CIRCLE ECONOMY

CIRCULAR APPAREL BUSINESS MODELS

THE CHALLENGE & OPPORTUNITY

CIRCLE ECONOMY

THE CHALLENGE.

Europe's Textiles Economy

- In 2020, an estimated total of 6.6 million tonnes of textile products were consumed in the EU. This equates to 15kg per person;
  - 6.0kg of clothing
  - 6.1kg of household textiles
  - 2.7kg footwear.

- To produce these textiles, an estimated 175 million tonnes of primary raw materials were used.

- Over the last 20 years, the use time of clothes decreased by 36%, with each garment used an average of seven or eight times

- In 2017, it was estimated that less than 1% of all textiles worldwide are recycled into new products

Source: European Environmental Agency (2020) Textiles and the environment: the role of design in Europe's circular economy
Source :Ellen MacArthur Foundation (2017) A new textiles economy

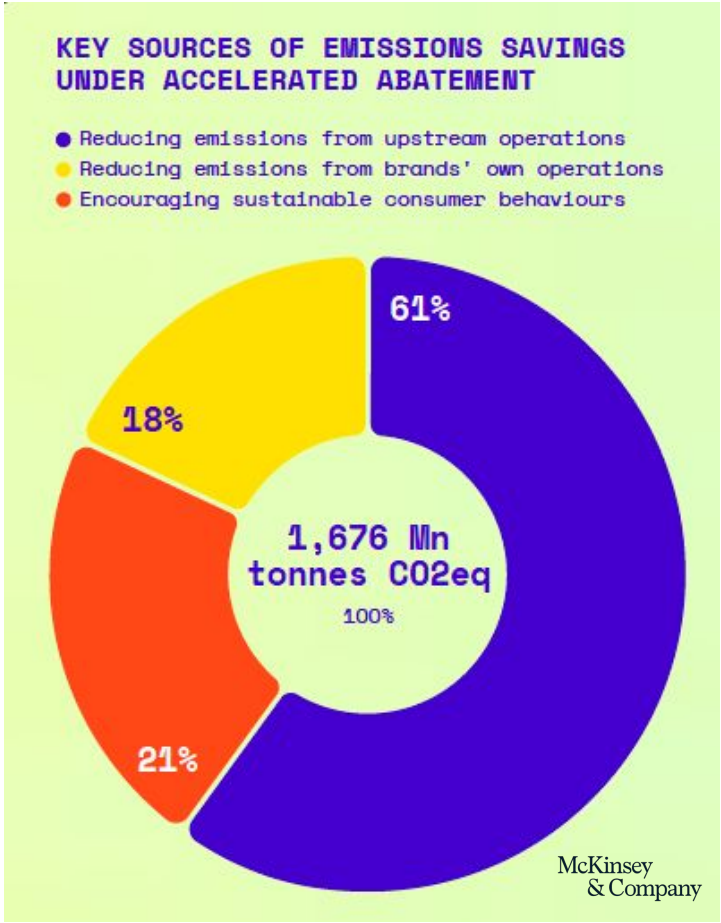
THE CHALLENGE.

Given this, from a global lifecycle perspective, in 2020 the EU's textile consumption had, on average;

- The **4th** highest impact on the **environment and climate change**
- The **3rd** highest impact on **water and land use**
- The **5th** highest impact in terms of **raw material use and greenhouse gas** emissions.

Source: European Environmental Agency (2020) Textiles and the environment: the role of design in Europe's circular economy
Source :Ellen MacArthur Foundation (2017) A new textiles economy

‘60% OF THE ACCELERATED ABATEMENT* POTENTIAL LIES IN DECARBONISING UPSTREAM OPERATIONS, 18% LIES IN BRANDS’ OWN OPERATIONS, AND **21% RELIES ON ENCOURAGING SUSTAINABLE CONSUMER BEHAVIOURS THROUGH CIRCULAR BUSINESS MODELS’**



*Abatement refers to the reduction of greenhouse gas (GHG) emissions that the fashion industry is responsible for.'

Source: McKinsey & Company. (2020). Fashion on Climate.

‘BY 2030, WE NEED TO LIVE IN A WORLD IN WHICH **1 IN 5 GARMENTS** ARE TRADED THROUGH **CIRCULAR BUSINESS MODELS.’**

Source: McKinsey & Company. (2020). Fashion on Climate.

THE SOLUTION.

Extending the **active service life of garments** is considered one of the most effective ways to reduce the overall impact of the clothing industry.

Optimising the use of clothing…

1. …could contribute to **decreasing the need for production** of new garments and;
2. **…reduce the growing volume of textile waste** that is generated every year.

Extending the life of clothes by an extra **nine months** of active use would **reduce the carbon, water, and waste footprints by around 20–30 % each.**

Source: WRAP (2017), Valuing our clothes
Source: QSA Partners (2020), Does Buying Pre-Loved Clothing Mean Buying Less New?

THE ENVIRON-MENTAL IMPACT.

According to latest research by Ellen MacArthur;

- **Resale and remake** models can generate a CO2e reduction of **up to 47%,** compared to the linear model
- **B2C rental** models can generate a CO2e reduction of **up to 41%,** compared to the linear model
- **Repair models** can generate a CO2e reduction of **up to 31%**, compared to the linear model

Source :Ellen MacArthur Foundation (2021) Circular Business Models, Redefining growth for a thriving fashion industry

THE ENVIRON-MENTAL IMPACT.

Displacement rate

- Is the reused item displacing the purchase of something new?

Utilisation rate

- Will the item be used more actively compared to a non-reused item?

Operational impacts

- Does the model still have a net impact reduction when considering the impacts of logistics, laundry, packaging and textile waste streams?

Design for cyclability

- Is the model incentivising design for for durability and/or recyclability?

THE SOCIAL IMPACT.

- On average a social enterprise creates between 20 and 35 jobs per 1,000 tonnes of textiles collected with a view of being reused.

- With increased collection, sorting and reuse / recycling, the textile sector has the potential to create 120,000 jobs in the EU

- In Netherlands, research shows that focusing on repair, reuse and resale would have the largest job-creating potential, leading to an increase of 25%.
    - **Core circular jobs** e.g. textiles collection and sorting, repair and resale.
    - **Enabling jobs** which accelerate and upscale core activities e.g. developing digital technologies, transport logistics, education and governance.

Source: Rreuse (2021) Job creation in the reuse sector
Source: Circle Economy (2020) Putting Textiles to Work
Source: SITRA (2021) How does the Circular Economy change jobs in Europe?

THE SOCIAL IMPACT.

Quality of work

- Are stakeholders being paid a living wage?
- Is the work at hand decent, safe, formalised work with adequate social protection?
- How might this new business model potentially shift jobs away from ready-made garment industries and/or other reuse economies, and how can this be accounted for?

Upskilling the workforce

- Are skilled workers able to progress in their careers? Does this career path require retraining?
- What new roles emerge from this new business model? Which workers have access to these new roles?

Inclusive job opportunities

- Is the impact on stakeholders equitable across gender; part-time vs full-time; workers with disabilities; at all levels: managers vs. workers?
- Are consumers faring better with reuse options? For example, are is clothing more accessible through reuse?
- Have reuse products and services been designed inclusively?

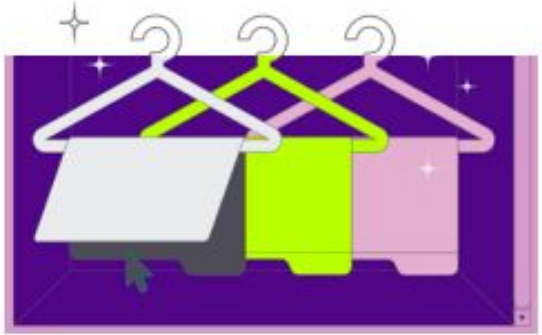
Source: WRAP (2020), Square Your Circle
How to Ensure a Just Transition to
Reuse Business Models in Apparel
Source: Circle Economy & EEB (2020) Promoting Fair and
Circular Business Models

CBM ARCHETYPES

CIRCLE ECONOMY

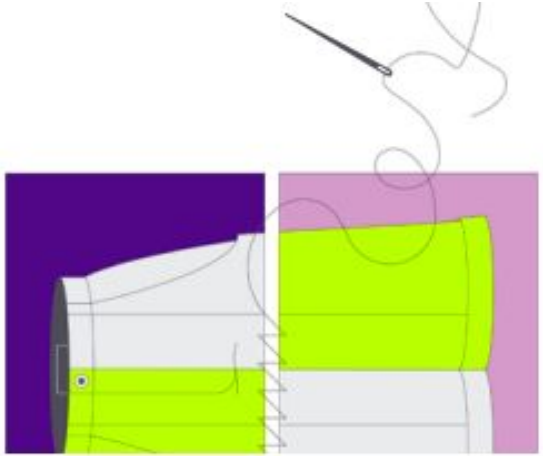
RESALE

This includes peer-to-peer sale of second-hand items (online and offline), third-party marketplaces (online and offline), and own-brand re-commerce and take-back (online and offline)



RENTAL

This includes one-off peer-to-peer rentals by private owners, as well as large-scale rental and subscription models by multi-brand platforms or individual brands



REPAIR

This is the operation by which a faulty or broken product or component is returned back to a usable state

Source :Ellen MacArthur Foundation (2021) Circular Business Models, Redefining growth for a thriving fashion industry

CIRCULAR BUSINESS MODELS: **THE ARCHETYPES**

RESALE MODELS: Extend the useful life of a product, by selling it more than once.

- **Own brand resale:** Online or offline resale model owned and operated by a brand
- **Incentivised 3rd-party resale:** Online or offline resale model, whereby brand incentivises their consumer to engage, by directing them towards a third party platform who manages and controls the actual resale of the garments.
- **3rd-party resale:** Online or offline resale platforms and/or marketplaces that are owned and operated by third-party innovators and retailers (eg. Consignment stores, RESPONSIBLE, The Renewal Workshop)
- **Peer to peer resale:** P2P resale via offline marketplaces, events or online platforms (Eg. Nuw Wardrobe, Vestiaire Collective, Depop)
- **Charity or non-profit resale:** Online or offline resale model operated by and/or for a charity or nonprofit organization, usually donation-based (Eg. Thriftify, Salvation Army)

CIRCULAR BUSINESS MODELS: **THE ARCHETYPES**

RENTAL MODELS: Provide access over ownership

- **Pay-per-use or Rental one-off model:** A one-time rental fee applies
- **Subscription model:** A fixed fee debited on a regular basis (e.g. 30 days)
- **Leasing model:** Similar to subscription, but with a set duration (e.g. 12 months), after which customers usually have the option to buy the product or exchange it for a new one
- **Hybrid model:** A combination of the above

REPAIR MODELS: Extend the useful life of a product, by returning a faulty or broken product back to a usable state

- **In-use repair:** Upgrade, repair, and maintain products, as a service, while they are still in-use
- **Post-use repair:** Take back product at end-of-use, to upgrade, repair, and maintain again for eventual reuse.
- **Hybrid model:** A combination of the above

THE MARKET

THE BUSINESS OPPORTUNITY.

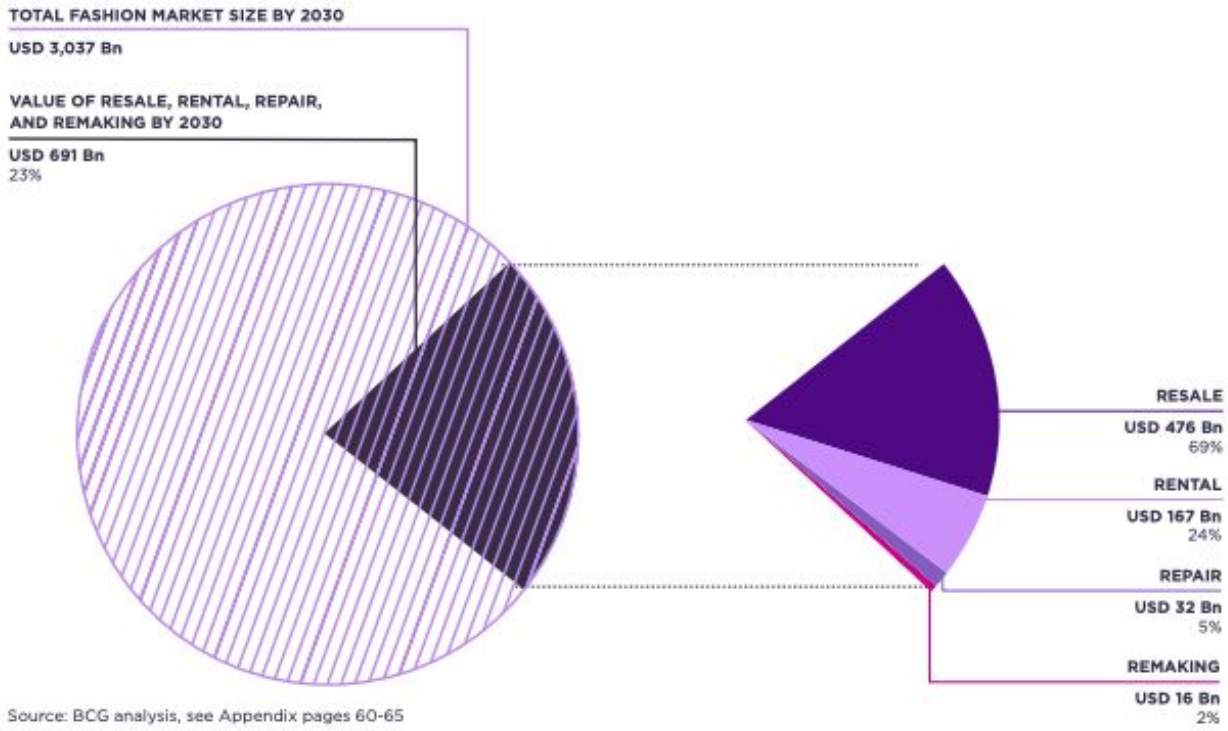
Established fashion brands that will embrace new ownership models will further their relevance to consumers and reap additional benefits:

- Reduce **environmental impact**
- **Increase revenue** or margin per single item
- **Control** existing second hand markets
- Tap into **new customer segments**
- **Speak to the attitudes and values** of a new generation
- **Increase footfall an strengthen the relationship** with your customer

CIRCLE ECONOMY

These business models have the potential to grow to 23% of the global fashion market by 2030 – representing a USD 700 billion opportunity.
Ellen MacArthur Foundation

FIGURE 5: ECONOMIC VALUE OF RESALE, RENTAL, REPAIR, AND REMAKING BY 2030

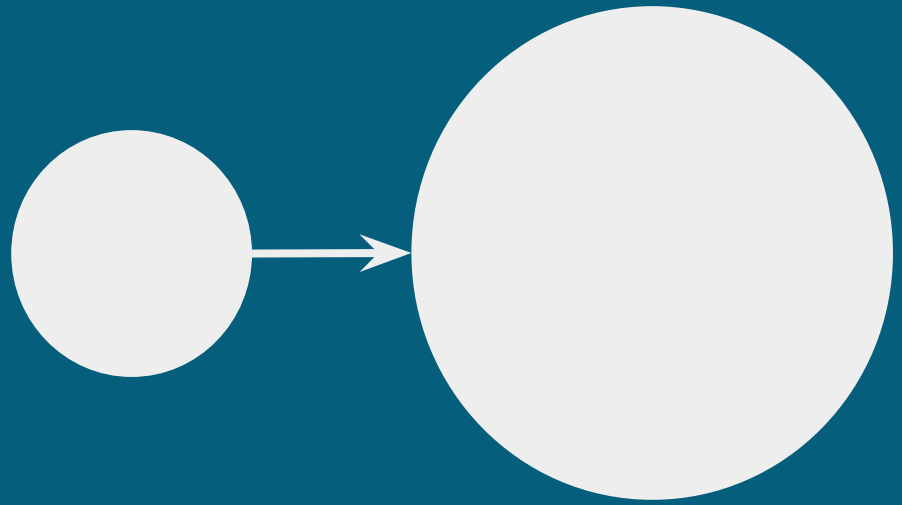


Source: BCG analysis, see Appendix pages 60-65

RESALE MARKET GROWTH

CIRCLE ECONOMY

- The resale market is growing faster than traditional retail market with 15% annually.
- Within 10 years, the resale market could be bigger than fast fashion.



2019

- $28 billion overall
- $7 billion resale
- $21 billion thrift & donation

2024

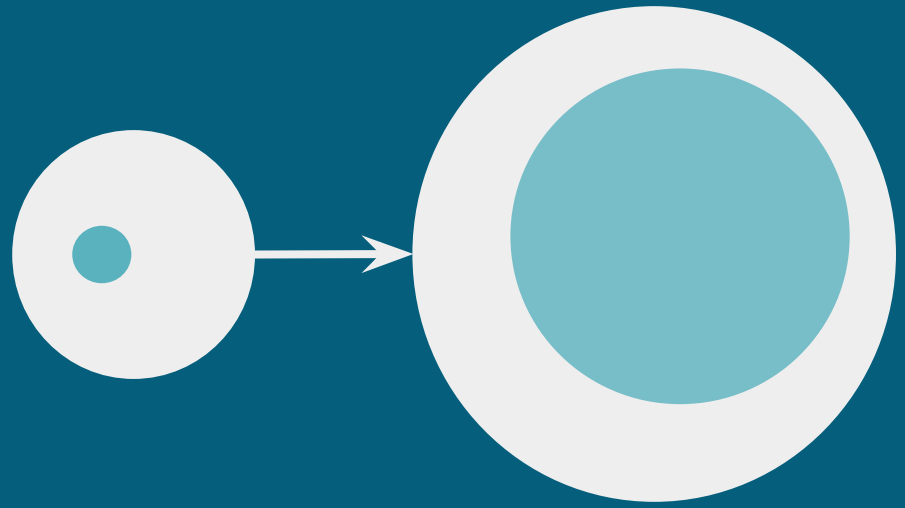
- $64 billion overall
- $36 billion resale
- $28 billion thrift & donation

Source: ThredUp 2020 Market Report

RENTAL MARKET GROWTH

CIRCLE ECONOMY

- The rental market is projected to grow faster than traditional retail market with 11%.



2019
- $1.26 billion

2025
- $2.08 billion

SOURCE: Global Online Clothing Rental Market, Forecast to 2025 - ResearchAndMarkets.com

EXISTING BRAND INITIATIVES IN 2019

CIRCULAR BUSINESS MODELS

	RENTAL ONE-OFF	RENTAL SUBSCRIPTION	RENTAL LEASING	RECOMMERCE
LUXURY	PANOPLY			MARA HOFFMAN[2]; STELLA McCARTNEY[4]
PREMIUM	ba&sh; Filippa K; GANNI	REBECCA TAYLOR[3] RNTD; VINCE.; SCOTCH&SODA[3]; ANN TAYLOR[3]		CYRILLUS PARIS; REI CO-OP USED GEAR; EILEEN FISHER; Seconde HISTOIRE; Filippa K; [2] patagonia; THE NORTH FACE RENEWED; ROCK SOLID USED GEAR[1]; GUESS[4]
MID MARKET	SKFK[5]; DECATHLON RENT[5]	AMERICAN EAGLE OUTFITTERS; EASYFACKS; NY&C CLOSET; kipling Live Light[5]; EXPRESS[3] Style Trial; nuuly	MUD JEANS; ADORE ME; Nudie Jeans co; prAna	WORN WEAR[1]; CAMAÏEU&C Le vide dressing; Reformation
VALUE MARKET	Tchibo		MeUndies; FOR DAYS	

1 Trove B2B
2 The Renewal Workshop B2B
3 CaaStle B2B
4 Partnership with ThredUp, customers receive brand discount voucher
5 Lizee B2B

EXISTING BRAND INITIATIVES IN 2020

CIRCULAR BUSINESS MODELS

	RENTAL ONE-OFF	RENTAL SUBSCRIPTION	RENTAL LEASING	RECOMMERCE
LUXURY	Galeries Lafayette 6, PANOPLY			Neiman Marcus, BURBERRY 4, 4
PREMIUM	ba&sh, Filippa K, GANNI, VAUDE	REBECCA TAYLOR RNTD 3, macy's 3, VINCE., DVF 3, SKFK 6, ANN TAYLOR 3, bloomingdales 3		MARA HOFFMAN 2, CYRILLUS, Seconde HISTOIRE, M.M.LAFLEUR 8, EILEEN FISHER 1, CUYANA 9, REI USED GEAR, ARC'TERYX 1, Filippa K, ROCK SOLID USEDGEAR, GUESS, AMOUR VERT 9, TOMMY FOR LIFE 2, NORDSTROM 1 1
MID MARKET	patagonia, OTTO 5, DELSEY PARIS 6, DECATHLON RENT 6	AMERICAN EAGLE OUTFITTERS, EASYFICKS, BANANA REPUBLIC 3, NY&C CLOSET, kipling 6, nuuly, EXPRESS 3 Style Trial, SCOTCH&SODA 3	MUD JEANS, ADORE ME	THE NORTH FACE RENEWED 2, adidas 7, patagonia 1, Reformation 4, Reebok, macy's 9, CAMAÏEU&C Le vide dressing, POLARN O. PYRET 9, Abercrombie & Fitch 9, CHRISTY DAWN, HOLLISTER, prAna, GAP, Nudie Jeans co, zalando
VALUE MARKET		H&M	FOR DAYS, MeUndies	H&M 2, 9 ebay, 9 Walmart

1 Trove B2B
2 The Renewal Workshop B2B
3 CaaStle B2B
4 Partnership with TheRealReal, customers receive brand discount voucher
5 About You facilitated by RE-NT
6 Lizee B2B
7 Stuffstr
8 Collaboration with DePop
9. Partnership with Thredup
10. x Fashionphile

Investments made to improve and scale solution providers and innovators

ECOTEXTILE NEWS

Magazine Latest Fashion Standards Materials Chemistry Soci

Circular logistics firm secures new investment

PREMIUM

Published: 05 July 2021 Written by Chris Remington Print

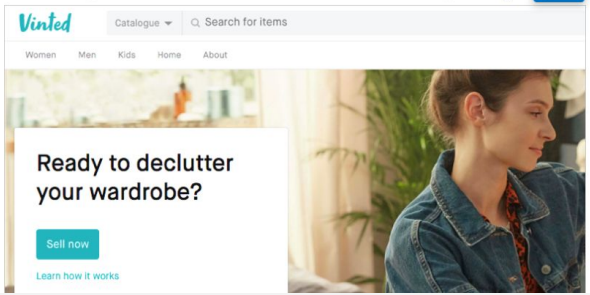
ECOTEXTILE NEWS

Magazine Latest Fashion Standards Materials Chemistry Soci

Resale platform Vinted raises €250 million

PREMIUM

Published: 12 May 2021 Written by Chris Remington Print



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Trove secures US$77.5m, details big plans

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Published: 25 August 2021 Written by Chris Remington Print

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Magazine Latest Fashion Standards Materials Chemistry Soci

The Renewal Workshop secures US$6 million

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Published: 24 June 2021 Written by Chris Remington Print

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ThredUp site to more than double its capacity

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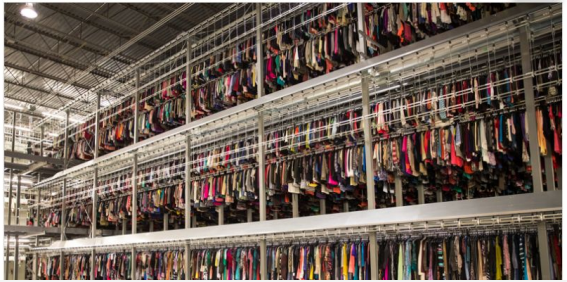
Published: 22 September 2021 Written by Chris Remington Print



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Rent the Runway files for IPO

PREMIUM

Published: 22 July 2021 Written by Chris Remington Print

Garment technologies are enabling greater efficiency

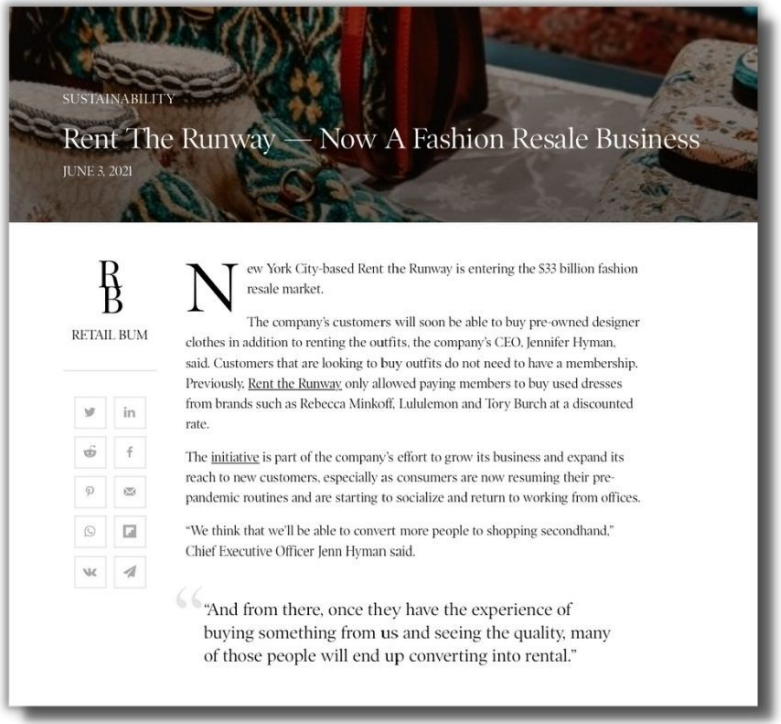
circular.fashion

FAIR wertung bewusst handeln

EON HOUDINI

Rental, Resale and Recycling loops are joining up

RENT THE RUNWAY



SUSTAINABILITY

Rent The Runway — Now A Fashion Resale Business

JUNE 3, 2021

RETAIL BUM

New York City-based Rent the Runway is entering the $33 billion fashion resale market.

The company's customers will soon be able to buy pre-owned designer clothes in addition to renting the outfits, the company's CEO, Jennifer Hyman, said. Customers that are looking to buy outfits do not need to have a membership. Previously, Rent the Runway only allowed paying members to buy used dresses from brands such as Rebecca Minkoff, Lululemon and Tory Burch at a discounted rate.

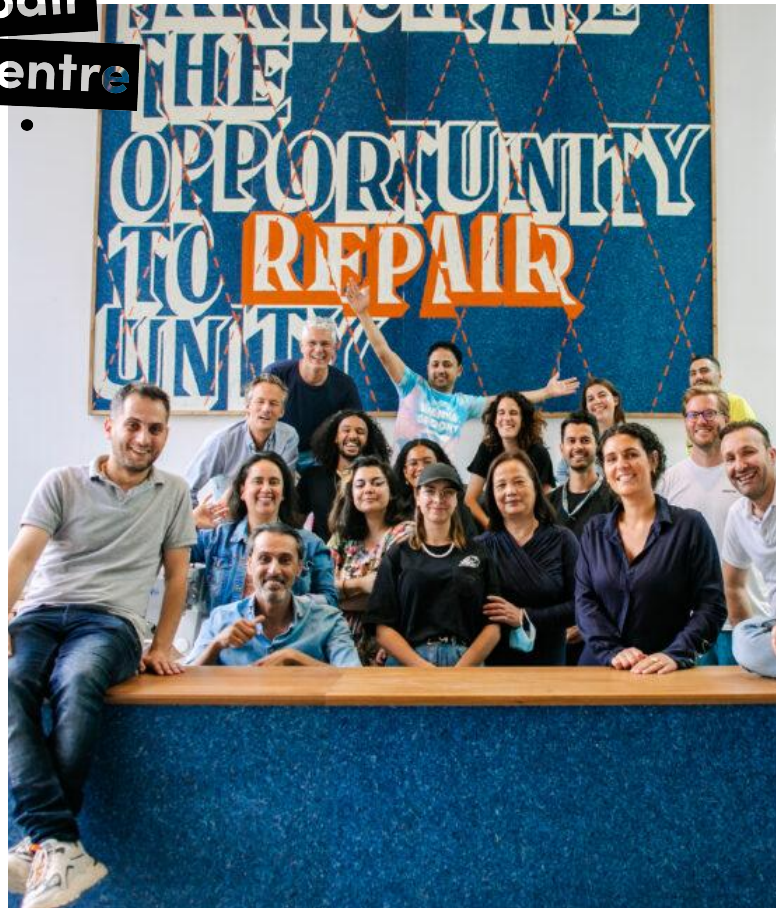
The initiative is part of the company's effort to grow its business and expand its reach to new customers, especially as consumers are now resuming their pre-pandemic routines and are starting to socialize and return to working from offices.

"We think that we'll be able to convert more people to shopping secondhand," Chief Executive Officer Jenn Hyman said.

> "And from there, once they have the experience of buying something from us and seeing the quality, many of those people will end up converting into rental."

The focus on building CBMs that drive positive social impact and inclusion is gaining traction

united repair centre



rreuse

CIRCLE
ECONOMY
Thank you!