



Fashion that doesn't cost the earth

How the UK fashion industry can thrive by embracing circular economy business models

Foreword

Finding options for sustainable fashion was less than straightforward when I first committed to it. I opted to focus on pieces that were borrowed, second hand or supporting fashion talent centred on more sustainable or circular practices, but even just a few years ago, any one of those suggestions was a relatively complicated, if not expensive, undertaking.

Jump forward to today, however, and such ideas are not only now more talked about, but also accessible in daily practice. Particularly in London, we are surrounded by choice when it comes to resale, rental, recycling, restoration and beyond. A multitude of start-ups and business offshoots have launched across the sector, focused on decoupling profitability from resource consumption. In doing so they offer incredibly easy ways for us all to buy into the idea of extending the life of our fashion products and changing the nature of how we consume.

As a result, it's now my norm. And I'm not alone. Internet searches for "sustainable fashion" tripled between 2016 and 2019, according to McKinsey & Co and Business of Fashion. The problem is, talking about the fact there is growing interest in this alone, suggests we believe we still have time to wait for others to drive the change. We don't. We are now living in the most consequential decade in history. There are less than nine years until we hit the all-important 2030 deadline set out by the Paris Agreement whereby global emissions must be halved to avoid climate catastrophe.

The fashion industry as a major contributor to the climate and ecological crisis is pivotal to making that a reality, which means every actor within it must play its part. Circularity is a central opportunity for such change, but it will only work if we see it at scale. A net positive future means the circular economy must be the dominant business model across the entire industry, instead of traditional linear models, and not just via small enterprises or siloed experiments.

This report shows some incredible examples of that beginning to happen. The Circular Fashion Fast Forward project from ReLondon and QSA Partners has taken circular concepts and demonstrated scalability. In doing so, it proves



the circular economy is not mere hype fit only for press headlines, but a financially and logistically viable business model offering a future whereby people, planet and profits thrive.

And with scale as the crucial factor within this Decade of Action - as the United Nations has termed it - that means we need all of you to jump in. The fact you are reading this is a great sign, but now we need you to indeed act; and to contribute to the 2030 goals by participating in the change. I hope you are able to use this as a guide to do so, and in the process help your own brand survive the coming challenges we all face too.

Rachel Arthur
Co-Founder of Fash Mash

It's time to act

The UK is rightly proud of its position as one of the global leaders in fashion. The sector plays a vital role in our economy, contributing over £30 billion to our GDP and providing direct employment to around one million people*.

What's more, the industry is thriving. Hardly surprising when the average Briton spends £1,000 every year on clothing**. There's no doubt that the fashion sector and all those who work in it are well placed to be key drivers behind the UK's COVID-19 post-pandemic economic recovery.

So everything's looking rosy, right? Unfortunately not. You see there's a problem. And it's a big one: the current fashion system in which we all operate is unsustainable. The well-established 'linear' business models where items of clothing and apparel are made, purchased, used and then

disposed of generate levels of waste and CO₂ emissions that cannot continue.

We are in the midst of a climate crisis. Scientists agree that an environmental disaster on a global scale is inevitable unless we all make wholesale changes to the way we live our lives. There is still time to pull the planet we call home back from the brink, but make no mistake; time is running out fast.

As a sector that currently has a significant climate impact, the fashion industry has a duty to be at the front of the queue when it comes to embracing the changes that are required and empowering citizens to live more sustainable lives.

Consumer interest in genuine sustainable fashion is growing. You can tap into this demand, support a more sustainable, green economy and enhance your business's performance by exploring and adopting circular business models.

This guide will show you how.

* British Fashion Council

** The Great British Wardrobe Report commissioned by Ariel (2017)



What is a circular business model?

At the heart of any circular business model is the principle that products and materials are kept in play for as long as possible and that their value is maximised.

Fashion brands and businesses are under more pressure than ever before to demonstrate their environmental credentials. Claims and commitments about sustainability cannot be made lightly. They have to stand up to scrutiny. Tokenistic gestures to recycle packaging and plant trees to offset carbon emissions are no longer enough to satisfy increasingly curious and environmentally-savvy consumers.

This is why it's important that fashion businesses across the UK start to embed sustainability into the heart of what they do. There are two key ways of doing this:

1. **Internal business process reviews** - designing out waste and pollution across supply chains, materials and manufacturing processes to limit the environmental impact of a company's commercial activities.
2. **Extending the life of products** - ensuring goods are made to last and encouraging customers to extract maximum value from their purchase.



Linear business model



Raw materials

Design and produce

Use

Waste

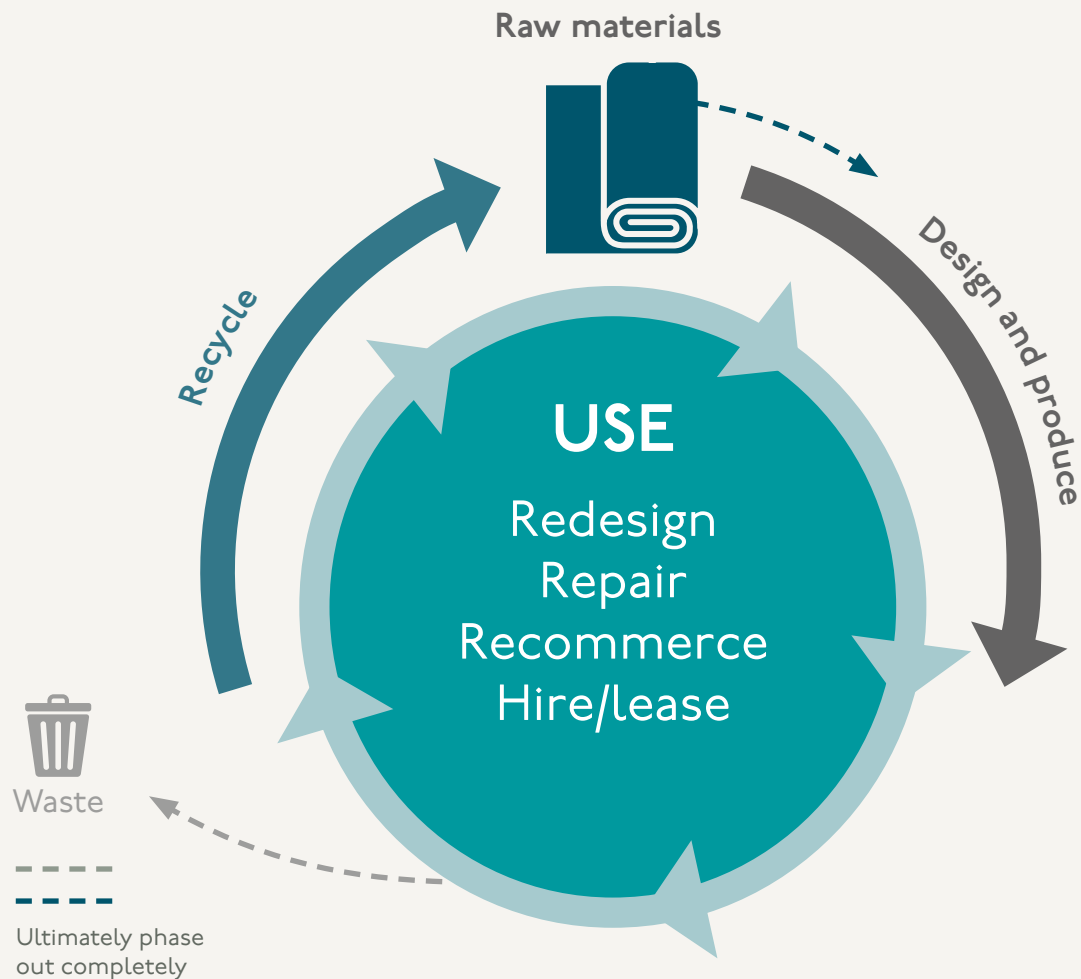


This guide will focus on what fashion businesses like yours can do to extend the life of their products. For some that might mean offering a repair service. Others may decide re-commerce is the way to go: allowing customers to trade in their good quality used products for resale. Hire and leasing options can also be worth exploring, enabling each item to have multiple users.

Some fashion businesses may take things one step further and adopt a subscription-based model where customers are buying a service rather than a product. Just a few years ago, this may have seemed like a radical concept; commonplace for high value items like cars but surely not suitable for fashion businesses? But look around: subscription is all the rage, from movie streaming services, to flowers and recipe boxes. Subscription is booming. Unlike some of these sectors, fashion businesses are lucky enough to have products that can be used again and again, delivering real economic and environmental benefits.

What's right for your business will depend on a whole range of things, but with so many circular business models to choose from it's highly likely that there's something out there that will fit, and with a bit of effort can be tailored to perfection. This guide will help you identify what's right for you and your customers.

Circular business model



And the best news is that you don't need to choose between the environment and economic success. Circular business models must achieve both, otherwise what's the point? We want your new circular business to thrive as much as you do.

The Circular Fashion Fast Forward project:

Supporting businesses to explore and implement circular business models

You know a lot about fashion. We know a lot about circular business models. What a partnership! But who are 'we' and why should you listen to us?

This guide is the fruition of the Circular Fashion Fast Forward project, a collaboration between ReLondon and QSA Partners. For the duration of the project's delivery, ReLondon was known as The London Waste and Recycling Board (LWARB), but has since been rebranded and is now called ReLondon.

The project started in 2018, with funding from Laudes Foundation's Bridging the Gap programme. The objective was to inspire and activate fashion industry players to accelerate the adoption and implementation of circular business models, focusing on London as a global fashion hub.

We approached London-based brands and those with iconic stores in London to get involved in the project to investigate and test various circular business models.

We were delighted to team up with four diverse and pioneering fashion brands: FW, FARFETCH, adidas and Ted Baker. We supported them over a two-year period on their journeys to develop their own circular business models, testing ideas and concepts in the real world.

We learnt a great deal and we're delighted, through this guide, to be able to share those lessons with you. We hope it inspires you to join FW, FARFETCH, adidas and Ted Baker and embark on your own journey towards circularity.

Remember, you're not alone. We're here to help.

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ReLondon is a partnership of the Mayor of London and the London boroughs to improve waste and resource management. The city's



economic and environmental future depends on our transitioning to a low-carbon circular economy. At ReLondon, we work to ensure that London's businesses, local government and communities thrive by helping them make the very best use of resources and materials.

QSA Partners are a specialist team of circular economy and sustainable business



experts with extensive experience in fashion and consumer goods. We believe that better business models – whether based on sustainability or circular economy principles – help our clients stay relevant, grow market share and open up different markets in this rapidly changing world, providing business resilience against the impacts and risks of climate change.



Step-by-step guide to going circular

Every fashion business is unique; so it goes without saying that no two journeys towards circularity will be the same. But when it comes to putting theory into practice, there are some common steps that all fashion businesses should take to ensure the chances of success are maximised.

This section of the guide will take you through the seven steps of developing your circular business model: from preparation right through to learning and next steps. There is always a temptation to jump straight in and implement your ideas in a rush of enthusiasm, but years of experience supporting businesses on this journey have convinced us that following these steps is key to making your project fly in the long term.

We will also consider the key things you need to think about at each stage of the process: Customer, Commercial Case, Coherence, Commitment, Collaboration, Change Management and Circularity. We call these the seven C's of circular business models. They are the building blocks that ensure you stay focused and that the solution you develop is ripe for success.

The seven steps on the journey to circularity



The seven C's of circular business models



Seven steps to finding the circular business model that's right for you



1. Preparation

A good plan at the outset is essential to understand what you're trying to implement and how you're going to achieve it.

Look at your business with a fresh pair of eyes. Be objective. Make sure you understand the wider context for change, not just within your organisation but within the market you operate.

Don't set yourself up to fail - you're full of optimism and enthusiasm, but it's important you're realistic about the resources you can dedicate to the project. Try and secure some project budget; you're going to need to spend some money on a trial in order to prove your idea has legs.

Identify the external risks and internal weaknesses that could impact on the success of your project. What can you do to mitigate these? Ensuring your idea is closely aligned to your business's core values will help (we call this 'coherence' and we'll talk more about this later).

Get the right people on board. Identify who you need to take along with you on this journey. Who leads change in your business? Is it a team, an individual?

Ensuring you're communicating with all the right people from the outset and securing their

commitment to the project is vitally important. Sell the vision to them, but remember to also manage expectations. To build a compelling case for change takes time and patience. Be ambitious. Aim high. But also prepare yourself and others to be patient.



Photo by Med Badr Chemmaoui on Unsplash



2. Innovation

This is when you can let your ideas run wild. Think of all the possible things your fashion business could do to become more circular.

Initially it doesn't matter how far-fetched the ideas might be. Get a group of people together and run a brain-storming workshop. Involving people in the innovation stage produces better results and helps to secure their buy-in.

Next you need to filter all the ideas down to a handful that you believe have the best chance of success right now. What can deliver those all-important 'quick wins'? Start off with the simpler, more achievable options, but keep a note of all the ideas you decide not to pursue (you may want to revisit them in the future, once you're a circular economy aficionado!).

Ideas are great, but it's important you define the scope of your project at this stage early. Is this a business-wide exercise or are you focusing on a specific channel or market? And ready yourself to reassure senior colleagues who may raise concerns about wasted effort and the risk of failure.



The innovation stage should encourage an entrepreneurial mindset; this is something you will need to nurture going forward as you will want to operate in an environment of safe, rapid, small-scale testing and experimentation.

Be aware of the bigger picture - your company can't afford to stand still in the market or it risks being outmanoeuvred by competitors and new entrants. Reassure any doubters that you will be following a robust process and that every idea will be tested in the context of 'does this create more value for the customer and for our business?'.



3. Feasibility

Things are getting exciting now! It's time to drill down on two or three of your ideas in more detail.

Research is vital at this stage. Speak to colleagues, customers, service partners and others operating in your marketplace. Are there any challenges, risks, opportunities or benefits you haven't considered?

It's your optimism and enthusiasm that have got you to this stage, but now it's really important that you're honest with yourself. Ask difficult, searching questions. Is this idea deliverable? Is it affordable? Is it going to make a difference?

Is it going to benefit both the planet and the business's bottom line? If the answer to any of these questions is 'no' then it's time to put that idea aside and move on to the next.

This process is tough but it will help you focus your time and efforts on the most compelling options. Be prepared to learn new things that challenge your understanding of your customers, what their needs are and how they behave.



4. Business case

Circular business models must deliver on financial performance.

Projects are often led by individuals who are driven by environmental motivations, but they must be able to secure the support and buy-in of key decision-makers.

Greenwashing is not what we want here. Circular business models must deliver a competitive advantage to the business in addition to reducing the firm's environmental impact. The business case is key in setting that argument out in a compelling and persuasive way.

The aim is to build an irresistible argument that allows you to test your ideas out in a real customer trial. Set measurable objectives for your trial that are ambitious and achievable in equal measure. Clearly define the operating model and understand what partnerships you'll need to

make it a reality and deliver to your customers. You will also need to include two detailed financial plans: one for the trial itself and one for scaling the idea up if the results warrant it.

This is getting serious now, so it's important you're realistic about likely performance and honest about risk. But you also need to sell your vision: if the trial is a success, how can this new way of operating secure your company's place in the competitive and ever-changing market in which it operates?

When presenting your business case, be prepared to compete with other business opportunities on a straight investment basis. The good news? In our experience, circular business models almost always have a way of creating more value, and more profit. We call this the 'circular business advantage'. Sometimes these benefits will take longer to achieve, but when they are achieved they'll far outperform traditional linear business models.



Photo by Karsten Winegeart on Unsplash



5. Trial run

Until this point, you've been using assumptions, best estimates and indicators that your customers will embrace your new business model. It's now time to find out for real.

The trial run is an opportunity for you to test your systems and improve how things work. Don't expect perfection – the trial is about finding what works and, just as importantly, what doesn't.

It's important that you manage expectations – remember that you're unlikely to deliver a quick profit from the trial stage. Ideally, you'll maximise learning to improve the model and the data you have, enabling you to revise and fine tune your business case for the full scale roll-out.

A key consideration is who you're going to involve in your trial. You can reduce risk by selecting a group of particularly loyal and engaged customers. Make them feel like they're involved in something special; something experimental. This will make it easier to withdraw the offer without damaging your brand's reputation if things don't turn out as planned.



There's a chance that your trial may not be fully circular when you start, because you're trying to prove concepts and systems that are in their infancy. This is OK! It may take time to build up a fleet of stock to sell second-hand or rent out to subscribers. Product reuse rates may be lower than ideal at the beginning.

Learn how to increase reuse rates and how your plans for circularity can evolve throughout the trial. Also consider what this will look like on a larger scale: what asset fleet you might need to create, build or buy to deliver the offer to a bigger market.



6. Scale and replicate

If the trial run is successful and you've managed to convince the decision makers in your company that you're on to something, then it's time to scale-up and replicate the new model to other regions, products and customer groups.

Remember to revisit your business case and financial model and amend them based on what you've learnt in the trial.

Be prepared to change the way you assess and evaluate success. The Key Performance Indicators (KPIs) that your business uses to evaluate traditional linear business models might not be appropriate. You may well need to develop new, more circular KPIs that consider the value of the product over its entire lifetime.

The processes and systems you introduced for your trial may now need to be fully implemented and embedded in your business's way of doing things. Carefully scope out the cost of making

these changes. Be clear about the investment, resourcing and operational limits that you are working within. It can be helpful to identify what needs to be done immediately, and what changes are 'nice to have' but can wait for implementation further down the line.

Plan expansion carefully and don't assume you have to do everything in one trailblazing hit. Consider focusing on the places where it will be easiest to replicate or grow the model and start with those. For example, you may be able to manage the growth by targeting regions where customers are closely concentrated and therefore cheaper to serve with logistics services.

Last but not least, think carefully about your supply partners. What changes will they need to make to help you scale up your new circular business model? Are they on board? If not you need to invest some time and effort into convincing and persuading them. You'll probably need their backing if this idea of yours is going to be a long-term success.





7. Learning and next steps

Some ideas will fly and transform the way your business operates. Others will fall at the first hurdle. But all ideas have one thing in common - we can learn from them.

Regardless of how far you got with your project – whether you stopped at the feasibility or trial stages, or whether you got a full business model scaled up successfully – you must gather the learning from the process and identify how you can apply that to your next circular project – or take the one you’ve just launched even further.

Even if you didn’t get a business model to market, it’s likely you’ve improved your company’s understanding of real customer needs and behaviours, and developed deeper knowledge of where your company is missing out on capturing value. That insight could be invaluable as you seek to secure your brand’s position in the marketplace.





The seven C's of circular business models

Follow the seven steps outlined in the previous section and you can be assured that your circular business model ambitions have the best chance of success.

At each stage of the journey it's important that you keep some key concepts firmly in focus. We call them the seven C's of circular business models:



Customer

Who are your customers? How well do you really know them?

Deeper insights into your customers' attitudes and behaviours can unlock real value for your business. The better you understand their needs and motivations the more you can align your brand's values and incentives with theirs. You will need to validate the market need for your new idea, so listening to your customers will be key.

Think about your customers at every step of the circular business journey. Never stop asking yourself 'what is this going to feel like for them'.



Commercial case

Does the financial case stack up?

You're going to have to show that your proposition can wash its face. To do that, you'll need hard numbers to support you at every step of the journey.

A detailed financial business case will be key. Remember that the costs and benefits of your circular business model may look and feel very different to your current way of measuring return on investment.

It's important this is explained clearly so your circular business model idea can get a fair hearing in the boardroom. Yes you want to do your bit to help the planet, but you also want to outmanoeuvre competitors and new entrants in your competitive marketplace.



Coherence

How aligned is your circular business model idea with your company's brand and values?

Companies with the most 'coherence' in their circular thinking are the ones that are most able to get an idea from the drawing board and into the marketplace.

Good strategic fit can really help you get buy-in; you don't want this to be seen as a 'pet project' that stands on its own on the sidelines. So think about your brand's characteristics and focus on circular business models that support these inherent values. Otherwise you risk confusing your colleagues and your customers.



Commitment

Have you got the backing of the people around you?

This project isn't going to happen overnight. It's going to take money and resources. There are risks - it might not work!

Identify all the people within your business whose support you're going to need and involve them every step of the way.

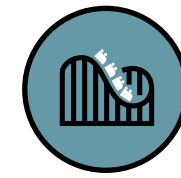


Collaboration

Who do you need to involve from outside your company?

Circular business models can see businesses moving away from traditional supplier/buyer relationships with their supply chain to a more partnership-based approach.

Your supply and service partners may become a vital and integrated part of the service you offer to your customers – so you're likely to become highly reliant on them. Collaborate and involve them in the process; secure their buy-in from the start and explore whether you can share the risks and rewards.



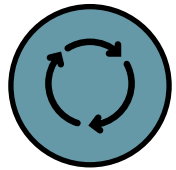
Change management

What organisational barriers and pitfalls may lie ahead?

Organisational change is never easy. Don't let that put you off. But do look ahead to the challenges you might face.

Are there internal organisational weaknesses or external market threats that could scupper your plans? If your project is a success, what does it mean for others in your organisation?

Remember that people find change difficult and that your project and ambitions may impact them in ways that are not immediately clear.



Circularity

Is your new business model significantly more circular than your old one?

Never lose sight of why you embarked on this journey in the first place.

It can be easy to get side-tracked. Don't allow yourself to be distracted or restrained by existing rigid linear business models.

Stick to your vision. And remember: circular business models always outperform linear ones when they've been properly designed and implemented.



Photo by Harry Cunningham on Unsplash

Apply these 'Seven Cs' principles to each of the steps on your circular business model journey and you'll be well on your way to success.

Find out more at gocircular.qsapartners.co.uk

Taking the first step

This guide has been written to not only inspire you to explore and consider embedding more circular business models into your fashion business, but also to provide practical advice on how to go about it.

But even if you've been convinced and can't wait to start your circular business journey, taking that first step can still be daunting.

Sticking your head above the parapet and saying "I've got an idea that I think could change the way

we do business and interact with our customers" takes guts.

The reaction you get back will be determined by the type of organisation you work for - in our experience, it's the smaller, more agile start-ups that tend to embrace these ideas more readily and drive the models forward (which is perverse as they are also usually the ones who have the least financial means to make it happen).

Don't forget, you're not on your own. We're here to help and support you should you need it. This guide represents a summary of the learning from

our work on the Circular Fashion Fast Forward project and our decades of deep experience in helping companies across the world to deliver circular business models.

We've worked in many sectors, helping large and small businesses get market-beating circular business models in place.

We can help you implement circular business models in your company too. Contact us today to find out more.

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"We're on a mission to become the global platform for good in luxury fashion – empowering everyone to think, act and choose positively. Having an external expert to guide us through the process of assessing recommerce models and provide expert knowledge was a great help. QSA and ReLondon's input helped us to build a credible business case and brought credibility to our environmental assessment of the benefits of recommerce."

Tom Berry, Global Director of Sustainable Business, FARFETCH



"I'd heard about recommerce, rental and hire, and repair services but I wasn't sure which options could work for us or what the business case would be. I also wanted to make sure that the quality of any service we provided matched the experience that our customers would expect from our outerwear products. QSA and ReLondon helped us find answers to those questions and develop a circular business model that fits our brand perfectly."

Sara Asmoarp, Head of Quality and ESG, FW



Learn more about how FARFETCH and FW were supported on their circular business model journeys by [reading their case studies](#).

Acknowledgements

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Thank you.

adidas

FARFETCH

FW°

Laudes ———
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