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of **BUSINESS**  
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**Circular Economy of Fashion: Benefits and Challenges for French Micro  
and Small Brands**

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by

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## Abstract

The fashion industry is globally recognized as one of the major polluters, causing significant environmental and social concerns. Its complex value chain, from the intensive non-renewable resource use during raw material acquisition to human rights issues in manufacturing, and its unsustainable end-of-life solutions, underscores an industry struggling with profound challenges. In response to these challenges, the notion of a circular economy emerges as a transformative approach to reimagine and redesign production and consumption cycles, aiming to retain product value, reduce waste, and foster sustainability.

The central research question of this study is the following: "*What are the key challenges and opportunities for micro and small-sized fashion brands in adopting a successful circular business model?*" Addressing this, the research provides a deep dive into the concept of circularity within the fashion sector, specifically focusing on French micro and small-sized brands. These brands, a blend of those organically born with sustainable principles and those that have adeptly transitioned towards sustainable practices, offer a diverse palette of innovative strategies. They encompass distinctive sustainable practices ranging from upcycling, promoting second-hand fashion, adhering to sustainable production methodologies, to the use of recycled fabrics.

Utilizing qualitative methodologies, this research adopted a comparative approach, interviewing 12 such distinctive brands alongside a consultant specializing in second-hand fashion. This method depicted a rich, multifaceted perspective on the challenges intrinsic to circular business models in the fashion domain. From this exploration, the findings were clustered into three predominant categories: striking a balance between economic viability, ecological responsibility, and social equity; identifying and leveraging driving factors while recognizing potential opportunities; and understanding and navigating barriers that hinder circular adoption.

This study stands as an important contribution to existing literature, providing a nuanced roadmap specifically tailored for French micro and small-sized brands. Its insights illuminate pathways, guiding these brands towards the successful adoption and nuanced implementation of circular business models among a challenging industry context.

## Acknowledgements

I extend my heartfelt gratitude to each research participant who generously devoted their time and shared invaluable insights into the circular economy of fashion in France. Their experiences and perspectives have been instrumental in uncovering the intricate nuances, challenges, and benefits of sustainable fashion for micro and small brands. Without their candid accounts, this exploration would lack the authenticity and depth that it now possesses.

Special acknowledgment goes to my supervisor, whose guidance has been invaluable. Additionally, I am grateful to the broader academic community and my peers, whose discussions and insights have further illuminated this path, providing a broader context and enriching my understanding.

This research aims to elucidate the intricacies of the circular economy in the fashion industry, specifically for micro and small brands in France. By exploring its challenges and benefits, I hope to provide a framework for smaller brands to navigate and embrace sustainable practices more effectively. It is my fervent wish that this dissertation not only adds to the academic conversation but also inspires actionable change in an industry on the way of transformation. Indeed throughout my interviews all of the respondents expressed their willingness to have access to such framework and insight arising from an academic exercise.

To conclude, It also important to thanks to everyone who played a part, no matter how small, in my academic journey, to this final work. I extend my profound appreciation. Your contributions, direct or indirect, have been essential in bringing this research to fruition.

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## 1. INTRODUCTION

### 1.1. Background of the study

The major issue of our generation is undeniably climate change, in our daily lives we witness many dramatic events that are scientifically proven consequences of climate change. Scholars are warning the world that our current economic development model, which is based on the growth of consumption, and therefore overconsumption, has dramatic consequences on the environment and biodiversity, is one of the main factors of a possible sixth mass extinction which will also have social and economic consequences (Cowie et al., 2022). Consequently, there is a great deal of pressure on the international stage for measures and changes to be implemented in order to lessen our impact on the latter and implement more virtuous systems. Obviously, the political level is most concerned by these pressures, but efforts and changes are also expected at the level of companies that must undeniably rise to this challenge and enables better environmental and ethical performance by developing innovative solutions. Business leaders are also concerned as they are recognizing that if climate and biodiversity shifts continue, they may lose access to important resources upon which they currently rely, thereby jeopardizing their operations (Garschagen et al., 2020). They also recognize their impact; modes of linear production and value creation are undeniably one of the major factors of this negative impact. Among the most polluting industries, fashion is a strong performer, in fact according to a recent study, by the non-governmental organization the Eco expert, figures the impact of fashion at 2.1 billion greenhouse gas per year making this industry the 6th most polluting of the planet (Howell, 2022). Another important aspect of the industry impact is the fact that sustainability issues are arising at every stage of the value chain. Indeed, when looking at the fibre production large quantities of non-renewable resources are collected to manufacture clothing such as polyester which represent 55% of the production at the moment, but even when they are recyclable, they cost a lot of resources whether it is the water to irrigate the cotton fields, or the animals often overexploited in conditions more than painful used for their raw

materials (wool, leather etc). During their production other issues arise, whether it concerns the human rights of employees, who may be overexploited or put in contact with various types of particularly dangerous chemicals or whether it concerns the pollution released during the process. Moreover, an element less known by the general public is that even during its period of use the textile continues to pollute in fact during each washing of the particles of micro plastic are poured in the systems of irrigation of the wastewater. Finally, its after use which is the main marker of the linearity of the sector, as nearly 73% of textile production in 2015 ended up in landfill or was incinerated (Ellen MacArthur Foundation, 2017). Recognizing the urgent need to address the challenges facing the fashion industry, this research focuses on the topic of circularity in fashion. To obtain a comprehensive understanding of this subject, the chosen research methodology involves conducting in-depth interviews with representatives and stakeholders from various small brands.

By engaging in in-depth interviews, this study aims to capture the valuable perspectives, experiences, and insights of individuals involved in small fashion brands. These interviews provide nuanced and contextualized data, shedding light on the brand's approaches, challenges, successes, and aspirations in implementing circularity principles. The analysis of interview data, supplemented by thorough research and literature review, uncovers common themes, emerging patterns, and potential opportunities for sustainable practices among small fashion brands. This comprehensive approach contributes to the broader knowledge base on circularity in the industry and offer practical insights that inform decision-making and inspire positive change.

Utilizing in-depth interviews as the primary research methodology allows for a deeper exploration of the unique characteristics and perspectives of each small brand. Factors such as size, resources, target market, and geographic location were considered, providing a holistic understanding of the diverse strategies and considerations involved in the pursuit of sustainability within the fashion industry. By amplifying the voices and experiences of small fashion brands, this study aims to contribute to the collective understanding of sustainable fashion practices and inspire transformative actions within the industry. It endeavors to empower small brands to embrace circularity, ultimately driving positive change towards a more sustainable fashion ecosystem.

## 1.2 Problem Statement

In the vast landscape of the fashion industry, there is been a considerable amount of research dedicated to understanding the issues tied to fast fashion. This model, characterized by rapid production and turnover, has been under the spotlight for various reasons. However, while we have insights into this area, there is a clear gap when we turn our attention to sustainable clothing, particularly concerning smaller businesses. These small and medium-sized retailers operate under a different set of circumstances compared to their larger counterparts. Many established luxury brands, with their vast resources, have developed and implemented systems to enhance their sustainable practices. They have made strides across their operations, from sourcing to manufacturing to distribution. But a pressing question emerges: can these systems, tailored for large-scale operations, be equally effective for smaller businesses? It is crucial to recognize that the challenges and dynamics faced by smaller players in the fashion world differ considerably from those of bigger brands. Their agility, resource constraints, and closer ties to local communities might mean that a different approach is needed.

Further, while a lot of the current research dives deep into the social and environmental aspects of sustainability, there is a component that often gets overshadowed: economic sustainability. It is vital to explore how financial stability ties in with social responsibility and environmental consciousness. Can a brand truly be sustainable if it neglects any one of these pillars? A holistic approach, considering all these facets, offered a more rounded perspective on sustainability in fashion. Additionally, there is an intriguing distinction that's been somewhat overlooked in current discussions: the difference between brands that were founded with sustainability at their heart ('born sustainable') and those that adopted sustainable practices after their inception. Understanding this distinction is essential. Starting with sustainability versus integrating it later on can present unique challenges, motivations, and opportunities that merit a more in-depth exploration.

## 1.3 Research Objective

In today's evolving business landscape, sustainability is not merely a buzzword but an imperative for brands aiming to resonate with conscientious consumers and address broader societal concerns. Micro and small-sized brands, while being nimble and adaptable, often face unique challenges in adopting innovative business models, especially when transitioning to

circularity. The allure of a circular business model is evident, with its potential to reduce waste, optimize resources, and create sustainable value. Yet, the pathway to this model is filled with both hurdles and opportunities specifically for smaller brands. In light of this, our research aims to address the following objectives:

1. **Conceptual Understanding:** The first objective is to demystify the concept of sustainability within the realm of branding. This entails exploring its various definitions and dimensions and understanding how it shapes a brand's identity and value proposition. Additionally, this study seeks to distinguish between 'born sustainable' brands—those founded on sustainability principles—and brands that have transitioned to sustainability, illuminating the nuances of their respective journeys.
2. **Driving Factors:** We aim to pinpoint the primary motivators pushing brands towards sustainable practices. By discerning these drivers, we can get a clearer picture of the forces at play behind the scenes, ranging from economic benefits to social responsibilities and beyond.
3. **Communication Tactics:** In a world inundated with information, how do sustainable brands convey their ethos and initiatives to consumers? The strategies and platforms these brands leveraged to communicate their green credentials effectively were evaluated..
4. **Obstacles and Hurdles:** No transformative journey is without its challenges. The obstacles brands faced when embracing sustainability—whether logistical, financial, or perceptual—and how they navigated these hurdles were unearthed
5. **Guiding the Way Forward:** Based on the findings, this paper crafts actionable recommendations for brands that are either on the cusp of, or deep into, their sustainability journey. These strategies serve as a compass for brands to amplify their sustainability initiatives and achieve tangible impacts.

With these objectives, this research aspires to provide a comprehensive roadmap for micro and small-sized brands, guiding them towards the successful implementation of a circular businessmodel, while understanding the intricacies and nuances specific to their scale.

## 1.4 Research Questions

*What are the key challenges and opportunities for micro and small-sized fashion brands in adopting a successful circular business model?*

Supporting questions

1. How do micro and small-sized brands define and understand sustainability in the context of their operations?
2. What distinguishes 'born sustainable' brands from those transitioning to sustainability in the realm of micro and small-sized enterprises?
3. How does economic sustainability intersect with social and environmental sustainability for micro and small-sized fashion brands?
4. What role does economic sustainability play in ensuring the long-term success of circular business models for smaller brands?
5. What are the primary challenges micro and small-sized brands face when transitioning to a circular business model?
6. How do these challenges differ between 'born sustainable' brands and those transitioning into sustainability?
7. What opportunities emerge for small brands as they transition to a circular model?
8. How can micro and small-sized brands leverage these opportunities to enhance their sustainability initiatives and differentiate themselves in the market?
9. How do micro and small-sized brands communicate their sustainable and circular initiatives to their target audience effectively?
10. What role does branding play in shaping consumer perceptions of small brands with circular business models?

By addressing these sub-questions, the research provides a comprehensive insight into the challenges and opportunities faced by micro and small-sized brands in their journey towards establishing successful circular business models.

## 1.5 Theoretical context and contribution

This research delves into the rapidly evolving domain of circular business models within the fashion industry, specifically focusing on micro and small-sized brands in France. With the growing global emphasis on sustainability, the unique challenges and opportunities presented by circularity for smaller brands require a deeper exploration. In addressing this, the study aims

to bridge several existing literature gaps. Firstly, it seeks to understand how micro and small-sized brands define and interpret sustainability within their operations, offering insights into grassroots level conceptualizations in the fashion industry. Secondly, a distinctive exploration was made between 'born sustainable' brands and those transitioning to sustainability, shedding light on their respective challenges, motivations, and pathways. Thirdly, the research underscores the convergence of economic sustainability with its social and environmental counterparts, emphasizing the pivotal balance brands must strike and the inherent business case for sustainability. The study also maps out the challenges and opportunities faced by smaller brands in their circularity transition, offering vital practical insights. Lastly, the investigation into how brands communicate their sustainable initiatives and the role of branding in shaping consumer perceptions of their circular approach adds to the research's comprehensive contribution. Overall, this research significantly augments the existing literature on sustainable and circular business models in fashion, especially for smaller entities, providing both theoretical enrichments and pragmatic guidelines for industry stakeholders.

## **2. Literature Review**

The fashion industry, with its global reach and massive influence on cultures and economies, stands at a unique intersection of commerce, ethics, and sustainability. As we delve into its multifaceted world, it is essential to contextualize both its global impact and the nuances of its value chain, including the environmental, social, and ethical implications that arise at each stage. As the pressing need for sustainability grows more evident, industries worldwide, including fashion, are exploring transformative paradigms. One such paradigm that has gained traction is the circular economy. This section unravels the foundational principles of the circular economy, emphasizing its potential in reshaping the fashion industry's business models and operations. However, the application of the circular economy principles is not uniform across the board. Its implications, drivers, and challenges vary significantly based on the size and nature of the enterprise. Particularly, micro and small enterprises, which often operate with limited resources and distinct challenges, need special attention. It is crucial to understand what drives these enterprises towards circularity and the barriers they confront. Furthermore, the dichotomy between 'born sustainable' companies and those transitioning from a linear to a circular model adds another layer of complexity. Through this literature review, we seek to illuminate these intricacies, providing a comprehensive overview of the circular economy's role

in reshaping the fashion industry's future, especially within the context of micro and small enterprises.

The literature review unfolds through distinct yet interconnected sections:

The discussion commences with a comprehensive overview, providing a general outline of the fashion landscape. This encompasses its vast global significance, the intricate mechanisms of its value chain, and the accompanying ethical, environmental, and social considerations integral to this dynamic sector. The circular economy in fashion section introduces the transformative concept of the circular economy. Within this section, the foundational principles are elaborated upon, with a deeper dive into the specific implications for the fashion world. The circular value chain framework presented offers a comprehensive view of how circularity can redefine the fashion landscape. The last section focus on circular economy in micro and small enterprises, the focus narrows to the unique experiences of smaller businesses. Here, the drivers pushing these enterprises towards sustainable practices and the potential barriers they might face are explored. Light is shed on the distinction between brands that inherently prioritize sustainability (born sustainable) and those transitioning into this arena. Furthermore, the discussion on leveraging dynamic capabilities elucidates how businesses can transition effectively from a linear to a circular model.

## **2.1 The fashion industry**

### **2.1.1 An Overview**

Due to the constant increase in the world's population coupled with the emergence of a middle class in some developing countries, the fashion industry has grown significantly in recent decades. Indeed, according to a study of Euromonitor the apparel production has approximately doubled from 2005 to 2015 (Euromonitor, 2016). Based on Fashion United's research the sector represents around two percent of the world's gross domestic product (GDP) which represents a valuation of more than three trillion dollars in 2021 (2022). The labour force is also consequent since it represents around 430 million workers around the world, this indicates that at least one in eight people is employed in the fashion and textile business in addition, the majority of workers are women, which raises issues of gender equality (Leroux, 2018). Since the 1970s, governments throughout the world have used the apparel sector to promote export-oriented industrialization. It is a labour-intensive worldwide business with major manufacturing centers in China, Asia, and South Asia. Due to the well-established retail chain in the producing nations,

the European Union (EU) and the United States are the largest importers of ready-made clothing (Fashion United, 2022). Products in the garment sector range from fundamentals to luxury products like purses made of alligator skin. Historically, clothes firms were wholesalers selling vast quantities of items to retailers. However, in recent years, they have begun selling directly to customers in an effort to enhance their profit margins. There are a lot of reasons why corporations develop retail operations, such as the ability to devote a shop to a particular brand, allowing for more control over the image and identity of the line. Typically, retail outlets are more successful and commercial than wholesale since the corporation may improve earnings by eliminating wholesale. However, this technique seems to be problematic for businesses with retail operations, which have the additional challenge of locating store sites with strong potential and inventory management without affecting the market. Since Covid, internet has become a vital platform for merchants, particularly as customers become more tech-savvy, prefer online shopping, and want quicker processing and shipment. Online sales may be advantageous for merchants since they need fewer stores and fewer employees and are thus more cost-effective than conventional company platforms.

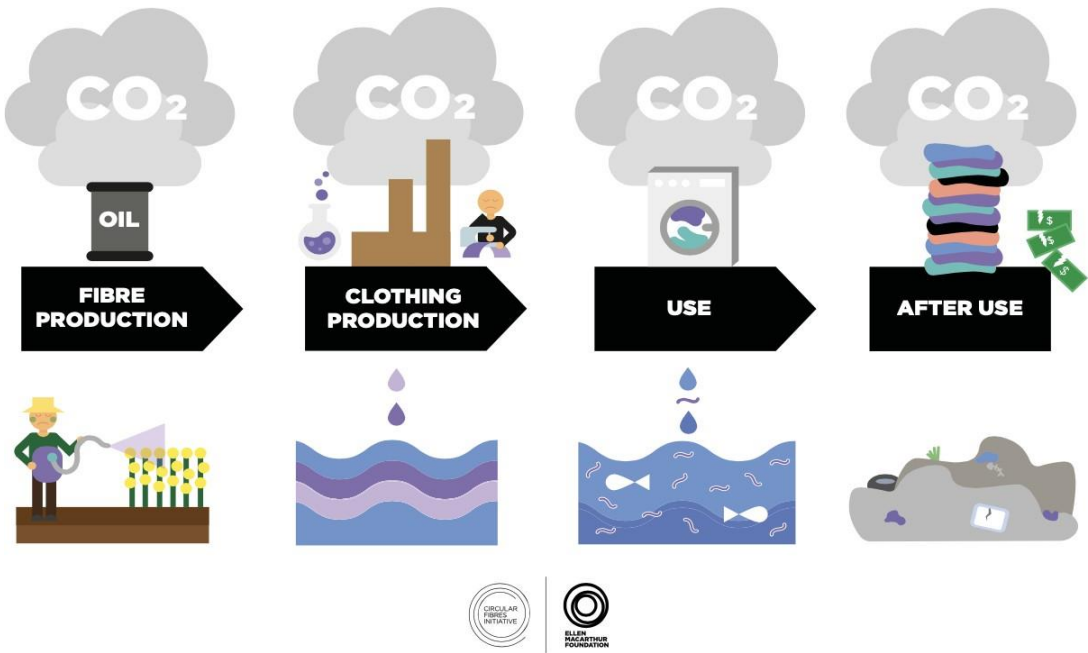


Figure 1 Impact of the current clothing system (Source: Ellen MacArthur Foundation)

2.1.2 Ethical and Environmental Implications of The Fashion Value Chain

As mentioned in the introduction, the fashion and textile industry have a significant impact on the environment at every stage of the value chain. The first step of the apparel value chain is the fibre production, the textile industry relies mainly on two types of fibre the natural one

sourced from plants and animal (wool, cotton, hemp, silk...) and the synthetic one (Polyester, Acrylic, Spandex and Nylon). These synthetic fibres are particularly attractive for companies in the industry, as they are way easier to produce and especially at lower cost compared to natural fibre. For this reason, today nearly 62% of the textiles used by brands come from these synthetic fibres (Wilson, 2022). However, the production of nylon and other synthetic textiles is an energy-intensive process that requires enormous quantities of crude oil which emits greenhouse gas in the air and in and in the waterways near production sites. The process also emits volatile organic chemicals, particulate matter, and acid gases such as hydrogen chloride, all of which threaten workers' health since it may cause or exacerbate lung diseases (Claudio, 2007). However, natural fibres are also very detrimental to the environment, the production of cotton is a particularly water intensive crops and relies heavily on insecticide, in fact the average worldwide water impact per kilogram of cotton is 10,000 liters the cotton and plantations are mostly located in regions where water is scarce (Leahy, 2015). In addition, cotton fields accounts for 16% of global insecticide release (Brown, 2017) . The clothing production stage is also very detrimental to the environment since the majority of textile manufacturing processes generate atmospheric emissions. Widespread speculation exists on the quantities and kinds of air pollutants produced by textile activities, however air emission statistics for textile manufacturing processes are often unavailable (Mukherjee, 2015). Apparel also has a negative impact during its use. Indeed, when clothes are washed some micro-plastics particles are released in wastewater system, therefore about 0.5 million tons of micro plastic are released into rivers and oceans (Ellen MacArthur Foundation, 2017). Finally, the after-use stage is the aspect that most characterizes the linearity of the textile industry because almost two thirds of the production of clothing end up in landfills or are incinerated (Ellen MacArthur Foundation, 2017).

### 2.1.3 Social and Ethical Implications of The Fashion Value Chain

Evidently, the fashion business contributes to the creation of many jobs, particularly in emerging nations; nonetheless, many societal issues are associated with the pursuit of overconsumption and the lowering of production costs. The following are the primary social concerns resulting from the analysis of the industry. First, gender disparities are especially prevalent at the stages of fibre and garment production. Indeed, women perform the majority of this work simply because they are paid less and are regarded as more submissive (Mukherjee, 2015). Workers' rights are also a massive issue for the industry, given the fact that most of the

global production are made in developing countries where workers rights are either low or rarely enforced. In addition, most of the garment manufacturing is carried out by untrained or low-skilled women who are either unaware of their rights or banned from forming trade unions (Human Right Watch, 2019). This results in inhuman working hours with very low wages. In terms of health and safety, workshops in underdeveloped countries may be subject to less severe laws than those in affluent ones. Workers' health is negatively affected by asthma, miscarriage, burns, and other ailments due to poor working conditions and exposure to several chemicals during textile and apparel production (Human Right Watch, 2019).

## 2.2 Circular Economy in Fashion

### 2.2.1 Circular Economy

#### *2.2.1.1 The principle*

In the current literature, the circular economy is defined as a manufacturing economy that depends on the "restorative capacity of natural resources" and seeks to reduce waste and phase out the usage of dangerous chemicals (Bastein et al., 2013). The circular economy distinguishes and manages two separate categories of materials: materials of biological origin that may return to the biosphere as feedstock and technological materials that cannot without negatively impacting the environment. This kind of economy therefore wish to maximize the lifespan of all the materials used and products created, in other words, the goal is to reintegrate into the value chain products that are currently discarded (Vanner & Bicket, 2014).

#### *2.2.1.2 Business Implication*

This new economic model is also a source of opportunities for businesses, which is essential for promoting its global democratization. The most attractive point for companies is the cost saving in terms of materials allowed by the regenerative factor of the model. By reusing more resources, companies will consequently reduce their demand for new raw materials which will drastically stabilize the market price of materials. In addition of the cost saving this new model of economy also provide opportunities to gain competitive advantage for companies that will act as a first mover and will inevitably create new attractive market and thus new revenue streams (Bové, 2017) .

## 2.2.2 Circular Value Chain Framework

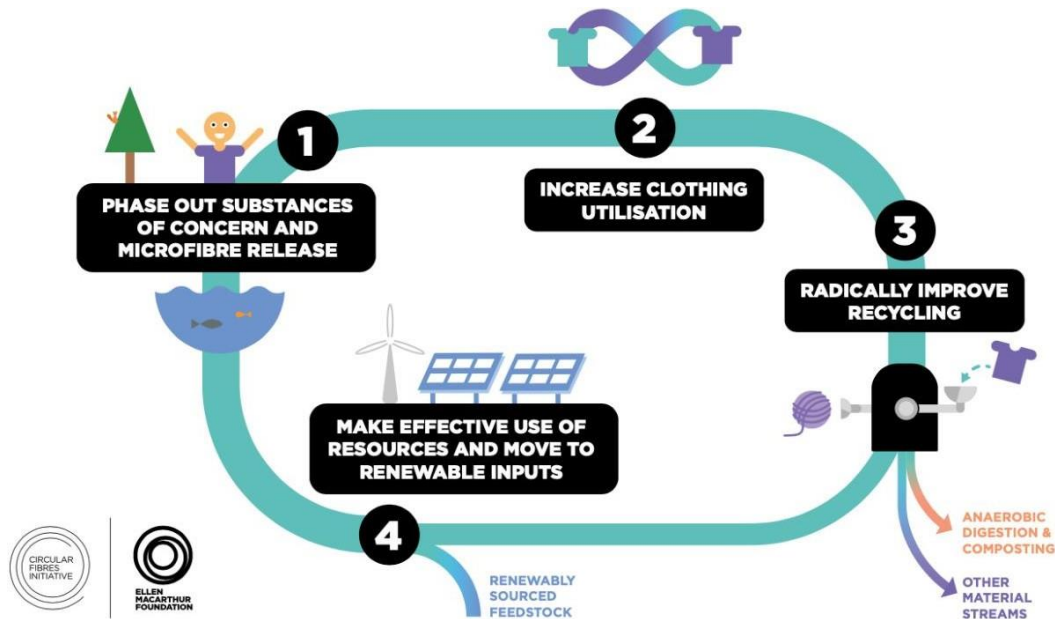


Figure 2 New Textile Economy (Source: Ellen MacArthur Foundation)





The Ellen MacArthur Foundation has designed a model that provides fashion industry stakeholders with the keys and guidelines necessary to establish a further circular model. The model includes all stakeholders in the value chain; however, in order to be consistent with the research, the following analysis focuses on brand-related elements.

The first step of this innovative value chain framework is to phase out harmful chemicals and microfiber release. The industry is now aware of the various risks and negative externalities emanating from the current value chain, which is undeniably motivating stakeholder action. However, this quest also provides an opportunity. Indeed, the first brands to embrace this approach will have a significant competitive advantage, since it is likely that this will be imposed by a legislative framework in the medium to long term, resulting in a rise in costs. Therefore, brands must align sector activities and coordinate innovation in order to establish sustainable material cycles. The following are the critical components for achieving this goal:

- Brands should create restricted substance lists align with their suppliers to accelerate the elimination of the most hazardous compounds.
- Encourage industry-led commitments to identifying innovation effort areas through the development of guidelines.
- Enhance transparency of chemicals used in manufacturing and develop the use of safe alternative chemicals, the ultimate effort would be to create or improve materials and processes which prevent the use of harmful substances.

The reduction of micro-fibre release should be tackled in the same fashion, through the extensive use of innovation to develop new material and processes that would drastically reduce the amount of microfiber leakage during washing (Ellen MacArthur Foundation, 2017).

The second step of such model aims to alter the linearity of clothing through shifting its design, production, and usage. It is evident that brands and their suppliers must now promote materials and manufacturing techniques that extend the lifetime of clothing, but the report of the foundation goes even further by suggesting a new way of ownership that would also foster circularity.

ACCESS MODEL TYPE	DESCRIPTION	EXAMPLES	CLOTHING SEGMENT
<b>RENTAL SUBSCRIPTION</b> 	Customers pay a monthly fee to have a fixed number of garments on loan at any one time and get frequent outfit change (see Section 2.2.1)	YCloset, Kleiderlei, Gwynnie Bee	'Fast fashion' items, all types of clothing
<b>SHORT-TERM RENTAL</b> 	Customers rent garments for one-off occasions and needs (see Sections 2.2.2 and 2.2.3)	Occasion wear hire, Vigga, Rent the Runway	Baby and children's clothes, maternity wear, formalwear, sportswear, luxury items
<b>SALE OF HIGHLY DURABLE CLOTHES</b> 	Customers specifically select high-quality, durable garments that come with a warranty, an increased personalisation, and that can be easily repaired. (see Sections 2.3.1 and 2.3.2)	Patagonia, Houdini, MUD Jeans	Staples, non-seasonal styles, workwear, intimate wear
<b>RESALE</b> 	Customers buy garments that have been used by others beforehand and could have been refurbished/renewed (see Section 2.3.3)	Renewal Workshop, Filippa K, ThredUp, second-hand stores	All types of clothing

1 An 'access model' is considered here as a business model for people to get access to clothes

Figure 3 New model of Ownership (Source: Circular Fibers Initiative Research)

Rental Subscription and Short-term rental:

Customers may have access to a range of apparel while reducing the requirement for fresh clothing creation by renting models. Short-term rental models provide a compelling value proposition, especially for sectors where apparel customers have shorter-term demands, fluctuating practical requirements, or rapidly altering fashion tastes. The Rental subscription model is also a highly innovative form of ownership, since it provides clients with access to a large variety of clothing at a reduced cost over time. This type of business model could be particularly attractive for smaller brands because it encourages the development of a strong

relationship with the brand's customer base and, over time, provides access to a large pool of data that can be used to enhance the brand's offering by developing products that are more in line with consumers' preferences. However, it is important to note that these temporary ownership systems are far separated from current consumer standards and are currently adopted by only a small segment of consumers. However, the exceptional growth of online retail coupled with the growing desire of millennials to have access to branded apparel suggests that this trend may become more widespread in the medium term (Ellen MacArthur Foundation, 2017).

#### Sale of highly durable clothes and resale:

While renting may capture the potential of longevity by distributing clothes among several users, for specific clothing kinds and consumer groups, good quality and durability can be valuable even when there are only a few users. Many clients prefer high-quality, long-lasting clothing, but a lack of knowledge stops them from making the most appropriate purchases. To make this offer more appealing to customers, the report proposes two solutions: first, the use of quality labels that guarantee the product's quality, and second, the implementation of brand guarantees, which can be characterized by a commitment to replace, substitute, or repair a defective product or one that is no longer to the consumer's liking. This may be very appealing to buyers, as shown by the success of the brand Patagonia, which pioneered this strategy. Finally, the resale is also a tremendous opportunity for brands to extend their operations while contributing to a better sustainability of the sector. In fact, the resale business is projected to increase by 126% by 2026, reaching a market value of \$218 billion (Reinhart, 2022). Therefore, setting up an internal system of second-hand resale of past collections could be a great opportunity for smaller brands.

The third part of the report examines how brands may enhance recycling and profit from it. The preceding section of the literature analysis indicates that 87% of all clothes manufactured end up in landfills or are burnt, which is a tremendous waste because a significant portion of this material could be reintegrated into the value chain (Ellen MacArthur Foundation, 2017). The first recommendation of the report to improve recycling, is to converge clothing design and recycling processes. In fact, transparency is a key to an efficient recycling since it relies on an accurate detection of material, therefore brands should require a high level of sustainability from their suppliers in order to increase the recycling potential of their collections. Another interesting remark suggest that brand should also support material when they are available

innovation (for instance a new polyester more recycle friendly), by supporting startups and innovator in this field brand could help them to capitalize on economies of scale and spread the innovation. Moreover, brand should also increase their use of recycled fabrics in their collection. For instance, by establishing ambitious goals in terms of percentage of production. Finally, brands should also implement broader collection methods to incentivize the recycling of their product, through brand-mail back, retailer drop-off or even by establishing partnerships with charity shops.

The last part of the framework is focusing on the effective use of resource. It is evident that textile production methods are resource-intensive, and adopting advances presents obstacles. However, businesses may make more efficient use of their resources and increase their usage of renewable resources in their production. First, the paper argues that brands should account for the costs of negative externalities of suppliers in order to promote appropriate resource management at the system level. Indeed, if a brand has a clear understanding of where in the value chain undesirable consequences are occurring, it is easier to make modifications and adjustments (Ellen MacArthur Foundation, 2017). When available, brands should also seek out renewable feedstock, such as switching to renewable feedstock (Bio and CO<sub>2</sub>-based) for plastic-based fibers and regenerative farming methods for cotton and other cellulose-based fibers. Finally, companies should work with their suppliers to assist them in overcoming obstacles that prevent the implementation of successful textile production (For instance through joint investments).

## **2.3 Circular Economy in micro and small enterprises**

### 2.3.1 Drivers

#### *2.3.1.1 Internal and External Factors*

In recent years, the business landscape has witnessed a transformative shift. Companies, irrespective of their size or domain, are pivoting towards more sustainable practices. Central to this transition is the concept of the circular economy, a model that emphasizes the recycling and reuse of resources to minimize waste and reduce the strain on our planet. This shift is not merely a fleeting trend; it is an answer to the rising global concerns about resource depletion, environmental degradation, and the quest for sustainable economic growth. Companies today are increasingly exploring the circular economy, recognizing its potential benefits not just for

the environment but also for their bottom lines. This exploration and eventual adoption are driven by a mix of reasons. Some are deeply ingrained within their organizational culture and values, while others are influenced by external pressures and opportunities that lie outside their immediate operational boundaries.

Internally, the very ethos and values of an organization play a significant role. Many teams are deeply invested in the principles of sustainability and are passionate about contributing positively to the environment. This perspective is emphasized by De Mattos et al. (2018). Additionally, the pursuit of superior product quality and innovation serves as another compelling motivator, as indicated by Govindan & Hasanagic (2018). They highlight how companies can benefit by using resources more efficiently, conserving energy, and enhancing product standards. Agyemang et al. (2018) also suggest that the circular economy can be beneficial in terms of financial performance, offering opportunities for increased revenue, improved customer retention, and overall better product output. Other intrinsic motivations include the aim to cut down operational costs, uphold environmental safety standards, and optimize the use of available resources. The organizational leadership, across many sectors, exhibits a growing interest in understanding and incorporating the principles of the circular economy, especially as advancements in technology provide new avenues to do so.

Externally, there are larger forces that guide companies towards the circular economy. Government regulations and policies often set the tone, pushing companies towards more sustainable practices, a point noted by Agyemang et al. (2018). They also mention the competitive landscape, suggesting that global competition can prompt businesses to adopt circular principles to maintain or enhance their market standing. Corporate responsibility towards society and the increasing demands of stakeholders further underscore this shift. Mattos et al. (2018) add that regional affiliations and localized legislative frameworks can be influential. Meanwhile, Govindan & Hasanagic (2018) broaden the scope by pointing to the general economic climate, the overarching need for human and animal welfare, and rising global environmental concerns. The informed consumer of today also plays a pivotal role, as their growing awareness and concern about sustainable practices directly impact market demands.

To synthesize the discussion, two dominant catalysts emerge in the drive towards the circular economy. On the external front, as highlighted by Muktadir, Rahman, Rahman, Ali & Paul

(2018), governmental regulations are pivotal. They also note the potential for companies to carve out a unique space for themselves in the global market by adopting such sustainable practices. On the internal side, the understanding and perceived benefits of the circular economy, spanning from the top leadership to the grassroots employee level, stand out as primary motivators.

#### *2.3.1.2 Alternative Drivers Classification*

In their research, Jesus & Mendonça (2018) break down the driving forces behind the shift to the circular economy into two primary categories: robust and subtle influences. The robust influencers comprise technical and economic dimensions, such as the emergence of technologies that enable better resource use, refurbishing, and renewal. Additionally, they point to a collaborative spirit in developing shared solutions with users, growing demands which in turn highlight the limited nature of natural resources, and the shifting landscape of raw material availability, which emphasizes the increasing costs and unpredictability of these resources. Production factors also come into play, with a focus on achieving stability and minimizing costs. Contrarily, the more subtle or 'light' triggers stem from institutional and societal spheres. Institutional facets encompass governmental directives regarding waste management, heightened standards for environmental safeguarding, and the legal frameworks governing ecological concerns. The societal and cultural nuances, on the other hand, arise from a heightened consciousness about environmental conservation, a more informed public stance on ecological issues, and evolving consumer preferences, as outlined by Jesus & Mendonça (2018).

Tura et al. (2019) offer a more segmented perspective, delineating the catalysts into environmental, economic, social, institutional, technological, organizational, and supply chain-oriented factors. The environmental aspect focuses on global endeavors to mitigate detrimental environmental impacts and address resource limitations. Economically, they highlight the potential to unlock value from discarded items and secondary production streams, positioning them as both opportunities and challenges for contemporary enterprises. On the social front, there is an amplified awareness and demand for sustainable practices. Institutional drivers revolve around both governmental and corporate guidelines and standards. Technological and informational factors feature innovations that bolster the circular economy's principles, paving the way for novel services and operational methods. The supply chain angle underscores the

enhancement of transparency and knowledge availability via collaborations, while organizational aspects spotlight the reputational advantages of the circular economy, shifts in company dynamics, strategic planning, culture, skill development, nimble decision-making, and evolving product/service models.

### 2.3.2 Main barriers

In the realm of the circular economy, Small and Medium-sized Enterprises (SMEs) confront a unique set of challenges, each posing significant impediments to their sustainable evolution. Delving into scholarly literature reveals that the most formidable of these challenges is of a financial nature. SMEs, often operating on tighter budgets compared to their larger counterparts, are particularly vulnerable to the monetary strains that come with transitioning to sustainable practices. Hollins (2011) underscores the significance of initial investments and anticipated return periods for SMEs, pointing out their heightened sensitivity to any additional costs linked with eco-friendly operations. Beyond the evident financial outlays, there are more inconspicuous costs. Ciasullo & Troisi (2013) highlight the "hidden" burdens of time and effort SMEs must invest in environmental transformations, which can be particularly taxing for entities already operating with limited resources.

The literature also sheds light on another crucial barrier: the apparent dearth of government incentives. Hollins (2011) observes that a notable absence of governmental backing—whether in terms of financial grants, skill-building sessions, astute taxation strategies, or import duties—serves as a significant roadblock for SMEs aiming to embrace green initiatives.

Further complicating matters is a pervasive lack of comprehension regarding the potential perks of the circular economy. Grigoryan & Borodavkina (2017) indicate that a large portion of SMEs remains oblivious to the benefits tied to resource efficiency. Alarming, some even perceive waste management and other sustainability efforts as detrimental to their business growth.

Lastly, the literature pinpoints another technical stumbling block. Many SMEs grapple with an inherent technical knowledge gap, making it tough for them to identify, assess, and incorporate cutting-edge technologies. Such technologies, if harnessed correctly, could help them diminish their environmental footprint while simultaneously yielding financial benefits. Consequently,

these enterprises tend to lean on familiar technological tools and often rely heavily on vendor recommendations when considering innovative solutions, as noted by Rizos et al. (2016).

### 2.3.3 Born Sustainable Companies

Drawing from various studies (such as those by Demirel et al., 2017; Isaak, 2016; Jayaratne, Sullivan Mort & D'Souza, 2019), businesses created with a foundational belief of sustainability have been given various names: they are labeled as 'born-sustainable,' 'born green,' 'green startups,' 'sustainability-driven ventures,' 'eco-focused entities,' and 'green enterprises.' There exists an ongoing discussion around the precise definition of "environmental sustainability." A clear perspective can be found in the work of Belz & Binder (2017). Their stance is that for a company to be called 'sustainable,' it must follow the three principles of sustainability: caring for the environment, being socially responsible, and being economically sound. This idea captures Sachs' (2000, 2004) broader view of sustainable development, which includes looking after the environment, being inclusive socially, and ensuring economic growth.

Born-sustainable businesses are thus those started on the principles of eco-friendliness, teamwork, and innovative thinking from the start (Isaak, 2016). Sticking to these principles isn't just decorative; it becomes a core part of their business, showing in their official documents (like sustainability reports) and in what they produce and how they operate. However, it is essential to tell these genuinely green businesses apart from those that just use 'sustainability' as a marketing trick to attract customers and partners without truly being green. This misleading tactic is rightly termed "greenwashing" (Adamkiewicz et al., 2022). Real born-sustainable companies are known for their new and exciting products, ways of working, solutions, and practical ways to tackle environmental and social issues.

Furthermore, these sustainability pioneers are recognized as leaders in their industries, championing new methods and technologies to make big and meaningful changes (as noted by Jayaratne et al., 2019; Klewitz & Hansen, 2014). They come from different beginnings, including individual entrepreneurs, partnerships with schools, or spin-offs from bigger companies (Demirel et al., 2017). With a good understanding of sustainable development, even old-school businesses can come up with new and exciting ideas, as Schaltegger & Wagner

(2011) mentioned. As such, these companies have a lot of potentials to guide entire industries towards a greener future (Jayaratne et al., 2019).

#### 2.3.4 Unlocking the Circular Potential: Leveraging Dynamic Capabilities for Linear Economy Companies' Transition to Circular Economy

In the world of small and micro businesses, several older companies want to change their traditional business models, which mainly rely on a straight-line economy. They're keen to do this despite facing many challenges (Hollins, 2011; Ormazabal et al., 2018). Research suggests that these companies might successfully shift to a circular economy if they work on strengthening their ability to adapt and change, often called "dynamic capabilities" (Khan et al., 2020).

So, what are dynamic capabilities? They refer to a company's tools and ways of working, especially the ones that help it change, adjust, and innovate. These tools help businesses bring in new resources and let go of old ones, ensuring they can evolve and stay relevant. Eisenhardt and Martin (2000) described these capabilities as the ways businesses adjust their resources when market situations change, like when new markets come up or old ones disappear. In simpler terms, it is about a company's power to tweak its strategies and methods to stay ahead of competitors. Shifting towards a circular economy model can give companies an edge over their competitors. This makes the relationship between dynamic capabilities and the circular economy quite important. Khan, Daddi, and Iraldo (2020) did a study that showed these capabilities play a big role in building green and sustainable business models.

Interestingly, while a lot of this kind of research often focuses on big, global companies, a recent study by Filser et al. (2021) showed that even smaller businesses can use these dynamic abilities to meet their green goals. This makes it even more crucial to dig deeper and find ways for businesses, especially smaller ones, to develop these capabilities without spending too much money or effort.

## 2.4 Conclusion

The fashion industry, as revealed in the literature review's first section, has recognized an imperative need to transition towards a circular model and lay emphasis on biodiversity. This evolutionary shift in the industry paradigm has unearthed a significant number of opportunities, especially for small businesses. With their inherent flexibility, these SMEs can craft a distinctive niche in the competitive market. Despite their resource constraints when juxtaposed against major brands, they can exploit strategies and ideas proliferated by the industry's titans.

In the subsequent section, the review delved into the critical role of the circular economy within the fashion sphere. The narrative centered on maximizing resource utility for both ecological and pragmatic business benefits. The Ellen MacArthur Foundation's blueprint provides an actionable guide for brands looking to tread this path. This framework, intertwined with the escalating realization of the current system's inefficiencies, paves the way for visionary brands to distinguish themselves. The circular economy, as deduced, isn't merely a strategy for waste reduction. It is a transformative methodology for business. Small-scale brands, with their swift adaptability and profound customer engagement, stand in a prime position to capitalize on this new and innovative approach.

Taking a deeper dive, the third segment of the review unravelled the comprehensive potential of the circular economy. From material efficiency to energy conservation and elevating product value, the spectrum of benefits is expansive. This isn't merely about reducing waste. It is a foundational shift in business models and production mechanisms. Both internal motivations and external pressures are the catalysts here. Whether it is a cultural shift within organizations, advantages in product development, or heightened global consumer awareness, the motivations for this transformation are multifaceted. However, there are many challenges along the way. Even though small businesses can quickly adapt, they still face major issues like financial limitations, poor or inexistent support from the government, and a limited understanding of the circular model's advantages. Yet, the emergence of 'born-sustainable' companies offers hope. These entities, deeply involved in sustainability ethics, frequently set the trend for industry innovations.

The gaps in the existing literature, however, became evident as the review progressed. While there is ample discourse on the advantages and potential of a circular economy, a dearth of

targeted strategies for MSMEs in the fashion industry persists. Moreover, while challenges are often alluded to, there is limited research on tangible solutions tailored for small businesses. These gaps not only highlight the research's importance but also call further scholarly exploration to bridge them.

In conclusion, the push towards sustainable practices, especially in the field of the circular economy, is evident. Yet, the journey is just beginning, and the roadmap is still being charted. However, gaps have identified and underscore the necessity and legitimacy of continued research, especially focusing on micro and small enterprises in the fashion domain. Examining both emerging brands, which have sustainability or circularity intrinsically woven into their foundations, and established ones that have transitioned over time, provides deeper insights. Indeed, these businesses, each at different stages in their life cycles, face unique challenges and opportunities. Their stories, insights and strategies can provide a considerable wealth of knowledge to current discussions and research on sustainability. This can help fill the gaps in the current understanding and offer guidance to other businesses looking to move in the same direction.

### **3. Research Method**

#### **3.1 Research Strategies and approaches**

The primary aim of this research is to gain a deeper understanding of the barriers and opportunities faced by MSMEs in developing effective circular corporate strategies and business models. Building upon existing theories specific to MSMEs, the researcher intends to develop a new framework that addresses the unique challenges and dynamics experienced by small-sized brands in the fashion industry. Therefore, a deductive research strategy appears to be the most relevant approach in this context.

In a deductive research strategy, the researcher formulates hypotheses derived from existing theories and concepts relevant to the research question. These hypotheses serve as the basis for testing and examining the outcomes to confirm or reject the theories (Wilson, 2010). This process aligns well with the research aim of understanding the barriers and opportunities for MSMEs in adopting circular business models. By formulating converging hypotheses from different theories, the researcher can identify relationships, gaps, and differences, providing a structured approach to investigate and validate existing theoretical frameworks.

However, considering the main goal of this research is to construct a new theory based on qualitative data, an inductive research strategy is also applicable and complementary to the deductive approach. An inductive approach involves progressing from observations to broader generalizations, allowing new theories and insights to emerge from the data. In this research, an inductive approach would be employed to gather qualitative data relevant to the experiences and perspectives of MSMEs in the fashion industry's circular economy transition. By collecting and analyzing this data, patterns and themes can be identified, generating new ideas and theories.

Therefore, while the deductive strategy is valuable for accepting or rejecting theories presented in the literature review, an inductive approach is more suitable for this project. The inductive approach enables the researcher to develop a more comprehensive and nuanced model based on the research findings and qualitative data. By exploring the experiences and practices of MSMEs in the fashion industry, a deeper understanding of the barriers and opportunities for successful circular business models can be achieved.

Regarding data collection methods, the research primarily focuses on gaining insights into industry dynamics through qualitative data collection. This involves conducting interviews, surveys, and possibly focus groups with relevant stakeholders such as MSME owners, managers, employees, industry experts, and policymakers. By gathering and analysing the experiences, perspectives, and challenges faced by MSMEs, the research aims to identify common patterns, successful strategies, and emerging trends. These insights contribute to the development of a meaningful theory on the development of the circular economy in the fashion industry at the MSME level, providing valuable guidance for small-sized brands aspiring to adopt circular business models.

## **3.2 Research Design, Data collection method and Research Instrument**

### **3.2.1 Research Design**

Regarding research methodology, this study adopts a qualitative approach through a multiple fashion brands case study. The choice of a case study is particularly relevant to the research question of examining the applicability of circular and biodiversity-friendly strategies to small and medium-sized enterprises (SMEs) in the fashion industry. A case study approach allows for a comprehensive understanding of the complexity of real-life situations, which is especially useful for exploring emerging phenomena and understanding the intricate dynamics of the

fashion industry (Eisenhardt, 1989). By examining multiple fashion brands as individual cases, this research can capture a variety of perspectives, strategies, and contexts within the broader scope of SMEs in the fashion industry.

The case study approach is well-suited for generating rich and detailed data that enables deeper analysis of the factors that influence the applicability of circular and biodiversity-friendly strategies to MSMEs (Yin, 2018). This approach allows the researcher to gather a range of qualitative data, such as interviews, observations, and documentation, which can provide insights into the experiences, challenges, and opportunities faced by fashion brands when adopting circular practices. Through in-depth interviews with key stakeholders within these brands, including owners, managers, employees, and other relevant actors in the value chain, a comprehensive understanding of their perspectives, decision-making processes, and strategic approaches can be obtained.

The inductive strategy chosen for this research is supported by the case study approach, as case studies are known for their ability to generate hypotheses and theories that can be further tested and refined (Yin, 2018). Through the iterative process of data collection and analysis, the researcher can identify patterns, themes, and key factors that emerge from the cases, contributing to the development of new theories and insights specific to circular and biodiversity-friendly strategies in SMEs within the fashion industry. By employing a constant comparative analysis method, the researcher can identify similarities, differences, and relationships across the cases, allowing for a more nuanced understanding of the factors that impact the adoption and implementation of circular strategies in MSMEs.

Furthermore, case study analysis allows researchers to explore the key characteristics, meanings, and implications of the subject, providing an opportunity to uncover new or unexpected insights (Tetnowski, 2015). By conducting a multiple brands case study, known for their commitment to circularity or their willingness to transition to circular model, the research aims to gain concrete and in-depth knowledge about the opportunities and challenges faced by a brand when transitioning to a circular business model. The study examines various aspects, including design processes, sourcing strategies, production methods, consumer engagement, and overall business models, to provide a comprehensive understanding of the factors that contribute to successful circular practices in the fashion industry. This thorough exploration of

multiple cases provides a basis for generating insights into the applicability of circular and biodiversity-friendly strategies to MSMEs in the fashion industry.

In summary, the qualitative case study approach is well-suited to address the research question and objectives of this study. It allows for a comprehensive understanding of real-life situations, generates rich and detailed data, supports an inductive strategy for theory development, and offers opportunities for uncovering new insights. By applying this research design, the study aims to contribute to the existing body of knowledge on circular and biodiversity-friendly strategies in SMEs within the fashion industry, providing valuable insights and recommendations for small-sized brands seeking to adopt sustainable and circular practices.

### 3.2.3 Data collection method and Research Instruments

When conducting research through a case study, various data collection methods can be employed to gather quantitative data, including interviews, focus groups, surveys, and observation. Researchers argue that interviews are the most important data collection method due to their advantages in terms of information richness, conflict resolution, relative issue determination, and issue categorization (Starman, 2013). Interviews offer an opportunity for in-depth exploration and understanding of the experiences, perspectives, and insights of key stakeholders involved in the case study. Existing literature highlights three general types of interviews: open-ended, focused, and structured (Tellis, 1997). In an open-ended interview, the researcher can inquire about the informant's perspective on certain events or facts, allowing for validation of previously collected data and gaining additional insights. Focused interviews involve questioning the respondent for a limited period of time, with questions derived specifically from the case study methodology. This type of interview allows researchers to obtain targeted information related to the research objectives. Structured interviews, often used in community studies that require a formal survey, consist of fixed and predefined questions. These interviews are effective for collecting standardized data across different cases.

However, a variant of the structured interview called the semi-structured interview is particularly suitable for this project. Semi-structured interviews involve a predefined plan mostly composed of open-ended questions, allowing the respondent to provide detailed information and insights on specific aspects of the subject matter (McIntosh and Morse, 2015). This type of interview offers the advantage of flexibility, as it allows for exploration

beyond the predefined framework when deemed necessary by the researcher or respondent. The semi-structured interview approach is well-suited for this research as it enables the development of specific questions aligned with the research question while also allowing for a deeper understanding of different perspectives. This flexibility is crucial for capturing nuanced insights and facilitating an inductive reasoning process, which is integral to theory development.

In addition to interviews, other data collection methods such as focus groups, surveys, and observation may also be considered depending on the research context and objectives. Focus groups can provide insights through group discussions, allowing for the exploration of shared perspectives and generating collective knowledge. Surveys offer a quantitative approach to gather data from a larger sample size and can provide valuable statistical information. Observation, either participant observation or non-participant observation, allows the researcher to directly observe and document behaviors, interactions, and practices in real-life settings. These methods can be used in conjunction with interviews to enhance the overall data collection process and provide a more comprehensive understanding of the case study.

In summary, the primary data collection method for this research was semi-structured interviews. This approach enabled the design of specific questions aligned with the research question while also allowing for flexibility to explore different perspectives and gather in-depth insights. Supplementary data collection methods such as focus groups, surveys, and observation may also be employed to complement the interview data and provide a broader understanding of the case study. Together, these methods facilitate the collection of rich and comprehensive qualitative data to support the research objectives and contribute to the development of new theories and insights in the context of circular and biodiversity-friendly strategies in SMEs within the fashion industry.

### 3.3 Sampling

The study encompasses a diverse range of small and micro brands operating within the fashion industry, with a specific focus on their efforts to develop a circular business model. After thorough discussions with my supervisors, it has been determined that a sample of 15 brands has been selected to participate in the research. This selection aims to capture a variety of brand types, encompassing both those that are born sustainable and those that are actively seeking to transition towards greater sustainability.

To gain a comprehensive understanding of the challenges and opportunities faced by these brands, the research involves interviews with employees representing different hierarchical levels and functions within each brand. This includes individuals involved in various stages of the supply chain, such as those responsible for sourcing materials, designers, manufacturers, and customer-facing roles. By engaging with employees across different levels and functions, the research aims to explore how sustainability policies and circular practices are perceived and enacted within each brand, taking into account their unique characteristics and sustainability aspirations. To achieve this objective, access to the organizational structures of the participating brands has been sought, enabling a careful selection of respondents based on predefined criteria. By including employees from different levels and functions, as well as brands offering different types of products and operating at different sustainability levels, the research provides a comprehensive and nuanced understanding of the challenges and opportunities faced by small and micro brands in their journey towards a circular business model. In addition to engaging with brand representatives, the research also involves interviews with two to four experts in sustainable fashion. These external experts contribute their insights and perspectives, offering an external point of view on the participating brands and the broader trends in the industry. Their expertise enriches the analysis and provides valuable insights into the different approaches taken by brands with varying levels of sustainability commitment.

The research aims to shed light on the challenges and opportunities associated with developing a circular business model within the fashion industry by incorporating a diverse range of small and micro brands, including both brands that were born sustainable and those aspiring to improve their sustainability practices. By doing so, the research encompasses a wide variety of small and micro brands.

### 3.4 Data Analysis methods

The main aim of this research is to develop a better understanding of ways for SMEs to maximize opportunities and overcome barriers to develop a circular business model. Therefore, an inductive approach has been used to analyze the collected data and develop categories that emerge from the data, following the steps outlined by Kohlbacher (2006). This approach is well-suited for exploratory research where the goal is to generate new insights and hypotheses (Eisenhardt, 1989). The development of categories is a crucial step in the inductive process, allowing for the systematic organization and interpretation of qualitative data. Kohlbacher's (2006) framework provides a clear and structured methodology for developing categories based on the data. This approach ensures that the categories are grounded in the data and directly relevant to the research question. It involves systematically reviewing the collected data, identifying recurring patterns, and grouping similar ideas or themes into categories. By employing this approach, the research findings are firmly rooted in the empirical evidence and provide a solid foundation for theory development. Throughout the data collection process, the categories were continuously reassessed and refined to ensure their relevancy and comprehensiveness. This iterative approach to data analysis aligns with the recommendations of many researchers (Maxwell, 2013; Strauss and Corbin, 1990). As more data was collected and analyzed, the categories were iteratively revisited and modified to capture the emerging nuances and complexities of the research findings. This iterative process ensured that the analysis remained responsive to the evolving data and allowed for a more nuanced understanding of the research topic. Once the categories were developed and refined, the next step involved reducing the categories to key categories that captured the most salient and meaningful aspects of the data. This reduction process involved identifying the most significant themes and patterns that emerged during the analysis. These key categories were evaluated for their dependability, ensuring that they accurately represented the data and could be reliably used to answer the research question. By adopting this iterative and systematic approach to data analysis, this research aims to provide a comprehensive and nuanced understanding of the opportunities and barriers faced by SMEs in developing a circular business model. The analysis was firmly grounded in the empirical data collected from the case study and guided by established frameworks and methodologies. Through this rigorous and iterative process, the research findings contribute to the development of new insights, hypotheses, and theoretical advancements in the context of circular business models for SMEs in the fashion industry.

### 3.5 Research criteria

In qualitative research, ensuring the quality and trustworthiness of the study is crucial. Korstjens and Moser (2018) identify four key quality criteria for qualitative research: credibility, transferability, dependability, and confirmability.

Discussing credibility delves into the heart of qualitative research, aiming to determine whether the findings genuinely mirror the lived experiences and emotions of the participants. Credibility becomes the bedrock of a study, determining its authenticity and legitimacy. For our research, establishing a rapport and an in-depth engagement with participants was of paramount importance. Spending significant time in the field and fostering an environment of trust encouraged participants to share deeper insights and more nuanced perspectives. This prolonged engagement has enabled us to understand the underlying sentiments and emotions that often get masked in shorter engagements. In addition to this, our consistent presence and observation throughout the research process have acted as watchdogs, ensuring that data remains faithful to the real-world context. The multifaceted nature of our approach was further strengthened by our commitment to triangulation. Integrating diverse data sources and methodologies allowed for cross-examination and validation of findings, enhancing the overall credibility of the study.

Transferability is a concept that offers a bridge from our specific study to broader contexts. The goal here is to ascertain whether the insights gleaned from our research can be extrapolated and applied to other settings. In the pursuit of achieving high transferability, the technique of 'thick description' was embraced, a principle highlighted by Anney (2010). Through this method, our study offers an intricate web of descriptions, encompassing social nuances, cultural dimensions, and contextual backdrops of our research setting. Such granularity provides a vivid and immersive understanding, granting future researchers the ability to gauge the applicability of our findings to parallel scenarios.

The concept of dependability evokes a sense of reliability and stability in qualitative research. It is an assurance that, if the study were to be replicated under similar circumstances, the findings would be consistent. To solidify this aspect, our research has meticulously documented every step and rationale behind decisions made throughout the research journey. This exhaustive documentation acts as a beacon for future researchers, guiding them through the labyrinth of our methodology and ensuring the consistent replicability of our findings.

Lastly, confirmability ensures that the research remains neutral and unbiased, ensuring that the findings and interpretations are rooted in the participants' experiences and not influenced by personal biases. Our allegiance to the principle of 'audit trail', as proposed by Anney (2010), has provided our study with a clear, transparent, and methodical documentation of every phase of our research. This transparency acts as a protective shield, defending our study against potential biases and guaranteeing that every nugget of insight is derived from objective data.

By adhering to these quality criteria, including establishing credibility through participant engagement and persistent observation, employing triangulation, ensuring transferability through thick description, and demonstrating dependability and confirmability through an audit trail, this research project aims to maintain high standards of quality and trustworthiness. These criteria contribute to the overall rigor and validity of the research findings, enabling meaningful insights and conclusions to be drawn regarding the barriers and opportunities for SMEs in developing a circular business model in the fashion industry.

### **3.6 Limitations**

The current study offers valuable insights into the realm of French fashion brands, but it is essential for readers and stakeholders to approach the findings with an understanding of its inherent limitations. The concentration on French fashion brands naturally situates the findings within the specific socio-economic, cultural, and market context of France. Therefore, when extrapolating these findings to the broader spectrum of global small and medium-sized brands, one should exercise caution. Each nation possesses unique cultural preferences, regulatory landscapes, and market dynamics. In the context of France, its storied fashion history, specific consumer behaviors, and distinct regulations shape the strategies and roadblocks brands encounter, especially when navigating the complexities of sustainability. Speaking of sustainability, this vast and intricate concept has been at the forefront of modern discussions in the fashion industry. While the study seeks to shed light on its myriad dimensions, it is only scratching the surface of this multifaceted domain. For instance, the research might deeply explore the production and marketing practices of sustainable products but might offer a more superficial glance at post-purchase sustainability, such as how these products fare during their lifespan with consumers.

Opting for qualitative methods was a conscious choice to capture the nuance and depth of the experiences and challenges faced by brands. Through interviews and case studies, the research

paints a vivid, personal picture of the topic. However, the trade-off here is specificity over breadth. While narratives and individual experiences provide rich context, they don't easily lend themselves to generalized conclusions or broad statistical interpretations. The findings are rooted in detailed stories, making them more descriptive rather than predictive.

While every effort has been made to remain unbiased and objective, research, being a human endeavor, might have certain unintentional biases. The processes of data collection, interpretation, and presentation are influenced by a myriad of factors, some of which might subtly steer the narrative in unforeseen directions. This potential influence necessitates a measured approach when drawing conclusions based on the findings. Recognizing these limitations doesn't diminish the study's value but rather frames its findings within a specific context. The presented challenges and insights serve as springboards for future research, urging deeper dives into certain aspects or broadening the lens to capture a more diverse set of cultural and market perspectives.

### 3.7 Ethics

Ethics, especially in research that touches upon sensitive topics and potentially impacts businesses, is of paramount importance. When probing into the sustainable practices and challenges faced by clothing SMEs, ethical considerations become particularly pertinent given the complexity of the business models, the potential reputational risks, and the nuanced nature of sustainability practices in the fashion industry. Here's how these considerations have been intricately embedded within the research design:

**Informed Consent:** Gaining consent is the bedrock of ethical research, and it goes beyond just obtaining a signature. Prior to any engagement with participants, they were provided with a clear, jargon-free overview of the study's objectives, methodologies, and potential implications. This ensured that the decision to participate was based on a comprehensive understanding. Both verbal and written consent were sought, and participants were made aware that their involvement was completely voluntary. More importantly, they had the freedom to step back at any juncture without facing any adverse effects.

**Confidentiality:** Protecting the information shared by participants was a cardinal rule. To uphold this, rigorous measures were put in place. Interview transcripts and other collected data were restricted to the researcher and the supervisor, ensuring a tight circle of access. Digital data was encrypted and stored securely, while physical data was safeguarded in locked repositories. Furthermore, any publication or presentation of results meticulously avoided disclosing specifics that could inadvertently reveal the identity of participants or their affiliated brands.

**Anonymity:** Within the realm of fashion, where brand image and public perception can heavily impact business dynamics, ensuring anonymity is doubly critical. Participants were proactively offered the choice to stay anonymous, and every effort was made to shield the identity of both individuals and their associated brands. This cloak of anonymity becomes even more pertinent when employees, who might hold dissenting views or critiques about their brand's sustainability initiatives, decide to share their insights. By assuring and upholding this anonymity, a conducive environment is fostered where participants can speak candidly, enriching the quality and authenticity of the collected data.

**Transparency with Participants:** Beyond the initial engagement, participants were kept

informed about the progress of the research and any relevant developments. This open channel fosters trust and assures participants of the researcher's commitment to ethical standards.

By diligently upholding these ethical principles, the research not only ensures compliance with universally recognized standards but also seeks to foster an atmosphere of trust. This trust is crucial for extracting genuine insights and experiences from participants, making it instrumental in the quest to understand the sustainability challenges and opportunities in the clothing SME sector.

## **4. Results and Discussion**

### **4.1 Introduction**

This chapter offers an in-depth look at the main discoveries stemming from the data collected. Detailed insights, overarching themes, and specific subthemes that emerged during the interviews are systematically broken down and explored. To further enrich the analysis, these fresh findings are compared and contrasted with the existing body of literature, as presented in the literature review. By doing this, the chapter aims to bridge the gap between the novel observations and established knowledge, offering a comprehensive understanding of the subject at hand.

Indeed, building on the framework established in the literature review, the methodology is devised to extract insights that address the main research question: What are the key challenges to overcome and opportunities to fulfill for micro and small-sized brands to set up a successful circular business model? To comprehensively tackle this primary objective, the results of the research also dive into its supporting sub-questions. These encompass an exploration of the branding impacts and its significance for brands, a thorough examination of the challenges and barriers hindering the adoption of circular business models, and an analysis of potential opportunities and growth areas that can be leveraged.

## 4.2 Sample overview

This study reached out to 20 brands to gather their perspectives on sustainability and circular business models. Out of the initial number, 12 brands provided feedback, which translates to a 60% response rate. Their insights offer a comprehensive view of the adoption, opportunities, and challenges of sustainable practices within the fashion realm. Additionally, a consultant specializing in second-hand fashion was consulted, offering a unique perspective on this specific aspect of the industry. It is important to note that all interviews were originally conducted in French and have been translated into English for the purposes of this research, ensuring accuracy while maintaining the essence of the participants' responses.

In the realm of the fashion industry, a myriad of brands, both classical and inherently sustainable, are making commendable strides toward a circular economy. From the classical cohort, "Prairies de Paris" stands out as a premium women's ready-to-wear label with a team of four. Similarly sized, "Mirae" also caters to the premium women's segment. "Majestic Filatures" offers premium attire for both men and women and boasts a team of twenty, while "Erevan" serves the same market with a crew of nine. "Degrave Paris" distinguishes itself by offering premium unisex clothing crafted from fabric remnants, operated by a quartet.

On the sustainable forefront, "Philomoene" is a trailblazer, fashioning premium undergarments from recycled materials with a trio at its head. "Khíonê" is noteworthy for its menstrual swimwear made in France, using sustainable, recyclable fabrics, and boasting a lifelong repair promise. The brand operates with two young dedicated employees. "Uza Swimwear" specializes in swimwear crafted from 100% OEKO-TEX recycled fabrics, offering made-to-order pieces, run by two founders. "Resap Paris" brings a fresh perspective to premium clothing for both genders by upcycling: they purchase old garments, deconstruct, and then reconstruct them, employing twelve artisans in the process. "Brut Paris " curates' hand-made premium outfits in Paris for both men and women, ensuring everything from materials to packaging is

recycled or second hand and has an eight-member team. Finally, "Losanje," based in Burgundy, offers premium upcycled fashion for both genders with a team composed of eleven members driving its vision. The brand also collaborates with a data processing company to highlight the benefits of upcycling.

### **4.3 Findings**

Embarking on the journey to comprehend the intricate narratives and insights of the brands interviewed, the process adopted was both meticulous and exhaustive. Each interview was first transcribed and then carefully analysed to tease out the predominant themes and categories that uniquely characterized them. This initial dissection allowed for a deep understanding of the individual responses, laying the groundwork for the subsequent phase. Upon the completion of all 13 interviews, the task shifted to a comparative approach. Each interview recap was juxtaposed against the others, aiming to discern overlapping patterns, shared insights, or recurrent themes. This systematic and thorough approach ensured that the findings presented are not just isolated observations but represent similarities and shared insight expressed across multiple interactions.

As the exploration unfolded, three major categories consistently emerged across the responses:

1. **Balance between Economy, Ecology, and Social Issues:** This theme examines the often-delicate equilibrium brands strive for, juggling between economic viability, ecological responsibility, and addressing societal concerns.
2. **Drivers and Opportunities:** An exploration into what propels brands towards adopting sustainable practices, the advantages they perceive, and the potential growth opportunities they identify in this space.
3. **Barriers to Adoption:** This category deep delves into the challenges and obstacles brands face in their journey towards sustainability, highlighting areas where support, intervention, or innovation may be required to ease their transition.

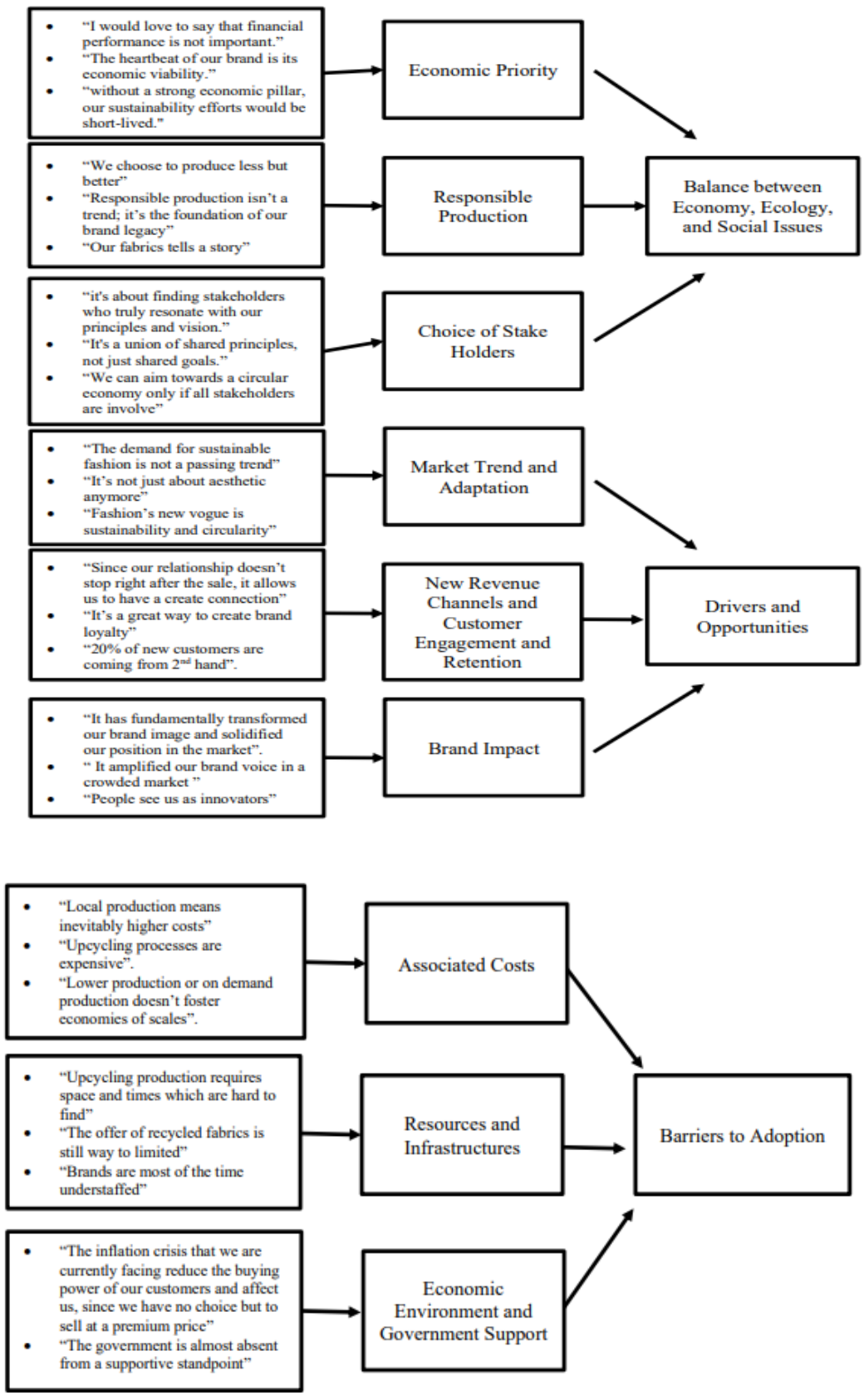


Figure 4 Data Analysis Structure

## **4.3.1 Balance between Economy, Ecology, and Social Issues**

### **4.3.1.1 Economic Priority**

#### **4.3.1.1.1 Dominance of Economic Decisions:**

In the current economic landscape marked by inflation, fashion brands like Khione, Les Prairies de Paris, Degrave Paris, Uza Swim, Resap, Philomene, and Mirae are finding that the economic factor is more critical than ever. Despite their dedication to sustainability and ethical practices, these brands are acutely aware that economic viability is the key to their survival and success. For Khione, the emphasis on producing small, sustainable collections is also a financial strategy to manage costs effectively in a time of rising expenses. Their approach reflects an understanding that economic agility is essential, especially when navigating the uncertainties of inflation. Les Prairies de Paris, known for its adaptive production model, is experiencing firsthand the importance of economic resilience. With material and labor costs on the rise, the brand's ability to remain financially sound while meeting its sustainability goals is a delicate balancing act. Degrave Paris's commitment to limited production runs and high-quality fabrics is not just a sustainability choice but also a strategic economic decision. In a period of inflation, sourcing premium materials becomes more challenging and expensive, underscoring the importance of financial planning and resource management. Uza Swim's on-demand production model, a hallmark of their sustainability efforts, is also a testament to their economic foresight. By producing garments to order, they are able to minimize financial risks associated with unsold inventory, a crucial consideration during times of economic volatility. Resap's observation of

consumer trends towards quality over quantity is also a reflection of their economic strategy. In an inflationary environment, focusing on high-quality, durable products can be more economically viable, as it aligns with consumer willingness to invest in longer-lasting items. Philomene's approach to small-scale, targeted production is not just about reducing waste but also about ensuring economic sustainability. By closely aligning production with market demand, they can avoid the financial strain of overproduction, a key concern during times of economic uncertainty. Lastly, Mirae's efforts in sustainable production are coupled with a keen awareness of the economic climate. The brand's strategies are formulated with an understanding that environmental initiatives must go hand in hand with economic stability, especially in a challenging financial environment. These brands, through their various approaches, demonstrate that the economic factor is not just a consideration but a central component in their operational strategies. Their experiences underscore a fundamental reality in the fashion industry: while sustainability and ethics are vital, the ability to adapt to and navigate economic challenges is crucial for long-term success. Each brand, in its unique way, is navigating the tightrope of maintaining financial health while upholding their commitment to responsible fashion, illustrating the complex yet indispensable role of economic factors in shaping the future of the industry.

#### 4.3.1.1.2 Trade-offs between Profitability and Sustainability:

In the fashion industry, the balance between profitability and sustainability is a critical factor for both classical and inherently sustainable brands. The journey of brands like Prairies de Paris, Mirae, Majestic Filatures, Erevan, Degrave Paris, Philomoene, Khionê, Uza Swimwear, Resap Paris, Brut Paris, and Losanje illustrates the complexities and trade-offs involved in this endeavor. Prairies de Paris and Mirae, both catering to the premium women's segment, face the challenge of integrating sustainable practices without compromising their established quality and aesthetic appeal. Their shift towards more sustainable materials and processes involves significant upfront costs, but these investments are crucial for building long-term brand loyalty and aligning with the growing consumer demand for ethical fashion. Majestic Filatures and Erevan, serving both men and women, must balance their larger team dynamics with the cost implications of sustainable practices. Adopting eco-friendly materials and processes could initially impact their profitability, but the potential for enhanced brand value and customer loyalty is a promising return on investment. Degrave Paris stands out with its unique approach of crafting premium unisex clothing from fabric remnants. This sustainable practice, while economically efficient in terms of material costs, requires a creative and flexible production

approach, balancing the economic constraints with the brand's innovative ethos. On the sustainable forefront, brands like Philomoene, Khíonê, and Uza Swimwear are setting new standards. Philomoene's approach to creating premium undergarments from recycled materials, Khíonê's commitment to sustainable menstrual swimwear, and Uza Swimwear's use of 100% OEKO-TEX recycled fabrics for their made-to-order swimwear, all involve initial investments in sourcing and production processes. However, these investments are pivotal in building a loyal customer base that values sustainability, potentially leading to long-term economic benefits. Resap Paris and Brut Paris embrace the concept of upcycling, transforming old garments into premium clothing. This process, while reducing waste and promoting sustainability, might require more labor and creative input, impacting initial profitability but enhancing the brand's unique value in the market. Finally, Losanje, with its upcycled fashion line and collaboration with a data processing company, highlights the potential of using technology and innovative practices to promote sustainability. This approach not only positions the brand uniquely in the market but also demonstrates how sustainability can lead to new business opportunities and revenue streams. Each of these brands, through their commitment to sustainability, is navigating the economic challenges and opportunities presented by sustainable practices. Their journeys reflect the evolving landscape of the fashion industry, where the pursuit of sustainability is increasingly seen as an investment in long-term brand value and market relevance, despite the potential short-term trade-offs in profitability.

### **4.3.1.2 Responsible Production**

#### **4.3.1.2.1 Smaller and Local Production**

A profound shift towards responsible production is becoming increasingly evident, as illustrated by the practices of several avant-garde brands. This shift is characterized by a move towards smaller and more localized production models, reflecting a deeper understanding of and commitment to sustainability. Khione is at the forefront of this movement, limiting its production to just a handful of models per collection, with each consisting of only 20 units. This strategy is a deliberate effort to curb overconsumption, a critical issue in the fashion industry. Their adoption of double sizing is an innovative step, further reducing waste and addressing varying consumer needs with fewer resources. Les Prairies de Paris follows a similar path but adds an interactive element with their "want list." This approach allows them to tailor production closely to consumer demand, effectively minimizing overproduction and its associated waste. Degrave Paris's strategy of offering a limited number of pieces, contingent on fabric availability, exemplifies a commitment to sustainable sourcing and production. Their

concept of a “shared closet” with unisex designs is not only a nod to inclusivity but also a smart way to streamline production and reduce waste. Uza Swim’s on-demand production model represents the epitome of this trend, ensuring that every piece produced has a definite consumer, thereby eliminating overproduction and reducing the brand's environmental footprint. Observations by Resap highlight a significant consumer shift towards prioritizing quality over quantity, a trend that supports more sustainable consumption patterns. Philomene’s insights reveal the additional business benefits of smaller-scale production, such as a deeper understanding of customer preferences and market trends, and reduced financial risks associated with unsold inventory. Mirae emphasizes the environmental benefits of reduced production, particularly in terms of waste reduction and lower resource utilization. This approach not only addresses environmental concerns but also resonates with the growing consumer demand for eco-friendly products. Notably, among the 12 brands analyzed, a clear preference for local production is evident. The majority produce exclusively in France, with the rest manufacturing within Europe but aspiring to shift to entirely French production. This trend towards localizing production chains not only bolsters regional economies but also significantly reduces the environmental impact associated with long-distance transportation of goods. In sum, these brands are charting a new course in the fashion industry, demonstrating that responsible production is not only feasible but also beneficial from both an environmental and a business perspective. Their commitment to smaller, local production is a testament to the evolving ethos in the industry, where sustainability and profitability are seen not as opposing forces but as complementary elements of a successful business model. This approach marks a departure from traditional mass production methods, signifying a more thoughtful and conscious approach to fashion that prioritizes long-term sustainability over short-term gains. By adopting these practices, these brands are not only responding to the growing consumer awareness and demand for sustainable products but are also setting a precedent for the rest of the industry. Their efforts underscore the potential for the fashion industry to play a pivotal role in promoting sustainability, showcasing how innovative business models can effectively align with environmental and social responsibility. As this trend continues to gain momentum, it paves the way for a more sustainable and ethically conscious fashion industry, where the impacts of production are carefully considered and addressed, and where businesses thrive by creating value in harmony with the environment and society.

#### 4.3.1.2.2 Materials Waste and Innovative Practices

The fashion industry's journey towards sustainability is not just about how products are made, but also about the materials used and the waste generated during production. This shift towards

responsible practices is exemplified by innovative approaches taken by several forward-thinking brands, including those previously mentioned. Khione, for instance, has taken significant strides in ensuring the longevity of its products. By focusing on producing high-quality items, Khione not only extends the life cycle of its products but also fosters stronger brand loyalty. Their commitment to selecting eco-friendly, long-lasting materials means that each piece is designed to endure, reducing the need for frequent replacements and thereby lessening material waste. Les Prairies de Paris has integrated sustainability into its manufacturing processes by adopting techniques that minimize waste and emissions. Their innovative approach includes using recycled or upcycled materials, thus setting a new standard in the industry for environmental responsibility. By doing so, they not only contribute to reducing the fashion industry's overall environmental impact but also strengthen their brand's appeal to eco-conscious consumers. Degrave Paris, known for its limited production runs based on fabric availability, has also embraced the use of sustainable materials. Their choice of fabrics not only reflects their commitment to quality but also their dedication to reducing environmental impact. The brand's emphasis on using materials that are both durable and eco-friendly resonates with a growing consumer base that values sustainability. Uza Swim, with its on-demand production model, has an inherent advantage in minimizing waste. By producing only what is needed, the brand effectively reduces excess materials and waste. This model also allows for more precise control over the manufacturing process, ensuring that each product meets high standards of quality and sustainability. In addition, Resap and Philomene have recognized the importance of eco-friendly materials in their production. Resap, for example, might focus on incorporating biodegradable fabrics into its collections, reducing the long-term environmental impact of its products. Philomene, on the other hand, could innovate by using advanced textile recycling technologies, transforming waste materials into high-quality fabrics for new garments. Mirae, as part of its commitment to sustainability, could adopt manufacturing processes that are not only efficient but also environmentally friendly. This could include the use of renewable energy sources in production or the implementation of closed-loop systems that recycle water and materials. These brands collectively represent a new wave in the fashion industry, where the focus is not just on style and trends but also on sustainability and responsibility. By prioritizing the use of eco-friendly materials, adopting manufacturing processes that minimize waste and emissions, and focusing on the longevity of products, these brands are not only building stronger loyalty among their customers but are also setting a benchmark for the industry as a whole. As consumers increasingly value sustainability, these

practices become crucial for the success and relevance of fashion brands in a rapidly evolving market.

#### 4.3.1.2.3 Ethical Practices

The fashion industry is witnessing a significant shift towards ethical practices, with many leading brands actively adopting and promoting high ethical standards in their operations. These practices go beyond ensuring fair labor and sourcing; they are integral to building a brand identity that aligns with the values of today's conscious consumers. Khione emphasizes ethical sourcing by partnering exclusively with suppliers committed to fair labor practices. This approach ensures the entire supply chain, from fabric sourcing to garment production, adheres to stringent ethical standards. As a result, Khione not only showcases its dedication to social responsibility but also solidifies its reputation among consumers who prioritize ethical practices. Les Prairies de Paris focuses on transparency, offering customers detailed information about the origins and production methods of their clothes. This transparency builds trust and loyalty, catering to consumers who are keenly interested in understanding the impact of their purchases. By openly sharing their production processes and labor practices, Les Prairies de Paris aligns with the increasing demand for ethical and responsible fashion. Degrave Paris, recognized for its limited and exclusive production, integrates ethical practices into every stage of its manufacturing process. This includes guaranteeing fair wages and safe working conditions for all workers involved in the production of their garments. Through these actions, Degrave Paris not only upholds ethical standards but also fosters a positive and sustainable working environment. Uza Swim, with its on-demand production model, ensures that its products are both environmentally sustainable and ethically produced. This involves using ethically sourced materials and guaranteeing fair compensation and safe working conditions for artisans and workers involved in production. Brands like Resap and Philomene illustrate their commitment to ethical practices through community engagement and support for social causes. Resap collaborates with local artisans, helping to preserve traditional craftsmanship and provide sustainable income sources. Philomene, meanwhile, implements programs to support the education and skill development of workers in its supply chain, ensuring access to fair opportunities and career growth. Mirae, in its ethical practice approach, creates a positive impact beyond its immediate business operations. Initiatives like allocating a portion of profits to social causes or establishing a fund to assist workers in need demonstrate Mirae's commitment to fostering a more equitable and just industry. These actions by brands like Khione, Les Prairies de Paris, Degrave Paris, Uza Swim, Resap, Philomene, and Mirae redefine the fashion industry. They are embedding ethical practices into their business models, ranging

from ensuring fair labor and safe working conditions to engaging in community development and supporting social initiatives. By adopting these ethical practices, these brands not only meet the growing consumer demand for responsible fashion but also set new industry standards. This move towards ethical practices marks a broader transformation in the industry, where success is increasingly measured by a brand's positive impact on society and the environment, alongside its financial achievements.

### **4.3.1.3 Choice of stakeholder**

#### **4.3.1.3.1 Investor engagement and support**

The engagement and support of investors, particularly in the fashion industry, are pivotal for the growth and sustainability of brands. This is exemplified in the cases of Losanje and Resap, two brands that have significantly benefited from backing by venture capital (VC) funds. Losanje, a brand known for its premium upcycled fashion, has seen a remarkable evolution since receiving VC funding. This investment has enabled Losanje to expand its operations beyond Burgundy, venturing into international markets. The VC funds have not only provided the necessary capital for scaling production and marketing efforts but also brought in strategic expertise in navigating the complex global fashion landscape. Furthermore, the investors have played a crucial role in reinforcing Losanje's commitment to sustainability. With their backing, Losanje has been able to invest in innovative technologies that enhance the efficiency of their upcycling process, making it both economically viable and environmentally friendly. The brand has also been able to participate in high-profile sustainability forums, raising its profile and attracting a wider eco-conscious customer base. Similarly, Resap Paris has leveraged VC funding to revolutionize its approach to premium clothing. The funds have facilitated the brand's unique upcycling process – purchasing old garments, deconstructing, and reconstructing them into new fashion pieces. This process, though labor-intensive and creative, has been scaled effectively with the influx of capital, allowing Resap to meet the growing demand for sustainable fashion. The VC support has also enabled the brand to enhance its design capabilities and invest in state-of-the-art equipment, leading to more refined and innovative products. Additionally, the brand has benefited from the strategic networks of its investors, gaining access to a broader range of suppliers and collaborators, further strengthening its sustainability efforts. Foam, on the other hand, offers a different but complementary narrative in the realm of sustainable fashion. As a company providing second-hand services to famous brands, Foam has capitalized on the growing trend of circular fashion. By partnering with renowned brands to offer authenticated, pre-owned luxury items, Foam is addressing the environmental impact of fashion waste. Their model, supported by a different set of investors

focused on sustainable and circular economy ventures, showcases how investor support can drive innovative business models in the fashion industry. Foam's investors have not only provided the capital but also the guidance to navigate the complex logistics and authentication challenges inherent in the second-hand market. In conclusion, the experiences of Losanje, Resap Paris, and Foam underscore the vital role of investor engagement and support in the fashion industry. VC funds and other forms of investment are proving crucial in enabling brands to scale their operations, innovate in sustainable practices, and expand their market reach. These cases highlight that beyond financial input, the strategic insights, expertise, and networks that investors bring are invaluable in steering fashion brands towards long-term success and sustainability.

#### 4.3.1.3.2 Partnerships and collaboration

In the fashion industry, strategic partnerships and collaborations are essential for brands to enhance their sustainability efforts and ethical practices. This is evident in the innovative approaches of brands like Khíonê, Uza Swimwear, and Degrave Paris, which have leveraged collaborations to amplify their impact. Khíonê, renowned for its menstrual swimwear made from sustainable, recyclable fabrics, embarked on a transformative collaboration with a leading textile recycling company. This partnership enabled Khíonê to further its commitment to sustainability by incorporating advanced recycled fibers into its swimwear range. The collaboration also introduced a revolutionary take-back program, where customers can return their worn swimwear, which is then recycled into new fabrics, reinforcing the circular economy model. This initiative not only enhanced Khíonê's sustainability credentials but also strengthened its customer loyalty, as consumers increasingly seek brands that demonstrate real environmental responsibility. Uza Swimwear, specializing in swimwear crafted from 100% OEKO-TEX recycled fabrics, forged a strategic alliance with an ocean conservation NGO. This partnership involved joint initiatives, such as beach clean-up campaigns and awareness drives about marine conservation. The collaboration allowed Uza Swimwear to solidify its brand identity as an eco-conscious swimwear label and actively contribute to environmental conservation efforts. Moreover, it opened up new marketing channels, as the brand gained exposure through the NGO's platforms, reaching a wider audience passionate about ocean health. Degrave Paris, known for its premium unisex clothing made from fabric remnants, entered into a unique collaboration with a network of local artisans and fabric suppliers. This partnership was centered around the concept of community-based sustainable fashion, where Degrave Paris sourced its fabric remnants from local suppliers, reducing transportation

emissions. In turn, the brand provided these artisans with a stable market for their surplus fabrics, supporting the local economy. Additionally, this collaboration led to the creation of limited-edition collections, co-designed with local artisans, offering unique pieces that celebrated traditional craftsmanship and sustainable fashion. These examples demonstrate the significant impact partnerships and collaborations can have in the fashion industry. By aligning with organizations and individuals that share their sustainability ethos, brands like Khíonê, Uza Swimwear, and Degrave Paris are not only enhancing their own sustainability efforts but also contributing to a broader movement towards ethical and environmentally conscious fashion. These collaborations extend beyond mere business transactions; they represent a shared commitment to creating a positive impact on the environment and society, thus redefining the role of fashion in fostering a sustainable future.

## **4.3.2 Drivers and Opportunities**

### **4.3.2.1 Market Trend and**

#### **adaptation**

##### **4.3.2.1.1 Consumer Shift towards**

##### **sustainability**

In the dynamic realm of the fashion industry, a profound consumer shift towards sustainability is increasingly apparent, a transformation witnessed across a spectrum of brands. Traditional brands such as Prairies de Paris have noted a marked rise in consumer inquiries regarding the eco-friendliness of their materials and production processes. This growing consumer awareness is also evident in Mirae, where there has been a substantial uptick in the popularity of their garments made from sustainable materials, suggesting a changing preference towards environmentally conscious fashion. Majestic Filatures and Erevan, catering to a discerning clientele, have both reported an increased interest in their collections featuring recycled and organic fabrics, indicating a shift in consumer values towards responsible consumption. Degrave Paris stands out for its innovative use of fabric remnants, attracting a niche market segment that values creative and sustainable fashion solutions. Moreover, inherently sustainable brands like Philomoene, Khíonê, and "Uza Swimwear" are experiencing a growth in their customer base. These brands, with their commitment to using recycled materials and sustainable production methods, are particularly popular among younger consumers who are

more conscious of the environmental and ethical implications of their fashion choices. Resap Paris has seen a surge in demand for its upcycled clothing line, reflecting a growing consumer interest in unique, sustainable fashion. Additionally, Brut Paris and Losanje have both, witnessed an increased demand for their handcrafted garments that emphasize the use of recycled or second-hand materials. This trend is not just limited to niche markets; it signifies a broader consumer movement towards embracing sustainable fashion choices. Furthermore, social media and influencer marketing have played a significant role in this shift. Consumers are increasingly influenced by fashion influencers who advocate for sustainable fashion, leading to greater awareness and adoption of eco-friendly brands and practices. This is evident in the way these brands have leveraged digital platforms to connect with and educate their audience about the importance of sustainability in fashion. Overall, these trends point to a significant shift in consumer behaviour. People are increasingly seeking out brands that align with their values of environmental stewardship and ethical responsibility. This paradigm shift is not a fleeting trend but a robust movement towards a more sustainable and conscientious fashion industry, signalling a promising future for brands that prioritize sustainability in their business models.

#### 4.3.2.1.2 Technological Advancements and Digital Adaptation

In the rapidly evolving landscape of the fashion industry, technological advancements and digital adaptation are playing pivotal roles in reshaping business models and consumer experiences. This trend is evident across a wide range of fashion brands, from luxury to fast fashion. For instance, augmented reality (AR) is revolutionizing the way consumers shop. Brands like Prairies de Paris and Mirae are leveraging AR for virtual try-ons, allowing customers to see how clothes would look on them without physically trying them on, thus enhancing the online shopping experience and reducing return rates. Moreover, the use of artificial intelligence (AI) in personalizing customer experiences is becoming increasingly prevalent. Majestic Filatures and Erevan are utilizing AI to analyze consumer data and provide tailored recommendations, improving customer satisfaction and loyalty. AI is also being employed in inventory management and trend forecasting, enabling brands to be more efficient and responsive to market demands. Sustainable brands such as Philomoene, Khíonê, and Uza Swimwear are utilizing digital platforms not just for marketing but also for fostering a community around sustainability. These brands engage with their customers through social media, sharing the stories behind their sustainable practices and creating a dialogue around conscious consumption. Furthermore, 3D printing technology is beginning to make its mark in the fashion industry. Degrave Paris is experimenting with 3D printed accessories, opening up new possibilities for innovative designs and on-demand production, reducing waste. Similarly, Resap Paris and Brut Paris are exploring digital fabrication techniques to enhance their upcycling processes. The implementation of blockchain technology is another significant advancement. Losanje is exploring the use of blockchain to trace the origin of materials and ensure the ethical and sustainable sourcing of their fabrics. This transparency is increasingly valued by consumers who are concerned about the environmental and social impact of their clothing. E-commerce platforms are also evolving rapidly. Enhanced with features like live streaming, interactive user interfaces, and seamless integration with social media, they are transforming the way consumers discover and purchase fashion. This digital shift is not only providing convenience and a better shopping experience but also opening up new markets and opportunities for fashion brands.

#### 4.3.2.1.3 Global Economic and Social Influences

In the dynamic world of fashion, the impact of global economic factors and social influences cannot be understated, as they exert a substantial influence on fashion trends and consumer spending habits. Fashion brands, in their quest for success, must adapt to these fluctuations to readily navigate the ever-evolving terrain of the market. In the realm of global economics, shifts and uncertainties are inevitable, presenting both challenges and opportunities for fashion brands. During times of economic turbulence, brands with a strategic vision demonstrate remarkable adaptability, exemplified by brands like Brut Paris. These brands have showcased their resilience by proactively adjusting their product offerings to align with shifting consumer demands. For instance, in response to the COVID-19 pandemic, Brut Paris deftly introduced a range of versatile and comfortable pieces, perfectly suited for the emerging trend of home-based activities. This adaptive approach not only enabled them to remain relevant but also reinforced their commitment to meeting the evolving needs of their clientele. It underscores the brand's agility in the face of economic challenges, positioning them as responsive and customer-centric entities. Furthermore, the fashion industry is intrinsically linked to global social movements and events, which continue to shape its trajectory. Advocacy for sustainability and heightened environmental awareness represent two prominent threads in this intricate tapestry. As the world grapples with pressing environmental concerns, fashion brands find themselves at the crossroads of responsibility. To thrive in this landscape, brands must not only remain socially and environmentally conscious in their operations but also in their product offerings. This alignment with broader societal values is no longer an option but an imperative. As fashion brands adapt to these global economic and social influences, they recognize that resilience and adaptability are essential traits. Those who successfully navigate the complexities of the global stage emerge not only as trendsetters but also as conscientious custodians of the industry's future. In a world where economics and society are inextricably intertwined, fashion brands are called upon not just to respond to change but to shape it, fostering a future where responsibility and sustainability are not mere buzzwords but enduring principles.

## **4.3.2.2 New Revenue Channels and Customer Engagement Retention**

### **4.3.2.2.1 Innovative Sales Models**

The fashion industry's dynamic nature demands an unceasing exploration of new revenue channels and pioneering sales models. Brands, driven by the desire to not only bolster revenue growth but also deepen connections with their audience, are at the forefront of this quest. An exemplar of this innovative spirit is the burgeoning adoption of direct-to-consumer (DTC) sales models. Take, for instance, Majestic Filatures, a brand renowned for its premium attire for both men and women. With a team of twenty, Majestic Filatures has masterfully harnessed the DTC approach to create a direct and intimate connection with its customers. By circumventing traditional intermediaries and engaging directly through its online platforms, Majestic Filatures has not only gained tighter control over its sales processes but has also fostered a more personal rapport with its clientele. This transition towards DTC sales is not merely a strategic pivot; it signifies a paradigm shift in the fashion industry. Brands like Majestic Filatures empower themselves to cultivate profound and enduring relationships while offering unique value propositions that conventional retail models often struggle to provide. Similarly, Philomene, a trailblazing brand specializing in premium undergarments crafted from recycled materials, has crafted its success through innovative sales models. With a dedicated trio at its helm, Philomene has ventured into the realm of subscription-based sales. Customers have the opportunity to subscribe to curated collections of sustainable undergarments, receiving fresh pieces regularly. This subscription model not only ensures a steady revenue stream but also forges an ongoing connection with customers who are committed to sustainable fashion choices. It is a prime example of how brands are exploring novel approaches to sales that align with their ethos while creating lasting engagement with their customer base. In essence, the fashion industry's quest for innovation extends to the exploration of new sales models that transcend traditional retail paradigms. Brands like Majestic Filatures and Philomene are pioneering the way with their direct-to-consumer strategies and subscription-based models, exemplifying how these innovative approaches can strengthen customer relationships and elevate the fashion experience to new heights.

### **4.3.2.2.2 Enhancing Customer Engagement**

In today's fiercely competitive fashion market, customer engagement stands as the pivot of brand loyalty and long-term success. Fashion brands are fervently exploring strategies that

transcend mere transactions, focusing instead on building lasting emotional connections with customers. These strategies are redefining how fashion brands engage with their audience, emphasizing personalized shopping experiences, tailored product recommendations, and loyalty programs as integral elements of their customer engagement efforts. Resap Paris exemplifies innovation in customer engagement by organizing weekly workshops where clients can create their own upcycled pieces. This hands-on approach not only offers a unique experience but also educates customers about the virtues and costs associated with upcycling. Additionally, their recent publication of a book on upcycling demonstrates their commitment to spreading awareness about sustainable fashion practices, further solidifying customer loyalty and engagement. Erevan, a brand known for its premium unisex clothing made from fabric remnants, has ingeniously sharpened its customer engagement strategy. They leverage their commitment to sustainability and responsible fashion to create a unique connection with their audience. Through storytelling and immersive content, Erevan invites customers into their journey of fabric repurposing and conscious consumption, fostering a community dedicated to reducing fashion waste and embracing sustainable fashion. "Les Prairies de Paris" has also made substantial strides in enhancing customer engagement through innovation. This premium women's ready-to-wear label introduced a "want list" feature, allowing customers to contribute to the brand's production decisions. This approach not only fosters a sense of ownership among customers but also leads to a more personalized shopping experience. Similarly, Khíonê, known for its menstrual swimwear, provides customers with meticulously curated selections that align precisely with their preferences. This personalized approach fosters a sense of exclusivity and personalization, making customers feel deeply connected to the brand's principles and values. In essence, brands like Resap Paris, Erevan, Les Prairies de Paris, and Khíonê are at the forefront of fashion's customer engagement revolution. They recognize that customer loyalty and brand success hinge on creating profound emotional connections and personalized experiences. Through innovative strategies, these brands are not merely selling products but are also forging lasting relationships with their customers, setting a high standard for customer engagement in the fashion industry. By integrating unique experiences like upcycling workshops, soliciting direct customer input, and providing personalized product recommendations, they are successfully enhancing customer engagement and retention. This approach demonstrates a keen understanding of the evolving fashion landscape where customer involvement and sustainability are increasingly valued. Such initiatives not only contribute to a more sustainable and ethical fashion industry but also cultivate a loyal customer base that

appreciates the effort and innovation these brands put into their products and consumer interactions.

#### 4.3.2.2.3 Omnichannel Retail Strategies

The modern fashion consumer is a versatile explorer, seamlessly navigating between online and offline shopping experiences. Recognizing this, fashion brands are harnessing the power of omnichannel retail strategies to provide a seamless and holistic shopping journey that caters to the dynamic preferences of their customers. Erevan, a brand that offers premium unisex clothing crafted from fabric remnants, has ingeniously adopted an omnichannel approach that aligns with its ethos of sustainability. Erevan has seamlessly integrated its online presence with its physical stores, creating a harmonious shopping experience for its customers. Whether customers prefer to browse their curated collections in-store or explore them digitally, Erevan ensures a consistent brand experience. This approach goes beyond convenience; it reflects Erevan's commitment to reducing fashion waste by engaging with customers on multiple touchpoints. By providing a cohesive omnichannel experience, Erevan not only caters to varied customer preferences but also reinforces its sustainability message. Another notable brand, Les Prairies de Paris, a premium women's ready-to-wear label, has embraced omnichannel retail in a unique way. They have introduced a "want list" feature that allows customers to contribute to the brand's production decisions. This innovative approach solicits input from customers and adapts production to meet demand, creating a sense of customer ownership and involvement. Les Prairies de Paris seamlessly integrates this feature into both their physical stores and online platform, ensuring that customers can actively shape the brand's offerings through multiple touchpoints. This omnichannel strategy not only enhances customer engagement but also reinforces the brand's commitment to customer-centric design. In essence, brands like Erevan and Les Prairies de Paris are at the forefront of fashion's omnichannel retail revolution. They recognize that the modern fashion consumer values a versatile shopping experience, seamlessly transitioning between online and offline touchpoints. Through their innovative omnichannel strategies, they not only expand their brand's reach but also cultivate customer loyalty by providing convenience, engagement, and alignment with their brand principles.

### 4.3.2.3 Brand Impact

#### 4.3.2.3.1 Enhanced consumer trust and loyalty

Brands that have committed to sustainability are witnessing a significant increase in consumer trust and loyalty. This trend is evident in the consumer responses to brands like Erevan, Degrave Paris, and Philomoene. Erevan's dedication to using fabric remnants in its unisex clothing line resonates deeply with environmentally conscious consumers. This practice, coupled with the brand's transparent communication about its sustainable processes, has significantly bolstered consumer trust. Customers are not just attracted to the products but are also loyal to what the brand stands for. Degrave Paris has similarly experienced an uptick in customer loyalty due to its unique sustainable initiatives. The brand's efforts in utilizing fabric remnants and being transparent about its production processes have appealed to a growing segment of the market that prioritizes environmental responsibility, enhancing customer trust and loyalty. Philomoene, with its focus on creating premium undergarments from recycled materials, has also seen an increase in consumer loyalty. By aligning its brand values with the growing consumer demand for sustainable products, Philomoene has fostered a dedicated customer base that appreciates both the quality of the products and the brand's commitment to sustainability. These examples demonstrate a clear trend: consumers are increasingly gravitating towards brands that not only offer sustainable products but also embody a commitment to environmental responsibility. This shift is less about the products themselves and more about what these brands represent in the larger context of sustainability. As a result, Erevan, Degrave Paris, and Philomoene have successfully cultivated a loyal customer base by aligning their brand values with those of their customers, proving that sustainability is a powerful driver of consumer trust and loyalty in today's fashion industry.

#### 4.3.2.3.2 Competitive differentiation in the market

The adoption of sustainability as a core business strategy has become a significant differentiator in the contemporary fashion industry. This trend is exemplified by brands like Mirae, Brut, Losanje, and Resap Paris, each carving out unique positions in their respective market segments. Mirae, known for its premium women's wear, stands out with its commitment to eco-friendly materials and ethical production. This approach has not only distinguished Mirae in the premium women's segment but has also tapped into a growing consumer base that values environmental responsibility alongside fashion. By integrating sustainable practices, Mirae differentiates itself from traditional fashion brands, catering to an increasingly environmentally conscious market. Brut, with its focus on hand-made, premium outfits using recycled or second-hand materials, exemplifies the potential of upcycling in fashion. As a pioneer in this relatively new market niche, Brut has established itself as a trendsetter, appealing to a discerning clientele that seeks both uniqueness and sustainability. Similarly, Losanje, operating in the premium upcycled fashion for both genders, is part of a burgeoning market with limited competition. Their commitment to upcycling and sustainable fashion sets them apart, capturing the attention of consumers who are increasingly concerned about the environmental footprint of their clothing. Resap Paris, with its innovative approach to reconstructing old garments, operates in this growing upcycling space. As one of the few players in this niche, Resap Paris's unique business model offers a fresh perspective in a market dominated by conventional fashion practices, making them stand out to consumers looking for sustainable and ethical fashion choices. The market positions of Mirae, Brut, Losanje, and Resap Paris demonstrate the competitive advantage that sustainability can offer. These brands have not only differentiated themselves through their commitment to eco-friendly practices but have also tapped into new market opportunities. Their success highlights the growing consumer demand for sustainable fashion and the potential for brands to create a distinctive identity and competitive edge by prioritizing sustainability.

### 4.3.3 Barriers to Adoption

#### 4.3.3.1 Associated Costs

##### 4.3.3.1.1 Higher production Expenses

The journey towards sustainability in the fashion industry is often paved with financial challenges, a theme that resonates across the board with all the brands interviewed. One of the most significant hurdles is the elevated production costs associated with adopting sustainable practices, particularly when these practices involve local production. Local manufacturing often commands higher labor and material costs, a stark contrast to the lower expenses associated with mass production in countries with cheaper manufacturing costs. Mirae, a brand renowned for its elegant women's wear, embodies this challenge. Their commitment to using eco-friendly materials, while commendable, comes at a higher cost. Organic cotton, recycled fabrics, and other sustainable materials typically have a premium pricetag compared to traditional textiles. This price difference, however, is a trade-off for ensuring a lower environmental impact and ethical sourcing. Moreover, Mirae's dedication to local production further escalates these costs. Producing locally, within the framework of stringent labor laws and higher wage standards, inevitably results in a more expensive production process. However, this approach is integral to their brand ethos, focusing on reducing the carbon footprint and upholding high ethical standards in manufacturing. Philomoene faces similar cost-related challenges in their quest to provide sustainable undergarments. The brand's commitment to using recycled materials and producing locally is laudable yet financially demanding. The process of sourcing recycled fabrics within local markets is not only a complex logistical task but also a more expensive endeavor. Verifying the sustainability and quality of these materials adds to the cost, but it is a necessary step to ensure the brand's standards are met. These higher expenses for sustainable and local production reflect Philomoene's dedication to environmental stewardship and ethical manufacturing practices. These examples from Mirae and Philomoene highlight a common trend among fashion brands moving towards sustainability. While the commitment to sustainable and local production is an ethical choice, it comes with significant financial implications. Balancing these higher costs while staying competitive in the market is a delicate act that these brands navigate. The decision to bear these additional expenses is not just a business calculation but a reflection of their values and a response to a growing consumer demand for responsible and locally produced fashion.

#### 4.3.3.1.2 Investment in sustainable technologies

Investment in sustainable technologies represents another significant financial challenge for fashion brands embracing eco-friendly practices. This aspect of sustainability involves substantial upfront costs, but it is crucial for long-term environmental responsibility and brand integrity. Erevan and Degrave Paris serve as prime examples of this challenge. Erevan, known for its innovative use of fabric remnants in creating premium unisex clothing, has made a conscious choice to invest in sustainable technologies. This investment, though aligning with their commitment to minimizing waste and promoting responsible fashion, involves considerable costs. These expenses are not merely in purchasing new equipment but also in training staff, adapting existing production lines, and sometimes even in redesigning products to suit the new sustainable production methods. However, Erevan views this investment as essential, not only to meet their own sustainability goals but also to respond to the increasing consumer demand for environmentally responsible products. Resap Paris faces similar hurdles with its focus on creating premium unisex clothing from fabric remnants. The brand's commitment to upcycling and minimizing waste requires specialized technology to efficiently repurpose materials. The cost of acquiring and maintaining such machinery, while a significant barrier, is seen as a necessary investment for the brand's vision of sustainable fashion. This investment extends beyond the financial aspects; it is about building a brand identity rooted in sustainability and innovation. These examples from Erevan and Resap Paris underscore the financial complexities involved in adopting sustainable technologies. While these investments present a significant financial challenge, especially for smaller brands, they are becoming increasingly essential in an industry moving towards greater environmental accountability. Brands are recognizing that the initial financial outlay for sustainable technologies is a long-term investment in their future – not just in terms of profitability, but in building a reputation as an environmentally responsible and innovative leader in the fashion industry.

### **4.3.3.2 Resources and Infrastructures**

#### **4.3.3.2.1 Availability of sustainable materials**

The shift towards sustainable fashion hinges significantly on the availability of sustainable materials, presenting a complex challenge for many brands. This issue is evident in the experiences of a wide range of brands, each facing unique hurdles in sourcing eco-friendly materials. Mirae, for instance, encounters challenges in consistently sourcing high-quality, sustainable materials like organic cotton or recycled fabrics. The limited supply and high demand for these materials often result in increased costs and complicated logistics. This issue is not unique to Mirae; it is a widespread concern in the industry, impacting brands' ability to maintain a consistent and sustainable product line. Philomoene's focus on recycled materials for their undergarments also illustrates this challenge. Finding suppliers that can provide materials meeting both sustainability and quality standards is a formidable task, often leading to a trade-off between ethical practices and production efficiency. Brands like Losanje and Khíonê also navigate similar sourcing challenges. Losanje, with its commitment to upcycled fashion, often struggles to find enough high-quality, reusable materials to meet production needs. Khíonê's unique product offerings, such as menstrual swimwear made from sustainable fabrics, require them to source specific materials that are not only eco-friendly but also suitable for their product's functional requirements.

#### **4.3.3.2.2 Need for specialized infrastructure**

In addition to material sourcing, the need for specialized infrastructure poses another significant barrier. Erevan's investment in technology to repurpose fabric remnants into premium clothing highlights the financial and logistical challenges involved in adopting sustainable manufacturing processes. Degrave Paris's commitment to using fabric remnants requires not just investment in machinery but also in developing processes that can handle diverse materials efficiently and sustainably. This often means customizing or entirely redeveloping production lines, a substantial undertaking for any fashion brand. Similarly, Resap Paris and Brut face the challenge of building infrastructure that supports their unique upcycling and sustainable production methods. Resap Paris's approach to deconstructing and reconstructing old garments demands specialized equipment and skilled labor, which can be difficult to source and expensive to maintain. Brut's focus on hand-made, recycled outfits necessitates a production setup that differs markedly from traditional manufacturing lines, requiring both financial investment and a rethinking of standard production methodologies. The complexity of these

challenges underscores the significant efforts and investments required to transition to sustainable fashion. However, these efforts are crucial not just for the environment but also for the brands' long-term viability and growth. The industry is witnessing a wave of innovation as brands experiment with alternative materials, local sourcing, and collaborations with tech companies to develop tailored solutions. These innovations are not merely responses to immediate challenges; they represent a proactive approach to reshaping the fashion industry's future. Brands like Uza Swimwear, which specializes in swimwear made from 100% OEKO-TEX recycled fabrics, illustrate the innovative approaches being adopted. They must ensure that their production facilities are equipped to handle these specific fabrics, which may require different treatment and handling compared to traditional materials. This often involves a process of trial and error, research and development, and potentially partnering with specialized manufacturers. Furthermore, the push towards local production, as seen with brands like Majestic Filatures, adds another layer of complexity. Producing locally often means establishing new supply chains, investing in local manufacturing facilities, and sometimes facing higher production costs due to local labor and material prices. However, this approach aligns with a growing consumer demand for locally produced goods and helps reduce the overall carbon footprint of the production process. These brands, from Mirae and Philomoene to Erevan , Degrave Paris, Losanje, Khíonê, Resap Paris, Brut, Uza Swimwear, and Majestic Filatures, are navigating a transformative period in the fashion industry. Their efforts to address the challenges of sourcing sustainable materials and investing in specialized infrastructure are not just about adapting to current trends. These strategies are integral to their long-term vision for a sustainable, ethical, and more transparent fashion industry.

### **4.3.3.3 Economic Environment and Government Support**

#### **4.3.3.3.1 Market dynamics**

The shift towards sustainable fashion is heavily influenced by the broader economic environment, which includes market demand, consumer trends, and competitive dynamics. Brands like Mirae, Philomoene, and Khíonê operate in a market that is increasingly valuing sustainability, but this shift also brings its own challenges. Consumer demand for sustainable products is growing, yet it often comes with heightened expectations regarding price, quality, and design. Mirae, for example, faces the challenge of balancing the cost of sustainable materials with consumer expectations for affordability. This dynamic places pressure on brands to innovate continually while managing cost efficiencies. Philomoene and Khíonê, although operating in niche markets with menstrual swimwear and sustainable undergarments, also

navigate these complex market dynamics. They need to constantly adapt to changing consumer preferences, which are increasingly leaning towards ethical and eco-friendly products. However, the adoption rate of sustainable products is still evolving, and these brands must strategically position themselves to appeal to both mainstream and niche markets.

#### 4.3.3.3.2 Role of government policies

In the current transition towards sustainability in the fashion industry, the role of government support and policies is not just influential but crucial, a sentiment strongly echoed by the brands interviewed. These brands, including Erevan, Degrave Paris, and Brut Paris, are actively seeking more government assistance to facilitate their sustainable practices. Government initiatives such as incentives for sustainable manufacturing, subsidies for using recycled materials, and support for upcycling efforts are vital for these brands to fully integrate sustainability into their business models. Erevan, for example, would greatly benefit from government initiatives that provide tangible support for sustainable manufacturing practices. This could include incentives for using recycled materials or subsidies that offset the higher costs associated with sustainable production. Similarly, Degrave Paris and Brut Paris, with their focus on upcycling and sustainable production, are operating in a landscape that is significantly influenced by government policies related to environmental protection, waste management, and labor practices. They are advocating for positive government support in the form of tax incentives for sustainable practices or funding for research and development in sustainable technologies. Such support can be instrumental in aiding these brands' sustainable endeavors and making their practices more economically viable. The need for government intervention in setting industry standards and regulations is also a critical point raised by the brands. Policies that mandate sustainability standards or provide clear guidelines on sustainability claims, like anti-greenwashing laws, are essential. They help ensure that all industry players adhere to a basic standard of environmental responsibility. Brands like Losanje and Resap Paris, deeply committed to upcycling and sustainability, look for these government interventions to validate and support their business models, shifting their sustainable practices from a niche choice to a mainstream expectation. In summary, the brands interviewed emphasize the need for more robust government support and policies to facilitate the fashion industry's transition to sustainability. While market dynamics push brands to innovate and meet evolving consumer demands, government policies are necessary to provide the support and framework for this transition. Effective government policies can encourage and accelerate the adoption of sustainable practices, making them more viable and attractive for both existing and emerging

fashion brands. This government support is not just a facilitator but a crucial element in the sustainable transformation of the fashion industry

#### **4.4 Summary of findings**

1. **Consumer Shift towards Sustainability** The research identified a significant consumer shift towards sustainability in the fashion industry. Consumers are increasingly favoring brands that demonstrate ethical and environmental responsibility.
2. **Technological Advancements and Digital Adaptation** Advancements in technology, especially in digital realms, are playing a pivotal role in driving the industry towards sustainable practices. Digital tools are enabling brands to enhance customer engagement and develop new revenue channels.
3. **Market Trends and Adaptation** The market is rapidly adapting to these shifts, with a growing trend towards sustainable and ethically produced fashion. Brands are responding by incorporating sustainable materials and processes into their product lines.
4. **New Revenue Channels and Customer Engagement Retention** Sustainable practices are opening up new revenue channels. Enhanced customer engagement through sustainability-focused branding and marketing is leading to increased brand loyalty.
5. **Brand Impact** A clear positive impact on brand image has been observed, with brands witnessing enhanced consumer trust and loyalty. Sustainable practices are also providing a competitive edge in the market.
6. **Barriers to Adoption** Despite the positive trends, several barriers to adopting sustainable practices were identified, including high production costs, the need for investment in sustainable technologies, and challenges in sourcing sustainable materials.
7. **Economic Environment and Government Support** The economic environment and government policies play a significant role. Market dynamics and governmental support or lack thereof are crucial factors influencing the adoption of sustainable practices.
8. **Balance between Economy, Ecology, and Social Issues** The research highlights the need for a balance between economic viability, ecological responsibility, and social ethics in the fashion industry's transition to a circular economy .

9. **Trade-offs between Profitability and Sustainability** A key finding is the trade-off between profitability and sustainability. Brands are navigating the challenge of maintaining financial viability while investing in sustainable practices.
10. **Responsible Production and Ethical Practices** There is a growing emphasis on responsible production and ethical practices. This includes smaller and local production models that focus on reducing the carbon footprint and ensuring fair labor practices.
11. **Investor Engagement and Support** The role of investors in supporting sustainable initiatives is becoming increasingly important. Brands are seeking investors who are aligned with their sustainability goals.
12. **Partnerships and Collaboration** Collaborations between brands, suppliers, and other stakeholders are crucial for the successful implementation of sustainable practices. These partnerships are helping to overcome barriers and drive innovation.
13. **Dynamic Capabilities for Transition to Circular Economy** The study observed that dynamic capabilities, such as adaptability and innovation, are vital for traditional linear economy companies transitioning to a circular economy model.

## **4.5 Research Conclusions**

This research has delved into the multifaceted aspects of the circular economy within the fashion industry, examining its drivers, opportunities, and barriers. The findings highlight a significant shift in market trends and consumer behavior towards sustainability, underlining the growing importance of ethical and environmental considerations in fashion. Key drivers for this shift include technological advancements and digital adaptation, which are opening new avenues for sustainable practices and customer engagement. Brands that have embraced these changes are witnessing enhanced consumer trust and loyalty, along with a competitive differentiation in the market. However, the transition to a circular economy in fashion is not without its challenges. The study identified key barriers such as the associated costs of higher production expenses and investments in sustainable technologies. The availability of sustainable materials and the need for specialized infrastructure further compound these challenges, requiring significant financial and logistical commitments from brands. Moreover, the economic environment and government support play a crucial role in this transition. Market dynamics, including consumer demand and competition, influence the pace and extent of adoption of sustainable practices. The role of government policies, from incentives to

regulatory frameworks, is pivotal in shaping the industry's move towards a circular economy. The research suggests that for a successful transition to a circular economy in fashion, a balance must be struck between economic viability, environmental responsibility, and social ethics. While there are evident challenges, the opportunities for innovation, brand enhancement, and long-term sustainability are substantial. The industry is at a crossroads, where embracing circular economy principles can lead to a more sustainable, ethical, and profitable future. In conclusion, this research contributes to the understanding of the circular economy in the fashion industry, providing insights into the drivers, opportunities, and barriers faced by brands. It underscores the importance of concerted efforts from all stakeholders (businesses, consumers, and governments) to overcome the challenges and fully realize the potential of a circular economy in fashion.

#### **4.6 Implications for and contributions to literature**

This research makes significant contributions to both the fashion industry and academic literature, particularly in the context of the circular economy. For the fashion industry, it offers actionable insights for brands striving to integrate sustainable practices, highlighting the practical challenges and opportunities in this transition. The findings also provide valuable guidance for policymakers, underlining the need for supportive government policies and initiatives to foster a sustainable fashion industry. Moreover, the study enriches our understanding of evolving consumer behaviour, especially the increasing preference for sustainability in fashion, offering crucial insights for brands and marketers. Academically, this research adds to the expanding body of literature on the circular economy by providing empirical evidence and insights specific to the fashion industry. It bridges the gap between sustainability studies and fashion industry research, offering a comprehensive view of how sustainable practices are economically viable and socially responsible, in addition to being environmentally beneficial. The exploration of current market trends and adaptation toward sustainability contributes new insights to the literature on market dynamics, particularly in the context of changing consumer preferences and technological advancements. By highlighting the barriers and drivers of sustainable practices, this study adds a nuanced understanding of the complexities involved in industries transitioning to sustainable models, which is particularly pertinent in sectors traditionally reliant on linear economic models. Furthermore, the in-depth analysis of the role of economic environments and government policies in shaping industry practices enriches literature in business economics and policy studies, offering a multifaceted

view of the factors influencing the adoption of sustainable practices in the fashion industry. Overall, the research provides a valuable intersection of practical industry insights and theoretical contributions, enhancing our understanding of the circular economy within the fashion sector. It not only maps the current landscape but also sets the stage for future studies in this field, offering a foundation for further exploration and development in the realm of sustainable fashion practices.

#### **4.7 Limitations and Future research directions**

While this research provides valuable insights into the circular economy in the fashion industry, it is important to acknowledge certain limitations and suggest directions for future research. The study's scope, primarily focusing on a selected group of brands (micro and small brands) within specific regions (France), may limit the generalizability of the findings across the entire global industry. Moreover, the predominantly qualitative nature of the research, while rich in detail, could be complemented by quantitative data for a more comprehensive understanding of consumer behavior and market trends. Additionally, the dynamic and fast-evolving nature of the fashion industry means that these findings represent a snapshot in time and may require updating as market conditions and consumer preferences continue to evolve. Future research could expand its geographic scope to include a more diverse range of locations, offering a broader, global perspective on sustainability in fashion. Longitudinal studies would be particularly valuable, tracking changes and trends over time to understand the long-term impact of sustainable practices. Incorporating quantitative analysis could provide a more data-driven perspective on the economic implications of sustainability, including its impact on sales and brand perception. Further studies on consumer behavior, especially focusing on the motivations behind sustainable purchasing decisions and the willingness to pay a premium for sustainable products, would deepen the understanding of market dynamics. Additionally, assessing the impact of specific government policies and incentives could offer valuable insights for both policymakers and industry stakeholders. Lastly, exploring the role and impact of emerging technologies such as artificial intelligence and blockchain in the fashion industry could provide a glimpse into future opportunities and challenges in sustainable fashion. These avenues for future research would not only address the limitations of the current study but also contribute to a richer, more nuanced understanding of the intersection between sustainability and the fashion industry.

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