



Circular Business Models

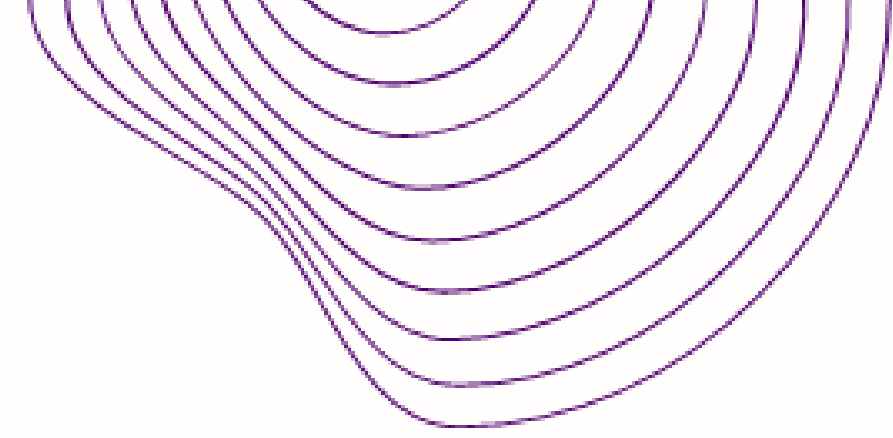


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What is a Circular Business Model?

A circular business model organises a company's operations to **increase efficiency** and **reduce environmental impact**.

It articulates the logic of how an organisation creates, delivers, and captures value to its broader range of stakeholders while **minimising ecological and social costs**.





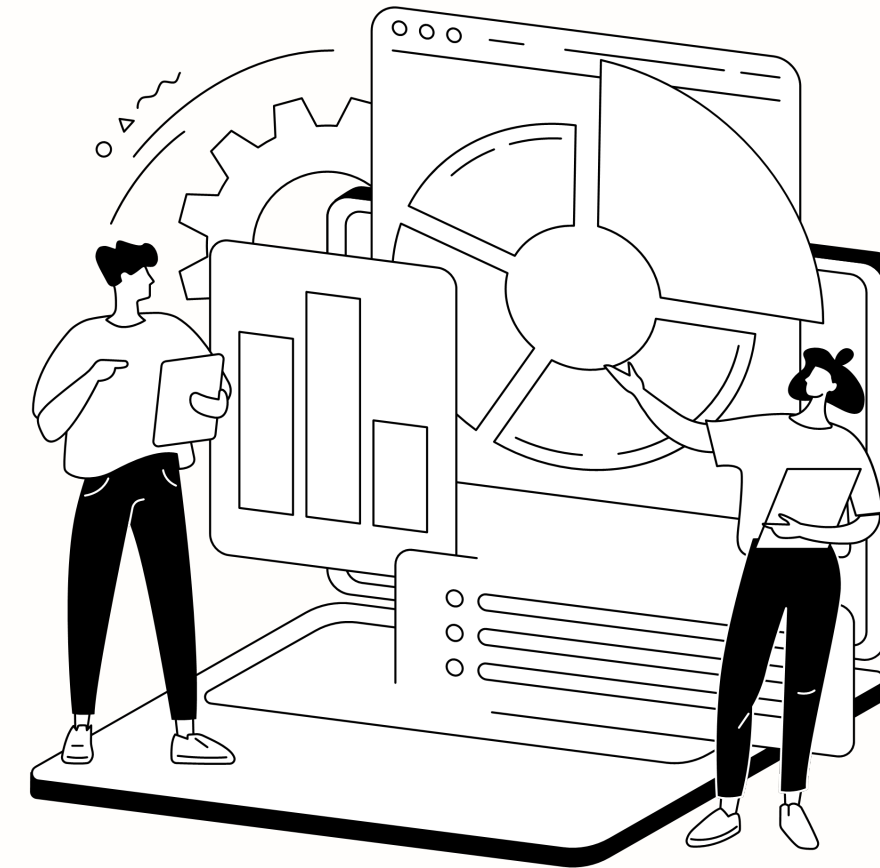
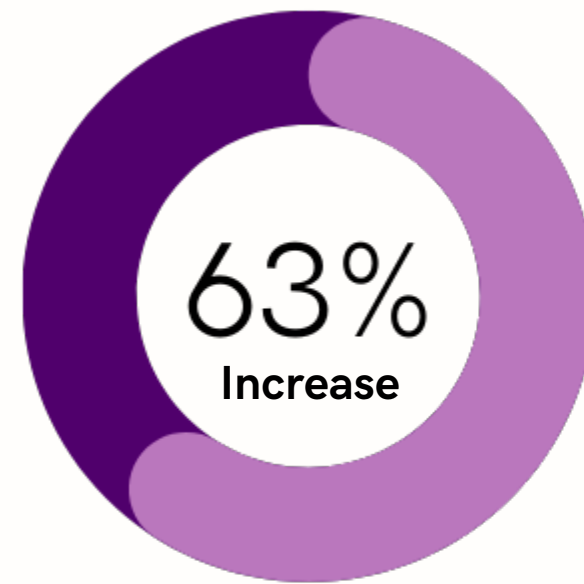
Why We Need Circular Business Models

Global Apparel Production.

62 **>>>** **102**
MILLION TONNES MILLION TONNES

From 2021 to
2030

A shift in thinking and a holistic approach is required for product design, production, distribution, and end-of-life management.





Circular Business Models

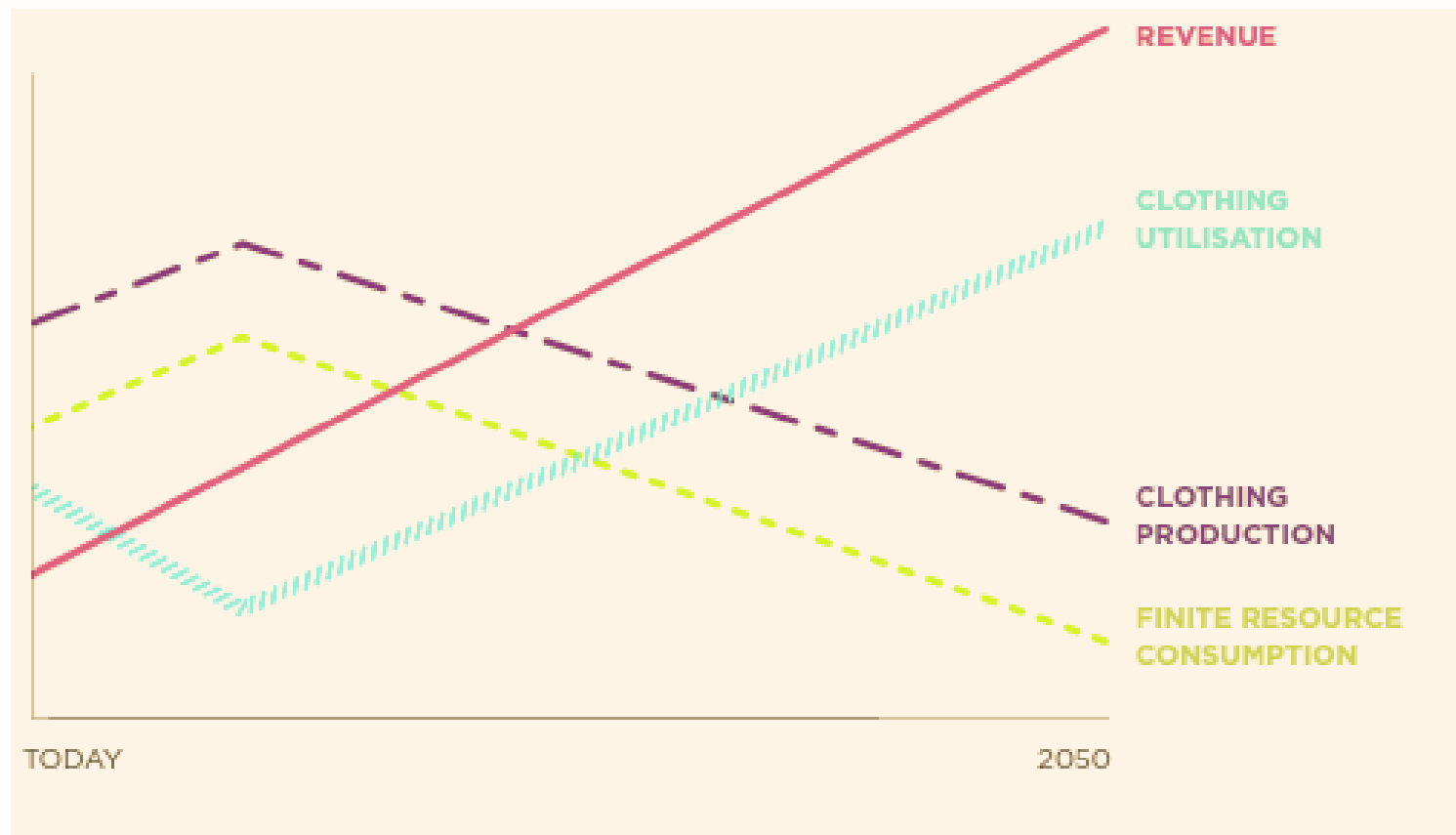


Figure - Revenues are decoupled from production and finite resource consumption

Source: Ellen McArthur Foundation

A 2021 study by the **Ellen MacArthur Foundation** found that circular business models offer significant potential for greater revenue, while cutting the volume of new clothing and accessories produced.

Consequently, greenhouse gas emissions, pollution, and biodiversity pressures connected with **virgin fibre production, processing, and product manufacturing are mitigated.**





Circular Business Strategies

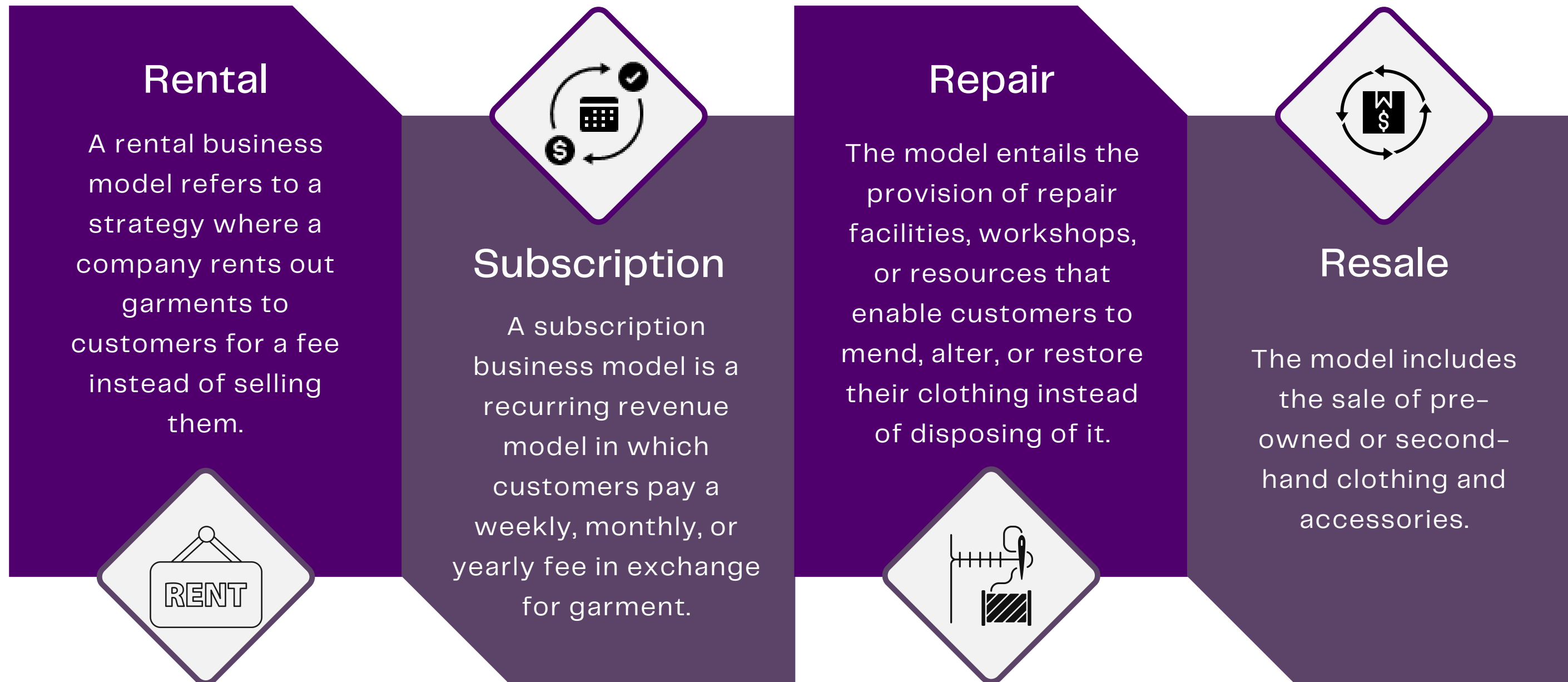
The 6Rs principles mentioned earlier and the **circularity strategies** shown below can be used as a **framework** to create **circular business models** that promote **circularity** and **reduce waste** within **industry** and across **supply chain**.

Circularity	Model	Circularity	Model
<p>Product-as-a-Service the textile products remain the property of the company, and the customer pays to use the products</p>	<p>1. Rental/ Subscription</p>	<p>Design for recycling emphasize designing products with recyclability/regeneration in mind, making it easier to recover and reuse materials at the end of their life cycle</p>	<p>1. Circular Design 2. Closed-loop recycling</p>
<p>Product Life Extension Business models related to resale focus on extending the useful life of textiles beyond the first user.</p>	<p>1. Repair 2. Resale 3. Remanufacture</p>		





Circular Business Models

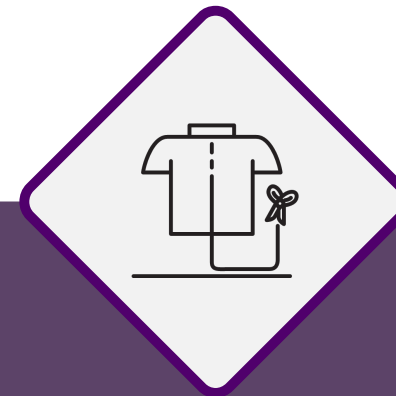




Circular Business Models

Remanufacture

It involves transforming or repurposing existing garments using innovative design techniques to create unique, functional fashion pieces



Circular Design

The model involved developing products that prioritize sustainability, longevity, and the ability to be recycled or regenerated at the end of their life cycle.

Closed loop Recycling

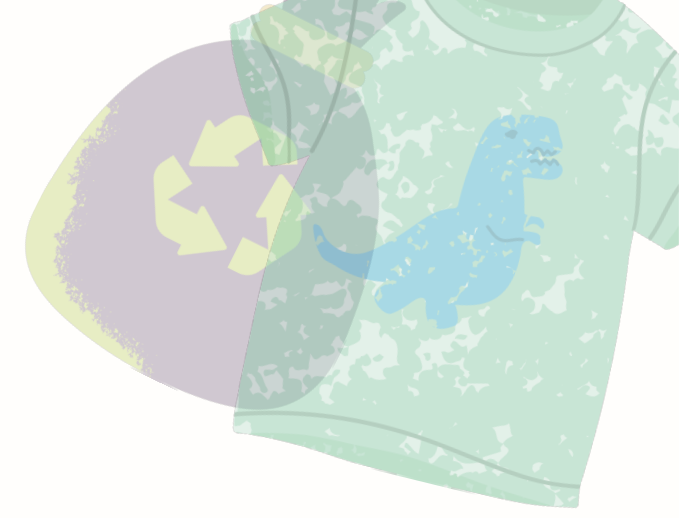
It involves creating a system where discarded garments or textiles are collected, processed, and reintroduced in production cycle





Circular Business Models





1. Rental Model

The global market for fashion rental is expected to expand at a CAGR of **11% from 2021 to 2031**.

Sharing economy is the new in-thing across the world as also in India, and according to research, **by 2025**, it is estimated that many areas of the sharing economy will rival the size of their traditional counterparts.



How does it work?

In this model, instead of customers purchasing textile products outright, they subscribe or lease them for a specific period. Customers pay for the access and use of the products, rather than owning them. The fashion brands can manage their inventory by allowing them to rent out their excess stock instead of having it sit unsold in warehouses.





1. Rental Business model aspects

CUSTOMER ACQUISITION

Target Audience

- Individuals seeking variety without ownership,
- Individuals seeking cost-effective ways to access high-quality fashion.

Marketing Strategy:

- Targeted marketing through social media, influencers, partnerships with fashion events.

COST STRUCTURE

Inventory Management:

- Garment acquisition costs ,
- Maintenance and repair costs
- Cleaning, and storage costs .

Operational Costs:

- logistics & shipping costs
- platform maintenance costs

REVENUE MODEL

Subscription Plans: Offering tiered subscription plans based on the number of items, exchange frequency, or designer collection access.

Rental Fees: Individual garment rental fees, usually a % of the item's retail price or rental duration.

Penalty Charges – Includes fees for retaining rented items past the agreed-upon rental duration and for damaged or unreturned garments.

SCALE AND GROWTH

Leverage technology: Use AI-powered style recommendations, personalized subscriptions, and data analytics for demand forecast and pricing optimization to improve customer experience and inventory management.

Partnerships: Partnering with multiple brands, designers, and influencers can expand reach and increase brand awareness, offering cross-promotion, endorsements, and exclusive collections.

CHALLENGES

Inventory Management: Managing inventory to satisfy client preferences and sizes while reducing excess stock is difficult..

Logistics and Returns: Operating logistics for delivery, returns, and timely exchanges or replacements can be challenging..

Customer Satisfaction: Retention depends on meeting customer expectations for fit, style, and condition of rental clothes.





Rental Model Benefits

Reduced material demand:

Rental can play a critical role in shifting the industry towards a less resource-intensive model by incentivizing higher production standards and greater garment longevity.



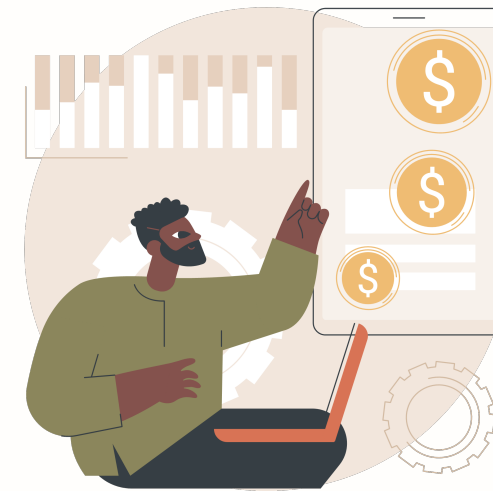
Access to New Customer Segments:

The model allows retailers to engage customers at a lower price, for specific one off, or rare occasions, whilst maintaining quality and reputation.



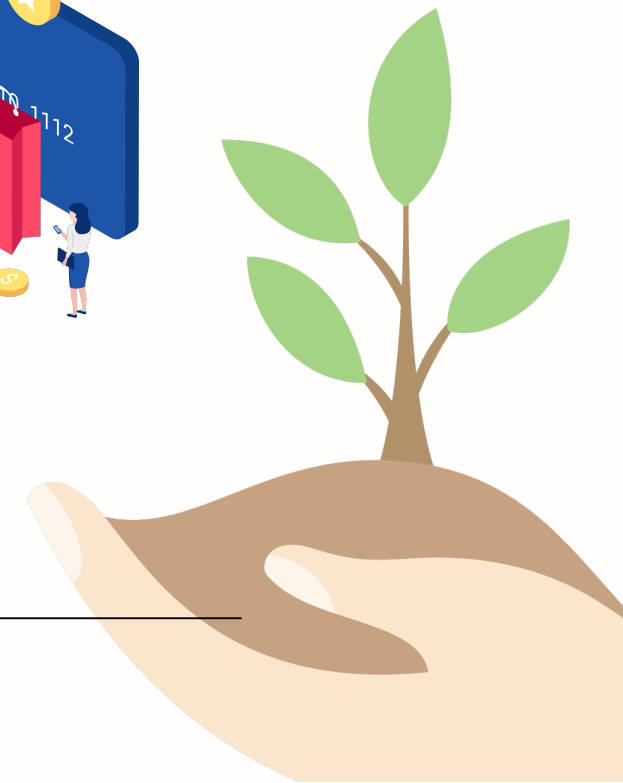
Increased Revenue:

Rental businesses can generate revenue from the same asset multiple times, rather than just once when it is sold. This can lead to increased revenue over time.



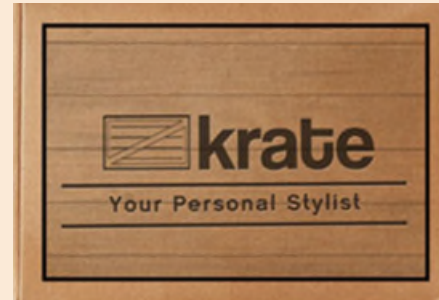
Customer Loyalty:

It can improve customer loyalty by offering customers a convenient and affordable way to access the products they love. at lower cost and by offering personalized services.





Case Studies



Krate:

Krate is a subscription box service for guys that sends you a box of clothes every month that's curated by their in-house styling team.

Source: [krate.in](https://www.krate.in)



Fly robe:

India's largest fashion rental company offers thousands of options from designers such as Sabyasachi and Anamika Khanna.

Source: [flyrobe.com](https://www.flyrobe.com)



2. Resale

Global Secondhand Clothing Industry.

2022
\$ 177 >>> **2030**
BILLIONS **\$ 350**
BILLIONS

Source: thredUP and market research firm Global Data

Online marketplaces

Kiabza

Re love

oyela

FreeUp

POSHMARK

Facebook Marketplace

SAROJINI
BY RE THOUGHT



o|x

Quikr

Online thrift businesses

The young generation's demand for pre-owned clothing continues to increase, despite the effects of inflation.

Market growth is expected to increase at a **CAGR of 18%** over the next several years due to rising disposable income and an increase in the number of startups providing pre-owned garments.

Offline Flea markets



Offline Pop-up Exhibitions





Resale - How does it work?

A clothing resale platform operates as an online marketplace where individuals can buy and sell pre-owned clothing items. The platform serves as an intermediary, connecting sellers looking to offload their gently used clothing and buyers seeking to purchase second-hand fashion at a more affordable price.





Resale Model Garment Flow Chart





Resale Business model aspects

CUSTOMER ACQUISITION

Target Audience

- People seeking affordable fashion
- People looking for unique or vintage pieces.

Marketing Strategy:

- Utilizing online platforms, social media, influencer collaborations, and local community engagement to attract and retain customers..

COST STRUCTURE

Inventory Sourcing:

- **Inventory acquisition costs** via donations, consignments, bulk purchases, or collaborations..

Operational Costs:

- space rental and manpower (if applicable),
- garment cleaning and repairs cost,
- Online platform maintenance.

REVENUE MODEL

Garment Pricing: The pricing is kept based on the brand, condition, rarity and demand of the product.

Consignment Fees or Commission: Sellers are charged a hosting fee, which can be either a percentage of the sale price or a fixed flat rate.

SCALE AND GROWTH

Inventory Expansion: Growing the inventory by diversifying product offerings, expanding into different clothing categories, or including accessories and home goods.

Market Reach: Expanding customer reach by leveraging online platforms, opening new physical locations, or exploring pop-up shops.

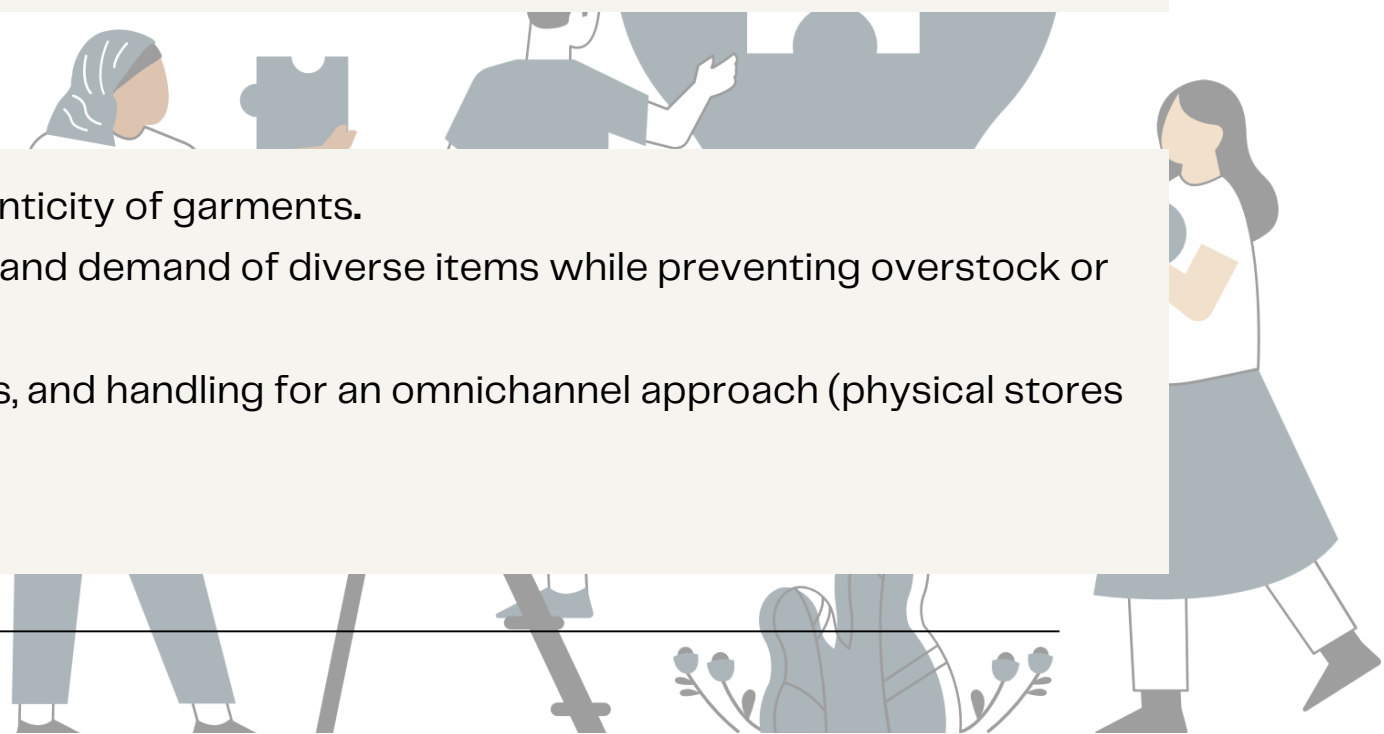
Community Building: Hosting events, workshops, or collaborations can help create a brand community, foster loyalty, and generate word-of-mouth marketing

CHALLENGES

Quality Control: Ensuring the quality and authenticity of garments.

Inventory Management: Balancing the supply and demand of diverse items while preventing overstock or dead inventory.

Logistics: Efficiently managing shipping, returns, and handling for an omnichannel approach (physical stores and online platforms).





Resale Model Benefits

Increased brand marketing and recognition:

Resale businesses can help to increase brand awareness and recognition by reaching new customers who are interested in buying used products.



Increased revenue:

Businesses can generate revenue from selling used products, often at a significant discount to new products. This can help to increase revenue and profitability.



Reduced environmental impact:

Resale businesses can reduce their environmental impact by extending the lifespan of products and reducing waste.



Improved customer satisfaction:

can improve customer satisfaction by offering customers a convenient and affordable way to purchase used products. Resale businesses can also build customer loyalty by offering high-quality products





Case Studies

Depop:

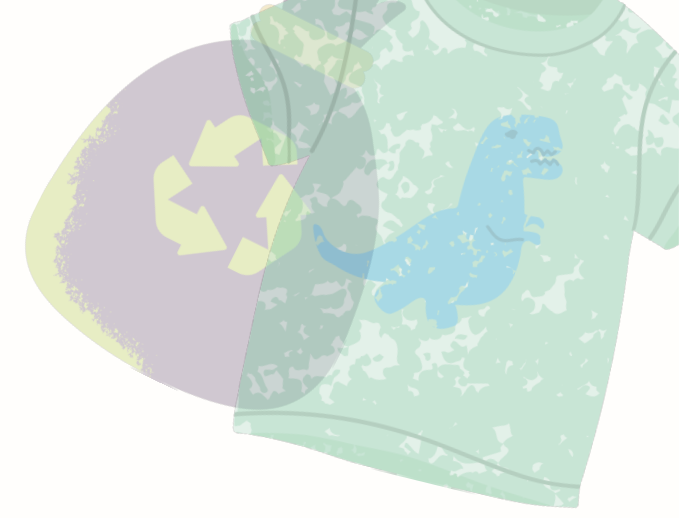
Originally designed as a social network for creatives to share and sell their products, Depop has become a popular platform for buying and selling secondhand clothing. It has generated approximately \$85 million in revenue in 2022.

Relove:

A peer-to-peer Indian marketplace for reselling, creating take-back programmes, and selling defective stock.

Reflaunt:

Reflaunt provides an online resell e-commerce platform for individuals to post used apparel via the initial retailer's website. It offers a distribution network, concierge resale service, and take-back programmes.



3. Repair

Indian consumers are traditionally aware of **garment repair**.

The **micro and small-scale businesses** are present that provide **repair services** for consumer garments. Fashion brands can also integrate repair services into their circular business model.

REPAIR
RENEW
REUSE





Repair - How does it work?

Repair services to customers can be offered either in-store or through mail-in options based on the pre-defined eligibility criteria for items that can be repaired, such as the slightly damaged areas, age or condition of the item.

Repair service can also be linked to the resale programme for repaired items.





Repair Business model aspects

CUSTOMER ACQUISITION

Target Audience

- individuals seeking cost-effective repair solutions, and
- Individuals valuing craftsmanship and sustainability.

Marketing Strategy:

- Connecting with communities, leveraging social media, and offering repair workshops.

COST STRUCTURE

Materials and Tools:

- Quality repair materials purchase cost,
- Specialized tools and machinery cost

Skilled Labor:

- Wages for experienced repair specialists or tailors.

REVENUE MODEL

Service Fees: Charging customers based on the type and complexity of repairs, whether it's a fixed fee per service or an hourly rate for labor.

Retail Component: Selling repair-related products such as patches, sewing kits, or DIY repair guides.

SCALE AND GROWTH

Service Expansion: Diversifying repair services offered, such as alterations, customizations, or specialized repairs for different materials.

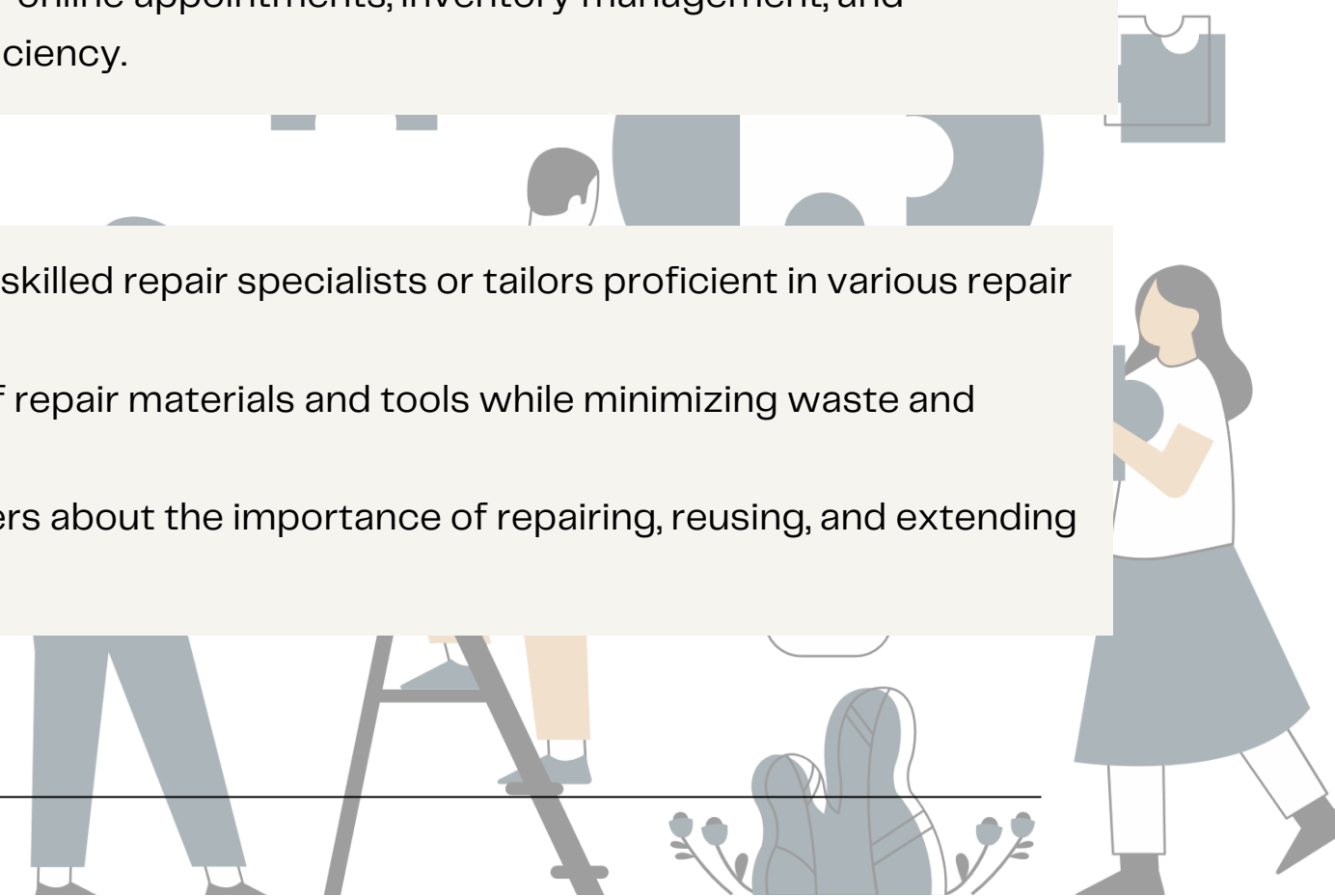
Technology Integration: Utilizing technology for online appointments, inventory management, and customer communication to enhance service efficiency.

CHALLENGES

Skilled Labor Availability: Finding and retaining skilled repair specialists or tailors proficient in various repair techniques.

Inventory Management: Managing inventory of repair materials and tools while minimizing waste and excess stock.

Education and Awareness: Educating consumers about the importance of repairing, reusing, and extending the life of their garments.





Repair Model Benefits

Opportunities for Upselling and Cross-Selling:

The repair circular model presents opportunities for businesses to upsell or cross-sell complementary products or services..



Demonstration of Trustworthiness:

Businesses that provide repair services can showcase their expertise and reliability, positioning themselves as trusted authorities in their respective industries..



Customer Satisfaction:

Repairing a favourite garment has emotional significance.

Customers form a stronger emotional bond with a brand that cares about their garments enough to offer repair services.





Case Studies

Patagonia



The company has a Repair Portal on their website where customers can enter their item details and repair needs, including images. Patagonia then reviews the request, and customers are updated within 2-5 working days. <https://www.patagonia.com/start-repair>



Uniqlo

It offers in-store repairs, repair videos, and a flat rate fee for minor repairs. <https://www.uniqlo.com/us/en/special-feature/reuniqlo-repair-studio>





4. Remanufacture

Repurposing clothes refers to the creative process of transforming **old or unused garments** into new and **functional items or outfits**.

This model has long been a part of our way of life, in which people utilize their craftsmanship while positively benefiting the environment.





Remanufacture

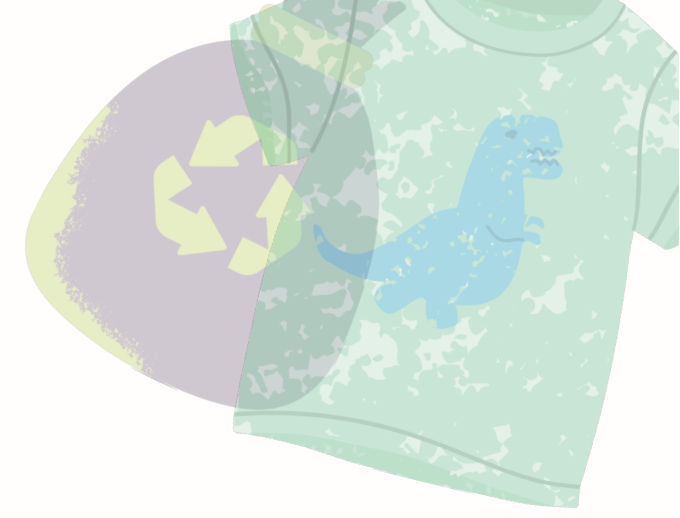
Examples

- Turning old jeans into stylish denim shorts or a denim skirt.
- Transforming a men's dress shirt into a women's blouse.
- Creating patchwork quilts or blankets from old t-shirts or fabric scraps.
- Repurposing a worn-out sweater into a cozy scarf or hat.
- Combining different fabrics to create a unique tote bag or accessory.



Project Comms Product - Laptop Sleeve made by "I was a Sari"

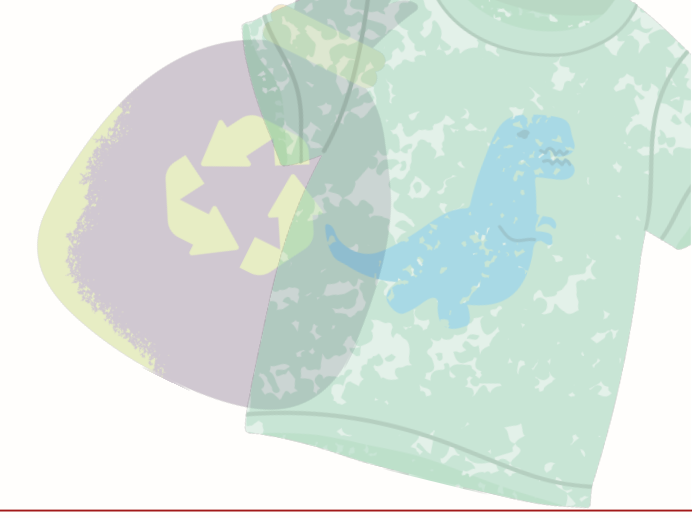
In Pic - Mr. Ashish Dikshit, ABFRL (left) & Ms. Ulla Keppel, DeveloPPP (right)



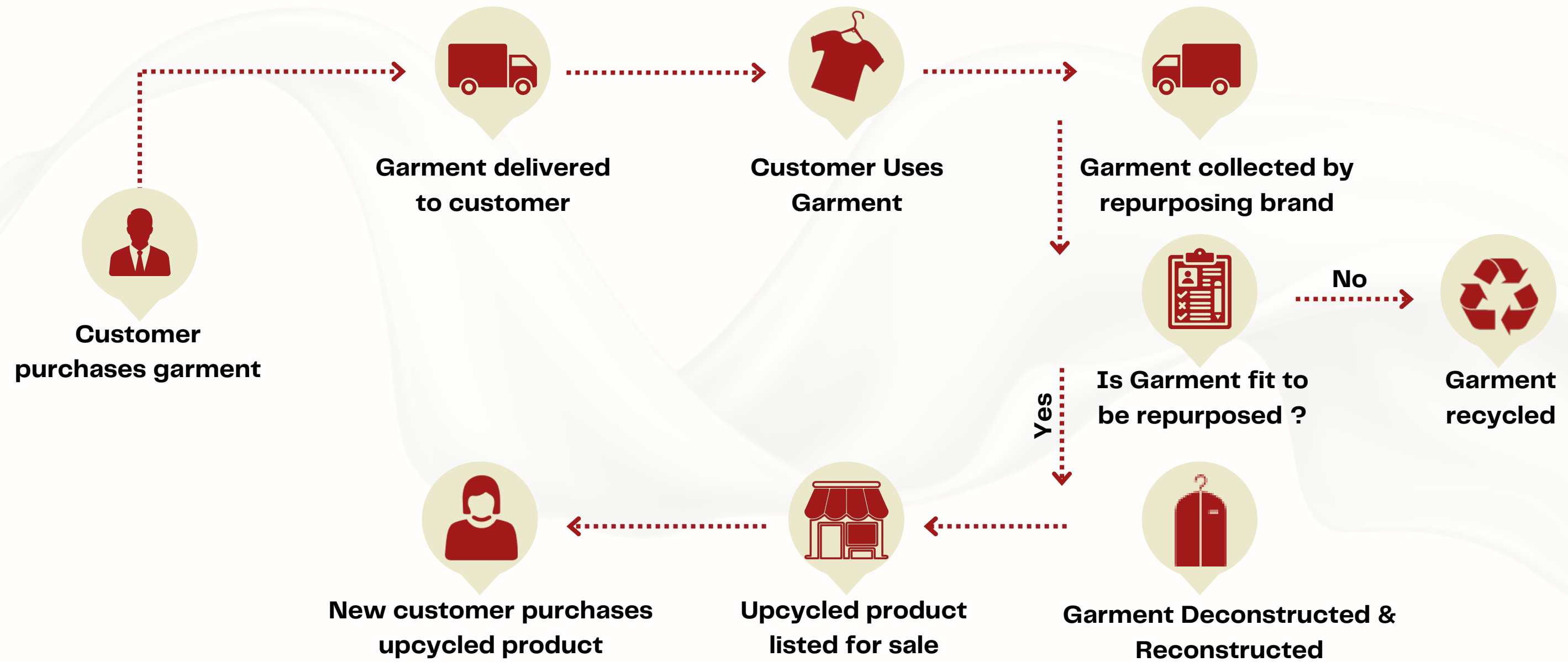
Remanufacture - How does it work?

After deconstructing the garment, the reusable components are separated. The deconstructed fabric pieces are reassembled into a new item. People play with fabrics and textures to create one-of-a-kind items. This may entail sewing, stitching, or combining fabric pieces to achieve the desired shape and design.





Remanufacture Model Garment Flow Chart





Remanufacture Business model aspects

CUSTOMER ACQUISITION

Target Audience

- Consumers interested in upcycled or repurposed fashion,
- Individuals seeking unique and sustainable clothing options.

Marketing Strategy:

- Utilizing storytelling, highlighting the creative process, and engaging with local communities.

COST STRUCTURE

Materials and Sourcing:

- Dead Stock purchase cost,
- Raw materials, tools, and equipment cost.

Labor and Skilled Crafts people:

- Wages for designers, tailors, craftspeople, and craftsmen engaged in repurposing.

REVENUE MODEL

Product Sales: Generating revenue by selling upcycled clothes, accessories, and household goods.

Custom Orders or Collaborations: Offering bespoke or collaborative projects with brands, designers, or customers seeking customized repurposed pieces.

SCALE AND GROWTH

Production capacity: Improving efficiency, investing in artisans, and optimizing procedures to handle more reused items.

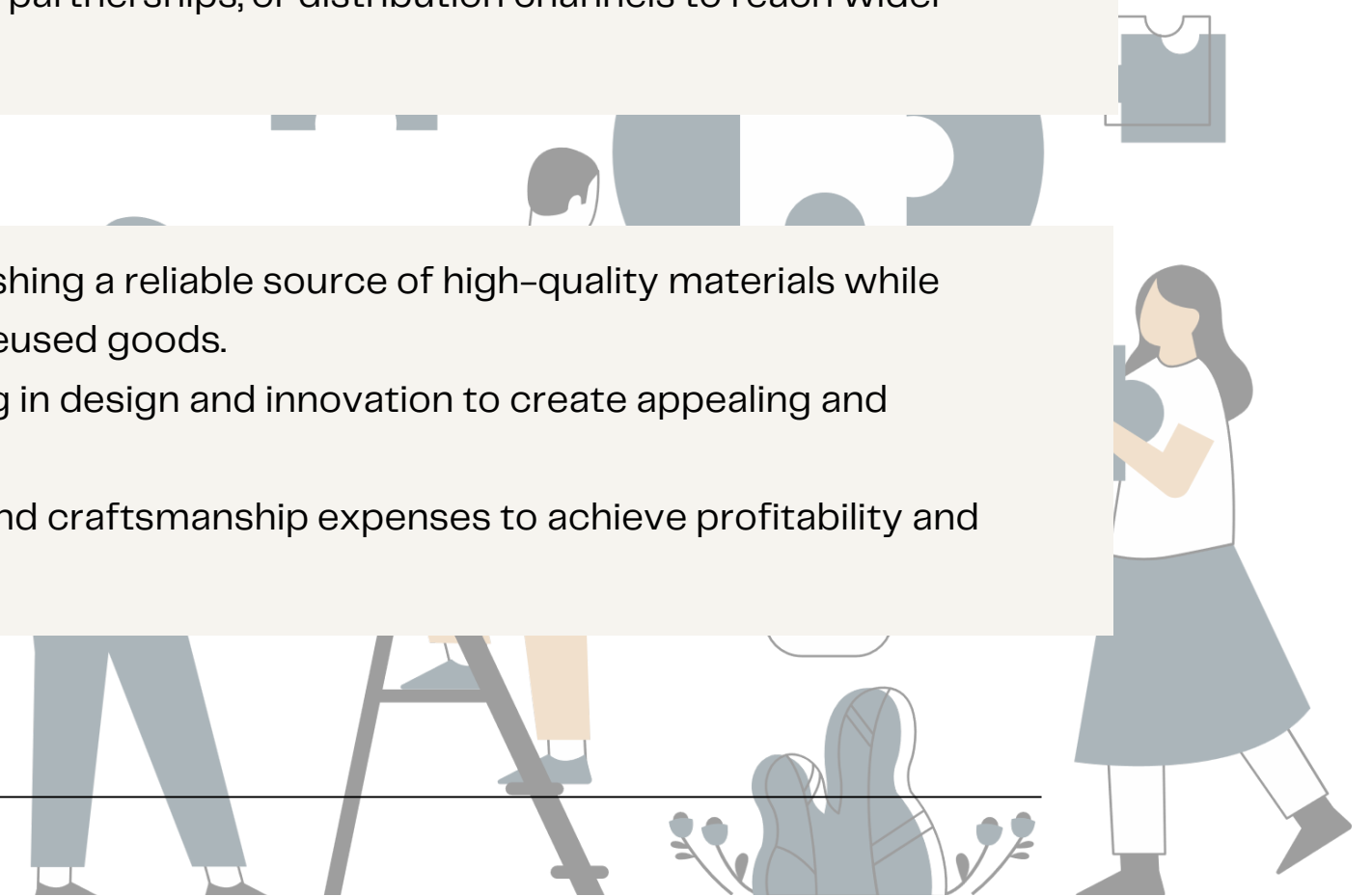
Market Expansion: Expanding into new markets, partnerships, or distribution channels to reach wider audience interested in sustainable fashion.

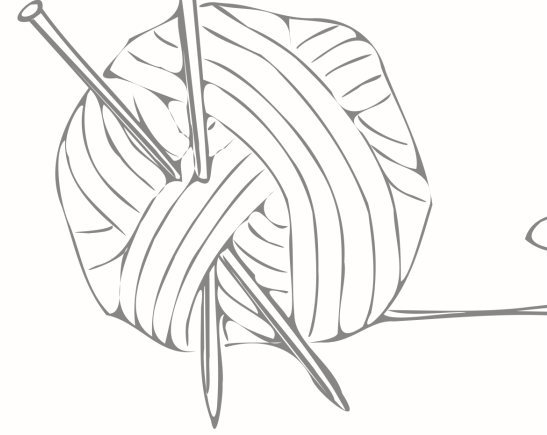
CHALLENGES

Material Sourcing and Quality Control: Establishing a reliable source of high-quality materials while preserving the individuality and authenticity of reused goods.

Design Innovation: Continuously experimenting in design and innovation to create appealing and marketable reused products.

Economic viability: Balancing labour, material, and craftsmanship expenses to achieve profitability and inexpensive products.





Repurpose Model Benefits

Increased revenue:

Repurpose businesses can generate revenue by selling repurposed products at a higher price than recycled materials. They can also generate revenue from subscription services, such as renting out repurposed clothing.



Innovation:

It encourages businesses to foster innovation and creativity in finding new uses for cut waste. This approach fosters a culture of continuous improvement and encourages businesses to explore new market opportunities and product offerings.



Community Engagement and Social Impact

Clothing brands can work with Indian artisans and weavers to incorporate traditional upcycling techniques and recycling textile waste into new fabric.





Case Studies

Ka-Sha:

Ka-Sha is a sustainable fashion brand that uses upcycling and recycling techniques to create unique, eco-friendly clothing. Using traditional Indian techniques.



Paiwand Studio:

The company repurposes bits of cloth waste into new fabric through the traditional Indian handloom.

paiwand

Doodlage:

It upcycles factory waste into short, limited-edition collections. They recycle post-consumer waste and fabric scraps to make seasonless, sustainable clothing.

Doodlage





Circular Design

- **Circular design** refers to an **approach** where **brands** create **clothing** while considering the entire lifecycle, aiming to follow the **6R principle** that leads to minimize waste, maximize product longevity, and promote recyclability.
- It advocates for **sustainability** and **environmental** responsibility as a **starting point**, and involves **designing** products with **recyclability/regeneration** in mind, making it easier to **recover** and **reuse** materials at the end of their life cycle.

Circular Design Business model aspects



CUSTOMER ACQUISITION

Target Audience:

- Sustainable fashion enthusiasts who seek durability and quality and eco-friendly design enthusiasts.

Marketing Strategy:

- Storytelling, instructional material, collaborations with sustainability activists, and circular garment workmanship to promote sustainability, quality, and new designs.

COST STRUCTURE

Material Selection:

- Circular materials purchase cost.

R&D and Design:

- R&D Investments for developing circularity-focused design processes, and machineries.

REVENUE MODEL

Premium Pricing: Pricing sustainably built, durable, and eco-friendly clothing at a premium.

Direct-to-Consumer Sales: Leveraging direct-to-consumer channels or exclusive partnerships to maximize profits and maintain brand integrity.

SCALE AND GROWTH

Product Diversification: Expanding product lines, exploring new designs, and incorporating sustainable practices into a broader range of garments and accessories.

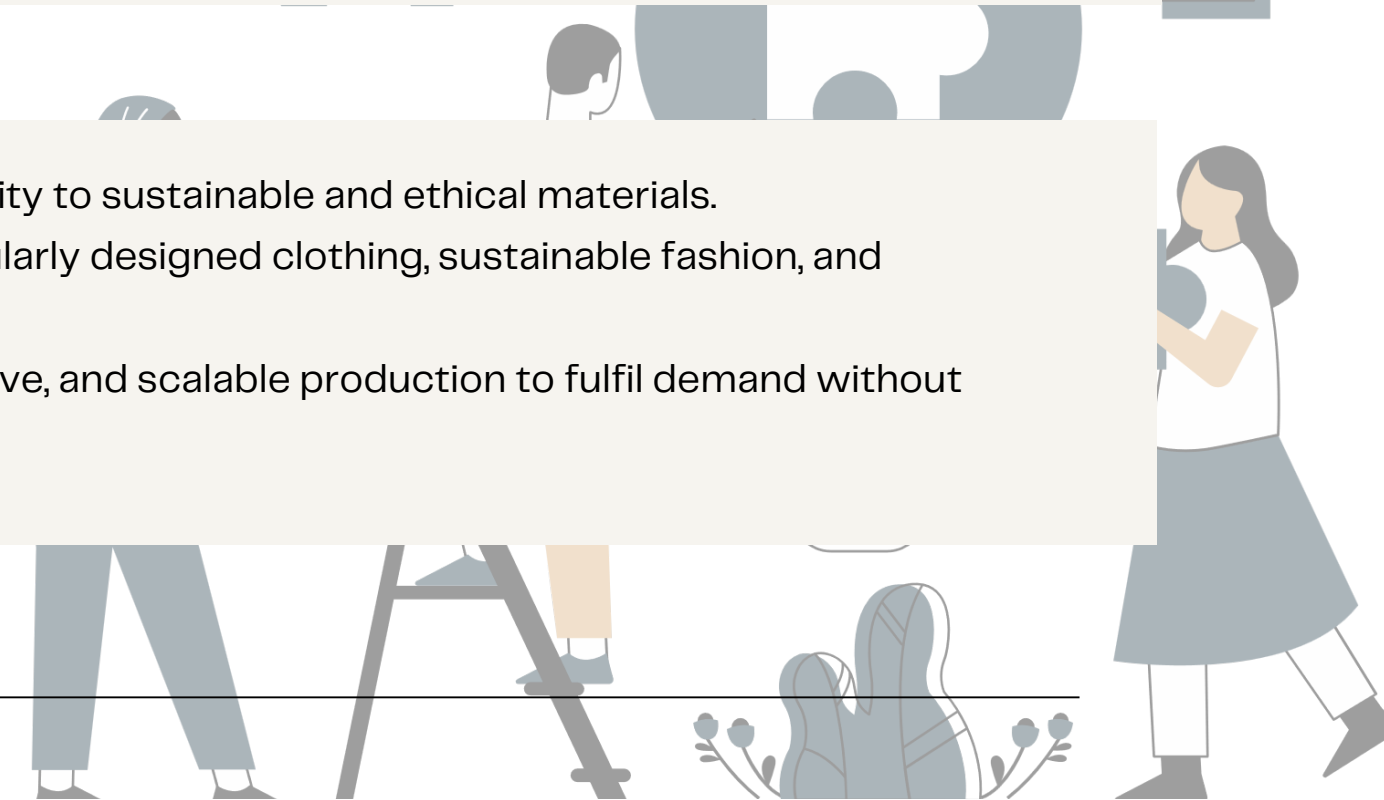
Global Reach: Expanding market reach by tapping into international markets or strategic partnerships to showcase and sell circularly designed garments globally.

CHALLENGES

Material Sourcing: Ensuring quality and availability to sustainable and ethical materials.

Lack of Consumer Awareness: Promoting circularly designed clothing, sustainable fashion, and environmental responsibility..

Production Efficiency: Sustainable, cost-effective, and scalable production to fulfil demand without compromising quality.





Circular Design Model Benefits

Future-Proofing:

Meeting consumer demand for garments designed with the entire lifecycle in mind, using eco-friendly fibers, aligns brands with evolving consumer preferences for sustainable and responsible fashion.



Supply Chain Resiliency

By utilizing recycled materials and promoting circularity, brands become less reliant on finite resources, enhancing supply chain resilience.



Design for disassembly:

Circular Design garments will be made with ease of disassembly in mind, using fewer components and simpler construction methods. This facilitates efficient sorting and separation of materials for recycling.





Case Studies

Jeans Redesign project:

The guidelines establish a beginning for the industry to design and manufacture jeans using circular economy principles at scale. Leading brands, mills, and manufacturers are encouraged to change jeans production to focus on durability, material health, recyclability, and traceability.

Nike Circular Design:

It prioritises long-lasting, end-to-end products and progress hourly, daily, weekly, and annually. The guide outlines materials, packaging, durability, waste minimization, and adaptability.





Close-loop Recycling

- **Closed-loop garment recycling** is becoming increasingly popular in the **fashion industry**, with companies adopting **circular business models** that focus on **circular design**, making it easier to **recover** and **reuse materials** at the end of their life **cycle**.
- It involves **collecting** and **sorting recycled materials**, **disassembling** it, and using the **resources** as **raw material** in the **products manufacturing** of practically identical to the **original**.

Close-loop Recycling Business model aspects

BUSINESS AVENUES

Material Collection and Sorting: Establishing systems for collecting, sorting, and processing discarded garments or textiles for recycling.

Reprocessing and Regeneration: New technology to recycle materials into fibres, yarns, or fabrics for apparel.

Integrated Production: Integrating the recycled materials into manufacturing process to create new garments or accessories.

COST STRUCTURE

Material Processing:

- Garment collection, sorting and cleaning cost
- Discarded garments processing cost.

Technology Investment:

- Investment in recycling technologies, and machinery,
- Infrastructure required for reprocessing and regeneration.

REVENUE MODEL

Sale of Recycled Materials: Generating revenue by selling recycled fibers, yarns, or fabrics to manufacturers or brands for garment production.

Partnerships and Contracts: Forming partnerships or contracts with brands or manufacturers committed to using recycled materials in their production.

SCALE AND GROWTH

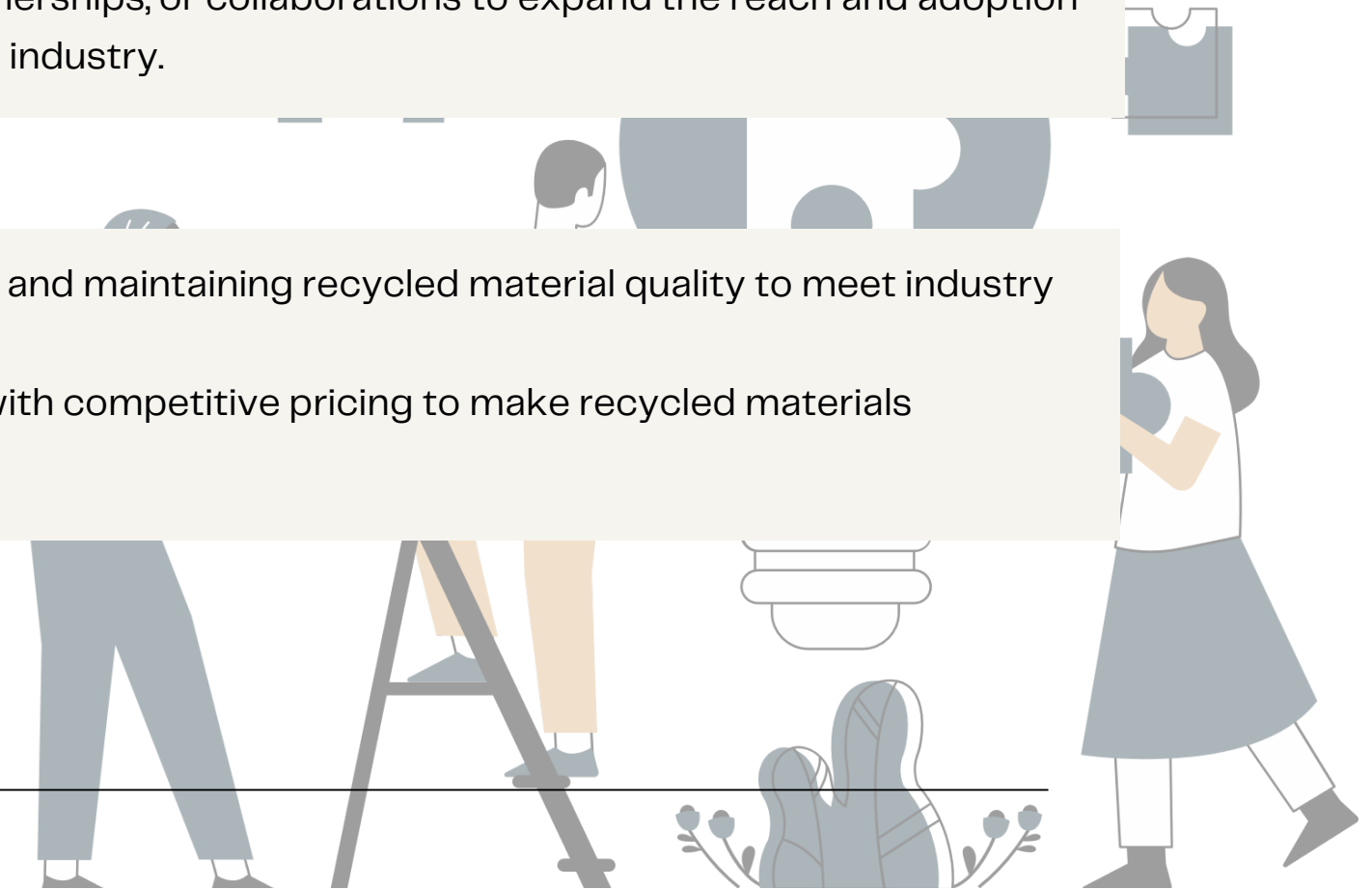
Supply Chain Integration: Expanding operations, optimizing logistics, and scaling up processing capabilities to handle larger volumes of recycled materials.

Market Expansion: Exploring new markets, partnerships, or collaborations to expand the reach and adoption of closed-loop recycled materials in the garment industry.

CHALLENGES

Quality Control: Recycling of blended materials and maintaining recycled material quality to meet industry and consumer standards.

Economic Viability: Adjusting recycling costs with competitive pricing to make recycled materials affordable for manufacturers and brands.





Close-loop Recycling Model Benefits

Supply Chain Resilience:

Incorporating closed-loop recycling practices enhances supply chain resilience by reducing dependency on finite resources and promoting a more resilient and sustainable sourcing model.



Regulatory and Compliance Advantages:

Meeting or exceeding environmental regulations and standards strengthens a brand's position as a responsible corporate citizen, potentially gaining regulatory advantages.



Cost-Efficiency and Resource Optimization

Implementing recycling practices contributes to cost-efficiency in the long run by optimizing resource usage, reducing waste, and potentially lowering production costs.





Case Studies

Usha Yarns:

Usha Yarns is a sustainable textile company that uses post-consumer waste to convert into recycled colored yarn.



Brila Cellulose

The company has developed fibers and yarns that incorporate both pre and post-consumer waste (PCW) cotton.



Key Considerations for Adopting Circular Models

There are several overarching aspects to consider when developing and scaling circular business models:



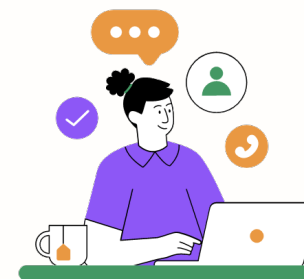
Product Hygiene: It necessitates developing, implementing, and scaling eco-friendly, low-impact cleansing solutions for product hygiene.



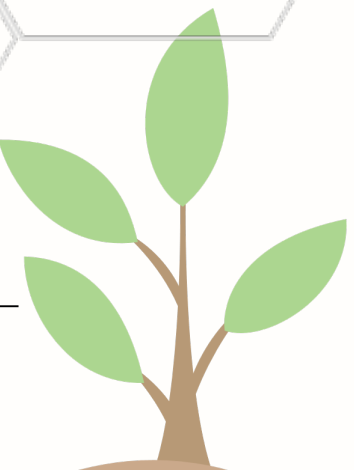
Product Packaging: The circular business models will bring in more consumers per product, so businesses must consider circular packaging.



Internal Capacity Building: Changes to design and services may affect how a business operates. Developing internal strengths is essential to the success of these circular business models.

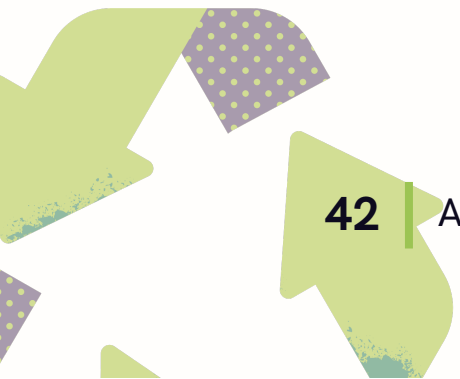


Cost of service operations: Businesses need to evaluate the various available options for reverse logistics and processing costs to increase the profitability of the circular business model.





CBM Implementation Strategies





Implemented by



DISCUSSION SESSION