2023

LEADING CIRCULAR

Advancing circularity in the apparel and textile industry

Bleckmann

CONTENTS

** Note: All monetary values where indicated have been converted from USD to EUR with exchange rates applicable on November 28, 2023.*

WELCOME

It is our great pleasure to share with you Bleckmann's 2023 Leading Circular report. With this report, our intention has been to contribute new data and ideas to the apparel and textile industry to accelerate circularity.

The interest and awareness of circularity are almost unbelievable since 2015 when we started The Renewal Workshop. There are hundreds of new service providers for repair, rental, renewal, resale, and textile recycling for brands to advance their own circular strategies. And yet, few brands have adopted circularity strategically.

In this report, we partnered with Statista to look at the landscape of the various business aspects of circularity to see where the traction and challenges have been. This gives us insight to understand where we are and where the industry needs to focus.

One area that has become evident is a lack of vision for circularity, describing the future we want to create. Not just what is possible today, but something we can hope and build towards. I share a vision for anyone to adopt, something that has guided our work within Bleckmann.

Further in this report, we asked sustainability and circularity leader Sandra Gonza to share her inspiration and insights for a circular vision and why a move away from the linear economy is so critical to the human and ecological ability to thrive.

The results of working with a vision for circularity were evident as we spent 2023 diving into the work of integrating the services of The Renewal Workshop within Bleckmann. Moving from conversations to the nitty gritty work of aligning and advancing our technology, our renewal processes, expanding education, and influencing culture.

We share some recent case studies of how Bleckmann uses its position in the supply chain to offer circular services. Additionally, we summarize current EU environmental legislation to get a good handle on how it is impacting the Apparel and Textile industry.

Finally, we continue our exploration from past reports on the relationship of degrowth to circular. Highlighting what brands as well as other companies in the industry should be considering as they build their business for the future.

As always we welcome any feedback and invite a conversation to advance circular.

INTRODUCTION

The fashion and textiles industry is responsible for around 4% of the world's greenhouse gas emissions. 70% of these emissions can be attributed to upstream activities such as production, preparation and processing, and 30% to downstream retail operations. It is expected that emissions will rise by around a third to 2.7 billion tonnes by 2030 if the industry continues manufacturing in this manner and no further action to lower its footprint is taken.[1] Consumers are not without blame, however, with the average person expected to purchase 17.6 items of apparel and footwear in 2023 alone, up from 17.2 items three years ago,[2] highlighting that simply getting dressed every day is fuelling this rise in emissions.

GLOBAL APPAREL PURCHASING HABITS BY SELECTED COUNTRY [3]

	VALUE SPENT PER person in EUR*	ITEMS PURCHASED PER PERSON	AVERAGE VALUE PER ITEM IN EUR*
US	771	53	14.65
UK	812	33	24.96
Brazil	107	11	9.58
Norway	1050	12	25.81
Egypt	25	2	11.54
India	31	5	6.40
China	181	30	6.15
Vietnam	22	2	8.96
Japan	500	26	19.17

The 27 countries in the European Union are also making a significant contribution, with the average EU citizen buying 14.8 kg of clothing (costing an average of EUR 600), 6.1 kg of household textiles (EUR 70), and 2.7 kg of footwear (EUR 150) in 2020 alone. While this was lower than in previous years due to the COVID-19, it is expected that consumption will rebound in the coming years.[4]

AVERAGE EU-27 CITIZEN CONSUMPTION OF CLOTHING, FOOTWEAR AND HOUSEHOLD TEXTILES IN KILOGRAMS BY YEAR [5]

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	1.5	1.5	1.3	1.3	1.5	1.4	1.4	1.4	1.5	1.6	1.2
	3.6	3.4	3.0	3.2	3.4	3.0	3.5	3.3	3.6	3.5	2.7
	2.3	1.8	1.7	1.7	1.9	2.0	2.1	2.2	2.4	2.4	2.7

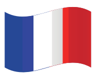
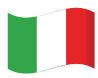
Although many fashion brands are addressing this and exploring ways to curb this growth in emissions such as by promoting trade-in among their customers and creating products using recycled materials, relatively few are adopting circular models and directly offering platforms to resell, rent, repair and remake items. This circular market is currently worth EUR 67 billion,* representing just 3.5% of the global fashion market, and includes fast-fashion companies such as H&M and Zara.[6] Third-party resale platforms such as Poshmark, Threadup and Vinted only represent around 20% to 30% of this highly fragmented market.[7] However, as more customers turn to more sustainable options and are being increasingly motivated by affordability, convenience and alternative fashion options such as resale and rental, circular models could represent as much as 23% of the market by 2030 at EUR 639 billion*.[8]

With the increase in interest in and access to circular solutions, we will explore the status of circular economies today and in the future, why companies are potentially stuck in the past and unable to transform their businesses to support and promote circular models, and how and why this is our global call to action to make significant changes quickly to tackle the climate change challenges facing us all.

CIRCULAR ECONOMIES IN THE FASHION AND TEXTILE INDUSTRY

When it comes to purchasing apparel, fashion items and footwear, sustainability is an important factor for 60% of consumers.[9] Despite this, a large proportion of purchasers rarely or never look for information about a brand's sustainability measures when deciding to make a purchase.

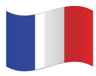
PERCENTAGE OF PURCHASERS IN SELECTED COUNTRIES WHO RARELY OR NEVER LOOK FOR INFORMATION ABOUT A BRAND'S SUSTAINABILITY PRACTICES WHEN DECIDING TO MAKE A PURCHASE [10]

						
Not that often	51	28	31	28	37	31
Never or almost never	8	16	8	13	11	10

Even though few people seek out sustainability information, 89% of consumers worldwide say that over the past five years they have changed their purchasing behaviour and shifted towards buying more sustainable products to some extent. Just 1% said that they had become less sustainable.[11]

However, it's not just consumers who are responsible for changing their behaviour and seeking out product and company sustainability information. They also believe that companies should manufacture fashion items in ways that protect the environment and are sustainable such as reducing and reprocessing waste and limiting emissions.

CONSUMER OPINIONS ON HOW COMPANIES SHOULD MANUFACTURE FASHION ITEMS TO PROTECT THE ENVIRONMENT IN SELECTED EUROPEAN COUNTRIES IN 2023 IN PERCENTAGE OF RESPONDENTS [12]

				
No use of chemicals which are toxic for the skin/environment	57.70	63	60.50	52
Reduce/reprocess waste	47.40	48.50	56.10	56.80
Limit greenhouse gas emissions	47	37.10	51.80	53.90
Limit water consumption	43.90	44.10	38.70	38.50
Limit energy consumption	41	41.80	42.30	46.40
No mistreatment of animals	38.40	53	36.70	39.40
Limit transport-related pollution	32.40	29.50	31.90	38.40

Manufacturers and suppliers also have a duty to provide sustainability details, for example as per the Digital Product Passport measure introduced by the European Commission, and actively produce textiles and apparel in as a sustainable way as possible. This is of course not without its problems and many executives in the industry believe there are a wide range of challenges to improving consumer perceptions of their sustainability credentials. This includes lack of standards to assess sustainability performance (79%), cost of sustainable materials (68%), compliance (39%), quality of sustainable materials (35%), reduction of environmental impact linked with supply chains (28%), effective marketing and PR (22%), insufficient budget to invest in sustainability (22%), and hiring talent with sustainability expertise (9%).[13]

Although many of these companies are focused on their sustainability credentials and goals, too few concentrate their efforts on circularity, which is a key way that companies can address many of their sustainability concerns and aims while also catering to the needs of their customers. By adopting a circular economy model such as by offering repairing, remaking, reselling or renting services to extend the life of garments, wearers not only get the best out of their purchases, but manufacturers and suppliers also become more mindful of the lifecycle of their products and make steps to improve their level of sustainability and limit effects on the environment.

Even though fashion brands have made quantitative improvements in the past year in terms of their circularity impact, Kearney's Circular Fashion Index scores come in at just 2.97 out of 10 in comparison to last year's result of 2.65 out of 10, showing that the fashion industry still has much to do.[14]

With this in mind, we explore the current status of the circular economy market and how this is likely to develop in the coming years.

CIRCULAR ECONOMY MARKET STATUS AND OUTLOOK

The apparel and footwear sectors of the circular economy market are expected to witness strong developments over the next few years, growing by 96% and 107% respectively between 2022 and 2026. When combined, they will also form one of the largest segments of the circular economy market in terms of revenue.

ESTIMATED REVENUE OF THE CIRCULAR ECONOMY MARKET IN 2022 AND 2026 WORLDWIDE, BY CATEGORY, IN EUR BILLION* [15]

CATEGORY	2022	2026
Consumer electronics	85.30	169.69
DIY and hardware	66.35	149.96
Apparel	56.01	109.76
Furniture	28.08	63.65
Household appliances	25.89	59.45
Accessories	14.49	29.14
Toys, hobbies and video games	13.29	28.16
Footwear	11.46	23.76
Luxury goods	8.65	17.42

This growth will continue beyond 2026 and into 2030 when resale models are expected to be the main drivers of this revenue in the fashion and textile industry and are anticipated to be valued at EUR 435 billion* by this point.

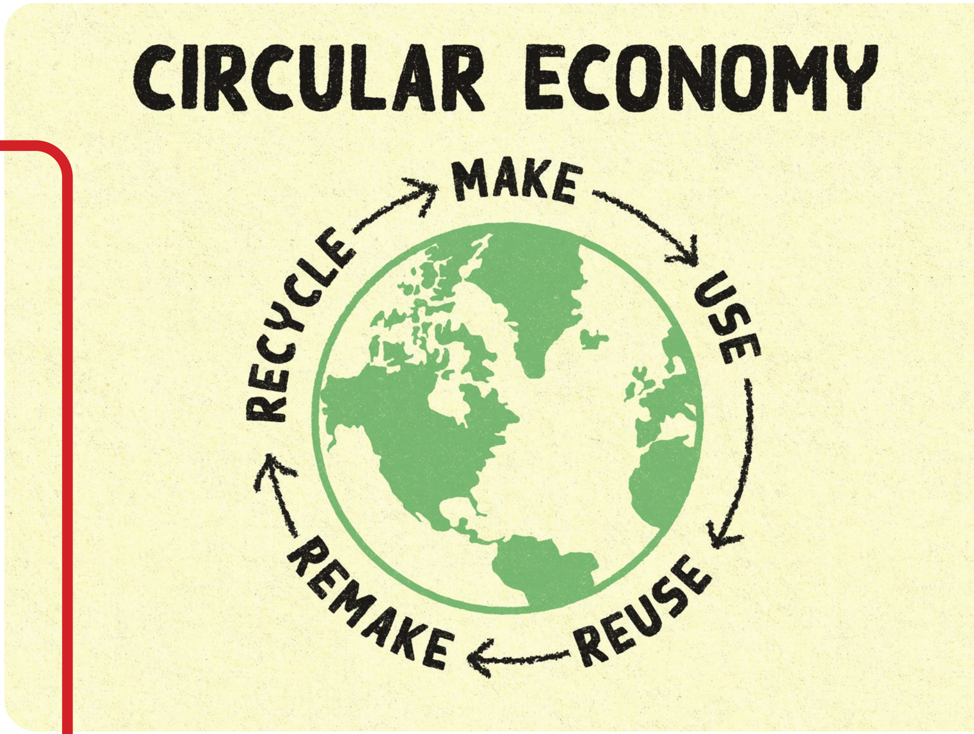
ESTIMATED REVENUE OF THE CIRCULAR ECONOMY MARKET IN 2022 AND 2026 WORLDWIDE, BY CATEGORY, IN EUR BILLION* [16]

Resale - 435

Rental - 153

Remaking - 15

Repair - 29

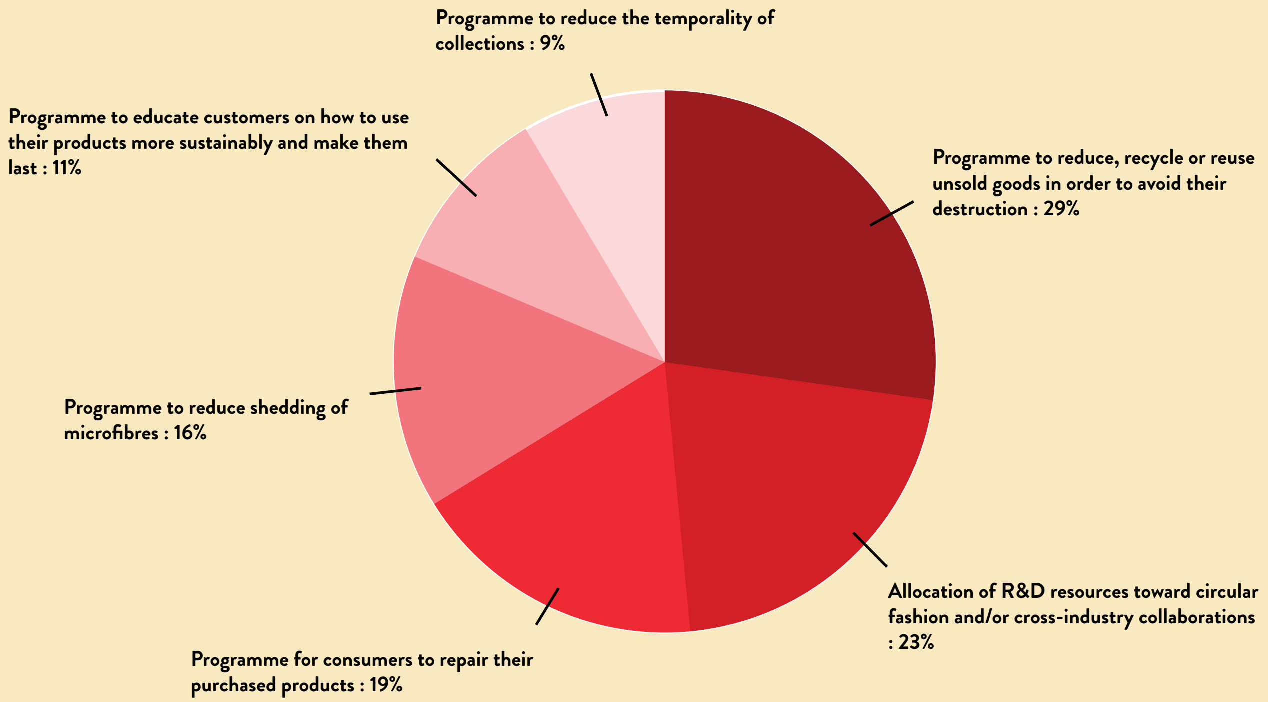


However, despite this predicted growth, less than half of fashion and textile companies currently have at least one circular fashion programme in place,[17] highlighting that the take-up of circular business models among these types of companies is still relatively low and that they have yet to tap into the various circularity models on offer.

STATUS OF CIRCULARITY MODELS IN THE FASHION AND TEXTILE INDUSTRY

Among the 44% of companies around the world that had at least one circular fashion programme in place last year, less than a quarter had allocated resources to circular models or set up collaborations with other industries, raising questions of their commitment to their circularity measures.

PERCENTAGE OF COMPANIES THAT HAVE THE FOLLOWING CIRCULAR FASHION PROGRAMMES IN PLACE [18]



This being said, it is important to note that companies in European countries are much more advanced when it comes to deploying circular fashion programmes, with almost six in ten allocating their resources to circular fashion, building the foundations and paving the way for a successful circular economy.

PERCENTAGE OF COMPANIES THAT HAVE THE FOLLOWING CIRCULAR FASHION PROGRAMMES IN PLACE BY REGION [19]

Programmes	Asia Pacific	Europe	Latin America	North America
Programmes to make products and collections fashionable for longer	0	29	13	0
Programme to reduce shedding of plastic microfibres	0	41	0	27
Allocation of R&D resources towards circular fashion and/or cross-industry collaborations	7	59	13	20
Programme for consumers to repair purchased products	7	53	0	13
Programme to reduce, reuse or recycle unsold goods to avoid their destruction	13	53	13	40
Programme to educate customers on how to use products more sustainably and make them last longer	3	35	0	7

There is of course a considerably larger amount of governing bodies and cross-country and cross-industry legislation that influences and controls circularity measures across companies in Europe and particularly within the European Union, which perhaps offers an explanation to the current situation there (read more in the legislation section of this report).

But despite the progress being made, commitment to circularity and reporting metrics is potentially still far too low. Without assessing the success or even failure of their measures in any way, it is extremely unlikely that companies are able to identify areas of improvement and in turn make adjustments to achieve an effective and efficient circular economy.

PERCENTAGE OF COMPANIES WITH CIRCULAR-FASHION-RELATED COMMITMENTS [20]

Commitment	Percentage of companies with a commitment in place
At least 1 circular fashion commitment	31
Implementing design strategies for cyclability	25.7
Increasing the share of items made from recycled post-consumer textile fibres	22.9
Increasing the volume of used items collected	14.3
Increasing the volume of used items resold	10.0

With so few companies focusing on their circularity efforts, it begs the question of how severe any potential barriers to adopting a circular model are or whether this is simply an untapped market.

BARRIERS TO DEPLOYING A CIRCULAR ECONOMY

Of the companies adopting some sort of circular programme, only a minority are measuring how these programmes are running. Even in the simplest terms, such as weighing the items that are processed during various stages of a circular model, too few are assessing the outcome of their actions.

PERCENTAGE OF COMPANIES REPORTING THE WEIGHT OF ITEMS INVOLVED IN CIRCULAR FASHION PROGRAMMES [21]

Reporting metric	Percentage of companies reporting weight
Measuring at least 1 of these indicators	16
Weight of items collected through take-back programmes	13
Weight of recycled post-consumer textile fibres included in new products	10
Weight of items collected which were repaired and/or resold in-house	9
Weight of items sold	9
Weight of items produced	7

But there is a whole host of other ways that companies can report on their circular economy such as by measuring:[22]

Amount or percent of items/material recovered, reused, refurbished, recycled or reclaimed

Carbon footprint

Estimated cost savings per rental

Estimated impact offset such as resources, emissions and water

kWh produced

Return on investment

Material composition share

Percent recyclable

Progress towards goal

Yet with so many failing to collect simple data on their existing circular fashion programmes, one could question just how seriously fashion companies are approaching the issue of circularity. If they are taking it seriously, just how committed are they to acting on it? Or are there some deeper issues and underlying barriers to deploying a circular economy?

In a study that analysed existing literature and research, ten main challenges of introducing a circular economy in the industry have been identified:[23]

Poor material and energy efficiency (C1)

Poor circular design (C2)

Technological challenges (C3)

Regulatory pressures (C4)

Internal stakeholders' pressures (C5)

Financial pressures (C6)

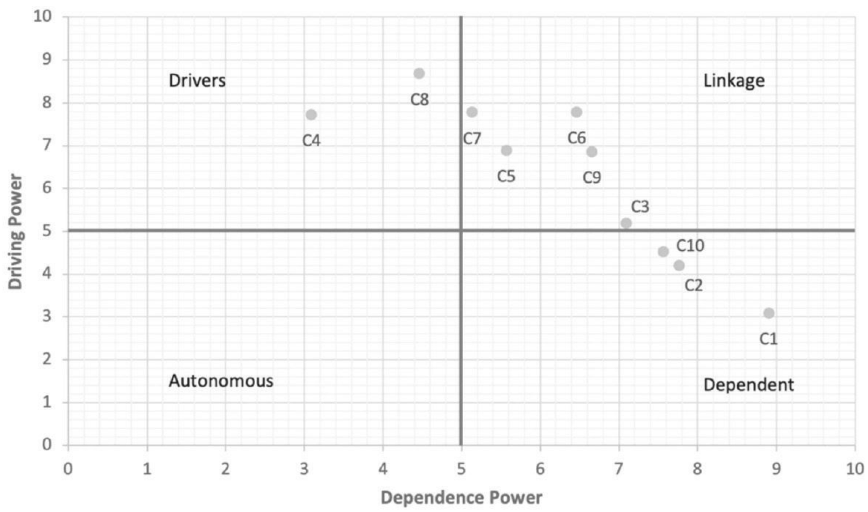
Insufficient human capital (C7)

Poor management and leadership (C8)

Lack of external collaboration (C9)

Customer-related challenges (C10)

These ten challenges have varying degrees of driving and dependence power and can be mapped via a matrix analysis to identify the level of significance of each. This then can be used to assist management teams in formulating a strategy and making decisions when it comes to adopting a circular economy.



Those challenges that have a high level of driving power and low level of dependence power have the highest level of significance for management teams. Tackling each of these challenges in order of their significance can help management teams to form a strategy and make decisions based on these key challenges to ensure successful and effective implementation of a circular economy. The challenges can therefore be grouped into the following four levels, level 1 having the highest level of significance:

LEVEL 1	**Regulatory pressures**
LEVEL 2	**Poor management and leadership, insufficient human capital, and lack of external collaborations**
LEVEL 3	**Technological challenges, internal stakeholders' pressures, and financial pressures**
LEVEL 4	**Poor material and energy efficiency, poor circular design, and consumer-related challenges**

While regulatory pressures are the most significant challenge, there has been a shift in policies over the years. Traditionally, within the EU, key drivers of implementing circular economy policies have been geographical restrictions and lack of natural resources, and regulatory frameworks have been guided by waste management and recycling policies. However, these have developed over time to eco design, eco modulation and Extended Producer Responsibilities (EPR), meaning that regulatory pressures have shifted from end-of-pipe measures to something more predictive, with digitisation a key enabler. For the textiles industry, targeted policies are still relatively young but thanks to stakeholder pressure, the industry is likely to soon become highly regulated.[24]

AN UNTAPPED MARKET?

The clothing industry is a huge market, which is currently valued at EUR 1.59 trillion.*[25] The industry could, however, unlock a further EUR 511 billion* by moving to circular systems.[26] This would of course require new business models and close collaboration with various stakeholders such as production and logistics along the value chain but there are a whole host of benefits this brings with it aside from those from a sustainability standpoint.

Circularity models also present a unique opportunity for entrepreneurship and upskilling – they require soft skills and technical competency that are currently lacking in the industry. Training these workers in the right way can accelerate a circular and resilient fashion chain. Furthermore, circular set-ups also boost the potential for informal workers to be integrated into the chain as they rely more heavily on workers in waste-picking, recycling and sorting, who generally have poor working conditions.[27] Circular models therefore not only have the opportunity for companies to increase revenues and contribute to a more sustainable world, but can also have a positive impact on social issues with the right intentions.

THE LOGISTICS BEHIND EMBRACING CIRCULARITY

Even with the many barriers to realising a circular economy, UK organisation WRAP's Textiles 2030 roadmap proposes 7 steps for those looking to start their journey to achieving their circularity goals:[28]

Preparation
a clear plan and reasonable objectives should be set

Innovation
ideas should be developed and recorded

Feasibility
one or two options should be drilled down on in detail

Business case
a business case considering social and environmental impacts should be established

Trial run
the offer and processes should be measured against the KPIs

Scale up and replicate
the financial case and plan expansion should be reviewed carefully

Learn and take next steps
the project plan, performance and seven-step model should be evaluated

One of the main actions companies can undertake to support these steps is to inject circularity throughout the entire product cycle in 8 key areas: design, materials, manufacturing, retail, during use, donation/disposal, reuse, and recycling. Nevertheless, it's not necessarily something companies can undertake alone and there's a role for everyone delivering in the circularity pathway whether that's businesses that put items back on the market, repairers, remanufacturers, or services providers such as logisticians.[29]

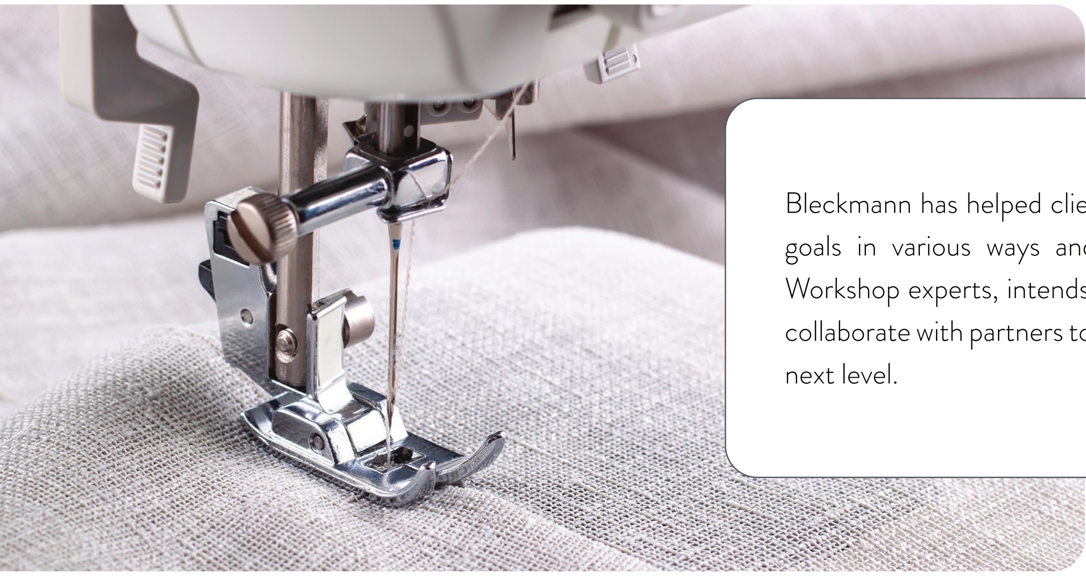
Bleckmann, with its Renewal Workshop team, has an enhanced service portfolio for those just starting out on their circularity journey or those looking to complement their existing measures.

CIRCULAR LOGISTICS

Although many fashion and textile companies may not yet have considered or are still in the testing phase of implementing circularity models, we at Bleckmann are committed to helping our clients on this journey with a complete set of circular solutions in state-of-the-art facilities for maximum recovery and minimum environmental impact.

Our solutions include:

- Collection
- Sorting and grading
- Cleaning
- Photography
- Quality assurance
- Repairing
- Sustainable reuse
- Resale
- Packaging



Bleckmann has helped clients to achieve their circularity goals in various ways and, together with its Renewal Workshop experts, intends on continuing to support and collaborate with partners to take circularity logistics to the next level.

REFURBISH AND REPAIR WITH OTRIUM

Bleckmann has formed a partnership with digital fashion outlet Otrium that aims at refurbishing and repairing damaged returns. Through this, Otrium is taking its next step in its strategic journey to help reduce the number of garments that might end up in landfill or be destroyed.

The two companies started their collaboration in April 2023 in the Netherlands whereby The Renewal Workshop team at Bleckmann refurbished over 1,000 returned Otrium items each month for three months during a pilot period. By using Otrium's stock-tracking systems, they were able to determine that 70% of this repaired stock had been sold within seven weeks. After assessing the success of the pilot, both Bleckmann and Otrium have decided to extend the project and aim to repair at least 25,000 damaged items by the end of the year.

RESTORE WITH COS

COS, a brand of the H&M Group, partnered with Bleckmann to launch a pilot garment renewal project, COS Restore. COS Restore offers shoppers the chance to buy pre-loved garments, restored to like-new condition and at an attractive discount. It has already proved to be a hit with its customers, so much so that the partners have already extended the programme.

This circular fashion initiative is an important milestone in the fashion brand's 'omni-circular' strategy to ensure that its products can be worn for longer, helping reduce clothing waste. The more that the brand is able to grow the COS Restore programme, the more economies of scale they can achieve, further enhancing their circular fashion offering.

PLANS FOR THE FUTURE

Floods, earthquakes and droughts worldwide bring us face to face with the fact that our climate is changing. And let's not beat around the bush: the fashion & lifestyle sector also has a significant climate impact.

But those times are over, as far as we are concerned. Bleckmann has been making the transition to a more sustainable business for a few years now. Today, all departments work more sustainably than five years ago. In 2023, Bleckmann built and started using the largest circular distribution centre in the Netherlands.

We aim to be part of the solution. In our vision of sustainability, we are convinced that our logistics capabilities have the potential to be the 'missing link' on the way to realising circular fashion. Circularity is our new way of doing business. Therefore, Bleckmann invests heavily in it.

That's why we reach out to fashion & lifestyle brands, our customers. 89% of their consumers say that they have changed their shopping habits in the past five years and are buying more sustainable products. This is just one of the figures in this white paper 'Leading Circular 2023' that indicates the industry's enormous potential to adopt sustainable and circular production and consumption models.

But they face a gigantic transformation towards circularity to tap into this potential. European regulations will soon make them lifelong responsible for their product. The big goals are reducing waste, emitting less CO_2, and using fewer valuable raw materials.

Through our logistics services, we contribute to achieving their circular objectives. We already use our return services for collection and exchange. Our specialists at the Renewal Workshop unburden brands on the entire process, from repairing used items to reselling re-used items. We also deploy our logistics network for recycling.

In our vision of the future, logistics will become the backbone of a circular economy for fashion and lifestyle products. Our solutions will gradually be incorporated into a new all-in-one renewal and logistics offering.

Time for action is now, and we walk towards an ambitious goal. We strive to be recognized as the most sustainable fashion and lifestyle logistics service provider.

Are you ambitious to help build a more circular logistics, fashion & lifestyle sector?

Sustainable greetings,

Kurt

Our logistics capabilities have the potential to be the 'missing link' on the path to circular fashion.

Kurt Pierloot | CEO Bleckmann

HIDDEN COSTS OF THE LINEAR ECONOMY

with Sandra Gonza

The circular economy has many unknowns and as we explore this space within the apparel and fashion industry the cost of the change gets presented as a barrier. However, the cost of not changing is much greater. It is worth reflecting on what we gain if we can successfully move away from a destructive linear economy.

IN YOUR WORK WITHIN THE APPAREL/TEXTILE SECTOR AND CIRCULAR, WHAT DO YOU HOPE WE ACHIEVE IN 20 YEARS?

In envisioning the future of fashion, it would give me an incredible sense of achievement and joy if my work inspired more organisations to embrace a truly people-centric approach to their social and environmental impact work. Traditionally, fashion companies have focused on end-users – the consumers who don their designs. However, the emergence of circularity in recent years has prompted a deeper examination of products and their lifecycles, from design and production to durability and disposal. This shift is a significant stride towards achieving sustainability targets, yet I think there remains an untapped potential in adopting a comprehensive people-centric approach.

This approach encompasses a holistic consideration that environmental and social impact are inextricably linked. It offers an opportunity to look at the whole circular ecosystem, extending our gaze to integral enablers of the supply chain – the farmers cultivating raw materials, the manufacturers and workers crafting each piece, and the stewards of a garment's afterlife – whether it be the growing consumers of second-hand fashion or sorters, traders and third-hand consumers in the global south. The circular economy is a linchpin in mitigating climate impacts. It allows us to minimise waste, reduce the demand for new resources, and curtail emissions associated with the production of virgin materials. By designing products with longevity in mind and enabling effective recycling processes, fashion companies can significantly contribute to climate-change mitigation. However, this is only one side of the coin. People-centric approaches help us examine how accountable, effective and impactful our strategies are in protecting all stakeholders within ecosystems, including some of the most vulnerable individuals. I believe, with a few tweaks in our approach, that circularity can foster a more equitable and responsible industry.

SANDRA GONZA

WHAT ARE THE HIDDEN COSTS IN THE LINEAR BUSINESS MODEL? WHY ARE THESE COSTS HIDDEN?

I think hidden costs in the linear business model are considered hidden primarily because they are externalities – they are not directly borne by the companies involved in the production and sale of clothing. Instead, they are passed on to society, the environment and future generations.

From that perspective, hidden costs can be quite broad, from labour exploitations in fragmented and often opaque linear supply chains characterised by low wages and poor working conditions, to what we are seeing more of today, which is the cost of textile waste management and disposal. Rapid industrialisation along with increasing linear business models has led to overproduction and overconsumption. For years, clothes have been designed with little to no regard for their end-of-life scenarios, meaning in a world where garments have become increasingly disposable, the cost linked to mounting textile waste has been sorely overlooked. Today the hidden cost of overproduction and overconsumption, particularly in the affluent global north manifests as clogged estuaries, contaminated beaches and landscapes turned into sprawling landfills in the global south. The ramifications of the increased use of cheap synthetic materials and mass production extend beyond just diminishing the quality of second-hand clothes. Not only do these trends jeopardise the livelihoods of those who rely on selling them, but they also pose a significant threat to public health and well-being. The absence of a robust recycling infrastructure exacerbates the environmental impact, particularly in regions inundated with vast quantities of second-hand clothing, off-cuttings and textiles being sent their way such as in Ghana or Kenya.

All this is to say, exposing hidden costs cannot be overstated, as they offer crucial context for formulating effective solutions. Failing to acknowledge these hidden costs leads to remedies that, at best, scratch the surface of the challenge addressing merely the symptoms rather than root causes and, at worst, offer a convenient bandage that absolves corporations or even governments of any accountability and responsibility. Here is where I wholeheartedly support the call for a more globally accountable Extended Producer Responsibility (EPR) as called upon by organisations such as the OR Foundation.

IN WHAT WAYS DO YOU OR OTHER PEOPLE INSPIRE OTHERS TO CONSIDER THE SOCIAL AND ENVIRONMENTAL IMPACTS OF THEIR WORK?

It starts from a place of authenticity. I grew up in Northern Tanzania where I almost exclusively bought my clothes in the large outdoor second-hand markets. The majority of my childhood was on the backdrop of my grandmother's and later my mother's atelier beside our house where they designed and upcycled clothes. This background fuels my commitment to transforming the fashion industry. Leading with authenticity and purpose allows me to be genuine and transparent about my actions and motivations, demonstrating my dedication to a more sustainable industry. Leading with authenticity is the core of inspiring trust and encouraging others to approach their work with a similar genuine concern for social and environmental impacts. Authenticity enables storytelling, which is a powerful tool in bringing to life the often abstract impacts of our industry in our daily work lives. I find it essential that I actively engage in conversations, workshops and presentations that raise awareness about the significance of considering social and environmental impacts of our work.

Finally, I seek out cross-disciplinary and cross-sectorial collaborations. There is always something to learn from stepping outside of our sustainability bubble every now and again, understanding how challenges in other departments or even industries are addressed, and how they may even be interconnected with our own work. It's a mindset that I wholeheartedly embrace because I believe that interdisciplinary approaches lead to more holistic solutions.

Adaptability and flexibility are equally critical. Recognising that there's no one-size-fits-all approach, it's important to understand that strategies for achieving a circular economy will vary depending on product types and organisational goals.

WHAT VALUES DO YOU THINK THE CIRCULAR ECONOMY SHOULD CENTRE AROUND?

When it comes to the circular economy, I believe there are several key values that should take centre stage. First and foremost, it's about advocating for solutions that are not only efficient and effective but also mindful of resource consumption. Striking this balance is crucial for ensuring long-term business transformation, going well beyond the initial pilot phase and aligning with our business imperatives. Take, for instance, the Quantis CLIFF framework, which I find to be a stellar example. It places a strong emphasis on maximising environmental value by prioritising resource retention, all the while minimising environmental drivers and thereby reducing a company's impact on critical issues like climate change and biodiversity loss. This approach ensures that our circular solutions are not only impactful but also in line with broader sustainability goals. Beyond this, we must integrate holistic metrics, which encourages the use of both quantitative and qualitative metrics to measure the effectiveness of circular economy practices. These metrics encompass environmental aspects such as carbon footprint, resource usage and social dimensions like job creation, community empowerment and overall well-being improvements. The circular economy should also prioritise a people-centric approach, which places a strong emphasis on tailoring solutions that also meet the needs and well-being of upstream and downstream supply chain stakeholders. This involves carefully considering the impact on livelihoods, local economies and overall quality of life.

Adaptability and flexibility are equally critical. Recognising that there's no one-size-fits-all approach, it's important to understand that strategies for achieving a circular economy will vary depending on product types and organisational goals. Emphasising the importance of flexibility in designing and implementing circular practices ensures that they are not only effective but also appropriate for specific contexts. Finally, I think collaboration and knowledge sharing will always play a pivotal role. Encouraging collaborative efforts within and across industries to share knowledge, experiences and best practices is still very much essential. In the absence of standardised methodologies, collaborations are crucial for defining common approaches and establishing benchmarks for success.

DO YOU SEE THIS IN PRACTICE? WHAT METRICS ARE COMPANIES USING TO EXTERNALISE THE HIDDEN COSTS THAT ARE INHERENT IN LINEAR?

Yes, I think there is a positive trajectory toward incorporating some of these values and metrics into business practices. Companies are increasingly recognising the importance of embracing a circular economy approach, as demonstrated in the rise of new circular business models. They are starting to use metrics such as LCAs with circular footprint formulas (CFF) and looking into resource usage and waste generation to evaluate their environmental impact. Additionally, some are beginning to delve into social metrics like exploring the job creation both informally and formally in the context of global circular economy transition. However, it's important to note that the rate of adoption and integration is still very slow. Circular business models, for example, are still often not fully integrated with some of the sustainability goals or overall business strategy. Many businesses remain to be risk-averse, taking their time and sometimes letting the pursuit of perfection hinder progress. The fact remains that many brands are yet to fully address their social and environmental impact head-on, and circularity is siloed away from the business strategy. I do, however, think that circularity is part of the journey that presents an opportunity for how we can achieve some of the targets we've already set. Think of it as a dynamic process, not a static destination. This approach acknowledges that there will be challenges along the way, and that continuous improvement is key. It's encouraging to see companies beginning to embark on this journey, recognising that circular economy principles are not only crucial for sustainability but also for the long-term viability and success of their businesses.

DO THOSE IMPLEMENTING CIRCULAR MODELS TEND TO BE NEW COMPANIES WHERE IT COULD BE EASIER TO IMPLEMENT CIRCULAR PROGRAMS FROM THE GET-GO? AND/OR IS THERE JUST AS MUCH SCOPE FOR MORE ESTABLISHED COMPANIES?

In my experience, smaller/younger companies are either faster and more agile in implementing circular business models often because they tend to be 'born circular' or have the flexibility of not having to deal with traditional decision-making within a company that may take a long time and not have enough flexibility to pilot, iterate and roll out these new business models and practices. However, they are also often criticised for not being able to scale (which opens a discussion on the actual impact based on scale of business) so whilst smaller/younger companies are great at implementing various business models, they suffer from sometimes being early adopters, having insufficient budgets or even target niche markets that hinder rolling out circular business models at scale.

This is an advantage many of the larger organisations have, if they indeed manage to set up a new circular business. My most recent research found that big, well-established firms were most successful when they were either contextually or structurally ambidextrous, meaning they either have separate independent business units: one operating business as usual whilst the other trials circular models and slowly integrates it within the larger business or one in which the business does not have sustainability as an independent strategy but rather as part of the broader company strategy that implements wearing multiple hats to achieve the goals depending on what was needed. In both cases, larger companies not only suffer from being stuck in a specific mindset, but they also face many challenges in the integration process when new business models are adopted and they therefore really benefit from change managers.

ABOUT SANDRA GONZA

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The views expressed here are her own and do not necessarily reflect those of Sandra's employer.

WHAT KEEPS YOU HOPEFUL IN THE WORK OF CIRCULAR?

I think what gives me hope in the realm of circular economy is the rate of innovation. Having spent several years working in apparel and textile supply chains, I've come to believe that we possess most of the solutions needed to start addressing the challenges we face as the apparel and textile industry. When it comes to circularity, you can map out a solution for almost every stage of a product's lifecycle. The real challenge lies in scaling these solutions and making them accessible, especially in instances where vested interests may intentionally hinder progress to protect their own business concerns. However, I'm a strong advocate of the idea that necessity is the mother of invention, and we will therefore continue to see these solutions flourish. This optimism is something I hold onto tightly because this change is not merely a choice, it's an imperative. There's simply no option but to push forward with these transformative shifts.

LEGISLATION IN EUROPE

The average European throws away around 12 kg of textiles every year[30] and European consumption of textiles is having the fourth-highest impact on climate change and the environment.

The European Union is therefore looking into ways to act on this and has recently launched the EU Strategy for Sustainable and Circular Textiles,[32] which is part of the European Green Deal that aims to ensure zero net emissions of greenhouse gases by 2050, economic growth decoupled from resource use, and that no person or place is left behind.[33]

This strategy is aimed at the whole lifecycle of textile products and how we produce and use them and therefore encompasses a whole range of measures including but not limited to:

- **New design requirements for textiles as per the Ecodesign for Sustainable Products Regulation**
- **Clearer information on circularity and environmental requirements via the Digital Product Passport**
- **Tight controls on greenwashing thanks to the Green Claims Initiative**
- **A revised Waste Framework Directive that harmonises rules on producer responsibilities**
- **Co-creation of the Transition Pathway for the Textiles Ecosystem**

The European Commission also adopted a new proposal on rules promoting the repair of goods that supports the objectives of the European Green Deal by making it easier and more cost-effective for consumers to repair rather than replace goods.[34]

ECODESIGN FOR SUSTAINABLE PRODUCTS REGULATION

This new regulation, which was proposed last year, establishes a framework that intends to improve specific product groups' circularity, energy performance and sustainability. It will enable the European Commission to set requirements in terms of product durability, reusability, upgradability and repairability. It will also address factors that inhibit circularity and have a bearing on efficiency, recycling and recycled content, and environmental footprints. It is estimated that this framework could lead to savings of around 132 mtoe of primary energy savings or roughly 150 billion cubic metres of natural gas.[35]

DIGITAL PRODUCT PASSPORT

The Digital Product Passport is part of the Ecodesign for Sustainable Products Regulation framework that sets requirements on information. Items with a Digital Product Passport can be scanned by authorities to carry out checks and controls more efficiently as they will include information on various attributes such as durability, reparability, share of recycled content and availability of spare parts among others.[36]

GREEN CLAIMS INITIATIVE

With the Green Claims Initiative, the European Commission aims to address greenwashing and protect consumers and the environment. The initiative should make green claims reliable, comparable and verifiable across the EU and also contribute to creating a circular and green EU economy. The initiative also ensures that there are clear criteria on how companies should prove their claims and labels and how these should be checked by independent and accredited reviewers.[37]

WASTE FRAMEWORK DIRECTIVE

Basic waste management principles are outlined in the Waste Framework Directive. This means that waste should be managed without endangering human health or the environment; being a risk to water, air, soil, plants and animals; causing noise or odours; or affecting the countryside or places of interest. It is founded on a waste hierarchy that establishes an order of preference when it comes to managing and disposing of waste – prevention, preparing for reuse, recycling, recovery and disposal.[38]

TRANSITION PATHWAY FOR THE TEXTILES ECOSYSTEM

The industry has strong potential to adopt sustainable and circular production, consumption and business models. In this respect, stakeholders were invited to co-create a transition pathway for the textiles ecosystem, identifying what the digital and green transitions and increasing resilience mean for the textiles ecosystem, and what specific actions and commitments need to accompany the transition.[39]

RIGHT TO REPAIR

Consumers often exercise their legal right to replace faulty goods instead of repair them but the European Commission has now responded to the calls to a 'right to repair'. The directive therefore aims to increase the repair and reuse of viable defective goods within and beyond their legal guarantee. This could help lower waste, generate fewer greenhouse gas emissions and lower demand for valuable resources in comparison to if consumers were to simply replace their goods.[40]

IMPACT FOR THE TEXTILE INDUSTRY

All of the measures contained within the EU Strategy for Sustainable and Circular Textiles will no doubt have a significant impact on manufacturers and suppliers in one way or another. However, the European Commission will provide incentives and support to those companies using product-as-service models, circular materials and production processes and those cooperating on an international level for increased transparency.[41] Omnichannel companies can also turn to and partner with logistics experts such as Bleckmann, who can support in implementing a circular system with benefits such as compliance with legislation, customer loyalty and zero waste.

THE FUTURE IS NOW

In our 2022 Leading Circular report, we ended by questioning if the fashion industry had seen real change in attempts to degrow, or whether companies were simply trying appear as though they were taking action and it was in fact just an act of greenwashing. We looked in particular at the progress made on our call to action for companies to replace 10% of their production growth with resale, but, as the fashion industry becomes more volatile and we become more sensitised to alarming statistics on its future, we should perhaps consider the role that green growth has to play at the same time.

Where degrowth in fashion requires brands to reframe their goals and embrace alternative business models while also seeking solutions to reduce production and consumption volumes,[42] green growth aims to disconnect economic growth and reliance on virgin materials by favouring recycling, reselling, and renting. Some may argue that the concept of green growth is undermining circular economies to some extent, by encouraging consumers to continue shopping and consume just as much, if not more, as long as they choose items that have a lower environmental footprint such as by purchasing recycled or second-hand clothing.[43] But this is having a detrimental effect – research shows that consumers tend to purchase more items of clothing when they are labelled with words such as 'circular' and 'recycled',[44] and it is exactly this type of overconsumption that is contributing significantly to the industry's extensive sustainability problems.

However, it is undeniable that, regardless of the details of degrowth and green growth, the end goal is the same – a sustainable future for life on earth. In this respect, no matter in which way brands lean or the opinions they have, they need to come together to talk about and coordinate on achieving this aim.[45] Fashion firms should perhaps therefore consider combining the main principles of the two types of growth – not only creating more sustainable and long-lasting items and adopting alternative business models that reduce production and consumption, but also promoting recycling, reselling and renting instead of purchasing something new. This of course not only relies on companies changing their behaviour, but also on them encouraging an alternative mindset among their consumers – one of consuming less and choosing circular items when making a purchase is absolutely necessary – i.e. a 'buy less, buy better' approach.

However, it is not just a consumer's responsibility to change their behaviour to make a positive contribution to environmental and climate issues – as we've already established, fashion companies have a duty too.
Since we already know what the industry will look like in the years to come, fashion companies shouldn't be asking themselves 'what will the industry be like in 5, 10 or even 50 years?' or 'is it viable for me to adopt a circular model with a difficult future ahead?'. Instead, they should ask themselves 'we know what the future holds so what can we do to ensure we're prepared and embrace change under difficult circumstances?'

One of the biggest demands that will be placed on the industry as a result of consumer demand for more sustainable fashion is using more sustainable materials and lowering emissions. With material preparation, production and processing accounting for over 50% of the value chain's emissions,[46] new approaches to materials is a key issue. The good news is, however, that consumers, especially from younger generations, are willing to spend more on sustainable products,[47] and with these generations set to account for a large proportion of global income in future, it is imperative that brands listen to their wishes for more sustainable fashion items and invest time, money and effort into providing exactly that.

Brands who look to implement 'green premiums' can do so without sacrificing their own economic and sustainability goals. For example, if companies passed on a green fibre premium of 25% to their customers, it would only result in a retail price increase of 0.5% to 3%. Companies need to emphasise to their consumer base that this green premium is a small price to pay for quality goods and a lower cost to the environment, making sustainability the norm and fast fashion a thing of the past. This could then be scaled, creating a more efficient, virtuous cycle of innovation, investment and, as a result, further scaling.[50]

However, brands will not only have to adapt to new consumer behaviours and using alternative materials, they will also have to contend with various forms of unpredictability. And it's not as though these companies aren't already aware of these future challenges – volatility in various facets is already a major concern for many fashion executives.

Top three risks to fashion businesses in 2023 by percentage of fashion executives[51]

Inflation	78%
Geopolitical instability	66%
Supply chain disruptions	52%
Increased economic volatility	31%
Volatile energy prices	28%
Rising interest rates	17%
Financial market volatility	15%
Trade policy changes	7%
COVID-19 pandemic	5%

All the uncertainty and disruptions to the industry – whether that be geopolitical, economic or in terms of supply chains – are of course difficult to foresee, but this shouldn't give brands an excuse to crumble under the pressure of these challenges. Fashion companies have the opportunity to be proactive instead of reactive and create a more agile supply chain that can cope and succeed in any situation. Deploying various technologies throughout the value chain, such as artificial intelligence or machine learning, is of course one way to observe patterns and predict and adapt to challenges, but partnering more closely with suppliers and logistics providers, broadening the supply chain across countries, and investing in efficient warehousing is key to dealing with and being responsive to these somewhat unpredictable situations.[52] In this way, brands have an increased chance of success when simultaneously adopting a circular business model, catering to their customer's demands for more sustainable fashion, and adapting to the ever-changing challenges the industry faces.

CONCLUSION

As our global economy adapts to new parameters, centering Circularity within a business enables a company to be best prepared for this volatility.

As Sandra Gonza wrote a Circular Business will have other metrics of success that once measured and integrated can only benefit the greater society. In the future, not only profit, but carbon impact, resource usage, community empowerment and overall well-being improvements are count to determin a successful company. The circular economy should meet the needs and well-being of upstream and downstream supply chain stakeholders.

This is change, and therefore requires to get up each day and work a little differently than you did yesterday. It is our hope that this report, along with the hundreds of other Circular resources can support your change.

And while it can be difficult to parse through the noise of what is real and what isn't, our experience at Bleckmann is to do the work and hope our actions become our proof. As stated in the report from our CEO:

> **In our vision of the future, logistics will become the backbone of a circular economy for fashion and lifestyle products.**
> **Our solutions will gradually be incorporated into a new all-in-one renewal and logistics offering.**

We want decisions to be easy and aligned with their business and sustainability goals. We have the advantage of being within the supply chain that needs to change. So when we change, the momentum begins.

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