in several projects:

It is founding member of association Low Impact; Low Impact wants to encourage the spread of knowledge and the adoption of virtuous practices through the analysis of best practices and the creation of industry benchmarks. and intends to create a large aggregation of individuals interested in combining the Environmental Savings with economic savings.

Nau! participated with his glasses to the collection Relight-up; Relight-up is a project for a collection of clothes in sustainable and renewable materials such as corn, soybean, algae and organic cotton, non-petroleum based and are created without chemical treatments, respecting the environment. The project Relight-Up is signed by Relight Group, a key player in the European market for renewable energy.

5 – Conclusion

The company Nau! is characterized by low profit margins on the basis of industrial production. The following Table 1 compares its strengths. The case analysed is in line with the parameters of the study:
- It adhere to the low cost high value philosophy.
- It operate in different geographical areas.
- It is first movers.
- It has successful in the competitive market and are financially secure.
- It is low environment impact.

**Table 1. Commercial strong points of Nau!**

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<th>Nau!</th>
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<tr>
<td><strong>Their mission:</strong></td>
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<tr>
<td>“Cheap and chic, quality designer eyeglasses at slim prices”</td>
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<td><strong>Market share:</strong></td>
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<td>Trendy, fashionable designs, aggressively priced, a choice of fast fashion strategy</td>
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<tr>
<td><strong>Price:</strong></td>
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<tr>
<td>Prices are 30% to 50% below comparable market prices.</td>
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<td><strong>Customer satisfaction and orientation:</strong></td>
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<td>Balance between medical and fashion variables, low impact, touch and try on policy through the use of self-service displays.</td>
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<td><strong>Location:</strong></td>
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<td>Forty sales venues throughout Italy and one in France, located in town centers, airports and shopping centers</td>
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<tr>
<td><strong>Type of goods and services:</strong></td>
</tr>
<tr>
<td>Manufactures and sells prescription eyeglasses, sunglasses and contact lenses, high levels of design, choice of low impact frames using re-cycled materials, closely attuned to the trends and habits of their patrons.</td>
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Nau! cut down on the size of its shops, and consequently on rents, by eliminating laboratory workshops, reducing stockroom space used for eyeglass frames and totally eliminating that used for eyeglass lenses. The company is the first mover in its field, so its case is constantly updated. The learning process is not only aimed at people who do repetitive work more efficiently, but also involves the layout, better planning, changes in production methods and the improvement of the production structure to achieve an ideal balance of cost and the quality.

Good timing is one of the ingredients which contributed to the success of the company; it was the first to enter the low cost market, meeting the demands of a clientele that, for cultural or ethical reasons, was ready to welcome their products.

Advertising and promotional expenditures are in line with its business choices: word of mouth is considered vital for the company, press coverage of the low cost/high value movement is widespread and provides an indirect form of advertising.

The growth of new business ventures is very important; new entrepreneurs and new ideas entering into an economic-productive system, lead to new goods and production techniques and encourage the interaction between people, ideas and capital that results in the inception and development of new fields of business. This, in turn, sparks a virtuous cycle, leading to the growth of technical and organizational skills that makes it possible to recreate the pattern in other businesses operating in the same field.

It's important to note that more and more companies are beginning to recognize that a careful analysis of business opportunities and associated risks should take into account not only financial indicators, since shareholders could be damaged by factors that fall in other areas (Hartshorn and Wheeler, 2002). The next research work will be to investigate, for the company Nau! and other similar, if they can verify the existence of a positive correlation between economic indicators and indicators of eco efficiency, to understand what kind of impact has the eco efficiency on financial results and whether it is actually possible for organizations to pursue the win-win solutions that involve both environmental and economic benefits advantageous to both factors. The measurement of eco efficiency we could make it through four indicators that correlate net revenue respectively, with: water, energy, greenhouse gas emissions and waste production.

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