

**Aalborg University Business School**  
**MSc International Business Dissertation**



**‘Drivers, Barriers, and Potentials of Circular Economy for  
Fashion Companies in International Business’**

**Dominika Zúbeková**

# Abstract

The majority of fashion companies are still following the traditional linear economy “take-make-dispose” thus, this paper aims to present the potential for the companies who decide to adopt more circular practices. The linear fashion model has become progressively riskier to base the businesses upon, therefore, it is important to highlight the drivers and potential that CE implementation can create. This research paper contributes to the literature by presenting the potential that is followed by circularity and shows how business models that are following CE have a higher probability of achieving a sustainability advantage in the fashion market. And most importantly, how they can overcome the barriers of implementing CE, which in many cases is the main reason why fashion companies still hasn't changed. The scope of the research is concentrated on 2 types of CE companies - born circular and growing circular companies. Circular companies has the potential to attain the sustainability advantage in comparison to their competitors, which can result in higher profits and customer loyalty. Different studies were conducted to investigate the different barriers and drivers following the CE implementation, however, just a little percentage has been concentrating on the differentiation of those criterias on born and growing circular companies.

# Table of Contents

1 Introduction	4
1.1 Research background	4
1.2 Research question	5
2 Philosophical considerations and methodology	6
2.1 Philosophy of Science	6
2.1.1 Ontology	6
2.1.2 Epistemology	6
2.1.3 Research paradigm	7
2.2 Methodology	7
2.2.1 Data collection	9
2.2.1.1 Interview selection	9
2.2.1.2 Semi-structured interviews	10
2.2.2 Coding of the interviews	11
3 Literature Review	14
3.1 Linear economy versus Circular economy	14
3.1.1 Linear economy	14
3.1.2 Circular economy	14
3.2 Types of CE firms	17
3.3.1 Born Circular companies	18
3.3.2 Growing Circular Companies	19
3.3 Fast Fashion Industry and Circular Economy	20
3.4 Drivers for implementing Circular Economy	21
3.7 Barriers in implementing Circular economy	25
3.8 Potentials by implementing Circular Economy	31
3.8 Internationalization of the firms under Circular economy model	33
4 Analysis	35
4.1 Drivers of the CE	35
4.2 Barriers of the CE	36
4.3 Potentials of the CE	38
5 Discussion	39
6 Bibliography	41

7 Appendix	45
7.1 Interview Plan Company A	45
7.2 Interview Plan Company B	49
7.3 Transcript (translated version) - Company A	53
7.4 Transcript (trasnalted version) - Company B	63

# 1 Introduction

The circular economy model (from now on CE) has been spreading widely across nations for its potential to answer some of the sustainability challenges. It not only catches academic attention but most importantly it also attracts businesses and policymakers in a search of addressing the economic, environmental, and social concerns created mostly by linear business models. The majority of fashion companies are still following the traditional linear model thus, this paper aims to present the potential for these companies to adopt more circular practices. The linear fashion model has become progressively riskier to base the businesses upon, therefore, it is important to highlight the drivers and potential that CE implementation can create. This paper aims to help fashion companies to understand the importance of CE within the fashion sector and present ways how to overcome the barriers and see the bigger picture.

The research paper is concentrating on creating the base for companies' understanding of why they should transform towards circularity and what is the possible potential following this decision. By investigating the theoretical framework of sustainability capability in connection to CE implementation, the researcher will present how companies are addressing sustainability challenges and how it differs from linear business models. This research paper contributes to the literature by presenting the potential that is followed by circularity and shows how business models that are following CE have a higher probability of achieving a sustainability advantage in the fashion market. And most importantly, how they can overcome the barriers of implementing CE.

The scope of the research is concentrated on 2 types of CE companies - born circular and growing circular companies. The literature study the different barriers and drivers following the CE implementation, however, just a little percentage has been researched in order to differentiate those criterias on born and growing circular companies. For better visualization of the results of the study, the researcher created a table presenting different drivers and barriers of these companies. This helped to conceptualize what factors are more important or instrumental in both types of companies and how does it differ. This study follows the narrative that born circular companies are facing less barriers on their way of adopting CE in comparison to growing circular companies. This contributes to the literature as a template that can be used by companies for easier CE transition.

## 1.1 Research background

Based on linear logic most fashion companies and their manufacturing processes, supply chains, and infrastructure are designed following the one-way flow of products meaning a high level of consumption (Korhonen et al., 2018). Following this model is clearly unsustainable and therefore the transition towards CE is vitally important not only for society but also for the environment (Bocken et al., 2014; Tukker, 2015). Therefore the new paradigms are pushed forward to redesign the fashion industry to become more sustainable and therefore ease the impacts it has. (Lueg et al., 2013; Niinimäki et al., 2020)

The empirical research presenting both born circular and growing circular companies in the fashion industry is still scarce. To the best of the author's knowledge, following Briguglio et al.'s argument (2021), none of the research on drivers and barriers of CE implementation has been particularly focused on the distinctions between born circular and growing circular companies. The goal of this research paper is therefore to add to the body of knowledge by analyzing the variables that influence the adoption of the circular economy for both types of companies while evaluating it by constructing the interviews. This paper aims to identify the drivers and barriers to implementing CE for born circular and growing circular companies and the overall potential that follows this transition. (Briguglio et al., 2021).

## 1.2 Research question

Based on the research background, the following research question was defined:

*“How are the drivers, barriers, and potentials in born-circular and growing-circular companies in international operations and how can these firms overcome challenges/barriers?”*

## 2 Philosophical considerations and methodology

In this chapter the author will try to demonstrate the philosophical considerations behind the research and consequently followed by methodology. Before going into depth of this research and its methodology, the philosophical considerations needs to be drawn upon attention.

### 2.1 Philosophy of Science

In this part of the research, author try to outline the science behind the research as well as how it should be perceived and the reality that lies within. Therefore, the philosophy of science is interpreted in order to attain knowledge of reality. Understanding the reality is essential base for analyzing and interpreting the research and its contributions.

#### 2.1.1 Ontology

The ontological part of the research is highlighting the need to understand the reality within the research and how can we obtain the knowledge to create the basis for the research. Therefore the relativism approach was chosen to fit the research to understand the reality. The researcher accepts the fact that there are multiple realities, as there are different point of views from different people and cultures which can all have different realities. Relativist ontological stance represent the concept of reality that its dependency is created by those interpreting it (Guba & Lincoln, 1998; Lincoln, Lynham, & Guba, 2018).

Relativism follows the concept of the existence of multiple truths that are based on individual or culture truth, because they all can have a different view towards circular economy since it is still quite a new phenomenon that is not been researched academically to its full potential and is still facing a lot of knowledge gaps. Therefore, this research is based on belief that there is no absolute truth. Lately, the circular economy (from now on CE) is definitely gaining more attention within fashion industry. Nevertheless, the customer's, companies', and institutions' awareness still lacks the understanding of this model and therefore their perception on the topic can differ, which results in different opinions towards circularity and its potential. It is also important to mention that drivers and barriers behind implementing the CE can differ in companies. The literature is providing a basis for different types of drivers and barriers, not necessarily all companies will meet all of these on their way towards implementing a CE. Therefore relativism paradigm helps to present different realities within different companies. It is also important to mention that reality created by one company, does not necessarily had to applies to another company. (Moon & Blackman, 2017)

#### 2.1.2 Epistemology

The ontology part of the research assists us to understand that the reality is perceived through individual or societal reality, which can differ. It is therefore important to understand the complexity of the different realities and how this affects the companies' will to adapt CE. It can be argued that different realities within phenomenon of circular economy will differently affect

the born circular and growing circular companies and therefore create the scope of realities that companies are facing.

The subjectivist epistemology was chosen based on the fact that reality can be expressed based on subject. The advantage the subjectivism brings into this research is to show how individual's experience shapes their reality. This can result in the access to a bigger scope of created knowledge based on the different parameters such as drivers or barriers, companies have to face while adopting CE. It allows the author to show the different realities based on individual experience of companies and how does this create their perception of world. The gathered knowledge and assumptions are interpreted by author's own subjective interpretations and can help to understand the reality, but can not serve as a general truth. Therefore, within this research, where different realities will be presented based on company's different perceptions, the comparison to the literature is showing that even though each company's reality can vary, there are still to some extent following the defined literature. (Moon & Blackman, 2017)

### 2.1.3 Research paradigm

Following the ontological and epistemological considerations of the research paper, the author has decided to use the pragmatic research paradigm. This shows the importance of understanding that there is not one single theory or methodology that can simply explain the reality within this research. Therefore, the combination of theories and methods is needed in order to obtain knowledge based on revealed truth. Because the scope of this research is created based on realities of born circular and growing circular companies, and their implementation of circular economy, it can be argued that is not a single method or theory that could capture the reality. (Moon & Blackman, 2017)

## 2.2 Methodology

Following the philosophical methods discussed above, this chapter will continue defining the reasoning and approach of this paper to deepen the understanding on how are the chosen methods relevant to solving the research question and how are they important in understanding the phenomenon. The motivation behind data gathering and theoretical approach will be further discussed as well. For understanding the motivation behind the chosen data collection methods, the process will be discussed. And lastly, possible limitations of the data collection and data analysis will be presented.

The research was firstly explored through literature review of available studies on the chosen topic while analyzing the different consequences the CE implementation means for companies. Therefore, the various case studies were investigated in order to build the basis for the knowledge creation of reasoning why companies follows the CE model and what are the drivers, barriers and potential resulting from this doing. It is important to mention that the data were obtained through reliable and valid data sources. Following the Saunders et al., (2009) there are three types of sources - primary, secondary and tertiary sources. In order to build up a valuable research, all three types were used. Through primary data sources the researcher collected data from two interviews with circular companies (one born circular company and



one growing circular company). Secondary and tertiary data sources were brought from sources as Aalborg University library, ProQuest, Research Gate and Google scholar. Key words used for finding the suitable papers were: circular economy, fashion industry, sustainability, fast fashion, drivers and barriers, and circular companies.

Following the pragmatic paradigm, methodology of this research present the use of different frameworks and methods in order to support the research questions (Kivunja & Kuyini, 2017). Afterwards, the findings from the literature review were tested using the methods and secondary data but most importantly tested also on 2 companies by attaining the interviews. The theoretical background that was analyzed in order to answer the research questions were mixed methods and frameworks. The researcher used comparative case study with combination of SC model. Comparative case study was chosen in order to answer the problem formulation. This paper therefore, still supports primary and secondary data and is not trying to create a generic framework, but using a real life cases to support the research gap. As there is a very limited literature in the study of differentiation between born circular and growing circular companies and their different adaptations towards circularity, the purpose of the interviews was to obtain a knowledge on how the drivers, barriers, and potential can differ between those two types of companies. This research paper therefore aims to investigate the comparison to the literature and the questions were build up on the premises that BCCs are facing less barriers on their way towards circularity.

This paper researches the fashion industry and its needed transition towards more sustainable economy. All of the players in the fashion industry can not longer hide their undeniable negative impacts on environment and society. As sustainability is gaining an awareness, fashion companies are pushed to transition towards circular economy. However, a lot of companies are resistant because they believe the barriers are bigger than the potential that CE can bring to their companies. Therefore, the study is aiming to explain the barriers and drivers into depth, to show all of the possibilities and scenarios that transition towards CE can bring, in order for companies to not only understand that it is worth it, but also provide them with a way on how to overcome them. And this can contribute to the international business literature as an example for further transitions of companies following the linear economy. It is also important to understand that BCCs and GCCs are facing a different obstacles on the way of implementing CE and therefore is important to highlight the differences between those two types. The objective of this study is therefore to present a ways for companies to overcome the barriers of CE implementation, in order to create new potential for their operations. In order to fully understand the potential created from CE, it is also important to analyze the drivers behind this transition, because their insufficiency can lead to failed transition.

The research design can be defined as a cross-sectional, because data were obtained through literature review and interviews. These data are therefore presented based on interview's statements that can be seen as true right now but can differ in future. That's the reason why researcher defined the realities as multiple and show the importance of understanding that company's reality is based on their experience.

## 2.2.1 Data collection

To get a better insights into the implementation of CE model into the fashion industry, the author decided to collect data not only based on literature review of existing research papers but decided to explore and validate the found data using the semi-structure interviews. Therefore in this research paper the data were both primary, secondary and tertialy. The primary data were obtained by researcher conducting the interviews. The secondary and tertialy data presents all of information gathered from reviewing the accessible literature, case studies, various experiments, websites and others.

### 2.2.1.1 Interview selection

In this part it is important to mention that the research paper is based on fashion industry and therefore the selection of candidates was narrowed down to only the companies that follows CE model to some extent in this industry. It was therefore important to find fashion companies that are born circular - meaning that the CE model is incorporated inside their value chain from the inception but also analyze the growing circular companies that are changing their businesses operations to adapt the CE principles.

Firstly, the search for born circular companies was narrowed down to Denmark's fashion market. Following the Mark Kendall's article (2021) and substituted by more research, we created a table of 70 fashion born circular companies. The author managed to contact 53 of them through different platforms such as website, e-mail, LinkedIn, Instagram or on their store phone numbers. However, only 8 replies were received and none of them were interested in interview. Therefore, the researcher change the direction of the selection and approach companies internationally in the second round. Additional 16 companies were contacted primarily through Instagram and 7 replies were received. After further discussion with companies, one interview was set up with company A, and one company offered help after the submission date, therefore this interview will not be included within this paper.

For growing circular companies, the process of researching such companies was a bit more complicated due to the fact that companies don't particularly highlight their transformation from linear economy towards circular economy. The author managed to find 12 companies internationally, that openly talks about their ongoing transition towards CE principles and contacted all 12 of them mostly through LinkedIn and email. This process was a bit more challenging because these companies are usually SMEs or bigger companies and therefore the process of finding the right person who could complement the research was harder to find. The employees that were contacted were either sustainability experts or managers or founders of the company. In some of these companies, more employees were contacted in order to ensure we will find the right person who can help the author to deepen their research. Overall, 3 replies were received and after further discussion, the interview with company B was set up.

Company	Type of the company under CE	Size of the company	Industry	Job title of the interviewee
Company A	Born circular company	Micro (1 employee)	Fashion industry	Founder of the company
Company B	Growing circular company	SME ( 36 employees)	Fashion industry	Founder of the company

Figure 1: Interview respondents (Author's compilation)

Company A is a born circular company that has only 1 employee, its owner. Company's primary business model is presented as “capsule wardrobe” for women. The company was founded in 2015 and is working towards circularity since its beginning. By creating clothes using upcycling or certified materials, the production is always unique and individual. The company's mission statement is: “We believe in quality craftsmanship, local production and timeless design. Combining elegance and comfort, we help women feel themselves. We produce clothing with minimal impact on the environment.”. This company has only 1 store so far but is selling its products through website, local markets and attending a bigger city markets. The company's international can be seen in collaboration with tailoress from different country.

Company B is a growing circular company with 36 employees. This company was founded in 2006 as an eshop selling fashion products with over 80 brands. In 2010 the collaboration with first sustainable company (from Sweden) started and from that point, the implementation of CE has begin. The implementation fully took about 3 years and right now, the company is collaborating with over 40 sustainable companies that follows CE principles. Company is innovative by their innovation by being fully digital, with only 1 store. Company is delivering to all european countries and is collaborating with different circular brands from over 15 countries. The company's mission statement is: “We discover and curate exceptional products for a conscious lifestyle – well designed, of high quality and truly sustainable”.

#### 2.2.1.2 Semi-structured interviews

There are a lot of advantages behind different methods of qualitative data collection, therefore it is important to understand what is it that the researcher would like to gain form data collection. In this case, the semi-structured interviews were chosen because the author wanted to investigate whether and to what extent the barriers, drivers, and potentials of the circular companies differ from the available literature. Researcher in order to gain the most out of the interviews created the semi-structure interview plan to ensure the same questions will be asked in order for comparison of the answers. Kvale and Brinkmann (2014) states; “(...) *semi-structured interviews can make better use of the knowledge-producing potentials of dialogues*

*by allowing much more leeway for following up on whatever angles are deemed important by the interviewee.” (p. 286).*

By creating the semi-structure plan, the researcher had the possibility to check if all of the questions were answered but still leaving the space for any off script opportunities that could help deepen the research. The questions were mostly open-ended related to the company's approaches in implementing CE. It was really crucial to interview both type of companies - born circular and growing circular in order to answer the research question.

The author managed to have 2 interviews in total. The first interview was conducted with born circular company and the second interview was conducted with growing circular company. Both companies received the individual interview plan before the interview (see Appendix 7.1 and Appendix 7.2). The communication was held through Instagram and personal emails in order to make the interview as pleasant as possible while gaining the most amount of information that could help to answer the research question. The author's reasoning and goals of this research were therefore highlighted to the respondents in order to ensure the common understanding of the expected interview outcome.

The interview plan was created not only including the interview questions but also the author's interpretation of some definitions that seemed to be important in order to ensure the common understanding of the phenomenon. The author defined born circular and growing circular companies at the beginning and through communication with companies ensured that the understanding was correct. Because the objective of this study is to compare the drivers, barriers and possible potential for circular companies by adopting CE, the author's formulation of the interview plan was divided into 5 blocks. First block include the definition of BCCs and GCCs and general questions about the company and its processes. Second block was aiming on investigating the drivers, and therefore the 3 key drivers provided by literature were shortly defined in order to ensure the interviewees understanding. The third block included the barriers of implementing CE, also followed by definition of 3 key barriers for companies based on literature. The fourth block included only the questions about the potential that CE can bring. This part didnt have any definitions mentioned, in order for companies to express their opinions about this matter not influenced by the literature. And the last block include some extra questions to be asked if there is some time to spare.

Both interviews were transcribed using Verbatim transcription, meaning that it was transcribed manually following the exact flow of the interview. After the transcription was done, it was then translated into english because interviews were hold in slovak and czech, because the respondents felt more comfortable that way.

### 2.2.2 Coding of the interviews

Following the figure x, the established procedures of analyzing qualitative data were presented in 5 steps. (Tzeng, 2018).

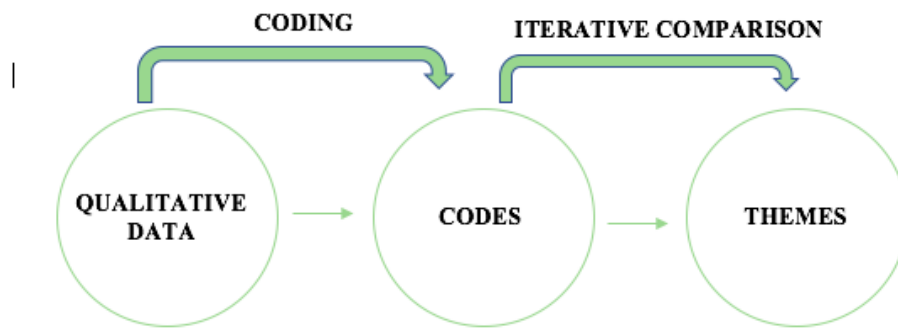


Figure 2: Data analysis - Author's compilation (Delvetool, 2022)

Before actual coding of the interviews, the approach to qualitative coding must be defined. Because this research is aiming to answer the research question on what are the drivers, barriers, and potentials in born-circular and growing-circular companies in international operations, the deductive coding was chosen. This approach is based on already existing definitions of barriers, drivers and potential of implementing the circular economy and therefore this paper is aiming to investigate the extent to which are those presented in real life cases. The data coding started off by developing a codebook with the codes that were important to be answered through interviews and are necessary for comparison to the literature. And after setting these codes, the author read through the interviews few more times in order to assign the sections of the interviews to its main category. This approach was chosen because the structure of the analysis part of the research was pre-determined, in order to answer the research question. (Delvetool, 2022)

Following the Figure 2, the first step of coding the interviews including reading through the data and just creating the codes on all excerpts that were considered interesting for the research. The first round was just founding the codes that could create a basis for the good analysis, the author doesn't need to look for connections to the theories or so, simple just plain codes. This process can be described as a combination of open and values coding. Through open coding, the qualitative data were break down into discrete excerpts. And following the values coding, the author created code excerpts that in some way shows respondent's values, attitudes and beliefs, which can be considered as important factor to create the basis for analysis of this research. The author is trying to show the importance of understanding that implementation of CE can be value fueled, meaning that companies not always changing their operations because they are driven by profit, but sometimes their awareness of the sustainability issues make them reconsider their businesses. (Delvetool, 2022)

The second step was to organize the found excerpts into categories and subcategories to divide their importance to this research paper. This step is important in order to group the appropriate codes together, therefore, the author has to understand the narrative between codes. The goal is to move them around to find their right place and the structure that make sense for

the research analysis. In this step, the connections and possible dependency of codes can start showing of. (Delvetool, 2022)

The third step include the deductive approach mentioned above. This step was performed in order to revisit the codes and categories that were created. This was the space to see if there is a some possible re-categorizing or so. The first round was more about just putting it all out there, this second round concentrates on reanalyzing, finding patterns, and therefore providing the basis for final narratives. The author used the directed content analysis, in order to utilize the gathered data to support or build upon the existing literature. (Delvetool, 2022)

The last step concluded all the codings and based on created codes and categories the final narrative was created.

## 3 Literature Review

### 3.1 Linear economy versus Circular economy

#### 3.1.1 Linear economy

In order to fully understand the phenomenon of circular economy in fashion industry, it is also important to briefly present the linear economy. Lately, most of the fashion companies are still following this model and therefore it is important to highlight why this model has to transform.

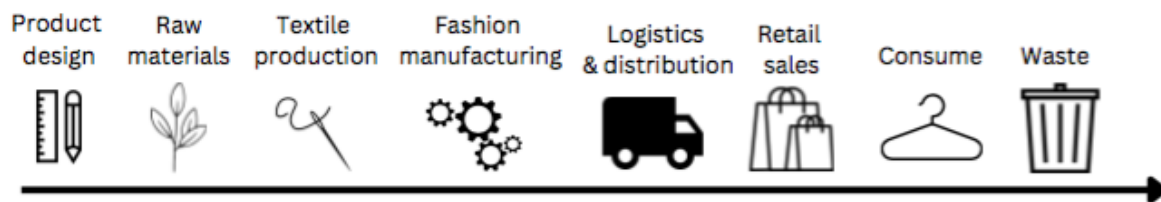


Figure 3: Linear economy (Weavabel, 2022)

In figure 3, it can be seen that the process of linear economy present the use of raw materials taken from the nature to create products, as much and as fast as possible, sell it and when the customers no longer wants them or don't use them anymore, it can be thrown away, as a waste. This straight line represent the linear economy logic, where the extractions of the raw materials, results in resource depletion, continue to be processed in manufacturing companies that are extremely dangerous both from health perspective and social perspective (where employees work conditions are not meeting the criterias for safe workplace and paid the reasonable salaries). Followed by consumers receiving the products through their over consumption logic. This whole flow ends eventually as discarded waste into our landfills. This linear model that is extremely polluting and extractive represents the state of our planet. Because of the overconsumption and overproduce of fashion items, our plat is facing an incredible amount of sustainable challenges. Therefore, the transition towards circular economy is inevitable for the environment as well as society. The shift is presented in simply sustaining of what we already have in comparison to linear logic of continuos extraction of new resources. (EMF, 2013)

#### 3.1.2 Circular economy

Circular economy (from now on CE), can be interpreted in many different ways based on multiple schools of thoughts, therefore it can be challenging to find one generic definition that fits all of them. Thus, behind the crucial elements they share, there is a slightly different

intensity they put forward. However, following the characterisation of Weetman (2017), there are some similar principles between the various approaches, namely:

1. waste=food;
2. build resilience through diversity;
3. use renewable energy;
4. think in systems.

The first principle 'waste=food' presents the importance of reducing waste by keeping the products and their materials at the possible highest value during their product life cycle. We can help by for example redesigning products before producing them in a way the minimal waste is created. And at the end of their life cycle, the materials can be either recycled or reused for some other processes. The second principle 'build resilience through diversity' shows that through cooperation between companies, countries, and economic systems we can use the diversity of each to create resilience and stop the resource depletion together. The third principle 'use renewable energy' shows the possibility of how the flow of information and materials can be made through the usage of renewable energy. The last principle 'think in systems' represents opportunities that can arise for people, the planet, and profit when we connect the people and their ideas and place. (Weetman, 2017)

Ellen MacArthur Foundation (2020) defines the vision behind the circular economy as not only getting rid of the linear models but also showing, that CE is a tool for fashion companies to achieve sustainability. Therefore, the goal of CE is defined as:

*“For fashion, it means ensuring that products (apparel, footwear, accessories) are used more, are made to be made again, and are made from safe and recycled or renewable inputs. A circular economy for fashion creates better products and services for customers, contributes to a resilient and thriving fashion industry, and regenerates the environment. In delivering the vision, the rights and equity of all people involved in the fashion industry are prioritized. The circular economy for fashion creates new opportunities for growth that are distributed, diverse, and inclusive.”* (Ellen MacArthur Foundation, 2020)





Figure 4: Circular economy (Weavabel, 2022)

CE provides a thorough system of principles and manuals for all societies and companies to attain sustainability (Kirchherr et al., 2017). Through a circular approach in their value chain management and operations and incorporating their goals, strategies, and structures they ought to achieve sustainability (Kirchherr et al., 2017). CE has arisen as a potential way for companies to develop their business models to encompass sustainability aspects within their businesses. Therefore, this strategy should and is needed to be used by the fashion industry that is displaying both environmental and social negative impacts. Lately, these impacts have been enormous, mostly following the fast-fashion linear logic, the specificities of the value chain, and the characteristics of production processes. Nevertheless, applying new patterns and models is necessary to change the logic of the fast fashion industry and recreate it according to sustainable parameters (Ostermann et al., 2021).

As already mentioned in the introduction part, we practically live in a linear fueled economy where we transform natural resources into materials and later on products, and after using them we throw them away as waste. The circular economy on the other hand is fighting against the waste being produced in the first place. Constructed within the transition to renewable energy and materials, the circular economy is based on three main principles (EMF, 2022):

1. eliminate waste and pollution;
2. keep products and materials in use;

### 3. regenerate natural systems.

CE tries to create a society where the utilization of limited resources for production processes is cut to a minimum. Therefore, this system is created not only to prosper for the environment but also society (EMF, 2020). It can be argued that CE systems are built within the above mentioned 3 principles to promote sustainable supply chains (Mishra et al., 2020). Therefore, we can see the different perceptions being pushed forward - before it was about what can we do to lower negative impacts and how to do it without concentrating on the good outcomes. Lately, it has been switched to how can we use all of the activities in the economy and redesign them into positive impacts. Therefore, we are shifting from trying to lower our negative impact - not getting rid of it, to redesigning all of the activities to change the way we do things.

Based on CE principles, it can be argued that waste is considered a resource in circular models (EMF, 2013). Within the fashion industry, the potential of the circularity is created when the clothes at the end of their life cycle are returned to the supply chain to the stages where they can be reused for any other operations (Bouzon et al., 2015; Sas et al., 2015). The reversed perception is seen as engaging sustainability where the focus is put on redesigning products to maximize their life cycle. And at the end of their life span, when they are considered waste in traditional linear economy, in CE they are properly disposed of, while the materials are being reused for further operations (Earley & Goldsworthy, 2015).

Companies that implemented CE into their business models also allowed new possibilities to come forward, such as providing some extra services to already existing customers (f.e. customization, tailoring, restoration). In this case, circular business models are able to create multiple revenue streams from the same product resulting in better product margins and competitiveness across the market (EMF, 2021)

Following Rana's research (2021), CE can be described as an “operational strategic model” that can help companies to face sustainable challenges with its principles to ease the process. As already mentioned above, companies can achieve sustainability by incorporating CE in their business models. However, the important step to follow is to investigate the extent of sustainability capability in companies to see if they can adapt the CE principles and practices into their business models effectively (Geissdoerfer et al., 2017).

## 3.2 Types of CE firms

Ellen Macarthur Foundation has been promoting CE principles internationally for over 10 years, as opposing to the linear business models (2022). Nevertheless, its arisen impact on many industries, including the textile and fashion industries (Hugo et al., 2021). In this chapter the researcher will try to define two types of companies that are incorporating CE within their businesses. According to Zucchella and Urban (2019), we can define two main types of circular ventures:

- **Circular born companies** - are the companies that aligned their business models with CE principles from the beginning of their existence (Colucci and Vecchi, 2015). This

type of company has been created based on circularity from its inception in order to be become fully sustainable.

- **Growing circular companies** - usually been on the market for some time and usually based on the sustainable challenges and the pressure from the market and institutions pivoted their focus towards a more sustainable model and thus transforming their linear economy towards circular economy.

### 3.3.1 Born Circular companies

As already mentioned above, Born Circular companies (from now on BCCs) are firms that have CE incorporated into their business model from the inception. What differentiates them in comparison to other companies is mostly because they are not primarily powered by making profits. The traditional linear logic is fueled by maximizing the revenue streams without considering the consequences. On the other hand, the BCCs show interest both with social and environmental objectives by trying to raise a customer awareness of the negative impact of fashion industry. BCCs are frequently trying to address both local and global issues while also present the possibilities that can be created by following the CE principles. (Zucchella & Urban, 2019)

Therefore, it can be argued, that founding a BCC requires entrepreneurs that have not only a vision and capabilities following CE principles, but also the ones that are ready to collaborate with complementary talents in order to achieve their goals. These ventures however usually face the liability of newness and smallness which requires some sort of support system in order to overcome it which is the main reason why BCCs tend to operate within ecosystems to compensate for their liabilities. Therefore, creating a shared collaborations can benefit both circularity but also all of the partners. However, if BCC has a strong institutional context it helps to form their establishment and develop their growth later on. (Ostermann et al., 2021)

There is a high probability that BCCs are created as circular start-ups that are still at the beginning of their life cycle. They were probably founded lately based on the interest in circularity. Such a start-up has to start from the beginning of its life cycle to create and define a scalable business model that is aligned with the circular economy. However, this step can be quite challenging, we can argue that if built properly according to the market needs, it can help the company to attain a competitive advantage over already established companies in the fashion industry by using their smallness as a advantage:

*“Startups' rapid technology adoption in the market can make it possible for the new innovations to spread swiftly throughout the fashion sector which eventually transform the industry towards more CE friendly .”* (Ostermann et al., 2021)

Therefore it can be judged as plausible that in comparison to growing circular companies, BCCs can hold a competitive advantage because they can redesign or shift their whole business models without any particular constraints within a short period of time. BCCs fast response and adaption to market needs can help them attract more customers which can lead to a bigger market share over competitors, simply because of their smallness. When BCC is able to gain competitiveness in the domestic market by developing new products using its capabilities and abilities, based on Oviatt and **McDougall's model** (2005) we can argue that this

company is more likely to experience the fast internationalization process because of its particular sustainable advantage. Which can lead to an assumption of demand across other countries. (Rana et al., 2021)

By designing value proposition within BCCs, it is crucial to take into consideration not only the planet's preservations but also combine them with problems that potential and/or existing customers are facing. BCCs have the ability to arise opportunities with engaging potential customers in the development phase of their product/service and testing their value proposition. (Zucchella & Urban, 2019)

### 3.3.2 Growing Circular Companies

Second type of the companies that align their business with CE principles are growing circular companies (from now on GCCs). As already mentioned above, these are the established businesses that are changing their global value chain towards more sustainable processes, and using CE as a strategy. It can, however, be challenging to characterize the exact transformation towards CE mostly because it is not a one-time adjustment but a continuous process of change (Poole & Van de Ven, 2004). This transformation can also differ from company to company and the extent to which companies have the sustainability capability to be able to adapt to CE processes more effectively (Zucchella & Urban, 2019; Rana et al., 2021).

For GCCs, the CE model is a long-term oriented set of goals and processes aimed towards becoming more sustainable. This transformation should also result in an achievement to meeting the customer's needs and expectations that probably changed since the company's creation. In comparison to BCCs' fast response to market needs and fast adaptability of new technologies, GCCs on the other hand can be defined as more cautious when it comes to innovation in general. Because of the fact that CE is still quite a new paradigm, its innovation brings the uncertainty and novelty which GCCs analyze in detail. GCCs are prone to alter innovation by adopting new technologies only after they become routinized (Wiederhold & Martinez, 2018). Even after CE principles are slowly getting incorporated inside the business models, GCCs are proceeding carefully and experimenting with only small-scale projects. (Zhang et al., 2021; Zucchella & Urban, 2018)

In order for GCCs to be able to follow the circularity and achieve sustainability, these companies have to face a lot of challenges on the way to innovate their business. Including for example effective integration of sustainable elements into the main features of their existing products or lowering the costs of sustainable products (Park et al., 2017). The difference in comparison to BCCs is that GCCs have to redesign their whole processes and operations while making sure the company's capabilities are sufficient in order to accept these changes. Therefore it is quite challenging to shift their business models completely, thus companies need to be certain that they can follow within. In this case, they should first analyze their sustainability capability, to ensure they are able to transform towards CE. In many cases, GCCs tend to follow the success of niche entrepreneurs and adapt to the changes after they've been validated by the market (Kim et al., 2021). It can be argued, that GCCs can face more barriers on their way towards circularity in comparison to BCCs, because they have to redesign their

whole business, including personnel and suppliers, that could have some resistance to change. (Zucchella & Urban, 2018)

### 3.3 Fast Fashion Industry and Circular Economy

The fashion industry is the second most polluting industry in the global economy (Wang et al., 2020). On one side it is considered one of the most compelling sectors creating around 450 billion \$ in global sales (Resta et al., 2016). On the other hand, it has an extensive impact on the environment and society within its supply chains (Chen & Burns, 2006). For example, the usage of water in this industry is 93 billion cubic meters which in many cases results in drought conditions across the globe and produces more than 1 billion tons of CO<sub>2</sub>. Therefore, its carbon emissions are undeniably enormous (Gazzola et al., 2020). The fast fashion industry is considered one of the most environmentally harmful industries mostly as a consequence of its fast pace of consumption. This sector is presented as the mass production of clothes - high quantity per lowest prices, thus following the linear model of a one-way flow of products. Under such circumstances, fashion companies are under undeniable pressure of transitioning towards a CE model replacing the linear economy (Koszevska et al., 2018). CE models, therefore try to redesign all of the operations and processes within the companies to create as little waste and pollution as possible, while keeping all of the materials and products in use to the full extent of their life cycle. CE is also about regenerating nature, and its systems and resources (EMF, 2022). Following the Gazzola et al., from 2020, we can argue that the fashion industry alone is annually using more than 98 million tons of non-renewable resources that can not be easily replaced to keep up with consumption which results in resource deficiency.

The implementation of a CE toward sustainability in the fashion industry can be quite challenging. Most of the companies in this sector are still following the linear model based on the high consumption of one-flow fashion items at the lowest price possible (Armstrong et al., 2015; Todeschini et al., 2017). There is also a high level of fragmentation of the supply chains and distribution present, which can result in social problems such as exploiting the child labor force (Lueg et al., 2013; Pedersen et al., 2018). Therefore, this research paper tries to explain the importance of transformation towards circularity by presenting a conceptual framework of CE for a better understanding of the drivers and potential this can bring to the companies. It is also important to mention the barriers that companies have to overcome to successfully adopt CE into their global value chains. Since CE is a sustainability strategy this research paper will try to present CE as a strategy for all types of companies to help them achieve sustainability and through the process gain a competitive advantage (Geissdoerfer et al., 2017; Murray et al., 2017).

Following the linear model and linear consumption within the fashion industry should no longer be seen as an option, this over-consumption is reaching its limits. This research will try to navigate the process of CE model that can create value and bring both operational and strategic benefits. It can therefore be argued that CE model is an opportunity for companies to attain sustainability with the potential for innovation, economic growth, and job creation (EMF, 2014).

### 3.4 Drivers for implementing Circular Economy

In order to create an adequate literature background, the different sources on drivers for implementing the CE were described and analyzed. Based on the Hugo et al.'s research, the following drivers were defined (2021):

- **Institutional/regulatory** - Because they are bound by ethical and environmental requirements, legal concerns are external drivers. Legislation has limited access to these resources due to the rising scarcity of natural resources. Since businesses are being compelled to alter their present production patterns and conform to enforced regulations to sustain their enterprises, CE practices should not be applied only for altruistic motives. (Sandvik & Stubbs, 2019)
- **Market/economic** - it is important to mention that circular models are profitable which can come from two different aspects. It is either through the circular business model itself or through economic gains arising from redeveloped production to follow sustainability (Wang et al., 2012). These companies are therefore able to increase their profits while focusing on creating the most quality and sustainable products/services (Freudenreich & Schaltegger, 2020) While decreasing costs and saving waste and reducing energy consumption these companies can set the prices higher because the potential customers are aware of the quality of the product/service which gives them the will to pay more. (Chaturvedi et al., 2020)
- **Stakeholders** - The linear model of fast fashion companies has received declining sales (Todeschini et al., 2017). This could have been a consequence of rising consumer awareness where customers feel the responsibility to push companies to change their perception of the social and environmental responsibility they are holding. (Gazzola et al., 2020) Therefore, attaining a competitive advantage over the competitors in the market can also become an important driver on the way to follow circular economy principles (Gazzola et al., 2020). Following the Ellen MacArthur Foundation's report (2021) by 2030, the fashion sector will experience lower profits while following the traditional way of doing business. However, if these companies start using CE strategies as their main drivers, by devoting to sustainable products and transformation they have a chance to fill up the market gaps. (Macchion et al., 2018)

Following Tura et al.'s research it can be seen that both drivers as well as barriers are mentioned within 7 core categories, which makes it easier to mitigate into better understanding of the categorization. The categories (Tura et al., 2018):

- **Environmental** - the foundation for companies' willingness to apply CE processes as their core strategy mostly rises from the pressure to lower negative impacts from their current operations on the environment. (Linder & Williander, 2015; Andrews, 2015; Ghisellini et al., 2016). Most importantly there is also resource scarcity (Lacy & Rutqvist, 2015; Moreno et al., 2014; Murray et al., 2015) which reminds companies of the limitations and the lifespan of the resources.

- **Economic** - This category is connected to the possible positive outcomes such as cost savings (Andersen, 2007; Esposito et al., 2015; Ghisellini et al., 2016; Liu and Bai, 2014; Murray et al., 2015; Pitt and Heinemeyer, 2015; Rizos et al., 2015), value creation, profit and business growth (World Economic Forum, 2014; Linder and Williander, 2015). Which can also lead to the potential of the business development phase and innovation itself which will help create business models that prevent negative environmental impacts (Andersen, 2007; Schulte, 2013; Kok et al., 2013).
- **Social** - this category represents CE potential of fueling the companies' willingness to increase worldwide awareness of sustainable needs. And therefore it show that the fashion sector is able to not only increase the work places and vitality within (European Commission, 2014a), but also build market internationalization while still following sustainable principles. (Zhu et al., 2011)
- **Institutional** - through institutional factors, the government is helping to make the transition towards CE more accessible and applicable and therefore there are some drivers followed. It is quite a valuable driver for companies following CE principles to have special supporting funds, subsidy, and taxation policies (Desrochers, 2002; Witjes & Lozano, 2016). And also by enhancing regulations and laws to specifically support CE principles, the government is creating possibilities for companies that didn't have sufficient funds to start this process (Dong et al., 2016; Velis and Vrancken, 2015).
- **Technological and informational** - from the technological point of view, following CE, the drivers should be using the latest technologies that can enhance the existing processes. But they should not only improve the processes but also be able to solve the problems affected by current technologies (Ghisellini et al., 2016). For the correct adaptation of CE principles, it is important to enabling better communication flow through shared communication platforms. Therefore the cooperation with different stakeholders will flow naturally and it should drive communication transparency (Ellen MacArthur Foundation, 2013).
- **Supply chain** - behind the supply chain should be a series of drivers such as open collaborations and communication between all present segments while increasing accessibility to resources and capabilities. Which can also create the loosened supply dependency (Ghisellini et al., 2016; Andrews, 2015; Esposito et al., 2015; Pitt & Heinemeyer, 2015) followed by high and unstable prices (Moreno et al., 2014; Schulte, 2013).
- **Organizational** - from the organizational side, companies ensuing CE principles should be able to build a stronger and more preserver brand image (Geng et al., 2012) while still enabling the differentiation of the brand (Linder and Williander, 2015). This driver also accumulates sustainable demand and helps to spread the understanding throughout the organization. Therefore, companies are able to incorporate circularity within their processes while still working on the development of skills and capabilities for CE (Bocken et al., 2016; EMF, 2013; Kok et al., 2013; Lacy & Rutqvist, 2015).

Following the Ostermann et al.'s research (2021), there are two main groups of drivers towards the implementation of CE - internal and external. These drivers can appear individually but are mostly seen as combined factors that influence the companies' choice of CE enforcement (Jesus & Mendonça, 2018).

Dimension	Category	Driver
Internal	Business	Profitability
		Market strategies
	Organizational	Business principles
		Top management and staff commitment
		Knowledge
	Operational	Productive process (cost reduction, safety, stability and efficiency)
		Increased product and service quality and efficiency
	Technical Factors	Available technology
		Innovation
External	Government and industry	Government incentives
		Laws of regulation
		Network influence
		Supply chain
		Competitive global advantage
	social	Economic growth
		Consumer trends
		Social concern
		Education
		Human and animal health
	Environmental	Trends in the availability of natural resources
		Environmental impact

Figure 5: Drivers for implementing circular economy (Ostermann et al., 2021)

Figure 5 represents the drivers for CE implementation found in the literature following Ostermann et al.'s research (2021). However, there is still a gap within a united understanding of the drivers and their scope, specificities, and their power within fashion companies. It is also important to understand that not all born circular companies have all of the above-mentioned drivers presented in their core, therefore it is important to deepen the research on which of the above-mentioned drivers are presented the most within companies, and which are the ones considered the most relevant and motivating.

Following the literature, it can be argued that there are many different drivers behind the adoption of CE. Different studies differ in examples but following the OECD research, we can argue that there are 3 key drivers (2021):

- **National/global institutional policies** - national but also global institutions are trying to push forward policies and regulations that encourage linear business models to transform towards circularity. Governments are helping to make a transition towards a circular economy more accessible, for all of the companies' possible access and capabilities to create such an economy. The regulations and laws that are specifically



created to support the circular economy and its principles, while creating the standard requirements within working conditions are the drivers that show the magnitude behind the institutional determination of changing the linear consumption in the fashion industry. By providing supportive funds and taxation and subsidy policies, governments are lowering the risks for companies to adopt CE and are also creating possibilities for companies that for example couldn't afford this transformation (Dong et al., 2016; Velis and Vrancken, 2015). Therefore, national and global policies are helping already existing companies on the market to switch their business models and follow circularity but also influence new companies to enter the market as born circular companies- with CE principles incorporated inside their global value chain. It is also important to mention global agendas (such as SDG 2030), global standards (e.g. ISO 14001) and goals (e.g. energy intensity and minimizing emissions) - that together encourage the development of CE (Bai et al., 2015; Dong et al., 2016; Velis and Vrancken, 2015).

- **Social & economic drivers** - because companies are under a lot of pressure for sustainable reporting, those who choose to follow CE are changing the economic and social conditions. Meaning that choosing circularity can create a lot of opportunities from the economic side of view for companies such as improvement of their cost efficiency, creation of higher revenue streams, and gaining profit from the same product. A circular economy also allows innovation and business development to enter the companies' business models which allows them to be able to change their operations and processes to become more sustainable. From the social point of view, when companies are choosing CE and trying to create a more sustainable future, they are also helping to raise awareness between their customers and the fashion industry itself. This can lead to the industry and customers' understanding of the need to change linear consumption and create a circularity. This can also result in increased internationalization and workplace. Companies that are following the principles of CE are able to achieve a competitive advantage within their home market and therefore they have a higher probability to succeed on the foreign markets as well. We can argue that circularity can help companies to compete against their competitors and use circularity as an tool to persuade the customers to change their linear logic.
- **Environmental drivers** - following the CommonObjective (2018) argument, 35% of all the materials produced within fashion supply chains ends up as a waste. Therefore, the huge opportunity for fashion companies to show how to do it properly using CE as a tool. Compassionate mindset for climate change is therefore needed, when companies are building CE as their core strategy. This behavior usually rise from the pressure mentioned above, but goes hand in hand with environmental drivers (Linder and Williander, 2015; Andrews, 2015; Ghisellini et al., 2016). Companies are trying to close the loop by redesigning their resource consumption and ultimately eliminating the waste being created in the first place. We can argue that this behavior of companies reflect their understanding of resource scarcity and their life span, and therefore drives the change for creating the future of fashion (Lacy& Rutqvist, 2015; Moreno et al., 2014; Murray et al., 2015).

### 3.7 Barriers in implementing Circular economy

Following Ellen Macarthur Foundation's research paper on circular business models, we can argue that current circular business models such as rental, repair, resale and remaking that have an incredible capacity to be used as a tool for firms to attain circularity, do not necessarily realize the environmental advantages associated with decoupling income streams from resource consumption and production. Therefore these businesses are facing barriers on the way to apprehending their economic and environmental opportunity such as (2013):

- **Performance indicators, customer incentives, and customer experiences** - this barrier is quite complex but we can break it down into 3 main steps: optimize performance indicators for an outcomes-based approach; rethink incentives and rewards; elevate customer experiences. By transitioning towards circularity and circular business models, fashion companies have to shift from the fast fashion narrative of generating revenues based on the fast production of goods while using new resources. The shift has to come within the concept of fast fashion to redevelop and redesign how to measure success. Shifting customer incentives and elevating customer experiences will help fashion companies deliver on this once it has addressed and aligned their business strategy and performance indicators with the CE outcomes, establishing new methods of accessing fashion as the norm across cultures and income groups. The first step, therefore, shows the importance of placing the circular business models as the core of all the activities. ... Second step suggests rethinking the customer incentives by for example rewarding customers for choosing a company that has a circular business model rather than continuing with companies with linear business models. This step shows the importance of showing the customers their engagement in CE and using the chance to develop brand loyalty and gain access to more client information, including preferences. The third step describes the importance of customer experience that ideally should be perceived as more desirable in comparison to linear businesses and therefore encourage potential and existing customers to transition towards CE. The fashion companies need to use their resources to not only fulfill customers' needs but also to persuade them towards the shift from linear to circular which can be obtained by showing them the importance and the outcomes of CE.
- **Product design** - the goal is to create products that can be durable not only from the physical point of view but also following the emotional durability and possibility to further recycling and remaking. Physical durability represents the importance of creating products that can be worn over a significant time not only per a few use and therefore it needs to be able to withstand damage. Therefore it is crucial to find the materials that can be combined and also garment processing needs to align with CE in the best way possible to create highly durable products. So the first step is physical durability, and emotional durability is followed. Fashion companies also need to make sure that not only products will last a long time, but also the customers will continue to value the product over time and continue to use it. The last step is connected to the two mentioned above. In order to close the loops and create circularity, it is important to design products in a way that at the end of their life cycle, their materials and

components can be remade or recycled. The challenge is to design the products that can be made in a way that prevents them from becoming waste and reusing, remaking, or recycling them as a way to maximize inputs from materials that are already in use.

- **Supply chain and infrastructure** - fashion supply chains that are mostly concentrated on the fast fashion concept of the fast flow of new products need to be transformed into more locally and globally capable cooperation between supply networks. And also follow-up services such as repairing and customization needs to be scattered across the nation to be able to meet the criteria for product circulation. Therefore creating the relevant infrastructure is quite challenging but also an important aspect of creating circularity within fashion companies. These companies are bound to collaborate in order to be able to distribute the services effectively and with shared costs. The barrier is therefore co-creating the whole infrastructure within such networks that will be able to circulate products locally and globally and when relevant in order to capture economies of scale to share this infrastructure.
- **Circular business models** - even though the predictions for growth of the circular business models by 2030 are 23% (source) of the global fashion market - including scaling resale, remaking, rental and repair it is still just a fraction of the market share comparing to the linear business model companies. Therefore it is crucial to develop new business models or combine the existing ones in order to achieve a bigger market position. Nevertheless, there are 3 main categories that must be considered when creating a circular business models, that are: more use per user; more users per product; beyond physical products. The barrier for companies is therefore to create such circular business models that will not only use economic and environmental opportunities but also scale a wider range of these models while increasing the market knowledge and market share.

While creating new circular business models, there are some barriers that also needs to be mentioned:

- **Internal business capabilities** - it is important for companies to realize that with changes and redesigning the whole business model could have an impact on the employees' knowledge and capabilities and could developed as a barrier for them to continue working for the company. Therefore for circular business models to succeed it is crucial to make sure that employees' capabilities are build within to met the desire outcome from both ends.
- **Operating spaces** - in order to keep products in use as long as possible it is crucial for companies to come up with adequate services. Customers are however getting more and more interested in the digital way of on-demand services (56), mostly due to the Covid-19 pandemic increase in digitalization (55).
- **Product authenticity** - this barrier is mostly relevant for more luxury fashion market where it is important for customers to be able to confirm product authenticity.
- **Product hygiene** - this barrier shows how important it is for customers to lower their concerns and met their expectations regarding product hygiene (60). There is a challenge in find solutions that are safe for the environment. Companies are therefore pushed into investing to innovate and scale solutions that will fulfill the market wishes.

- **Product packaging and delivery** - for companies that offer models as more users per product will presumably face more transportation and therefore creating more CO2 emissions. Therefore, these companies need to be extra careful and innovative in order to come up with solutions to face this barriers because CE is not only about redesigning product, but also about all the processes after the production such as sustainable delivery services and appropriate packaging.
- **Cost of service operations** - it is financially challenging for companies to handle reverse logistics, and more specifically to handle a single product that represents very high costs for companies (62). Therefore firms are facing the barrier of finding a new ways that will help them increase the profitability while still following the CE principles.
- **Technology needs** - in order to empower more uses per user, companies are bound to find efficient ways to invest, in order to follow the new technologies that are also cost effective in the long run.
- **Product or service marketing and communication** - this barrier includes a lot of efforts that companies will have to produce in order to communicate their product/service to the customers in a way that the value will be presented as admirable. Following the customers' understanding of the benefits and also the reasoning behind the more sustainable future.

Another study that complement the research paper above, was written by Hugo et al. This study investigate both barriers and drivers of implementing CE. For a better differentiation, he create 5 categories. The barriers as then as followed (2021):

- **Market/Economic** - from the organizational point of view, it is far more harder to create sustainable chains when there are too many possibilities of cooperation with different partners across globe. Most of them however are still not conscious enough about the importance of redensigning the products that are somehow better for environment and therefore gaining a competitive advantage over competitors. But also we can see the lack of professionals in the fashion design that are actually able to redesign the processes in the first place.
- **Institutional/Regulatory** - here we are mostly looking at the lack of government policies and regulations, followed by indistinct knowledge for achieving sustainability. [76] there has also been government certificates that are an important milestone on the way to achieve sustainability, however they can be quite expensive and therefore seen unattractive. [78] Fashion companies are held back when trying to incorporate different sustainable friendly energy sources for their operational processes, because they usually face the lack of clearance within the policies and guidelines from the governmental side. [76]
- **Social/Cultural** - this barrier is presented as a consumer culture, that is still somehow devoted to fast fashion thinking where consumers are still not fully aware of the effects of high levels of consumerism. [85] Some of the issues such as recycling and energy consumption has been lately mentioned more but fast fashion consequences such as sustainability issues are yet not recognized as an issue associated with acquiring clothes. [86]

- **Technological** - there are quite few examples of the technological barriers that can be seen in implementing CE. The costs of creating a recycling systems and also the processes of separating the fabric mixtures from used clothes into usable resources are high and therefore this is the main reason why transition towards CE is slowed down.
- **Stakeholders** - are usually the missed mentioned barrier, because in the fashion industry, when we are following the transition to a green supply chain we need to take into consideration usually different supply chain stakeholders, especially consumers. Globalization has however enabled the fashion industry to have a partners internationally all around the world, and since it can be quite challenging to detect all of the suppliers within too many layers of supply chain, this has gain a critical importance for circularity.

Tura et al. are following the similar approach and defining 6 core categories (20xx):

- **Economic** - following this category the barriers that should be mentioned are scarcity of financial capability(Ilic and Nicolic, 2016; Rizos et al., 2016) and support (Xue et al., 2010) , high costs of new technologies (Gumley, 2014, high economic uncertainty, insufficient ways to measure benefits of CE (Bechtel et al., 2013; Rizos et al., 2015).
- **Social** - even though companies in the fashion sector are pushing the CE into the market, the barrier they have to face from the inception is still the very small social awareness of customer's understanding of negative impacts of fash fashion companies. Therefore, the demand is still not high enough because consumers are not certain why choosing born circular companies over linear companies is better choice in the long run, not only for environment but also for the longer lifespan of their purchased products.
- **Institutional** - because most of the fashion companies still favor linear business model, the CE implementation relies within government's knowledge towards this topic which in many cases is still insufficient (Ilic and Nicolic, 2016; Xue et al., 2010). As already mentioned in the drivers chapter 3.4, there are some regulations and laws that governments are trying to push forward, however these are very general and lacks clarity and adequate support from the governments (Gumley, 2014; Studer et al., 2006).
- **Technological and informational** - the biggest barriers following the latest technologies are definitely limited information on the topic, but also the insufficient knowledge, skills and capabilities for companies to understand the value these technologies can bring.
- **Supply chain** - because of the most fashion companies are still following the linear business models (Gumley, 2014; Suocheng et al., 2007), for new companies that are following the CE principles while entering the market it could be quite challenging to build a network. Therefore, they lack in partners and that leads to limited resources which is a barrier for CE adoption (Rizos et al., 2016).
- **Organizational** - from the organizational point of view, barriers behind the CE implementation are for example poor management support (Bechtel et al., 2013), usually caused by lack of knowledge and capabilities but also followed by internal conflicts and opposition (Rizos et al., 2016).

When analyzing the challenges and barriers for companies to overcome while adopting CE models, it is crucial to highlight the sustainability challenges as well (Franco, 2017; Resta et al., 2016):

- **Use of non-recoverable materials** - the first of the challenges mentioned link to the quality of the materials. Fashion companies conclude the reused and recycled materials for further production processes however the quality of the fabrics can be evaluated as a downgrade. Therefore, companies need to use new technologies to ensure the new fabrics are not only sustainable but also durable.
- **Use of excessive amounts of water** - in order for fashion companies to attain sustainability capability in the production side (Rana et al., 2021), companies have to find ways to lower the extensive water usage per product.
- **Use of toxic chemicals** - apparel companies' usage of chemicals during their production processes puts them in a dangerous spot for not only threatening to the environment but also workers who are exposed to those toxic chemicals. It is therefore extremely important to develop a sustainability capability into the social and environmental side of the business to avoid such behavior (Rana et al., 2021).
- **Violation of human rights** - this challenge is seen throughout the whole GVC when the human force is facing the violations of their rights and mistreatment of their working conditions. For fashion companies are therefore extremely important to incorporate also the social and human factors of sustainability while adopting CE.

However, it is also important to look for the challenges from the perspective of the global value chain. If companies' adaptation of CE requires them to switch or completely change their suppliers, it can create coordination challenges within the value chain. This change can also be followed by new technologies and therefore it is important to make sure the adoption is led by a team that has the competencies and capabilities to make sure the communication flow of the information is .. to everyone. On the other hand, communication must be effective also between suppliers and value chain actors in order to meet the expectations that CE model implementation represents (Prosman et al., 2017).

Figure 6 provides a display of Bressanelli et al. (2018) research, where the CE challenges and levels are brought upon classification. Bressanelli et al. created the systematic review of CE challenges not only following the life cycle phase but also taking into consideration the supply chain perspective. As a result, 24 challenges were identified throughout the process. These challenges were continuously matched and ensued into 7 broad categories as shown in the figure below.

Category	Challenge
Economic and financial viability	Time mismatch between revenue and cost streams
	Financial risk
	Operational risk
Market and competition	Cannibalization
	IP and know-how access
	Brand image
Product characteristics	Fashion change
	Product complexity
	Product (mass) customization
Standards and regulation	Taxation and incentives
	Measures, metrics, indicators
	Lack of standards
Supply chain management	Return flows uncertainty
	Transportation and infrastructure
	Availability of suitable supply chain partners
	Coordination and information sharing
	Product traceability
	Cultural issues (linear mind-set)
Technology	Eco-efficiency of technological processes
	Product technology improvement
	Data privacy and security
Users' behavior	Ownership value
	Careless behavior in product usage
	Users' willingness to pay

Figure 6: Barriers in implementing circular economy (Bressanelli et al., 2018)

In order to create a smaller categorization, it can be concluded that there are 3 key barriers for implementing CE that most of the mentioned studies rely on. Key barriers (2018):

- **Lack of institutional policies and regulations** - as already mentioned in the chapter 1.3 Drivers of CE, there are some laws, regulations and policies from governments towards implementing the CE. However, these policies are still lacking clarity and adequate support for companies (Gumley, 2014; Studer et al., 2006). Because most of the fashion companies are still following the linear logic of consumption (because they are still no specific regulations towards their negative impacts) the change has to come from the upper part- governments. These are the policymakers that need to obtain knowledge about this phenomenon in order to stop spreading linear business models (Ilic and Nicolice, 2016; Xue et al., 2010). Companies need to face the consequences the fast fashion is creating, otherwise they will continue following this logic. In many cases, companies that are adopting CE are therefore at disadvantage to linear companies because their products are more expensive because customers still don't fully

understand the impact these decisions means. Nevertheless, there is lack of social awareness but also the uncertainty of consumer responsiveness. And also following the developing countries, where brands are sourcing their products from are not supported by institutions and therefore the market lacks mechanisms for recovery. Therefore it is crucial for institutions to set up a more precise and clear regulations supporting the CE transition.

- **Extra initial investment** - at the initial process of growing circular companies that are transforming towards CE, in order to communicate their product as admirable on the market they need to acquire some investments. It basically means that customers need to be able to understand the value proposition to the extent they would choose this product/service, which present spending a lot of financial resources but also the efforts that company has to produce. However, most of the fashion companies are trying to test their circular initiatives before going all out, there can still be some resentment on the market. Therefore it is important for circular companies to be transparent with their initiatives and processes in order for CE to succeed which in some cases also be seen as a barrier, because companies has to share also all the negative impacts they are having. The investment should also come from stakeholders and consumers, not only the fashion industry itself, to lower the responsibility of the industry and ease this barrier.
- **Increased cost of production** - following the adoption of CE means redesigning the business operations towards more sustainable future. To become a circular company to full extent, companies has to face a lot of changes within the manufacturing processes, supply chains. This can result in high cost of new technologies to meet the criteria for innovation which will impact the capital (Gumley, 2014). While the cost of production is increased, the product also become more expensive and therefore the consumer cost will probably to drawn towards cheaper options, linear clothing. Also from the organizational point of view, both for buyers and suppliers, adopting a new system as intensive as CE in global value chain can also cause some additional barriers. Different organizational cultures can response to change in a way that do not necessarily complement each other. In this case it is crucial to create global value chain that has the same attitude towards CE implementation which can also mean spending more of the capital to ensure the change will be processed on all levels. (sorce)

### 3.8 Potentials by implementing Circular Economy

Following the McArthur Foundation's research papers, we can argue that there is a lot of potential within implementation of CE. For example the clothes that has short lifespan are usually the ones that have low emotional durability. Therefore it limitates the circulation when customers doesn't have a emotional attachment with the products. One of the opportunities is to create a products that has an unique background for example sharing the stories about the product life cycle or how exactly these clothes are made differently to help create some type of customer attachment. Also creating the unique products and increasing the customer's



emotional desirability to wear the product for a longer period of time can also be caused by offering a special personalisation services. (EMF, 2013)

There are a few points where we can see the potential within revenue streams for CE companies. Companies that use circular business models are creating the possibilities of multiple revenue streams from the same product. This can be done through additional services such as recovery, tailoring, remaking or others that allow the customer to use the product in the best quality for longer time. Also from the company's point of view, if they can create the products that customers can see the greater level of use, and also a satisfying aftercare, they are more likely to return which can lead to increasing brand loyalty but also can attract new customers through mouth-to-mouth recommendations. (EMF, 2013)

The possibilities for CE companies can also be presented into cost reduction. Such as by reducing the use of raw resources while lowering the dependency of global supply chains. Also from the reputation side of the companies, following the CE principles can lead to better market reputation and therefore less criticism. Therefore there is a potential to some extent of building a strong brand name. (EMF, 2013)

Another way of available potential can be seen in cost reduction and possible revenue increase. However, we can look at this aspect from both sides, as a driver for companies but also as a potential following the decision to adopt CE. (EMF, 2013)

Nevertheless, also by following the phenomenon that waste is a resource, we can see that if companies has the right skills and tools they can transform their waste into the resources. Which in the long run, from the economic point of view, can decrease the costs, after investing in new technologies and people. The companies are therefore learning how to return the clothes at the end of their lifespan back to their supply chains and therefore creating the circularity. (EMF, 2013)

And to continue with maintaining the products and keeping them in the circulation require transformation from one-way flow of products into more complex system where infrastructures and supply chains networks are capable of circulate the products both locally but also globally and therefore creating the potential for creating the multi-way channels by collaborations. The potential of companies' collaboration is opening doors to many new possibilities such as increasing the product reuse by shared services such as resale, repair, repackaging and many others. Therefore companies within the fashion sector can benefit from economies of scale and develop their networks while becoming more sustainable. (EMF, 2021)

Another potential occurring can be leveraging the technologies for creation of circular business models which can result in more effective and efficient way of meeting the demand and customer wishes and needs. This can be achieved also by collaboration of companies and their ability to build a distributed networks which can capture the value between product and customer data more precisely and when it is needed. (EMF, 2013)

Looking at the CO<sub>2</sub> emissions, the potential impact of companies following the CE principles and creating the circular business models can be seen on 2 levels. First one is the product level. The example of MacArthur Foundation is the cotton dress viewed from the perspective of both linear and circular business models on utilization, which shows that choosing the circular way could save up 30-60% of CO<sub>2</sub> emissions and therefore creating a huge potential for companies to redevelop their processes. The second level include the

industry-wide. In comparison to the linear fashion industry, the circular business models show potential of 16% of emissions savings (EMF, 2013).

### 3.8 Internationalization of the firms under Circular economy model

Circular business models has the potential to attain a sustainable advantage over the traditional linear business models because they are able to create more value within resources from their inception (Alves et al., 2021). They not only redesign complicated and complex processes and systems, but they also collaborate with all of the stakeholders in order to gain enough knowledge to achieve sustainability. Therefore, as a consequence of both upstream and downstream engagement, the scope and scale of supply chains are pushed to be changed. And creating resilient, effective, productive supply chains tends to be considered a step toward circularity. (Weetman, 2017)

Looking at the upstream activities, it can be argued that value is not created only in the downstream supply chains but also within upstream activities where the main factor of the value proposition is the suppliers. Internationalization should not be seen as a one-sided commitment only coming from the buyer itself. The supplier's internationalization should be presented as a shared commitment between the buyer and the supplier. This can lead to a lower risk of foreign investment and weaken the institutional distance. (Rana et al., 2021)

The goal of the CE model is to create the products that are created to last, has the ability to be used more and to be made again. This is however a big shift within the manufacturing process and therefore it is crucial for companies to ensure the supply chains partners are willing to follow the CE. This reverse manufacturing can then create new ways for disassemble of the products in order to keep the materials flowing and not using new resources. (Weetman, 2017)

For a transition towards circularity, the key roles are presented by sourcing and procurement behavior. The circularity can start blooming when manufacturers and designers understand the negative impacts they've been creating and there is no other way than change the actual processes. (Weetman, 2017)

However, downstream activities in many cases can be seen as a main aspect of business models. Business models of fashion companies present how exactly are firms positioning the products/services and how are they attracting new customers. The main goal of business models is therefore creating value chains by meeting the market's needs and presenting how to capture and deliver this value. (Richardson, 2008; Teece, 2007) Following Rana's research (2021) we can argue that to improve the supply competitiveness, the buyer's business models in the downstream can stimulate suppliers to internationalize into upstream value chains. This can be seen as a big opportunity for circular companies because, through networking and cooperation with their suppliers, they can meet the expectations and needs of the customers while making sure the company's value proposition is capable of creating such solutions. (Weetman, 2017)

In order for companies to use the circular economy to its full potential, they can choose a different strategies to promote their circularity and show how exactly are they trying to close the loops and improve their operations. Companies are for example using the CE to create a basis for achieving sustainability goals. It can be argued that both Born circular and Growing circular companies are choosing the value driven strategies towards their internationalization. Following the CE principles, the use of new raw materials is cut to minimum, and waste is not longer seen as a liability but is used as an asset that comes from the excess of the materials that are at the end of their life cycle. Therefore, circular companies are avoiding the use of scarce resources which can result in lower production input costs. (EMF, 2013)

Another way for circular companies to use the benefits of CE, is the concept of sharing economy. For BCCs, this sharing economy concept can help them overcome their liability of smallness and newness. They can maximize their assets by sharing it instead of traditional linear buying which can result in lowering their initial costs needed to operate. On the other hand, for GCCs, sharing economy can help them adapt to the changes and market needs faster. These companies not always need new technologies or so, but more importantly they need the knowledge sharing, in order for all partners within the value chain and company to try to lower the resilience to change. There is also the possibility to higher utilization of their equity when they can share them (Rana et al., 2021)

## 4 Analysis

### 4.1 Drivers of the CE

Key drivers	Driver for BCC	Driver for GCC
National/global institutional policies	No	No
Social & economic	Yes	Yes
Environmental	Yes	Yes

Figure 7: drivers of the Circular economy based on data analysis (Author's compilation)

This part of the analysis will take a closer look on the interpretation of drivers that are behind the implementation of CE for fashion companies. As already mentioned in chapter 3.4 Drivers for implementing Circular Economy, the 3 key drivers were analyzed and they served as a basis for investigating data analysis. Following this classification, the figure 7 was created in order to compare those drivers. As presented in the literature review, there are various research papers that highlights different drivers for companies, however because of the scope of this research, author decided to mostly concentrate on the key drivers in order to compare it to both BCC and GCC but also follow the coding of the interviews to show the possible connections and differentiations.

The first key driver is the national and global institutional policies. Following the results of the data coding, it can be argued that actually both companies - BCC and GCC, share the same thoughts about the lack of institutional help. Therefore, this driver is not presented in companies' motivation to implement CE.

It is however interesting that both companies expressed the importance of circular policies across their countries. Social and economic drivers are mentioned as a second key driver. From the social point of view, both companies are trying to raise the awareness of the much needed change of fashion industry towards circularity. These drivers are also presented within their determination to get rid of linear economy, while creating the unique products that are produced in a fair way and are made to last. These drivers can also be seen as a sustainable advantage on the market, where companies as these two can create and deliver the value to their customers purely based on CE and its principles. It can be argued that thanks to their sustainable advantage on the market they are able to acquire and retain the customers in more easier way. When it comes to economic driver, BCC and GCC both present the possibility of multiple revenue streams from the same product therefore creating the profit without acquiring the new resources. This is created by implementing CE into their manufacturing processes and result in possibility for after-purchase services that can prolong the life cycle of the product.

One of the strongest drivers however was environmental driver. For BCC and GCC it was crucial driver to understand the sustainable challenges and the impacts that fashion industry has on the environment, and based on their knowledge and CE implementation to redesign the industry. One of the most compelling drivers behind CE adoption was the minimizing the enormous waste that fashion companies are creating and to use it in a way that can extend the materials' life cycle. For example through upcycling, which both companies follows.

If going a little more into depth, both companies showed positive reaction for sharing economy, they are open to collaborating with new partners because they understand that being a circular company, you should create networks and ecosystems in order to overcome your deficiencies. Both companies are however internationalizing through their partners, therefore sourcing the labor force from foreign countries.

When looking at the BCC, customer loyalty is number one priority. Companies are trying to keep the customers and use their power of mouth-to-mouth recommendation of their brand. BCCs fast adaption to the market needs can also help them create the value on the market and therefore gain more customers, which can lead to bigger market share in comparison to their competitors.

## 4.2 Barriers of the CE

Key barriers	Barrier for BCCs	Barrier for GCCs
Lack of institutional policies and regulations	Yes	Yes
Extra initial investment	Yes	Yes
Increased cost of production	Yes	No

Figure 8: Barriers of circular economy based on data analysis (Author's compilation)

For a better interpretation of the results, the author decided to present the key barriers already mentioned in chapter 3.7 Barriers in implementing Circular economy. All of those barriers were presented in the interviews as companies' barriers when adopting the CE. As already mentioned in the drivers part above, the lack of institutional policies and regulations was identified as a huge barrier for companies, especially if they also face the liability of smallness and/or newness on the market. They defined the lack of institutional support as a consequence of lack of knowledge on the sustainable issues and way to overcome it, which is following the CE. Both of the companies mentioned that there are no specific laws or regulations that would support CE and circular companies could benefit from. From the global point of view, they also mentioned the lack of EU harmonisation regulations.

The second barrier, extra initial investment, was also mentioned by both companies. However, these investments can differ in the volume, both companies face this barrier according to their responses. For BCC, the investment in the inception of the company is expected, therefore, it is quite natural barrier. The difference in comparison to linear economy is that it is far more complicated to build a network and gain customers when value has to be delivered through CE. Finding the right suppliers and partners can be quite challenging. From the interview it is evident that in the case of company A, there is a lack of financial capital in building a brand name. For example to hire some marketing help can cost company a lot of capital. Because the current market is used to working with only linear economy business models and therefore it is much more challenging to find the trained experts that can help building a sustainable marketing strategy. On the other hand, for GCC, we can argue that initial investments are much higher than those of the BCC. Simply because their transition toward the CE includes not only transformation of the business model but also include training of all employees.

There is also the lack of social awareness mentioned in both interviews, where companies understand that customers are still not fully aware of the negative impact of fashion consumerism and their resistance to change based on their references. Therefore, they need to overcome this barrier in order for customers to see the products as admirable and their possible change of references. This challenge however requires a lot of efforts and capital for product communication and product placement.

The next barrier, increased cost of production, is also presented in both type of companies. In the case of BCC, the upcycling is providing limited materials and therefore limited production. This result in the decreased cost of materials but on the other side, the design and production of the clothes requires to meet the CE principles and requirements and therefore both designers and tailors needs to be paid ethically. Setting up the right pricing model is also seen as a barrier for BCC, in order to sell products, customers must understand the value of the products. In case of GCC, this barrier is irrelevant as the company does not produce clothes by itself, it is just a middleman for the products to reach the customers.

However, the barrier that both companies mentioned was shortage of trained tailors and designers in the fashion industry. Without skilled tailors and designers, the CE principles are hard to achieve as companies need experts in order to eliminate the waste and pollution and keep materials in use.

According to the interviews, the institutions still favor linear business models and are not creating the possibilities for companies seeking to embark on their circular journey. The bureaucracy is also creating unnecessary difficulties for both BCC and GCC. For BCC it is the constant supervision followed by complicated administration procedures. In case of GCC, the whole process of changing their linear economy into circular economy requires a lot of changes within agreement between their partners and suppliers that affect the bureaucracy processes. This whole process can be excessively problematic and protracted, which basically represents a lot of financial resources.

### 4.3 Potentials of the CE

For companies that follows the CE there is a series of potential possibilities that CE can create for them. However, the potential can differ from company to company. Based on the coding of interviews, two potentials can be described as found in both cases of BCC and GCC. The first one is upcycling. Both companies are using this method - BCC is dependent on extraction of upcycled materials for the production. This method is helping BCC to lower their costs and putting waste back to the life cycle. BCC are taking the waste of other companies and extend their life cycle by using it as a resource. From the economic point of view, no need to worry about minimizing their water usage and extracting new resources, which in the long run represents cost reduction. On the other hand, GCC is buying old clothes from their customers back and ensure that they are either recycled- help for environment, materials are returning to their supply chains; upcycled - to help partners receive a quality materials for their production; or donate - to help the people in need such as homeless people, orphanages.

BCC mentioned that their success on the domestic market is making them question whether to expand to other countries as well. Because currently they internationalize through their partners and selling across the Europe, they already have a lot of data on mapped territory. Because they are operating mainly as an online eshop, they understand that a lot customers still favor the linear models and would like to be able to try the clothes before buying them. The potential is seen within creating the space for customers to easily choose the right size of the product without additional returns. They also mentioned the potential for creating some guidelines or instructions on how to take care of your sustainable clothes the right way, in order to prolong their life cycle even more.

For BCC, it is also seen as a potential for institutions to support the training and educations of the tailors. As understood from the interview, there is already a shortage of this profession, and BCC believe that institutions has the power to change this narrative, so the government need to take some radical steps in order to ensure the future generations will be able to find experts in this arena.

## 5 Discussion

Our finding regarding both drivers and barriers of implementing CE, find resonance with those identified in the literature. Based on the analysis of this research, it can be argued that because of social and economic drivers behind CE implementation, companies can attain sustainable advantage on the market and therefore gain more customers. However, the environmental drivers play a crucial role in implementing CE. This represents also the managerial capabilities of the person making this decision. When companies are created based on environmental drivers, the goal of the company is highly possible creation of a better circular fashion world. BCCs and GCCs both understand the importance of building a network and shared collaborations. The change within the fashion industry requires the collaboration of all participants, meaning that only collectively we can put the end to the linear economy. BCC can therefore supplement their missing operations by collaborating with other companies. BCC's fast response to the market needs can result in attaining more customers simply because of the personal touch and fast adaptation.

Some of the extra drivers that CE can represent are reduced extraction of resources, reduced environmental pressures, new job creation opportunities and synergies with low-carbon transition and infrastructure. These companies are therefore able to increase their profits while creating and delivering the unique and quality value.

Circular business models are the future, and are expected to gain even greater competitive advantage because they are able to create more value from each unit of resource while slowing down the extraction of new materials. The traditional linear economy is therefore in denial of its own negative impacts on both the environment and society.

When following the policy makers, there was an emphasis in both companies that showed the importance of circular policies at the national level. The institutions have the power to become main drivers behind the transforming the fashion industry. They are able to innovate the laws and regulations, so established business will be motivated to start their CE journey. Institutions hold an enormous responsibility as well, because if they are not seeking to deepen their knowledge, and decide to close their eyes to the sustainable challenges that the fashion industry is facing, in a way they still encourage the linear economy to proceed with their negative impacts.

This paper showed that one of the biggest challenges towards circular economy is the customer's awareness and their preferences. They need to change their behavior from linear logic towards circularity. Because the social awareness of the sustainability challenges is still very weak, it is important to undertake the steps that will change this narrative. Consumers therefore need to be presented with ways on how to avoid this fear of risk to change.

There was however the raised challenge the shortage of trained tailors and designers. This will be a huge obstacle in the future, so the processes need to be changed right now, because with raising circular logic, more companies will follow this change and therefore the market needs to be ready and there needs to be experts.

The main barriers behind implementing CE are high initial costs and high production costs. For companies it can be quite challenging to follow the CE when the investments need



to be high. And also the pressure from competitors is making it hard for circular companies to attain new customers and build their brand name.

Very interesting barrier for GCC is the internal business capabilities. Basically, it is important for GCC that with changing the linear model the behavior of the employees can become a barrier, therefore, it is crucial to ensure that employees' capabilities are has to build upon to meet the criterias for new set goals.

For BCCs - Establishing a network may be difficult for new businesses who are entering the market while adhering to the CE guidelines. As a result, they lack partners, which results in a lack of resources and prevents the adoption of CE. Companies therefore, need to put an emphasis on creating the valuable network.

However, a lot of companies are resistant to change because they believe the barriers are bigger than the potential that CE can bring to their companies and they don't feel the pressure from institutions or society to change, so in many cases, linear companies are not changing because they are afraid of the risk. That's why this study tried to highlight not only drivers but also possible potential that these companies can gain after overcoming the barriers.

Waste is a Resource, and we can see that businesses may turn their waste into resources provided they have the necessary knowledge and equipment. which, after investing in new technology and personnel, might ultimately, economically, cut the expenses. In order to create circularity, businesses are learning how to return clothing to their supply networks at the end of its useful life.

The possibility for company collaboration is opening the door to a variety of new opportunities, including increased product reuse through shared services like resale, repair, repackaging, and other similar ones. As a result, businesses in the fashion industry may grow their networks, take advantage of economies of scale, and become more sustainable.

This sharing economy idea might help BCCs in overcoming their liabilities such as smallness and newness. Instead of using standard linear purchase, they may maximize their assets by sharing them, which can minimize their company expenses. On the other side, the sharing economy can help GCCs in quickly adjusting to changes and market demands. These businesses require knowledge sharing more than new technology all the time in order to reduce the resilience to change of the organization and all partners within the value chain. Additionally, if they can share them, their equity may be used more effectively.

## 6 Bibliography

- Sustainable Value Chain Management : Delivering Sustainability Through the Core Business, 2015, 2015th edn, Springer International Publishing, Cham.
- MohammadBRanaMa\_2021\_13HowSystematicQualit\_UpgradingTheGlobalGar d, .
- Towards the circular economy Vol 3\_ Accelerating the scale-up across global supply chains e, .
- Boje, D.M. 2008, *Storytelling organizations*, 1. publ. edn, SAGE, Los Angeles [u.a.].
- Bressanelli, G., Perona, M. & Saccani, N. 2019, "Challenges in supply chain redesign for the Circular Economy: a literature review and a multiple case study", *International journal of production research*, vol. 57, no. 23, pp. 7395-7422.
- Briguglio, M., Llorente-González, L.J., Meilak, C., Pereira, Á, Spiteri, J. & Vence, X. 2021a, "Born or grown: Enablers and barriers to circular business in europe", *Sustainability (Basel, Switzerland)*, vol. 13, no. 24, pp. 13670.
- Briguglio, M., Llorente-González, L.J., Meilak, C., Pereira, Á, Spiteri, J. & Vence, X. 2021b, "Born or grown: Enablers and barriers to circular business in europe", *Sustainability (Basel, Switzerland)*, vol. 13, no. 24, pp. 13670.
- Chen, C. 2020, "Improving Circular Economy Business Models: Opportunities for Business and Innovation : A new framework for businesses to create a truly circular economy", *Johnson Matthey Technology Review*, vol. 64, no. 1, pp. 48-58.
- Colucci, M. & Vecchi, A. 2021, "Close the loop: Evidence on the implementation of the circular economy from the Italian fashion industry", *Business strategy and the environment*, vol. 30, no. 2, pp. 856-873.
- de Aguiar Hugo, A., de Nadae, J. & da Silva Lima, R. 2021, "Can Fashion Be Circular? A Literature Review on Circular Economy Barriers, Drivers, and Practices in the Fashion Industry's Productive Chain", *Sustainability (Basel, Switzerland)*, vol. 13, no. 21, pp. 12246.
- De Angelis, R. 2018, *Business models in the circular economy*, Palgrave Macmillan, Cham.
- Elgar, E., Vang, J., Tollin, N. & Rana, M.B. *Handbook of Global Sustainable Production -exploring the relevancy of the SDGs*, 2022, Publisher: Climate Change Strategies in Institutional Perspectives: A Reflection on International Business and the Global Value Chain.
- Franco-García, M. & Groen, J.S.a.A. 2013, "Private-public strategies for sustainable regional development (3rd Greening of Industry Network Conference in Mexico City)", *Management research review*, vol. 36, no. 12.
- Gusmerotti, N.M., Testa, F., Corsini, F., Pretner, G. & Iraldo, F. 2019, "Drivers and approaches to the circular economy in manufacturing firms", *Journal of cleaner production*, vol. 230, pp. 314-327.
- HANSEN, E.G., GROSSE-DUNKER, F. & REICHWALD, R. 2009, "SUSTAINABILITY INNOVATION CUBE — A FRAMEWORK TO EVALUATE SUSTAINABILITY-ORIENTED INNOVATIONS", *International Journal of Innovation Management (ijim)*, vol. 13, no. 4, pp. 683-713.

- Hopkinson, P., De Angelis, R. & Zils, M. 2020, "Systemic building blocks for creating and capturing value from circular economy", *Resources, conservation and recycling*, vol. 155, pp. 104672.
- Lacy, P., Long, J. & Spindler, W. 2020, *The Circular Economy Handbook*, 1st ed. 2020. edn, Palgrave Macmillan UK, London.
- Lüdeke-Freund, F., Carroux, S., Joyce, A., Massa, L. & Breuer, H. 2018, "The sustainable business model pattern taxonomy—45 patterns to support sustainability-oriented business model innovation", *Sustainable production and consumption*, vol. 15, pp. 145-162.
- Ly, B. 2021, "Competitive advantage and internationalization of a circular economy model in apparel multinationals", *Cogent business & management*, vol. 8, no. 1, pp. 1-22.
- Mohammad B. Rana, Matthew M.C Allen & Per Servais 2021, "Supplier internationalization in the global apparel value chain from Bangladesh to Ethiopia: the buyers business model, institutions and entrepreneurial capability" in *Upgrading the Global Garment Industry* Edward Elgar Publishing, , pp. 13-45.
- Mohammad B. Rana & Syed Ahmed Tajuddin 2021, "Circular economy and sustainability capability: the case of HM" in *Upgrading the Global Garment Industry* Edward Elgar Publishing, , pp. 253-282.
- Ostermann, C.M., Nascimento, L.d.S. & Zen, A.C. 2021, "Business Model Innovation for Circular Economy in Fashion Industry: A Startups' Perspective", *Frontiers in sustainability (Lausanne)*, vol. 2.
- Pal, R. & Sandberg, E. 2017, *Sustainable value creation through new industrial supply chains in apparel and fashion*, IOP Publishing.
- Peter Hasle, Mohammad Sarwar Morshed & David Hansen 2021, "Occupational safety and health and productivity in the garment industry: contradictory or complementary?" in *Upgrading the Global Garment Industry* Edward Elgar Publishing, , pp. 283-305.
- Rachel Alexander 2021, "Governance in global production networks and local sustainability challenges: experiences of sustainability transitions in cotton garment production in India" in *Upgrading the Global Garment Industry* Edward Elgar Publishing, , pp. 339-361.
- Rahman, K.M. & Rahman, S. 5. Governance mechanism for the sustainability of global garment production networks: perspectives from rule-takers.
- Runfola, A. & Guercini, S. 2013a, "Fast fashion companies coping with internationalization: driving the change or changing the model?", *Journal of fashion marketing and management*, vol. 17, no. 2, pp. 190-205.
- Runfola, A. & Guercini, S. 2013b, "Fast fashion companies coping with internationalization: driving the change or changing the model?", *Journal of fashion marketing and management*, vol. 17, no. 2, pp. 190-205.
- Smith, P., Baille, J. & McHattie, L. 2017, "Sustainable Design Futures: An open design vision for the circular economy in fashion and textiles", *The Design journal*, vol. 20, no. sup1, pp. S1938-S1947.

- Sweet, S. & Bali Swain, R. 2021, Sustainable Consumption and Production, Volume II Circular Economy and Beyond, 1st ed. 2021. edn, Springer International Publishing, Cham.
- Tura, N., Hanski, J., Ahola, T., Ståhle, M., Piiparinen, S. & Valkokari, P. 2019, "Unlocking circular business: A framework of barriers and drivers", *Journal of cleaner production*, vol. 212, pp. 90-98.
- Zucchella, A. & Urban, S. 2019, Circular entrepreneurship, 1st ed. 2019 edn, Palgrave Macmillan, Cham.
- Mishra, S.; Jain, S.; Malhotra, G. The anatomy of circular economy transition in the fashion industry. *Soc. Responsib. J.* **2020**, *17*, 524–542.
- Bouzon, M.; Govindan, K. Reverse Logistics as a Sustainable Supply Chain Practice for the Fashion Industry: An Analysis of Drivers and the Brazilian Case. In *Sustainable Fashion Supply Chain Management: From Sourcing to Retailing*; Choi, T.M., Cheng, T.C.E., Eds.; Springer International Publishing: Berlin/Heidelberg, Germany, 2015; pp. 1–205. ISBN 9783319127033.
- Sas, I.; Thoney, K.A.; Joines, J.A.; King, R.E.; Woolard, R. Reverse Logistics of US Carpet Recycling. In *Sustainable Fashion Supply Chain Management: From Sourcing to Retailing*; Choi, T.M., Cheng, T.C.E., Eds.; Springer International Publishing: Berlin/Heidelberg, Germany, 2015; pp. 3–29; ISBN 9783319127033.
- Macarthur, E. Towards the Circular Economy: Opportunities for the consumer goods sector. *Ellen MacArthur Found.* **2013**.
- Earley, R.; Goldsworthy, K. Designing for Fast and Slow Circular Fashion Systems: Exploring Strategies for Multiple and Extended Product Cycles. *Prod. Lifetimes Environ.* **2015**, *2*, 1–7.
- Wiederhold, M.; Martinez, L.F. Ethical consumer behaviour in Germany: The attitude-behaviour gap in the green apparel industry. *Int. J. Consum. Stud.* **2018**, *42*, 419–429. [[CrossRef](#)]
- Park, H.; Lee, M.Y.; Koo, W. The four faces of apparel consumers: Identifying sustainable consumers for apparel. *J. Glob. Fash. Mark.* **2017**, *8*, 298–312. [[CrossRef](#)]
- Zhang et al., 2021 Zhang, B.; Zhang, Y.; Zhou, P. Consumer attitude towards sustainability of fast fashion products in the uk. *Sustainability* **2021**, *13*, 1646. [[CrossRef](#)]
- Kim, I.; Jung, H.J.; Lee, Y. Consumers' value and risk perceptions of circular fashion: Comparison between secondhand, upcycled, and recycled clothing. *Sustainability* **2021**, *13*, 1208. [[CrossRef](#)]
- Wang, B.; Luo, W.; Zhang, A.; Tian, Z.; Li, Z. Blockchain-enabled circular supply chain management: A system architecture for fast fashion. *Comput. Ind.* **2020**, *123*, 103324. [[CrossRef](#)]

- Resta, B.; Gaiardelli, P.; Pinto, R.; Dotti, S. Enhancing environmental management in the textile sector: An Organisational-Life Cycle Assessment approach. *J. Clean. Prod.* **2016**, *135*, 620–632. [[CrossRef](#)]
- Chen, H.L.; Burns, L.D. Environmental analysis of textile products. *Cloth. Text. Res. J.* **2006**, *24*, 248–261. [[CrossRef](#)]
- Gazzola, P.; Pavione, E.; Pezzetti, R.; Grechi, D. Trends in the fashion industry. The perception of sustainability and circular economy: A gender/generation quantitative approach. *Sustainability* **2020**, *12*, 2809. [[CrossRef](#)]
- Koszewska, M. Circular Economy—Challenges for the Textile and Clothing Industry. *Autex Res. J.* **2018**, *18*, 337–347. [[CrossRef](#)]

## 7 Appendix

### 7.1 Interview Plan Company A

For the beginning, I would like to briefly introduce 2 types of companies that follow the implementation of circular economy and why I consider your company as "Born circular" company.

**'Born Circular' company** - is a company that follows the circular economy from its inception. What sets them apart from other companies is usually their mission/vision, which thanks to the circular economy, tries to redesign the fashion industry.

**'Growing circular' company** - It is a company that follows the circular economy now, but the company was built on a traditional linear business model. This means that somewhere in the process, company decided to change its direction and embrace the circular economy. But this transformation does not happen overnight, but takes some time, because the company must make sure that they have all the abilities and skills to change their business model and implementation of these changes takes time and need to be done gradually, not at once.

**CE** = circular economy. It is based on 3 main principles, driven by design: eliminate waste and pollution, circulate products and materials and regenerate nature.

#### **General questions:**

- Based on your website, it is evident that your company is creating the capsule wardrobe. What does this represent for your company? And how does this model differ from traditional "fast fashion" collections?
- If we consider the capsule wardrobe as your business model, how does your company create value in the market? And how do you market your products to attract customers?
- How can a company like yours (born circular company) gain a competitive advantage in the market compared to your competitors (who follow linear business models)?
- How do you differentiate yourself from these competitors?

#### **DRIVERS:**

The ones I would like to talk about most are the 3 key drivers:

1. National/global institutional policies - national but also global institutions are trying to push forward policies and regulations that encourage linear business models to transform towards circularity. Governments are helping to make a transition towards a circular economy more accessible, for all of the companies' possible access and capabilities to create such an economy. The regulations and laws that are specifically

created to support the circular economy and its principles, while creating the standard requirements within working conditions are the drivers that show the magnitude behind the institutional determination of changing the linear consumption in the fashion industry. By providing supportive funds and taxation and subsidy policies, governments are lowering the risks for companies to adopt CE and are also creating possibilities for companies that for example couldn't afford this transformation. Therefore, national and global policies are helping already existing companies on the market to switch their business models and follow circularity but also influence new companies to enter the market as born circular companies- with CE principles incorporated inside their global value chain

2. Social & economic drivers - because companies are under a lot of pressure for sustainable reporting, those who choose to follow CE are changing the economic and social conditions. Meaning that choosing circularity can create a lot of opportunities from the economic side of view for companies such as improvement of their cost efficiency, creation of higher revenue streams, and gaining profit from the same product. A circular economy also allows innovation and business development to enter the companies' business models which allows them to be able to change their operations and processes to become more sustainable. From the social point of view, when companies are choosing the CE and trying to create a more sustainable future, they are also helping to raise awareness between their customers and the fashion industry itself. This can lead to the industry and customers' understanding of the need to change linear consumption and create a circularity. This can also result in increased internationalization and work positions. Companies that are following the principles of the CE are able to achieve a competitive advantage within their home market and therefore they have a higher probability to succeed on the foreign markets as well. We can argue that circularity can help companies to compete against their competitors and use circularity as an tool to persuade the customers to change their linear logic.
3. Environmental drivers - compassionate mindset for climate change is needed, when companies are building CE as their core strategy. This behavior usually rise from the pressure mentioned above, but goes hand in hand with environmental drivers. Companies are trying to close the loop by redesigning their resource consumption and ultimately eliminating the waste being created in the first place. We can argue that this behavior of companies reflect their understanding of resource scarcity and their life span, and therefore drives the change for creating the future of fashion.

### **Questions:**

- What was your main driving force, from the beginning of your business, as a born circular company, behind this decision to create a company that follows the circular economy? And could you elaborate on how important it was for your company?
- Did the national/global institutional policies affected your choice of creating the business following the circular economy principles? If yes, in what way were these drivers helping you?
- Were social & economic drivers in any way helping you adopting the circular economy?

- When it comes to environmental drivers, did you see your company being drive by these?

## **BARRIERS:**

The ones I would like to talk about a little more are the 3 key barriers:

1. Lack of institutional policies and regulations - there are some laws, regulations and policies from governments towards implementing the CE. However, these policies are stil lacking clarity and adequete support for companies. Because most of the fashion companies are still following the linear logic of consumption (because there are still no specific regulations towards their negative impacts) the change has to come from the upper part- governments. These are the policymakers that needs to obtain knowledge about this phenomenon in order to stop spreading linear business models. Companies needs to face the consequences the fast fashion is creating, otherwise they will continue following this linear logic. In many cases, companies that are adopting the CE are therefore at disadvantage to linear companies because their products are more expensive because customers still don't fully understand the impact these decisions means. Nevertheless, there is lack of social awareness but also the uncertainty of consumer responsiveness. And also following the developing countries, where brands are sourcing their products from are not supported by institutions and therefore the market lacks mechanisms for recovery. Therefore it is crucial for institutions to set up a more precise and clear regulations supporting the CE transition.
2. Extra initial investment - at the initial process of growing circular companies that are transforming towards CE, in order to communicate their product as admirable on the market they need to acquire some investments. It basically means that customers need be be able to understand the value proposition to the extent they would choose this product/service, which present spending a lot of financial resources but also the efforts that company has to produce. However, most of the fashion companies are trying to test their circular initiatives before going all out, there can still be some resentment on the market. Therefore it is important for circular companies to be transparent with their initiatives and processes in order for CE to succeed which in some cases also be seen as a barrier, because companies has to share also all the negative impacts they are having. The investment should also come from stakeholders and consumers, not only the fashion industry itself, to lower the responsibility of the industry and ease this barrier.
3. The increased cost of production - following the adoption of CE means redesigning the business operations towards more sustainable future. To become a circular company to full extent, companies has to face a lot of changes within the manufacturing processes, supply chains. This can result in high cost of new technologies to meet the criteria for innovation which will impact the capital. While the cost of production is increased, the product also become more expensive and therefore the consumer cost will probably to drawn towards cheaper options, linear clothing. Also from the organizational point of



view, both for buyers and suppliers, adopting a new system as intensive as CE in global value chain can also cause some additional barriers. Different organizational cultures can response to change in a way that do not necessarily complement each other. In this case it is crucial to create global value chain that has the same attitude towards CE implementation which can also mean spending more of the capital to ensure the change will be processed on all levels.

#### **Questions:**

- Following the drivers behind the CE implementation, there must have been some potential barriers in order to create your business, what were those?
- I already asked you about the institutional policies and their possibility of being drivers behind CE implementation (such as lowered taxation, ..). However, when looking at the other side of this, do you think there is a lack of help from the institutions for companies that are following CE? And what could be helpful for companies like yours if institutions could provide for you?
- While creating the business, do you think you needed higher investments in order to create the circularity within your whole business model in comparison to linear business models (that follows the one way flow of products, take-make-dispose model)? And what about in comparison to growing circular companies?
- Do you believe that as a consequence of implementing CE, your production costs are higher than those in linear production and how does this affect the final product?
- Do you think that your company as a born circular company was facing fewer barriers than for example growing circular company that had to redesign its whole business model and change its processes?
- Are there barriers that you haven't manage to overcome until today, and why?

#### **POTENTIAL:**

- Can you think of any potential that implementation of the circular economy has created for your company?
- Does your company provide any additional services as a way to generate multiple revenue streams from individual products, such as repair, rework/stitching, recycling, remaking?
- Do your customers have the opportunity to return products at the end of their life cycle (when they no longer need these products) and if so, does the materials then return back to your supply chain?
- Do you cooperate with other companies? If not, do you see the possibility of cooperation in the future?
- Have you thought about the internationalization of your company to other countries?

#### **Extra questions (if we have some spare time left):**

- I can see from your website that you use a variety of organic certified materials, what influences your choice of suppliers and how are these materials delivered? When

choosing suppliers, is it important for your company whether the supplier oversee the consumption of water and chemicals and tries to follow the circular economy principles?

- How much of your materials comes from upcycled materials?
- Do you offer any special guideliness or instructions for customers to know how to properly care for the purchased products so they last as long as possible?
- How does \*Company A\* produce its products? Are all processes and operations covered locally or do some processes extend across borders?
- What are the current challenges you face?
- Is there something you still need to work on in terms of sustainability and improving working conditions?
- How big part of your products do you have in warehouse? And when the product is sold out, you make new exact ones, or does a new collection follow?

## 7.2 Interview Plan Company B

For the beginning , I would like to briefly introduce 2 types of companies that follow the implementation of circular economy and why I consider your company as "Growing circular" company.

**'Born Circular' company** - is a company that follows the circular economy from its inception. What sets them apart from other companies is usually their mission/vision, which thanks to the circular economy, tries to redesign the fashion industry.

**'Growing circular' company** - It is a company that follows the circular economy now, but the company was built on a traditional linear business model. This means that somewhere in the process, company decided to change its direction and embrace the circular economy. But this transformation does not happen overnight, but takes some time, because the company must make sure that they have all the abilities and skills to change their business model and implementation of these changes takes time and need to be done gradually, not at once.

**CE** = circular economy. It is based on 3 main principles, driven by design: eliminate waste and pollution, circulate products and materials and regenerate nature.

### General questions:

- Based on your website and our talks before, it is evident that your company is an online platform that sells only sustainable clothes. You mentioned that the “sustainable tag” have been created by your company in order to show the customers how sustainable the brands are? What does this sustainable tag represent for your company? And how does this model differs from traditional “fast fashion” collections?

- How does your company create value in the market? And how do you market different companies to attract customers?
- How can a company like yours (growing circular company) gain a competitive advantage in the market compared to your competitors (who follows linear business models)?
- How do you differentiate yourself from these competitors?

## DRIVERS:

The ones I would like to talk about most are the 3 key drivers:

1. National/global institutional policies - national but also global institutions are trying to push forward policies and regulations that encourage linear business models to transform towards circularity. Governments are helping to make a transition towards a circular economy more accessible, for all of the companies' possible access and capabilities to create such an economy. The regulations and laws that are specifically created to support the circular economy and its principles, while creating the standard requirements within working conditions are the drivers that show the magnitude behind the institutional determination of changing the linear consumption in the fashion industry. By providing supportive funds and taxation and subsidy policies, governments are lowering the risks for companies to adopt CE and are also creating possibilities for companies that for example couldn't afford this transformation. Therefore, national and global policies are helping already existing companies on the market to switch their business models and follow circularity but also influence new companies to enter the market as born circular companies- with CE principles incorporated inside their global value chain
2. Social & economic drivers - because companies are under a lot of pressure for sustainable reporting, those who choose to follow CE are changing the economic and social conditions. Meaning that choosing circularity can create a lot of opportunities from the economic side of view for companies such as improvement of their cost efficiency, creation of higher revenue streams, and gaining profit from the same product. A circular economy also allows innovation and business development to enter the companies' business models which allows them to be able to change their operations and processes to become more sustainable. From the social point of view, when companies are choosing the CE and trying to create a more sustainable future, they are also helping to raise awareness between their customers and the fashion industry itself. This can lead to the industry and customers' understanding of the need to change linear consumption and create a circularity. This can also result in increased internationalization and work positions. Companies that are following the principles of the CE are able to achieve a competitive advantage within their home market and therefore they have a higher probability to succeed on the foreign markets as well. We can argue that circularity can help companies to compete against their competitors and use circularity as an tool to persuade the customers to change their linear logic.

3. Environmental drivers - compassionate mindset for climate change is needed, when companies are building CE as their core strategy. This behavior usually rise from the pressure mentioned above, but goes hand in hand with environmental drivers. Companies are trying to close the loop by redesigning their resource consumption and ultimately eliminating the waste being created in the first place. We can argue that this behavior of companies reflect their understanding of resource scarcity and their life span, and therefore drives the change for creating the future of fashion.

#### **Questions:**

- What was your main driving force, from the beginning of your business, following the linear economy and how does this changed when starting implementing the CE? And could you elaborate on how important this new driver was for your company?
- Did the national/global institutional policies affected your choice of creating the business following the circular economy principles? If yes, in what way were these drivers helping you?
- Were social & economic drivers in any way helping you adopting the circular economy?
- When it comes to environmental drivers, did you see your company being drive by these?

#### **BARRIERS:**

The ones I would like to talk about a little more are the 3 key barriers:

1. Lack of institutional policies and regulations - there are some laws, regulations and policies from governments towards implementing the CE. However, these policies are stil lacking clarity and adequete support for companies. Because most of the fashion companies are still following the linear logic of consumption (because there are still no specific regulations towards their negative impacts) the change has to come from the upper part- governments. These are the policymakers that needs to obtain knowledge about this phenomenon in order to stop spreading linear business models. Companies needs to face the consequences the fast fashion is creating, otherwise they will continue following this linear logic. In many cases, companies that are adopting the CE are therefore at disadvantage to linear companies because their products are more expensive because customers still don't fully understand the impact these decisions means. Nevertheless, there is lack of social awareness but also the uncertainty of consumer responsiveness. And also following the developing countries, where brands are sourcing their products from are not supported by institutions and therefore the market lacks mechanisms for recovery. Therefore it is crucial for institutions to set up a more precise and clear regulations supporting the CE transition.
2. Extra initial investment - at the initial process of growing circular companies that are transforming towards CE, in order to communicate their product as admirable on the market they need to acquire some investments. It basically means that customers need

be able to understand the value proposition to the extent they would choose this product/service, which present spending a lot of financial resources but also the efforts that company has to produce. However, most of the fashion companies are trying to test their circular initiatives before going all out, there can still be some resentment on the market. Therefore it is important for circular companies to be transparent with their initiatives and processes in order for CE to succeed which in some cases also be seen as a barrier, because companies has to share also all the negative impacts they are having. The investment should also come from stakeholders and consumers, not only the fashion industry itself, to lower the responsibility of the industry and ease this barrier.

3. The increased cost of production - following the adoption of CE means redesigning the business operations towards more sustainable future. To become a circular company to full extent, companies has to face a lot of changes within the manufacturing processes, supply chains. This can result in high cost of new technologies to meet the criteria for innovation which will impact the capital. While the cost of production is increased, the product also become more expensive and therefore the consumer cost will probably to drawn towards cheaper options, linear clothing. Also from the organizational point of view, both for buyers and suppliers, adopting a new system as intensive as CE in global value chain can also cause some additional barriers. Different organizational cultures can response to change in a way that do not necessarily complement each other. In this case it is crucial to create global value chain that has the same attitude towards CE implementation which can also mean spending more of the capital to ensure the change will be processed on all levels.

### **Questions:**

- Following the drivers behind the CE implementation, there must have been some potential barriers in order to change your business from linear towards circular, what were those?
- I already asked you about the institutional policies and their possibility of being drivers behind CE implementation (such as lowered taxation, ..). However, when looking at the other side of this, do you think there is a lack of help from the institutions for companies that are following CE? And what could be helpful for companies like yours if institutions could provide for you?
- While recreating the business towards circularity, do you think you needed higher investments in order to create the circularity within your whole business model in comparison to linear business models (that follows the one way flow of products, take-make-dispose model)? And what about in comparison to born circular companies?
- Do you believe that as a consequence of implementing CE, your operating costs are higher than those in linear production and how does this affect the final products?
- Do you think that your company as a growing circular company was facing more barriers than for example born circular company?
- Are there barriers that you haven't manage to overcome until today, and why? And are you considering your CE implementation for fully adopted, or are there still some processes that needs transforming?

### POTENTIAL:

- Can you think of any potential that implementation of the circular economy has created for your company?
- Does your company provide any additional services as a way to generate multiple revenue streams from individual products, such as repair, rework/stitching, recycling, remaking? How does returning of the new products works (if customers changed their mind and don't want to purchase the product anymore)?
- Do your customers have the opportunity to return products at the end of their life cycle (when they no longer need these products) and if so, does the materials then return back to its original supply chain?
- Do you cooperate with other companies? If not, do you see the possibility of cooperation in the future?
- Have you thought about the internationalization of your company to other countries?

### Extra questions (if we have some spare time left):

- I can see from your website that you use a variety of organic certified materials, what influences your choice of suppliers and how are these materials delivered? When choosing suppliers, is it important for your company whether the supplier oversee the consumption of water and chemicals and tries to follow the circular economy principles?
- Do you offer any special guideliness or instructions for customers to know how to properly care for the purchased products so they last as long as possible?
- How does \*Company B\* produce the products that are selling? Are all processes and operations covered locally or do some processes extend across borders?
- What are the current challenges you face?
- Is there something you still need to work on in terms of sustainability and improving working conditions?
- How big part of your products do you have in warehouse?

## 7.3 Transcript (translated version) - Company A

I: Interviewer

A: Company A

\*consent for recording... \*

I: I would like to briefly introduce myself once again. My name is Dominika and I am from Slovakia, but I am currently studying in Denmark. And so I am trying to write my Master's thesis on the topic of the circular economy. To begin with, I would like to ask you for an introduction and present your job description at Company A.

A: Well, I am an executive and my name is \*anonymized\*. And I'm an owner and now I basically do everything by myself, or rather... I don't have any team. And my husband and external workers help me, as I have the tailoress, the designers, so at \*anonymized place\* I try to do everything as if and achieve that I hm

I: to manage everything?

A: well, that's exactly what I do.

I: Wow. I wasn't expecting that. I assumed there were some employees that are helping. Wow, okay.

A: I myself sometimes do not understand how I still surviving.

I: So based on your website I found out that what you are trying to do is to create that capsule wardrobe. So what does this present for your company and why this particular business model?

A: Well, I started a capsule wardrobe, as if for such a reason as minimalism, as well as for such a well-thought-out form of, um, thinking about clothing, because every woman likes to dress nicely in some way, and to rotate them.

I: Of course.

A: And fast fashion tempts her to always have new things and always change something and be so dissatisfied with herself that even the clothes are actually just a coping mechanism, fast for her, and the choice is when she is not satisfied with something, so she can buy a t-shirt for 15 euros and it's great that for 5 minutes she fills her frustration or something. Hey?

I: of course.

A: And because of that, I started to think, as it were, about a woman and how to make a microworld for herself. And that capsule wardrobe, I somehow found myself in that. And whatever model I create, it has to be related to some other one, so that it can be combined and simply as much as possible can be made from it as a variation. hmm Well, just like that. Well, this is how I came to the conclusion that the capsule wardrobe is like a well-thought-out world of clothes for me. Because I don't know, the typical one like Steve Jobs or like how men work. They are absolutely great example for this.

I: Haha. Very good point.

A: That what they feel good about. Like for a woman it's a little bit different, but like there's that idea of that thoughtfulness of being comfortable with yourself and just and not changing a lot of those like clothes and not having a lot of them. Minimize it. That kind of comes from like simplifying your life for me and like eco-friendly principles and all that stuff, well.

I: I really like this whole story behind your brand. And I totally agree. What do you sort of see as the difference, the difference between this capsule wardrobe and, like, the classic linear economies of fashion brands like H&M and Zara, that are changing whole collections frequently.

A: Well, just in that they've. They're just going linear, just consuming, nonstop new things just to fulfill really those feminine urges such that um, that really just those basic quick needs that to get dressed as much as possible and as fast as possible and it just really go. And that capsule wardrobe is really such a steadying thing. I would say that yeah I think that just that maintainability or. Um, because it's so connected to everything that even in that company those collections so you try to think about how to just dress it differently 100 times and what to add to it and that's actually that slow way of just kind of calming down in that and being um. For me it's all overall and that sustainability is like that, to look for that kind of calmness in that

rushed like to look for that kind of calmness, that just that kind of way that really even that sustainability is not that kind of leaving a nice world here for the next future generations or something like that. And hmm

I: think about the future and start making a change now.

A: yes exactly. And that consumerism just isn't there like no intent. And that capsule wardrobe for me is that microcosm of if you sort of feel in different areas if you're domesticating and you're just focusing more on the what. Uh huh. You're enjoying the moment, because like you can also save a lot by, uh even the comparison is not like that, because uh huh a person kind of has to kind of stop and like oh well, I have this same thing again and they're going to think this about me or whatever. That all these sort of confrontations, that he has to be sort of very clear about that. Like, that I don't need a lot to make him happy.

I: Exactly, that sometimes you just have to have those basic pieces and then you just combine them and a lot of variations can happen.

A: Yes. But like the idea is I think anything in this sustainability when we're talking about, really like that idea of um awareness. That this earth is sort of just a temporary sort of residence for us and that we don't actually have to treat it like some sort of parasite or something. I kind of feel like if there's going to be something left behind I'd rather it be something nice rather than something bad.

I: I very much share the same opinion as well. Hm. So I fully agree. But let's move on then. So the next question is how do you market your products to attract as many customers as possible and how do you communicate your value? So I saw that you have a website and that you have some selling points. How do you decide where to deliver the products and in what way in order to attract the most customers?

A: Well like I think for us the model of like that circular model like I mentioned at the beginning when we were writing together that it's not working quite like that in all companies. Because behind that is greenwashing and all other barriers. I just kind of take to it like that. Hm. How would I put it? That I'm, uh...

I: Very transparent and open?

A: Yes sort of. I don't approach it so much in a marketing way, because then I think it would kind of make the whole thing. um. I need to be true to myself, to what I believe in. And I've realized that even like on those other forms of that marketing, so actually people are sort of um you know what, the capsule trend, so straight away everyone's already doing the capsule trend. I was doing growing clothes, when I was doing baby clothes, all of a sudden everybody started copying me. And I just, I don't have this marketing sort of mastered and I also think it's very difficult, and here in \*anonymized country\* not at all, because we don't have um politically or how should I say it established some that. We also don't have some pride that we have some local products or just. And it's like everything is related to that. That I for example when I want to put stuff in the shop so 20% is just a tax, than what they would like is 20% or 40%, 50% from the price, and also they would like want me to go down with the price because it's too high.

I: wow. Those are really high percentages. So do you think that you're missing some kind of that support from that whole marketing standpoint, or some kind of business consultant to help you set that pricing right?



A: Absolutely. The problem is that it represents an additional cost, um, as if I would. It would cost us additional costs and therefore that price would have to be higher again. And by that actually if I want to pay my tailloress and designers fairly, now the big demands that like there are that on photography or that marketing or that into all these things we should have what are the expectations, how that market has set it up, hey, that to be professional and have everything done perfectly, so that's like what a lot of positions are and I think artificially created for and actually that's also what pushes us to be fast and react to what the market needs and expects and it also pushes us to also change those things and all of that and that's what I think a lot of brands struggle with here in \*anonymized country\* and they set their prices wrong. Hey, that's a problem then. I don't know if I'm answering quite the way you're imagining

I: Yes yes, whatever you need to explain I'll listen. We are going the right direction.

A: Because in our country they are pushing the prices so low that it's hard to get into those shops. Because they would have it to those stores in our country like even if they take you with that 40-50% of that price down, they'll take you on commission. And they'll return those things when they don't sell them. So that way they don't take like any of that responsibility for it or effort that they should like try to like make it work.

I: of course

A: As if the political situation is such that it sucks for these small businesses. Like I'm a small businessman I'm just trying to do something sort of emotional. So it's like it's set up wrong. That we should have less taxes or like there's a lot of burdens like even on these small business owners. And so that's what I would want that marketing for, like I'm trying to impress the customer by good hm

I: reputation?

A: yeah exactly. I'm trying to move that so that they just find me and just like that, but it's still difficult, because in \*anonymized country\*, even with prices I don't negotiate with tailloress or I just have that they sew me a coat for 70 euros or a blouse for 40, plus, like, finding quality materials, natural ones, so, like, imagine how big my load is. I'm already answering those other questions that I'm kind of understood, that you're probably interested in.

I: yes, you're right, you're following exactly the plan I have sent you befoehand.

A: great, that's why I'm sort of not speaking very coherently but I'm trying to explain that for us it's a big problem. Because for us they have to be high because in order for me to cover then from another one. Or if the model was such that if it goes down so much with the price, well, like, clearly they would have to sell a lot of pieces to be able to ask for that kind of money. Well just getting it into stores is just hard, it's a problem and um I'm trying my, is trying to look for women who are trying to build that capsule wardrobe. They come to me in the studio, now I'm sort of trying to get it going and that's the best part is sort of the space to talk and I talk to them about the materials as well and I teach them how to sort of discern in the future what to sort of buy and we also look for what suits them because actually that's what the capsule wardrobe is all about as well. That it's awfully nice to look for those materials, to look for that what she feels like she's wearing and what line she's wearing, that whether she prefers the fits or whatever. And then to tailor it exactly to her measurements, and that's where it's also sort of related to the marketing, that what we were saying is that I actually sort of do, when I get to the website, like take pictures of all that stuff and stuff, there's not even a lot of that stuff there, and that's why it's hard for me to put that stuff somewhere as well, because with upcycling what

I do most of the stuff I'll get like let's say 8 yards of fabric and I'll get like I don't know maybe 3 dresses out of that and the whole process of like taking pictures and adding it and all that stuff doesn't really slow me down like, and then again in the stores it's hard to put it up because they're also already when somebody likes something so they can sell more of it. Well so those are kind of like what are we talking about the downsides of upcycling. Also that in... um. I guess I didn't answer that question very well.

I: I think you are doing great. To be honest, I didn't know it worked like that. At the end, you mentioned that most of those processes are from upcycling, and therefore the amount of clothing produced is actually from what is created from those materials. If I understood it correctly.

A: yes. So I either sew from certified materials such as organic cotton or the like. Or then, that is, I usually upcycle now. Because I am now able to get a lot of materials from those fashion houses, I took it from Paris last year and I have it also here in our country, there are also companies as Dior, Chloe and such brands nearby and somehow I manage to get from them as well as a larger amount of material. But also from various other countries like France, Germany and so on. Because I wouldn't be able to get those fabrics for that price as a new ones. .

I: ehm and how

A: But what is quite a problem is that I actually wanted to say this too, it was about another question, but I don't remember now which one and what are the problems after upcycling or these things.

I: yes, I'm interested in what the barriers are and how

A: well, it works like that in our country, because of the law, as they finally passed the law stating that we cannot export the garbage to other countries.

I: Yes finally, it was about time.

A: Yes, exactly, because people treated it horribly, the waste, that it went somewhere where they didn't see it and it didn't bother them, hey, but in other countries, they fought it as if it was flooding at them from the sea, for example like Hawaii or something. That, after all, they are poor people that had to face our consumer consequences. Well, actually, it was such a big thing for me, because I was happy about it. When I was in Paris, they presented there that such things as, for example, these materials that will remain from the collections, so you know how it is that they also have a lot of materials left over for the tailoring workshops from the collection, but it is not worth it for them to send it to Paris or Norway or wherever, so the materials will remain in stock. Which they should dispose of, which would be horrible for CO2. And so we try to put it into circulation. We are extending its life cycle and simply trying to do it like this. But they just made a bit of a business out of it. And most of the time I get the materials on the invoice, so it's obtained in some black way, yeah. And then, when there is a complaint, I lose only myself if something happened I have full responsibility.

I: um, that seems like a pretty big problem. Is there any way to avoid or improve these conditions from your perspective?

A: Yes, it's a really big barrier that they should basically give us the materials for free or in some other way, because we are basically helping them to get rid of their waste by consuming it and putting it back to life cycle. That they should put it somewhere for processing, because otherwise they have to pay for the waste. That's how everything got twisted here. They know we need those so they are using it to their own benefit.

I: as always with everything, haha. Is there any way to fight it?

A: well, it's a little bit sad for me, and as a matter of fact, sometimes I can't get those things on the invoice so that I can put it in some expenses or somehow operate with it, because I really take a lot of responsibility on myself, like with those materials and their quality. Hey, I have to be like that, because many times when upcycling they don't have the composition of the material. Then I try to do tests with a lighter on the spot or something like that. So it's a bit psycho in this.

I: Sounds very complicated.

A: yes, well. And you're flying everywhere for the fact that this is what I wanted to answer to some of the questions.

I: So you believe that if our government or some higher institutions introduced some new laws or regulations that would support companies like yours, i.e. small entrepreneurs who are trying to be sustainable and helping an environment to some extent, that for example if you process a waste of others and return it to the life cycle, you think it would change the whole process that it would make some processes easier for you?

A: It would be really nice if there was for example a collection point where you can pick up what you need, but there are so many fake people that it would probably not work, but of course it would be amazing if institutions could help. But for example, what I know that we are struggling with, they are chasing us small start-up entrepreneurs like checking our cash registers and so on. So from that point of view, I can only see more pressure from them. What I'm not saying is that everyone tries their best, but everyone realizes that they have to do something illegal here in order to survive as a small business. And actually, when we were in England, the husband was a freelancer, and he, for example, did not pay taxes or such things in England when he was not earning money. That there are situations when you don't earn and you don't have to pay any *odvody* and the taxes were also smaller. That there was an obvious difference between big companies and some such small entrepreneurs. Especially since something like design or people in such industries as actors and artists, a hard-to-live segment should be um

I: certainly relieved by at least some reduced taxes or support from the state.

A: also by the fact that it is not such a mass production, and our

I: sure. But let's move on, because we're running out of time. When you created your company, do you think you needed some higher investments to create that circularity if we compare it with those growing circular organizations.

A: Well, I can't seem to compare this completely. Because these projects are very small here. For example, other companies I know are trying to start up the process, they took from European funds, which seems to be the only way you can start something if you manage to get some European funds. And so trying to do it in a bigger way, including employees, as of course it would help me if I had more capital and some form of investment, like long-term or something like that. Because the costs, like they are quite similar, as if I compare it like that, only they do it more of an mass production and I don't. So i think the costs of production are quite the same, it's just that they can earn more money, cause they can sell more pieces, I have only limited clothes always. Because even now, for example, when I was in Switzerland, I went there to see the bags one company is making, they make them from parachutes and such. And um. As they already do it on a large scale, but how are they doing, whether anyone supports

them more, I don't know. I also thought about that question and I can't give a specific answer, but certainly both types of companies have their individual costs and difficulties at the start of business. Even when, for example, Patagonia tried to produce everything only from organic cotton, they gradually found out that there were not enough plantations, not enough land, and even when there were fields, there was no production, because the whole thing had to be cleaned, before being used again. That it's like that, that we can't seem to, um. That circularity is not set up in such a way that globally it seems like such an important point for those countries yet.

I: I definitely agree. I believe that the circular economy is still in such an early stage and many countries still have a big problem with it, somewhere it is just starting to be talked about, so it is a big change that is still taking shape and making its way.

A: yes, yes, and even if companies try, they will come across the fact that we have neglected it for so long, as with climate change, that it has been neglected for a long time, and then the return is much more difficult.

I: so it is also connected to that, whether you think that your production costs are higher or lower than those growing circular companies.

A: but of course not below, of course not, I can't imagine that they would have a spiky blouse for 40 euros. The thing is, I only support the tailoress here, and we're only going to get into a big trouble, because it seems that tailoress are no longer around, that the generation is coming to an end for a while, and again, it's as if these new positions aren't being created, because it's like everyone wants to be manager and people don't want to do these jobs anymore. So it will be interesting.

I: do you already encounter, for example, that there is a shortage of tailors or designers on the market?

A: yes absolutely, that's a disaster with them. And if you want good tailors, for example, I have those who also sew for bigger brands, so it's like we really have to fight for them to work for us.

I: So we can see here that there are not enough of those tailors and designers who also have a circular mindset, who try to eliminate waste, etc. So, according to what you have just summarized, we can say that there are not enough well-trained tailors and designers on the market, if I understood it correctly, yes? So you see the potential in this, that we need to train more people in order to fill the the demand for them?

A: yes, but this is, as it were, about social responsibility as well. That it's not about the people, that they're willing, as it is, because it's hard work, that they really don't want to do it these days, that they turn their noses up at tailors. Because finding good craftsmen is really a big problem lately. People think less of these job positions.

I: Do you think that this is created not only by society but also by institutions? If the government would change this attitude and support, for example, the teaching of such programs and try to transform these trades that would also be sufficiently valued in money, do you think it could solve this lack in the market?

A: definitely, but the institutions would have to understand the circular economy as a whole and see that this is the necessary change, that they can no longer close their eyes to it. And paying them in such a way that you actually will get appreciated for doing such a hard work and that the tailors can make a living from it is difficult.

I: I can see your point, yes. Hm do you believe that institutions has the power to maybe support these programs at schools and universities? Because I know only few programmes that still exists about tailoring and such. Do you think if institutions would start supporting and encouraging those programmes to again start being considered as desired by students, it could change this behavior?

A: yes definitely, but the thing is, this is definitely important and needed from institutions to do and so on, but it will be hard. And as i told before, the government and so need to understand that there is no other way than this to start using circular economy as well.

I: I see that we are running out of time, so just a few more questions. What are your barriers or problems that your company faces and what is your biggest current challenge?

A: Well, I can't make large quantities because I have the smaller leftovers and when I want to use it up. And if I don't want to do greenwashing, which a lot of companies do, such as pretending to making clothes from used plastic bottles but using actually the new ones, then let them go like hm...

I: of course, these practices are prominent in the market. Do you think this is the result of companies not being transparent enough?

A: I definitely see it this way, yes. But actually all these things really annoy me, that actually small companies are not supported at all. And the marketing poeple also, because they are taught to do marketing for the big corporations and they don't know how to set up for small corporations with a smaller budget and a connection to the circular economy, so that is also a big problem. Because they are not trained in circularity or they just never heard of it, it's then really hard for them to help companies as ours to fulfill our wishes. Finding good tailors is also a problem. Getting it to the stores after producing the clothes is also a problem. Because even though I have higher prices so I can meet all circular economy principles, it is seen too high by these shops. And in such a situation, also customers have a problem buying it, because here the salaries are not that high and they don't know much about the whole circular economy and sustainability and they don't understand it fully, that this one piece can be with them for a really long time, not just for a few weeks until it get destroyed or washed out or something like that.

I: are you referring to customers' awareness or their information communication of circularity and sustainability?

A: yes, because in our country, when people buy brands and buy expensive clothes, they don't realize that even if the price is high, it doesn't guarantee the quality. And so it is. For example, I don't have those high costs only because I try to do it with quality, but also because I try to pay the human value as well. In comparison to those expensive brands where the human factor is completely shaded and the price is high not because of the quality either but only for its name.

I: So it seems to me that there are more and more obstacles and problems on the this market, and thus it is more complicated for you.

A: I mean sometimes I feel like giving up. But there was still one question, whether we want to expand. And I thought for a long time about whether to expand, because here the market is small and very hard to reach, but if everyone leaves, we won't have a way to try together to hm

I: Improve?

A: yes, and even for us to have nice things here in \*anonymized country\*, it's kind of hard. And I actually kinda defined myself and my company out in a way that I don't really want to

be as big as other companies, I want to stay the small company with personal touch and communication with my customers, so this is forcing me to do my work a little differently. That's why I produce clothes mostly by orders, because otherwise you'll have so many things in stock here that you'll never guess the exact size to get it right or color or something. Even the capsule wardrobe is like a big collection, and in order to have everything from each, it's like a quantum of things and a lot of options. that I really would like people to return to that individuality.

I: so you believe that the individuality of your products and the story behind how you produce them is your competitive advantage? Because it seems to me that...

A: yes yes. Thanks to that individuality and simplicity, we actually are able to win customers. And I also wanted to say about the capsule wardrobe, that it's actually now a capsule wardrobe, that I have completely simple things and those people feel special. Despite the fact that these things are simple, by the fact that these days they only wore jeans and such clothes and various collections that everyone else also wears, they lost that individualism, as it were, so it's a disaster. And at the same time, it is possible to create individually beautiful things for each customer from the capsule wardrobe, and also precisely because there are always only a few meters of the fabric, which is always of high quality, but also because everything can be nicely adjusted and combined. People are afraid of that too, of course, but that's completely natural. Any more questions?

I: I only have such a short question as to whether it is possible for your customers to return the products to you at the end of their life cycle. And do you offer any special guidelines or instructions for customers to know how to properly care for the purchased products so that they last as long as possible?

A: I mainly try to use natural materials as much as possible, which can then be decomposed and should last as long as possible, but it is true that many people do not even know how to take care of those natural materials. Hello?

I: yes, I still listen.

A: Oh, you're still here, I thought there was some interruption. And it is true that they sometimes destroy it themselves. For example, when I use the organic cotton, you put it in the compost and it's there, it can dissolve by itself. My products and the materials I'm using, it's as if I'm just prolonging the cycle, that I'm putting it back into circulation. But we repair things as if after warranty. It happened once for example in 2018 that the lining of the dress somehow got ripped out, or something just happened to it, so I repaired this lining, so I kind of do things like that... hello?

I: yes, I listen all the time. So you don't see, for example, the potential in starting to produce multiple incomes from one product? Like, for example, this quilting, or recycling at the end of their life cycle or something like that? Or maybe reusing the material to create a new piece or a new design?

A: I am already doing such minor adjustments, but I would very much like to take it further. I just haven't thought about this yet, I'm afraid I don't have enough knowledge for this. That now it's like I'm just prolonging the life cycle of other companies' waste.

I: that's understandable. And one last quick question, do you have a lot of your products in stock or do you only create the individual collections from the material you have and try to sell it and then continue with a new collection or how is the stocking in general?

A: well it's um. Well, for example, now I'm in the studio and because there was a corona, I didn't have much of a chance to sell it, because I usually go to the design markets or something like that to sell my products

I: sure, that's a great opportunity

A: or they come here to the studio. So the website that is on does not have the latest pieces. Specific products are then created according to the material that I collect. That's why I try to make orders. That I try to make it according to the model, i.e. in the size of the model, take a picture of it and then, based on how I see the reaction, I try to sew something so that they can buy something right away. But hey, I'm trying to appeal that order, because I don't want to be left with waste either.

I: Clear, completely understandable. And I know we're running out of time, but I have one last mini question, which is if you can imagine working with any other companies that also follow the circular economy of course and maybe form such kind of collaboration?

A: definitely yes. I'm trying as well. Um, for example, I try to cooperate with designers so that they design for me. For example, I was approached by a girl who also makes gypsy lace, which was like, um, the gypsy lace was when they received threads from women who wove threads, so they then put it on the lace and had it as if they used it to decorate something, for example, I like such projects. Only for me, the cooperation is that when I have to finance it, so yeah, I lack financial resources. But I also try to get involved, as for example when I did the fashion revolution, I always did um. I always try to cooperate globally, and my form is to support the tailoress and designers, because they also struggle with the fact that they just don't have that much work and so on. But, for example, one of my designers with whom I work comes from the Czech Republic, so for example this cooperation is a bit more complicated, since she works in another country. But here in our country, I couldn't find any other one that could replace her. So I'm actually still collaborating.

I: very good job of course. I would just like to add that, in your case, you as a company have not yet expanded to other countries, but your internationalization is also visible in the fact that, for example, you obtain materials and labor force from other countries, because in \*anonymized country\* there is obviously still the gap for you. So here we are looking, at a reverse internationalization strategy.

A: I didn't know that internationalization can be taken in such a way. As I have those collaborations set up on those relationships, as for me it's like having the right people around me who are similarly minded and then seeing the result so beautifully.

I: That's absolutely true.

A: So there you go.

I: In my opinion, this is one of the unwritten effects of the circular economy, that thanks to the cooperation and common mindsets of all of the parties, the products are created so special.

A: Yes, that's exactly what I think, you need to find the right people. For example, I try to give my tailoress a gift at least at Christmas and thank them for what they do for me. Even today, for example, I was with my designer and I thanked her that I can work with such a professional, that we both enrich each other in those professions, that we share our individual resources that we have and combine them in order to create the best products that will make our customers happy and fill their needs. And in my opinion, circularity is the very best tool to do so.

Me: Wow. So I would like to stop here. Thank you very much for all your time that you gave me today, I see that we have already exceeded the set time limit. But I would like to thank you once again for your time and for all the information and hm

A: The pleasure is on my side, I believe it will help. And that I was to the point.

I: Thank you very much and certainly this interview helped as much as possible. And I wish you much success in the future.

A: Similar to you too. With your paper.

I: So have a lovely rest of the evening. Goodbye.

A: Goodbye.

## 7.4 Transcript (translated version) - Company B

I: Interviewer

B: Company B

\*Quick introduction and asked for permission to record\*

I: okay, so from now on the interview is recorded. And as we discussed before, your company and your name will be disclosed anonymously. Are you ready then?

B: yes, let's do this. I hope this will help your thesis.

I: Thank you, I have no doubts about that. So based on your website and our talks before, it is evident that your company is an online platform that sells only sustainable clothes. You mentioned that the “sustainable tag” have been created by your company in order to show the customers how sustainable the brands are? What does this sustainable tag represent for your company? And how does this model differs from traditional “fast fashion” collections?

B: yes, you are right. Since 2010 when we change our business model completely, by implementing CE, we have come to the consensus that we want to do things differently. That's why in this year we started collaborating only with fashion companies that we have seen as sustainable. It was however hard for our customers to understand this change and to make the transition a little bit more bearable, we have created the sustainable tag. And i believe, this is exactly what differ us from traditional eshops that sells fast fashion. Because they are just the middleman between the customer and fast fashion companies. Hm I mean that they are still supporting the linear model, right, even they are not exactly the ones manufacturing the clothes or such a things but they are still responsible as well. Our company is different. We understand the negative impacts of the fashion industry and that's why we are selling only the clothes that are changing the narratives.

I: super interested concept! But can you maybe explain a little more in detail about the sustainability tag. How exactly are those companies rated?

B: yes of course. So every company that would like to collaborate with us, or just the ones we contact on our own, they receive a questionnaire about sustainability criterias. This questionnaire has 7 questions to which answers are yes, no or maybe. The company gains a



point only if the answer to the question is yes. And after counting the points together, the company receives the result. And 0-3 points is called “on the way” and represent companies that just started their transition or meeting the criteria within few points, these brands are not approved to be put on our website, however we are closely watching their growth and when they achieve 4 points, they can enter our website. 4-5 points represents companies that are doing a good job and trying to follow CE principles and minimize their waste and such. These companies are presented on our website and labeled with sustainable tag. And companies that receives 6 and more points are labeled with sustainable tag as well but also call the leaders, because those are the companies that with their innovation are transforming the fashion industry and deserves to be seen as a leaders or idols. Haha

I: This is such an unique process of sorting the companies. I'm not gonna lie, I'm extremely impressed. But let's move to the other questions. How does your company create value in the market? And how do you market different companies to attract customers?

B: Well I believe that we are creating the value by selling only clothes and you know accessories that are manufactured according to CE principles and not harming to the environment and to the end customers. The products are in many ways also extremely unique so this adds the value as well. But we also use social medias to promote different brands and stuff. We are collaborating with a lot of influencers and brands in order to spread the awareness of these companies.

I: How can a company like yours (growing circular company) gain a competitive advantage in the market compared to your competitors (who follows traditional linear economy)?

B: Hm, that's a good question, haha. I believe that actually our sustainable tag is the tool that differ us from the competitors but also giving us an opportunity to show customers that fashion can be done in a more sustainable way. So I think our advantage is actually the sustainable brands itself.

I: So i guess you are representing the fact that there is actually a market for customers that want to buy sustainable clothes, right?

B: yeah, it's just sometimes complicated for them to you know, not being fooled by many greenwashing practises of some companies. On our website they are sure all the brands are safe to buy from, they don't need to do any research or anything, because we have done that for them. And we are extremely transparent about everything. Like on our website you can find everything you need. Everything.

I: Sounds very good. Okay, lets move on to the drivers. What was your main driving force, from the beginning of your business, following the linear economy and how does this changed when starting implementing the CE? And could you elaborate on how important this new driver was for your company?

B: hm, that's a really long story but basically, when \*Company B\* was founded, I have created just the regular eshop with the desire to sell as much clothes as possible and earn the most money without thinking about all of the negative impacts. So back then, the main drivers for me were profit and build a strong brand name that would be well known. Don't get me wrong, this plan was working out, but slowly I've got to a realization, that this is not the right way. I started reading more about the whole sustainability and climate change and so on. Hm and somehow it just changed. My perception changed. And I started researching more and more and then we just did it. Hm, what was the question again, sorry?

I: no problem. What was the main driver then behind implementing the circular economy principles?

B: oh yeah, so I was basically going the right direction. Haha. Well I believe the main driver was my understanding that there is only one Earth that we live in and the whole climate change and the scarcity of the resources and how huge is the fashion industry negative impact and all of this. If I'm following the interview plan you send me, I would say that for me it was mostly the environmental drivers. But the social and economic drivers were kind of connected to it as well. Because i felt the pressure that we need to change this and we have to innovate and make sure there are no kids that are paid few cents to make my shirt or whatever.

I: What about the institutional drivers? Did those affected your choice?

B: Nah, I don't think so. You know, this was more than 10 years ago, and the institutions are not even doing enough now, in the past it was even less.

I: Understandable. Do you think there is a lack of help from the institutions for companies that are following CE? And what could be helpful for companies like yours if institutions could provide for you?

B: Well I mean our government can't really help much at the moment, I think they first need to understand that CE is a big deal and they are the ones that should be pushing companies to change. But i dont believe their knowledge is like how can i put it, hm i don't think they understand the importance of transforming linear models towards circular ones. I believe there are some funds from the European union, but its so hard to get those and it's a huge responsibility. I don't think our company is ready at the moment to take such a challenge upon us. I mean there is a lot of things we would appreciate like for example some tax relief or so for companies that are following CE models or something like that. Or ...

I: Following the drivers behind the CE implementation, there must have been some potential barriers in order to change your business from linear towards circular, what were those?

B: to be completely honest, it was really tough transition, but the most important was to make sure that all employees are on the same page. We had to go through a lot of workshops and so, to ensure that you know, my employees understand what im doing now. And that cost a lot of money and time. We also had to use a lot of our capital to make the change go as smoothly as possible. The biggest challenge was however to find and target customers. We of course didn't change our website from one day to another, but we slowly added more and more sustainable companies while stopping the collaborations with companies that were not sustainable at all. This was also quite challenging because we have to make sure we are not breaking any laws based on our contracts and so on.

I: Do you think that your company as a growing circular company was facing more barriers than for example born circular company?

B: I dont really know what are they facing to be honest, but yes, I guess I believe its different at least. Because our company already had the relationships with our partners build and we had our base of customers and all those things, but because we decided to change our whole operation, we had to make sure we will still have you know, the customers. Because well without them, we can't do anything right? So we had to use a lot of our money to keep the customers and you know, find new ones and so on. I believe they have this easier than us, because they are circular from the start, so they are building on top, while we have to rebuild everything.

I: While rebuilding the business towards circularity, do you think you needed higher investments in order to create the circularity within your whole business model in comparison to linear business models (that follows the one way flow of products, take-make-dispose model)?

B: Hm, I can't really answer this one. ....

I: Are there barriers that you haven't manage to overcome until today, and why? And are you considering your CE implementation for fully adopted, or are there still some processes that needs transforming?

B: There is always space to be better haha. But I think we are doing really good now. I would say that we are definitely following all of the CE principles and everything is working out, but you know, there is always some ways to be better, so we are not stoping, but trying to improve still, you know like attending a lot of different lectures, workshops and so on. Hm. I think the one thing we would still like to continue working on is the distribution. Our distribution is packed in used boxes without any plastic and any extra papers and so on, like this part is really great but the delivery itself, still is quite you know. Like all the delivery trucks creating so much CO2, especially when delivering to other countries and so on. And when we have to deal with returns as well. We are still trying to figure out the way how to do this to our best capabilities.

I: That is still really impressive. I can see that we are already a bit over the discussed time, would you like to stop now or would you mind spare an extra 5 minutes?

B: no problem at all! Sorry I sometimes forget about time and just talking and talking, you have to stop me if im not talking to the point, haha.

I: well, you are talking completely to the point, it's really huge topic so there's so much to discuss.

B: Exactly.

I: But thank you for giving me an extra time. Let's talk about the potential. Can you think of any potential that implementation of the circular economy has created for your company?

B: hm maybe using sustainability as a marketing? Can'' really think of nothing specific right now.

I: Does your company provide any additional services as a way to generate multiple revenue streams from individual products, such as repair, rework/stitching, recycling, remaking? How does returning of the new products works (if customers changed their mind and don't want to purchase the product anymore)?

B: Yes. We actually have this program called Loop, where we basically buy the old clothes from our customers, the ones they once bought at through our eshop but don't have the use for them anymore. And in return they receive a gift card for new purchase but most importantly, they are not creating a waste. And if the clothes needs just a little touching of sewing or something like that, we have some tailors that are taking care about this, so we also provide service like this.

I: What an great way to not create more waste. What do you do with these clothes when you receive them?

B: The biggest part of them goes to recycling or for upcycling to our partners. The ones that can not be used in those 2 processes, we gift it to people who needs it, like homeless people or orphanages and so on.

I: Wow. Such a nice gesture! What about the tailors, did you by any chance had troubles finding the right people for the job?

B: actually it was really challenging. Like a year or two ago, one of our tailoress stoped working for us, cause she had a baby. And to find her replacement was super hard, because the market with tailors is so small and especially if you need someone who is trained properly and you know, it is a collaboration between us, in order to not create more waste, we have to share some hm you know. We both have to believe in sustainability and such.

I: Are you still up for few more questions or ?

B: Keep them coming. I'm quite enjoying this haha.

I: You are literally the best interviewee ever. Okay, have you thought about the internationalization of your company to other countries? I know you are delivering to a lot of different countries in Europe but you have only 1 store right?

B: Yes only one store so far. But actually I don't think I mentioned it yet, but we are collaborating with a lot of brands across Europe. So our internationalization is a little different you know, like we don't have an actual stores behind borders but we are collaborating with companies in so many different countries so through our partners we internationalise. And actually this is still in the inception but we are discussing to enter a new market, but this is just you know in the far future probably. Maybe you can help us do some market research, you said you study international business right?

I: Haha, yes. Well maybe we can talk afterwards about this. Why would you like to enter a new market?

B: Okay let's do that. Well practically, we see that having an online eshop is working out pretty good so far, but there are still people you know who prefer to try the clothes before buying and because most of our brands are just small companies are not really accessible in shopping malls and stuff, we are playing with the idea of expanding. There are some countries when institutions are actually pushing the CE forward so the entry for us shouldnt be a problem and also the capital shouldnt be that high, so we are working on this. So let's see.

I: do you think you have some kind of sustainability advantage that this entry would be easy for you?

B: I know this sounds a bit cocky, but I really do believe that. Cause we have a lot of years of experience in the fashion industry and we kinda know what to expect so I do believe we could succeed. Also because we are doing pretty great in our domestic market, but also delivering to different countries is kind of helping us see which countries are interested with our services already now, when we are not even present in their country, you know. I think that also says a lot.

I: I really do believe that your business model is build really precisely and in a very different and unique way. I'm definitely impressed, so I believe other countries will be as well. Okay, I have one last small question. Do you offer any special guideliness or instructions for your customers to know how to properly care for the purchased products so they last as long as possible?

B: Not in particular, no. Every brand is different and every brand use different materials and so on. I was actually thinking about this question after you send it because it is true that maybe our customers don't necessary know how to care about such products. So I will take this comment to heart and think about what can we do.

I: Well at least you could gain something from this interview as well. I'm really sorry we went a bit over the time frame but thank you so so much for all your help and your input. It was really interesting experience and I'm so glad I could learn so much about your company. So thank you so much and I wish you the best of luck.

B: you are welcome. We have to help each other right? I was student once as well, I know how challenging it can get haha. But good luck with your thesis and maybe contact me afterwards, so we can talk a bit about that market research.

I: I will definitely do that. Okay thank you so much. I'm gonna stop recording now.

B: okay.