



EXECUTIVE BRIEF

Implementing circular fashion from cotton to consumer

FASHION

The consumers of the future will be concerned with the ethical creation of their clothing. Beyond compliance to codes of conduct, consumers will want to see active efforts to preserve resources, eliminate waste, and drive sustainability. And when it comes to the topic of sustainability, the fashion industry has often been a target of scrutiny—and for good reason.

Experts estimate that **50 million tons of clothing are thrown away each year**, much of which is not made of biodegradable materials. One T-shirt may require 700 gallons of water in its lifespan, and often can't be donated after its first use. Given fashion's role in the global economy, retailers and manufacturers have been seeking innovative ways to eliminate waste while maintaining critical operations. The solution might be an emerging model known as circular fashion.

“The consumer of the future is obviously a millennial. They care about these [compliance] issues. So, sustainability becomes more than just compliance, it becomes a competitive advantage.”

MICHAEL KOBORI
VP of Sustainability, Levi Strauss & Co.

Design fabric for use and reuse

While circular fashion is a favored concept for those seeking sustainability, it stands independent of other attempts at eco-friendly fashion manufacturing. Rather than creating garments that just happen to be recyclable, circular fashion intentionally employs textiles and fabrics that are designed, sourced, produced, and transformed specifically to be reused and recirculated for as long as possible. Circular fashion has economic benefits beyond standard sustainability efforts, as it reduces dependency on raw imported materials, while restructuring the fashion economy. Circular fashion is opening new markets within the industry and making way for a new system of innovation.

Transitioning from fast fashion—or even from legacy methods of sustainable fashion—to circular fashion requires operational transformation; but it has the potential to pave new pathways to economic growth.

The Ellen MacArthur Foundation estimates that circular fashion has the potential to unlock a \$560 billion economic opportunity. This opportunity, however, can only be pursued by those fashion manufacturers and retailers that are willing to evolve and pivot towards new business models and inputs that significantly increase garment usability and lifespan.

The “wheel” of circular fashion, represents the cyclical nature of the model and each of its phases:

- Circular design; employing durable, recyclable materials
- Production, often using certified cotton
- Leasing (rental) or purchasing of the item by customers
- Customer use and return
- Customer or retailer upcycling
- Recycling

The “wheel” of circular fashion



Work with customers to sustain the new value chain

There's more to circular fashion than the development of textiles and reusable materials. The system engages every segment of the value chain—beginning and ending with the customer. Though circular fashion was developed in response to customer demand and interests, customers need to uphold their investment in sustainability—from inception to execution. Manufacturers and retailers can commit to the development of strong, reusable materials, but it's up to customers to extend the life of the finished products.

In the US, clothes are typically discarded well before the life of the garment has concluded, racking up **\$460 billion in waste**. The excess of waste contributes to a massive footprint that could easily be halted. Rather than discarding garments, circular fashion promotes a shift in business models—one that encourages clothing rentals, thrifting, reselling, and the production of circular collections. This trend is disrupting the value chain, pushing fashion companies and customers to work together in different ways to utilize clothing to its fullest potential.

Fashion companies are creating new, regenerative business models that increase clothing usage without damaging the bottom line. By using fewer resources, such as water, manufacturers will experience cost benefits. These savings, coupled with a higher cost-per-garment, can help offset expenses that come with sustainable transformation. The higher quality of the fabrics and clothing and the longer lifespan can help justify higher costs to the consumer. To communicate this value to customers, businesses need to collaborate with all facets of their business—from production to marketing and post-sale customer care.

Create value in durability

Reframing consumers' perception of clothing items to durable, valuable goods is not an easy feat, but many manufacturers have already gained a competitive edge by opening new lines to consumers. Tefron, the renowned intimate apparel contract manufacturer, took major strides toward a circular fashion marketplace by **improving production techniques and the engineering of fabrics to ensure maximum recyclability**.

By reinforcing the structure of these clothing items, manufacturers like Tefron set customers up for success with the reuse and recycling of fabrics.

There's ample opportunity for innovation and creativity in the burgeoning circular fashion market. One Swedish clothing-retail company will pay customers \$5 for every bag of clothing brought into stores for recycling. This incentivizes customers to perpetuate the life cycle of a garment while resupplying the retailer with fabrics for future development.

Another Swedish leader in the fashion industry, Nudie Jeans, expanded its services to include repairs. This encourages customers to **bring their jeans in for repair**, instead of throwing them out and purchasing new ones. This inventive purchase-repair-reuse model appears to be working for the fashion brand, which recently announced its goal of becoming **carbon-neutral by 2025**. Nudie Jeans has also opened up a marketplace for reused jeans on its online store. These garments meet Swedish standards for the "Good Environmental Choice" eco-designation.

Create new market opportunities

There's potential for a high level of profitability for those fashion companies willing to adopt new manufacturing and retail processes. Circular fashion methodologies contribute to a circular economy—a model that **researchers** suggest is not only beneficial to the planet, but to the longevity of the fashion business. Circular fashion has the **lowest rate of depreciation** than other clothing modalities—the fibers, textiles, and fabrics are designed to maintain their value, if not increase it, through initial use and later through reentry into the economy.

Recirculating clothing reduces the cost of apparel production and opens several new market opportunities for fashion companies that feed into other industries to support a healthy supply chain. For instance, clothing rentals is an area of expressed interest for companies looking to capitalize on circular fashion.

Rental models offer flexibility through:

- **Short term**—Addresses fast fashion and caters to the changing needs of customers
- **Long term**—Extended rentals offer staples to certain demographics, as well as an increased demand for seasonal and annual rentals
- **Subscription services**—Can easily be categorized from baby clothing to professional attire and can be used to address clothing needs in modifiable intervals

Beyond clothing rentals, circular fashion makes clothing resale more appealing to customers and retailers. According to a [2019 ThredUp report](#), the clothing resale market has grown 21-times faster than standard retail in the past five years alone. Customers can put their worn pieces back into matriculation via thrift stores or find fashion companies such as Nudie Jeans who take back their used clothing for resale. Brands can adapt to develop trade-in programs for their garments, further incentivizing customers to recycle their items while generating repeat business and brand loyalty.

Ensure sustainability is sustainable

In addition to the advantages of adopting a circular fashion model, it also comes with a set of challenges. Circular fashion is gaining momentum, but early adopters will need to ensure their processes can align with a more sustainable model. This means that inventory tracking, sourcing, manufacturing, and sales need to be properly monitored—preferably in real time. Maintaining visibility on new and reused product influx and production will invariably complicate the supply chain and channels to market.

There's also a heavy reliance on customer behavior; though this is something the fashion industry has always grappled with. Fashion companies must look for innovative ways to engage customers and encourage them to follow through the cycle—whether that be through trade-in collaboration policies, exchanges, or repair services. Circular fashion challenges brands to reframe the way they categorize materials, as it calls for the integration of materials from their raw form to their true expiration date after they've made several orbits around the “wheel.”

Reevaluate internal processes

To gain a competitive edge, fashion companies need to look for more ways to meet the needs of conscientious consumers. Customer behaviors are constantly shifting, but modern consumers are steadfast in their desire for more sustainability in their clothing—and in how clothing brands operate. Fashion companies should assess current business processes to identify where the most resources are used, where the most waste is present, and which substances or materials contribute to the highest volume of pollution.

Fashion companies also need to work with vendors or suppliers to optimize energy usage and eliminate waste. Even if this isn't feasible, fashion companies should still consider offering customers an exchange program to reabsorb unwanted clothing. Once the materials have been collected, it's easy to repurpose them for another collection and extend their lifespan. As long as the journey is fueled by responsibility, sustainability, and forward-thinking, getting started can be an incremental process. Awareness and visibility go a long way when it comes to business transformation.

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