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## Branding a Social Enterprise

### - The Case of L plus H Fashion

#### Introduction

Branding, an activity that is typically reserved for the commercial marketing world, is becoming more and more important for the nonprofit world. However, adopting branding strategies from the for-profit to the nonprofit sector may introduce certain complexities and dilemmas to the latter group, which traditionally has limited budget for marketing activities and tends to downplay self-promotion. In fact, branding can be particularly challenging for nascent social enterprises since they have a double bottom line: financial sustainability and social responsibility. Moreover, they are confronted with the decision to either market their products and services or promote their values. The case of L plus H Fashion (L plus H) represents an example of how a social enterprise resolves its branding dilemma. This case illustrates L plus H's branding strategy and its effort to align its organizational values and missions with its internal identity and external image.

#### Background

L plus H is a privately-owned subsidiary of L plus H Community Interest Company Ltd. Modeled after the Community Interest Company (CIC), a new form of organization created in the United Kingdom, L plus H Community Interest Company is perhaps the first of its kind in Hong Kong.<sup>1</sup> The vision of L plus H Community Interest Company is to do good “With the community, for the community.” This vision is to be realized

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Dr. Elaine Chan and Ms. Chen Shangshang prepared this case. They would like to thank Dr. Terence Yuen for advice given at the inception of this study. This case is written solely for educational purposes and is not intended to represent successful or unsuccessful managerial decision making. This case is not intended to serve as endorsement or source of primary data. The authors may have disguised names; financial and other recognizable information to protect confidentiality. Feedback on this document may be sent to Elaine Chan at [Elaine\\_chan@hku.hk](mailto:Elaine_chan@hku.hk).

<sup>1</sup> L plus H website: [www.lplush.com](http://www.lplush.com)



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through three specific missions: enrichment of the job ecology, alleviation of the burden of grassroots families by helping their children, and exposure for the underprivileged youth. The establishment of L plus H is the first step towards fulfilling the first mission.

Established in December 2008 amid the financial crisis, L plus H was founded by several socially-driven industrialists and entrepreneurs who firmly believe that love and hope could bring a positive impact to peoples' lives particularly during tough times. Employers of L plus H include veterans from the knitwear industry and a new generation of high-end fashion designers and managers who work together to produce premier quality knitwear products for both export and domestic retail. They aspire to bring the manufacturing industry back to Hong Kong and revitalize the "Made in Hong Kong" label. The 18,000 sq. ft. factory space in Tuen Mun came into operation in July 2009 and a retail shop was opened in Central in August 2010.

### **Embarking on the Branding Journey**

According to the American Marketing Association, a brand is defined as "a name, term, sign, symbol, or design, or a combination of them, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." L plus H was born with some of these branding elements at its ideation stage. The name "Love plus Hope" together with its logo, a white-and-blue upward spiral, embodies the organization's underlying philosophy of positivity and simplicity. However, a brand is more than just a visual identity.

CIC as an institutional structure and legal form for social enterprises sometimes receives more scrutiny due to its newness and ambiguous nature. Investors, customers, and the general public have yet to perceive CICs as a legitimate form of organization. Like many of its kind, L plus H lacks wide public recognition. Specifically, its organizational structure as a CIC and the nature of its business elude many that it is, in fact, a social enterprise.



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What's more, L plus H is different from most social enterprises in Hong Kong. It has a modern factory of considerable size by local standards; it employs skilled workers; and it produces high quality, luxurious products. Considering that L plus H was launched at a time when many manufacturing facilities were relocating away from the city and that it did not belong to the service industry unlike most social enterprises in Hong Kong, L plus H stood out as a bold venture. In its first year of operation, L plus H positioned itself as a manufacturer of high-end Original Equipment Manufacturer (OEM) knitwear products. Targeting overseas buyers, its marketing strategy emphasized on workmanship, top-of-the-line machineries, modern management, expert technical consultation, in-house design team, and a green working environment. In short, L plus H highlighted its professionalism in service and products, and its capacity to provide holistic solutions while downplaying its social enterprise facet. This strategy appeared to work well as orders from famous European brands were coming in within the first and second years of business.

A key value of L plus H is to do good "With the community, for the community". One year after its factory came into operation, the Board of Directors decided to open a retail shop to increase L plus H's presence in the community and perhaps attract likeminded individuals to come onboard. The shop serves as a convenient access point for supporters who wish to buy L plus H knitwear as well as a meeting place for its monthly seminars. At first, L plus H portrayed its retail business as a fashion brand, emphasizing on superb quality and fine workmanship. In addition to their in-house design, L plus H also collaborated with local designers and produced special collections for two seasons. According to L plus H's executive director, Ada Ho, the company deliberately deemphasized its social aspect and manufacturing facility for the reason that "it might carry a negative label. Factory and upmarket boutique don't go together. Major European brands don't manufacture their own products."<sup>2</sup>

A few months into the operation, Ho began to question their marketing strategy. L plus H's commitment to nurture young local designers means a longer product development and testing period, which hampers L plus H's ability to meet customers'

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<sup>2</sup> Interview with Ada Ho



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expectations. Moreover, customers are often attracted to the shop because the idea of revitalizing the manufacturing industry and lending support to the industry's skilled workers resonate with them. Customer feedback reveals that the values of the company, in terms of importance, are at least on par with its design and quality of products. Exemplified by Steve Jobs' branding strategy that successfully revived the Apple Computer, Ho proposed to the Board of Directors to redirect the retail marketing strategy from focusing on the company's products to its missions and core values.

According to Steve Jobs, marketing or branding is about communicating the core values of the company to customers and other stakeholders. Apple's advertisements do not showcase its product features, but tells customers who Apple is as a company and what it stands for: Think different and changing the world for the better. The brand is built around these core values.<sup>3</sup> Other well-known brands such as Nike and Disneyland have adopted a similar strategy by conveying and emphasizing their core values instead of their product features to customers. This idea struck a chord with Ho for the simple reason that the founding of L plus H was primarily based on values. Ho proposed to the directors to change their marketing strategy for the local market. Soon enough, L plus H began to market its brand based on its core values.

With the company's previous focus on operation capacity and product development, minimal resources were dedicated to marketing activities and the work was informally shared among members of the board and the management team. With the new marketing direction, however, the company saw the need to recruit a marketing manager to spearhead the branding work and put in place other marketing activities. The headhunting didn't take long. In March 2012, Joanna Fong, a long-time friend of Ada Ho, returned to Hong Kong from California on vacation. Fong is an experienced marketing professional who specializes in marketing, sales and operation, and has extensive experience working with established companies as well as start-ups in Hong Kong and the United States. A native Hongkonger, Fong moved to California about 10 years ago and became attracted to the mindset of the Silicon Valley, "People

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<sup>3</sup> Jobs cited Nike as an example. He said Nike did not promote shoes as commodities, it honored athletes and athletics. (<http://www.youtube.com/eatch?v=keCwRdbwNQY>)



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treasure innovation. They share ideas, listen to other people and try to help out. Everybody is very entrepreneurial.”

After her first visit to the shop, Fong was invited to attend the L plus H annual staff meeting hosted at the knitwear factory in Tuen Mun. “I was very impressed by the way they organized the gathering,” said Fong. “The factory employees are 40 to 60 years old, most of them probably only had primary school education and are unlikely to comprehend very complicated philosophy or theoretical concepts, as we would have thought. Nevertheless, they sit with guest speakers such as professors and industry experts, sharing their experiences and ideas.”

The organizational culture at L plus H is a stark contrast to that of the knitwear factories of the 1980s. Not only does L plus H adopt cutting-edge technology, its management culture also reflects the characteristics of the Silicon Valley: a supportive, open-minded and entrepreneurial atmosphere, a very flat organization structure, and a focus on people and ideas, all of which resonated with Fong on a personal level. As Charles Chong, founder of L plus H Community Interest Company firmly believes, meaningful exposure of people from different walks of life, regardless of social status or educational level, is crucial to create upward mobility. The factory is not just a factory, but also a social platform to nurture the most fundamental values – Love plus Hope. Impressed with what she saw, Fong took up the offer of marketing manager and committed herself to the work at L plus H, a place where, in her view, the mindset of Silicon Valley and spirit of Hong Kong came together.

### **Searching for the Internal Identity**

To communicate a brand's message to its external stakeholders effectively, the organization's internal clarity and consistency of identity are essential. In many cases, coming up with a clear mission statement is the first step towards defining an organization's identity. When Fong officially came on board in May 2012, her first challenge was to define L plus H's identity. She initiated a series of individual interviews with all of the directors to find answers to three basic questions: Who are



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we? Why are we here? And where do you want to see L plus H to be? These questions pushed the team to think hard about the very core of the organization, namely, the values of L plus H.

From the interviews, it was clear that all six directors shared the mission of L plus H, “With the community and for the community”. They were committed to giving back to society and carrying on the legacy of Hong Kong’s once-thriving textile industry. The motto “Knitwear for Dignity” represents the team’s commitment to help displaced veteran workers and marginalized post-80s youth to regain hope and dignity through work opportunities. As such, L plus H is a socially-driven commercial entity that aims to bring together people from all walks of life to forge a new path and a better future. But as a team of professionals with different backgrounds – technical experts, bankers and businessmen from various industries, the directors placed varying emphasis on the different aspects of L plus H’s identity, which included the technical, strategic, and visionary. Based on the interviews with the six directors, Fong spent two months to construct a mind map, which revealed L plus H was an organization firmly rooted in social values. In essence, L plus H was an experimental ground for the directors to address various social issues such as revitalizing the city’s textile industry, challenging the winner-takes-all capitalist mentality, emphasizing learning at all levels of work, improving the shop floor culture, and questioning the superior-subordinate relationship between fashion houses and manufacturers as well as employers and workers.

In addition, it was clear to Fong that there was a strong sense of family and passion within the organization. Fong believes that these two elements are the cornerstones of L plus H. The sense of ‘family’ defines the work culture of L plus H -- multi-generation, mutual respect, common goal and teamwork. Passion feeds the strong urge to pursue excellence. Whether it was between the workers, product development team or the L plus H operation and Hong Kong society, there was a common feeling of working for the collective well-being. Both the management team and workers were equally passionate about the L plus H experiment and were committed to dedicating themselves to the meaningful cause. Moreover, they were



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determined to transform L plus H from an Original Equipment Manufacturer (OEM) to an Original Design Manufacturer (ODM) that could work and compete with the best fashion brands in the world. Furthermore, the management team at L plus H cultivated a strong learning culture by encouraging employees to take ownership of their work and acknowledging mistakes as part of the learning process. It is the hope of L plus H that through continuous learning, perseverance, and mutual help, workers who have been marginalized by the banking and finance sector would eventually achieve social mobility. In this way, L plus H does not operate solely on the typical business-to-business (OEM and ODM) or business-to-consumers (retail) model. In fact, its social missions also dictate that it adopts a business-to-community model.

Summarizing her findings into words, Fong described what L plus H strives to achieve in its daily operation: production of best-quality services and products, implementation of modern management, accentuation of adaptation and people development, upholding business ethics, and serving “with the community, for the community”.<sup>4</sup> It is believed that attaining these five goals can, first, bring about positive changes to workers’ lives and social status; second, revitalize the textile industry in Hong Kong; and third, generate greater community engagement in the city. While sustainability of the business operation is always a concern, profit-making was not mentioned as a major component of the organization’s identity.

Following the Board’s endorsement of Fong’s findings on L plus H’s identity, she began to create L plus H as a brand. To minimize public misconception of the L plus H experiment, Fong decided to adopt value-based branding, which is a strategy centered on an organization’s internal identity. L plus H’s internal identity is ingrained in its core values. The immediate task for Fong was to make the values and missions of L plus H known to the wider public. She believes that those who endorse the values and missions of L plus H would spread the word and become the brand’s customers or even partners under the L plus H Community Interest Co platform. In the case of L

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<sup>4</sup> <http://www.lplush.com/corevalues.php>





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plus H, inviting stakeholders<sup>5</sup> to share their own stories and their beliefs as opposed to talk about identity labels and business models could be an effective way to convey the values of the company. Ho and Fong began to collect stories and write about the people behind the L plus H experiment. With the help of two college student interns who interviewed employees about their past in the knitwear industry and their work at L plus H as well as loyal customers on why they supported L plus H, Fong tried to hone in on what gave employees pride and whether L plus H had any role in it. It turned out that their stories fitted well into the company's five goals. The strategy of utilizing personal stories worked effectively and the exercise of storytelling helped to remind everyone – directors, management staff, design team, workers, and shop assistants– why they had joined L plus H in the first place. In doing so, L plus H took the initiative to define itself before being defined by somebody else.

### **Setting up the External Image**

Following the conception of L plus H's internal identity and branding strategy, the next step was to publicize L plus H's brand image to a broader audience. Initially, the management team delegated the job to a professional agency, but the team soon discovered that its own in-house staff at L plus H could do the job just as well if not better. They realized that no one else was more qualified to tell the stories of L plus H other than the people who worked at L plus H. Thus, Fong prioritized content development with what she already had on hand, and tried to utilize various internal and external channels and alliances to push out a holistic brand image.

With the advent of new social media platforms, L plus H prefers to leverage on these more engaging and cost-saving online channels as opposed to the more conventional mass channels such as TV ads or magazines. At the time, L plus H's online presence was managed through an outdated website that was set up about three years ago. With her expertise in digital marketing, Fong moved quickly to revamp the website, set

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<sup>5</sup> Ada Ho adopts an inclusive view of L plus H's stakeholders, which include the Board of directors, employers, workers, customers, suppliers, and the wider community. That was why talks have been organized for workers and the public, and not only for customers. Furthermore, branding to her has an educational purpose, because it is a venue to promote the L plus H experiment.





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up social media platforms, and initiate email campaigns. Through Facebook, Wordpress, YouTube and e-newsletters, the public can read about the personal stories of those who work at L plus H and how their lives are transformed as a result. In addition, since August 2013, Ho has begun writing a weekly newspaper column about the five aspects of L plus H's core values upon which the company is built: community, management, adaptation, quality, and ethics. These articles together with the monthly public seminars held at the shop are all uploaded to the L plus H Facebook page (<http://www.facebook.com/LplusH>) and company blog ([lplush.wordpress.com](http://lplush.wordpress.com)) on a regular basis.

Specifically, the monthly public seminars are perhaps what set L plus H apart from other fashion boutiques and social enterprises. Once every month on a Saturday afternoon, a guest speaker would be invited to give a public seminar on a wide range of topics such as parental tips, spouse relationship, narrative therapies, communication skills, social responsibilities and many more. There is no target audience and anyone interested can attend. The goal of these seminars is not just to attract new customers, but to address the issues and values that bring together the people of Hong Kong. In addition to the seminars, Ho and Fong give talks at universities and social groups, host factory visits, and organize charity events with corporations.

Customers choose to buy L plus H products for various reasons. Some simply love the product for the fine quality of knitwear and its great value for money without knowing the social mission of the brand. On the other hand, some are followers of L plus H because they appreciate the ethos of the brand, "Made in Hong Kong" and "Love plus Hope". They read the company's blogs and attend the events, but do not necessarily buy the products. Then, there are the loyal customers who buy the products and value the company's social mission. In fact, some of L plus H's loyal customers go on to become ambassadors for the brand. They post L plus H's photos on Facebook, introduce their friends to the products, invite them to the workshops, and even model the latest L plus H's designs on its seasonal collection catalogue. L plus H strives to cultivate their customers into loyal customers because



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loyal customers can empower the brand and create synergy for real change. To this end, L plus H needs to remain faithful to its mission as well as its uncompromising commitment to quality.

### **Gauging Branding Effectiveness**

It is a difficult task to determine the effectiveness of the branding strategy at L plus H especially when the strategy is to promote the company's core values. Increase in sales could be an indicator, but it could be an indicator of better design, product improvement or simply having a right price point. Brand recognition could be another indicator; yet, since the branding exercise at L plus H began roughly a year ago, it might still be premature to conduct any full-scale comprehensive evaluation for a small operation with limited resources like L plus H. Nonetheless, it is important to take initial steps towards evaluating the effects of the branding effort to verify if the values promoted by L plus H are aligned with the target audience. Fong intended to build L plus H into an iconic brand. As such, whether the public resonated with the brand was of particular concern for Fong since resonance is the basis for creating an iconic brand.

There are a few ways to estimate the effectiveness of the L plus H branding exercise. For example, L plus H management receives daily reports from the shop manager to gauge customers' response. Serving as a link between the customers and the company, the manager examines customers' feedback and look for indications that customers acknowledge the values of L plus H. On a larger scale, L plus H relies on Facebook and the statistics provided by Facebook are closely monitored. For instance, the Facebook engagement rate measures interaction in terms of the number of likes, comments, and shares of a post. If achieving an engagement rate of one percent is considered good,<sup>6</sup> then L plus H has certainly passed the threshold, according to Fong. To get a sense of what its readers care about, L plus H takes note of the comments on its Facebook page as well as the newspaper column blog. L

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<sup>6</sup> Michael Leander, "What is a Good Engagement Rate on a Facebook Page? Here is a Benchmark for You" <http://www.michaelleander.me/blog/facebook-engagement-rate-benchmark/#sthash.fgp3K7VU.dpuf>



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plus H responds to queries and addresses negative comments or misunderstandings as part of its effort to engage with the online community. The L plus H fan base grew ten folds in a year. Considering that 99 percent of its fans are based in Hong Kong, it shows that L plus H's missions and values speak volume to the Hong Kong community.

Judging from multiple indicators, Ho was quite happy with the effects of the branding efforts. First of all, negative comments about L plus H in the social media have petered out completely although they were minimal to begin with. Second, the number of mutual friends on L plus H's Facebook page decreased to a minimum in the second half of 2013, an indication that L plus H had moved beyond its initial closed circle into the public realm. Reports from the shop manager confirm this as new customers learn about L plus H through various social media channels. Unlike the early days where it relied on word of mouth among friends, L plus H now utilizes social media and mass media to spread its work and messages to the wider community. Third, the L plus H brand is gaining public recognition as a platform for doing good together. Doing good together could mean simply buying a piece of knitwear from L plus H or supporting a major endeavor under the L plus H logo. The L plus H Creations Foundation (Creations) was founded in March 2013 to give character education to under-privileged youth through training in music and performing arts. Eighty secondary school students performed in a musical in September 2013, which received great reviews. Ho, acting as the executive director of Creations, attributed the ease of fundraising for the cause to the success of the L plus H brand. "People know the values behind L plus H Fashion and what we stand for. People trust us because of what we are doing." Moreover, Ruby Yang, Oscar winner in best documentary film, directed a documentary that will be released in the fall of 2014, which captured the entire process from auditions to performance as well as the transformation of the students. Yang, who learned about L plus H Fashion shortly after it was set up, is a firm believer in the values of L plus H.

What's more, for a third year in a row in the winter of 2013, L plus H Fashion ran a Charity Sweater Campaign to raise fund to send sweaters to the needy. It was a joint effort of various parties: a yarn mill for providing the materials, L plus H for



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underwriting the production costs, business corporations and individuals for donating money, and NGOs for identifying the target group. In 2013, Asia Miles supported this effort by committing to a sweater for every donation of 2,500 miles on their program. This was the first time that Asia Miles made available the option for members to donate for good rather than redeem for commodity. This initiative was promoted in all Asia Miles marketing channels and just within the first four days, four hundred sweaters were donated. By the end of the campaign, about nine hundred sweaters were collected. The overwhelming response was a strong indication of the effectiveness of the L plus H branding exercise. Arguably, it also demonstrated that L plus H had gained a certain level of corporate trust.

Looking back, Fong concluded that L plus H's branding strategy was on the right track when they took the company's values as the starting point and boiled it down to "doing what we say we do and being who we say we are".<sup>7</sup> The brand was nested within the missions and values of the organization and by aligning its internal identity with its external image, L plus H was able to build internal cohesion and ultimately, public trust. However, carving out a brand identity is only the first step; there are still many challenges ahead for L plus H. On the operational level, there is need to conduct systematic evaluations and measurements of the branding exercise. More taxing, however, is the need to enhance the brand's position and distinctiveness, and to preserve the brand's authenticity in a fast-changing market. To do so, L plus H must continue to tell stories of social relevance and remain true to its core values and missions.

Suggested reading:

Gobe, Marc. *Emotional Branding: the New Paradigm for Connecting Brands to People* (New York: Allworth Press, 2009).

Holt, Douglas B. *How Brands Become Icons: the Principles of Cultural Branding* (Harvard Business School Publishing Corp., 2004).

Kylander, Nathalie and Stone, Christopher. "The Role of Brand in the Nonprofit Sector." *Stanford Social Innovation Review*, 30 (Spring 2012).

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<sup>7</sup> From the interview with Joanna Fong.