



# THE JOURNAL OF CORPORATE CITIZENSHIP



**Issue 57**  
*March 2015*

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## **New Business Models for Sustainable Fashion**

*Guest Editors*

ESBEN RAHBK GJERDRUM PEDERSEN  
Copenhagen Business School, Denmark

MIGUEL ANGEL GARDETTI  
The Sustainable Textile Centre, Argentina

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# Editorial

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Issue 57 March 2015

Malcolm McIntosh

General Editor, *Journal of Corporate Citizenship*

IN THE RICH ECONOMIES THE ITEMS highest on the list of quick-turnover consumables, apart from food and cleaning products, are telecoms equipment and clothes. All of the articles in this special issue of *JCC* highlight the need for innovation and greater social and environmental responsibility in the design, manufacture, distribution and disposal of clothing and its fellow goods. In the 1960s, older readers might remember, there was a trend towards disposable paper underwear—but it didn't catch on. A bit like wearing a nappy. But reusable nappies and towelling nappies are very popular among responsible parents now. I notice that none of the articles in this special edition of *JCC* is about nappies or paper underwear.

There has been much discussion about responsible supply chain management in the clothing sector for many decades and John Elkington and Julia Hailes published *The Green Consumer Guide* in 1988. It sold one million copies in the UK and was quickly taken up in the US by Alice Tepper Marlin, who published *Shopping for a Better World*. John Elkington, Alice Tepper Marlin and many others have

been active in the world of responsible consumption for many decades. In a sense, much of what is now being written highlights the fact that not a great deal of progress has been achieved in the last half-century in spite of the fact that consumption and instant disposal has increased dramatically.

It takes a truly awful event such as the collapse of the Bangladesh garment factory Rana Plaza in 2013 with the deaths of more than 1,100 people to galvanise world opinion. But has a lot changed since then? Many large high/main-street retail outlets now know where what they sell comes from and how much the producers have been paid thanks to the work of people like Marlin and others at Social Accountability International and other supply chain monitoring networks and NGOs. In most cases it was not the companies that have willingly become more open, even though they covertly know what was happening because they had quality not human rights inspectors at all the factories. Many companies only acted when pushed.

The internationally renowned folk singer and political activist

Billy Bragg told the *Financial Times* in 2012 that the 21st century was not the century of ideology but the century of accountability. Let's hope that the development of social media enables the growth of greater transparency and accountability even while it mainly peddles trivia, misinformation and distraction.

The development of enlightened academics engaged in activist scholarly activities is crucial to the lives of millions of clothing and garment workers worldwide for, without informed research, unaccountable corporate interests cannot be confronted. In this way academics are bearing witness to power and lightening the dark.

*Malcolm McIntosh  
Bath, England  
September 2014*



# Introduction\*

Issue 57 March 2015

Esben Rahbek Gjerdrum Pedersen  
*Copenhagen Business School, Denmark*

Miguel Angel Gardetti  
*The Sustainable Textile Centre, Argentina*

## Sustainability (or lack thereof) in the fashion industry

ONE OF THE MOST WIDELY ACCEPTED definitions of sustainable development is the one proposed by the World Commission on Environment and Development (WCED) report—*Our Common Future*—also known as the Brundtland Report, which defines sustainable development as the development model that allows us to meet our present needs, without compromising the ability of future generations to meet their own needs (WCED, 1987:43). The goal of sustainable development is sustainability, which in general can be interpreted as balance between economy, environment and social equity (people, profit, planet) (Doppelt, 2010; Frankel, 1998; Elkington, 1998).

The fashion industry can hardly be said to meet any definitions of sustainable development and sustainability. The social and environmental challenges are legion and concern the

entire supply and demand chain.<sup>1</sup> Like most other industries, fashion is characterised by a ‘dig it up—use it—throw it away’ production system which prevents the achievement of sustainable development in any meaningful way (Wells, 2008). Upstream, the use of water, pesticides and chemicals leave a significant environmental footprint which is topped with repeated incidents of poor health and safety standards and violations of basic labour rights (Pedersen and Gwozdz, 2014). Downstream, the stereotypical fashion consumer has become the epitome of the throwaway culture. For instance, a disturbing amount of garments are discarded after one or only a few washes and almost one third

<sup>1</sup> Several authors and organisations have analysed textiles and clothing industry impacts. Some of them are Slater (2000), Allwood *et al.* (2006), Fletcher (2008, 2014), UK Department for Environment, Food and Rural Affairs (2008), Ross (2009), Dickson *et al.* (2009), Gwilt and Rissanen (2011), and Bair *et al.* (2014).

\* Our special thanks to the review panel for their outstanding work. This special issue would not have been possible without their dedication and commitment.

(30%) of people's clothes lie unused in their wardrobes (WRAP, 2012).

In response to the sustainability challenges, a number of fashion companies have recently introduced a variety of social and environmental initiatives, e.g. formulating codes of conduct in the supply chain, introducing take-back systems in retail stores, developing new industry standards, improving company disclosure of societal impacts, forming partnerships with external partners, and experimenting with new materials (Pedersen and Andersen, 2014). While many of these initiatives are sympathetic, innovative and hold real potential for generating social and environmental improvements, they also often lack scale and scope in order to bring about a more fundamental transformation of the fashion industry.

Systemic changes towards a more sustainable fashion industry require collective action by all societal actors (state, market, and civil society), e.g. supportive public policies, new technologies, cultural changes, and consumer action (Johnson and Suskewicz, 2009; Fletcher, 2008). It is beyond the capacity of a single actor to transform the predominant manufacturing methods, supply chains, fashion cycles, consumer/consumption behaviour, and institutional infrastructure.

This special issue has chosen to zoom in on new business models as one component in promoting a more sustainable fashion industry. The business model concept has recently come to the fore as a new, popular metaphor for explaining how companies create, deliver and capture value

(Osterwalder and Pigneur, 2010). Historically, the literature that bridges business model and sustainability thinking has been relatively scarce (Stubbs and Cocklin, 2008; Schaltegger *et al.* 2011). However, recently a number of publications and special issues have explored the intersections between sustainability and business model thinking (see e.g. Bocken *et al.*, 2014; Michelini and Fiorentino, 2012; Yunus *et al.*, 2010). This special issue makes a contribution to this literature by exploring how sustainability can be a driver for exploring new business models within a single industrial setting.

Ultimately, sustainable fashion requires a break with the predominant business models within the fashion industry: systemic changes are not achieved by installing a handful of recycle bins in selected retail stores. Throughout the fashion value chain, there is a need to challenge and rethink predominant approaches to value creation, delivery and capture which currently reproduces unsustainable production and consumption patterns.<sup>2</sup> Rather than perceiving sustainability solely as a compliance and risk management exercise, fashion brands have to recognise the innovative and value-creating potentials of

2 In the words of Niinimäki and Hassi (2011, p. 1876): 'Strategic innovations are needed to create a fundamentally different way of doing business...it is not merely about rethinking the fundamentals on the supply side, but also about redesigning the business on the demand side, e.g. in the form of the user experience and rethinking value creation.'

sustainable business models (Nidumu *et al.*, 2009).

The objective of this special issue is to draw attention to some of the sustainability initiatives which bring hope for a more sustainable fashion future. However, no claim is made that the business models presented will all be mainstreamed and have a lasting impact on the fashion industry. Innovation is always associated with risks and costs, and first-moving pioneers are not always rewarded by the market in the long run (Markides and Geroski, 2004; Simpson *et al.*, 2006). However, the contributions draw attention to some of barriers and potentials for developing sustainable business models experienced by the 'Davids' as well as the 'Goliaths' within the fashion industry (Hockerts and Wüstenhagen, 2010).

At the surface, sustainable fashion may seem an oxymoron (Duska, 2000). The fact that the production and use of fashion garments generate a great amount of waste would make it appear as an impediment for sustainability. Fashion is something that always changes, while its meaning remains unaltered. Fashion—that is a deep cultural expression and aims directly at who we are and how we connect to other people—frequently suggests a passing fad, something transient and superficial. Sustainability, by contrast, has to do with a long-term perspective. But, beyond this contradiction, fashion should not necessarily come into conflict with sustainable principles. Indeed, it plays a role in the promotion and achievement of sustainability, and it may even be a key element in working towards more sustainable ways of living (Walker, 2006).

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## This special issue

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The call for papers for this special issue of *The Journal of Corporate Citizenship* attracted 14 submissions, 9 of which were invited to the second round for full manuscript review. Finally, and with the help of the review panel throughout this process, five top-quality papers and one teaching case were selected which deal with the essential aspects in these areas.

This special issue begins with the paper by Kerli Kant Hvass titled 'Business Model Innovation through Second Hand Retailing: A Fashion Industry Case', which explores how fashion companies can create additional value from the reuse and recycling of their products integrating end-of-life issues into their business model, and it discusses what type of innovation this requires. This paper builds on the current existing business model literature and adds a focus on sustainability and empirical data from two case studies of premium fashion brands. Against this background, the business models innovated with a new focus on reselling their products through second hand retail channels.

Based on data generated in two European research projects, the paper titled 'Quo Vadis Responsible Fashion? Contingencies and Trends Influencing Sustainable Business Models in the Wearing Apparel Sector' by Kudlak, Martinuzzi, Schönherr and Krumay, systematically identifies the environmental and quality-of-jobs issues most affected by the sector, relates them to current and future levels of CSR, and embeds them into the

context of important sectoral macro-trends. This paper offers companies insights and orientation about those environmental and quality-of-jobs issues, which can provide a genuine opportunity for creating more sustainable business models.

In turn, in the paper titled 'Apparel Manufacturers and the Business Case for Social Sustainability: 'World Class' CSR and Business Model Innovation', Marsha A. Dickson and Rita K. Chang intend to describe the CSR work being carried out, and to evaluate whether it creates a business case for social sustainability. They interviewed 18 CSR professionals whose companies buy from these manufacturers or whose organisations provide support for leadership activities of these manufacturers and conducted inductive and deductive analyses on the qualitative data.

Following, Elizabeth Morgan, in her paper "Plan A": Analysing Business Model Innovation for Sustainable Consumption in Mass-Market Clothes Retailing', studies a clothing 'Use Chain' and analyses the clothing initiatives within a well-known corporate responsibility programme from the UK's leading clothing retailer, Marks and Spencer's 'Plan A', in order to assess evidence for business model innovation.

Meanwhile, Ingrid Molderez and Bart Van Elst, in the paper titled 'Barriers towards a Systemic Change in the Clothing Industry: How do Sustainable Fashion Enterprises Influence their Sector?', challenge one of the vital building blocks in the business model canvas (Osterwalder and Pigneur, 2010), i.e. the 'key resources' that fashion enterprises need to be able to create value. The text—inspired

by Hockerts and Wüstenhagen (2010)—discusses the influence of small, sustainable start-ups in market incumbents and emphasises the process of co-evolution.

In the last paper, Kate Kearins developed the teaching case titled 'Miranda Brown Limited and the Passion to Make Fashion Sustainable', which describes the evolution of Miranda Brown Limited, a small New Zealand design brand. This case is interesting since you will be able to consider elements of the business model, evaluate a small business's actions towards sustainability from both a product and process perspective and evaluate the tensions between sustainability and fashion. The subscriber or reader of this journal can ask the publishing house for the relevant teaching note written by the same author.

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Esben Rahbek Gjerdrum Pedersen is Professor (mso) and Centre Director at Copenhagen Business School Centre for Corporate Social Responsibility (cbsCSR). In addition, he is the co-founder of the Governing Responsible Business Research

Environment (GRB). His research focuses on sustainable business models, corporate social responsibility (CSR), environmental management, and non-financial performance measurement. The results from his research have been published in a wide range of international journals, including *Journal of Business Ethics*, *Management Decision*, *Supply Chain Management*, *International Journal of Operations and Production Management*, and *Business Strategy and the Environment*. The research has been recognised internationally and has been awarded with the Emerald Literati Network Social Impact Award and the Emerald Literati Network Outstanding Paper Award. Esben is leading a sub-project on new markets and business models as part of the MISTRA Future Fashion initiative ([www.mistrafuturefashion.com](http://www.mistrafuturefashion.com)).

✉ Copenhagen Business School Centre for Corporate Social Responsibility (cbsCSR), Copenhagen Business School, Porcelaenshaven 18, DK-2000 Frederiksberg, Denmark

☎ +45 38 15 27 41  
💻 [erp.ikl@cbs.dk](mailto:erp.ikl@cbs.dk)  
🌐 [www.cbs.dk/cbscsr](http://www.cbs.dk/cbscsr)



Miguel Angel Gardetti, holder of a degree in Textile Engineering (Universidad Tecnológica Nacional), specialised in shell and crude fibres (linen, jute, hemp, ramie and sisal), has worked in both domestic and foreign industries. He also holds a PhD in

Environmental Management (Pacific Western University, CA, USA). Previously he earned two master's degrees: one in Business Administration (Instituto de Altos Estudios Empresariales, IAE - Universidad Austral, Buenos Aires), and the other in Environmental Studies (Universidad de Ciencias Empresariales y Sociales, Buenos Aires). He is the founder of the Sustainable Textile Centre, which he has coordinated since its beginnings. He was guest editor for a special issue of the *Journal of Corporate Citizenship* (UK) 'Textiles, Fashion and Sustainability' (September 2012), and the book on the same topic titled *Sustainability in Fashion and Textiles: Values, Design, Production and Consumption* (March 2013.)

✉ The Sustainable Textile Centre, Av. San Isidro 4166, Ground Floor 'A', C1429ADP - Buenos Aires, Republic of Argentina

☎ +54 11 47020242  
💻 [mag@ctextilsustentable.org.ar](mailto:mag@ctextilsustentable.org.ar)  
🌐 [www.ctextilsustentable.org.ar](http://www.ctextilsustentable.org.ar)

# Business Model Innovation through Second Hand Retailing

A Fashion Industry Case\*

Kerli Kant Hvass

*Copenhagen Business School, Denmark*

The issue of business model innovation for sustainability is becoming increasingly relevant for fashion companies. This paper investigates how the resell of a fashion brand's own product can facilitate business model adaption towards sustainability. Based on a single revelatory case study the article highlights a premium fashion brand's endeavours in prolonging their products' life through resell activities and the main issues, challenges and opportunities the brand can encounter in integrating this strategy into its existing business model.

- Fashion
- Sustainability
- Business model
- Second hand
- Resell
- Case study

Kerli Kant Hvass is an industrial PhD fellow at the Center for CSR, Copenhagen Business School (Denmark). After completing her MSc in International Business Economics from Aalborg University, Denmark, she worked with second hand retailing, textile recycling and several sustainable consumption related projects internationally. Her research interests include business model innovation and cross-sectoral partnerships for sustainability and various aspects related to second hand retailing, extended producer responsibility within textiles and circular economy with closed loop supply chains.



✉ Porcelænshaven 18a, 2000  
Frederiksberg, Denmark  
☎ +45 38 15 32 22  
💻 Kkh.ikl@cbs.dk

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**We stand for Style, Simplicity, Quality. We interpret fashion into wearable, aesthetically balanced pieces, that stand the test of time (Filippa Knutsson, Founder and Co-owner of Filippa K).**

THE GLOBAL FASHION BUSINESS IS a vast industry measured by production and consumption. Total annual global consumption of garments amounts to US\$1.4 trillion or an estimated 91 billion garments sold (Ellen MacArthur Foundation, 2013). It is also considered a resource intensive industry, with several negative environmental and social impacts along the value chain. These impacts do not occur only during material sourcing and production phases, but also extend to the consumption and disposal phases, which accounts for the largest share of waste in the clothing sector. At the same time, the vast majority of the fashion industry currently operates a linear production model, based on take-make-waste rationale with a large proportion of all items ending in global landfills. It is estimated that across Europe and North America 15 million tons of garments are discarded annually and end up in landfills (Ellen MacArthur Foundation, 2013).

A recent report by WRAP (Buttle *et al.*, 2013) highlights that in the future many retail and consumer-facing brands' traditional business models are vulnerable to rising raw material costs, impacts from growing amounts of waste and developing legislation and therefore need to re-evaluate their business models. It is therefore apparent that in the future business-as-usual is not an option and there is a need to develop practices that integrate products' end-of-life aspects into organisations' business models. It is also argued that when oriented towards sustainability strategies, business models can lead to altered consumption patterns, efficiency gains and consistent system designs (Lüdeke-Freund, 2010). Academic research into business models for sustainability does not have a long history and therefore an overall consolidated perspective on what constitutes a business model for sustainability and how sustainability is operationalised in companies is lacking (Stubbs and Cocklin, 2008; Short *et al.*, 2012; Bocken *et al.*, 2013).

The purpose of this paper is to investigate how a resell of a fashion brand's own product can facilitate business model adaption towards sustainability. Based on a single revelatory case study the article highlights a premium fashion brand's endeavours in prolonging their products' life through resell activities and the main issues, challenges and opportunities the brand can encounter in integrating this strategy into its existing business model. First, a background will be provided in which the post-retail responsibility of garments currently unfolds in the fashion industry. Second, a case study of a leading Scandinavian fashion brand, Filippa K, who has since 2008 engaged with second hand retail of its products and is now in the process of expanding the concept will be presented, followed by a short methodology section. Next, the theoretical framework of business models in the context of sustainability will be introduced, which the case study findings are analysed against. Finally, core findings of the case study will be presented and discussed.

## Background

The current fashion industry increasingly operates business models based on complex supply chains, extensive use of resources, products' short life-cycles and high volume of fashion consumption, which leaves behind several social and environmental impacts. Against the backdrop of raw material price fluctuations competition for providing newness in fashion is increasing, therefore companies need to rethink their value propositions and find ways for decoupling material resource use from economic growth. Many fashion companies are trying to address these negative impacts by developing their own sustainability guidelines, codes of conduct, implement supply chain and environmental management systems, join voluntary certification systems or multi-stakeholder initiatives (van Bommel, 2011) or enter into a closer dialogue with their consumers about consumption and disposal related issues (Kant Hvass, 2014). Corporate responsibility in value chains is acknowledged by a majority of fashion retailers, but is mainly practised in the upstream aspects of the value chain (Larsson *et al.*, 2013) and even though the garment's consumption and disposal related issues are slowly emerging in fashion companies' agendas, the downstream value chain related issues (i.e. reuse, remanufacturing and end-of-life solutions) have received less attention. Svensson (2007) argues that second-order supply chains, i.e. supply chains that serve second hand markets, are often ignored or are addressed as separate supply chains. The fate of garments after the final sale to consumers has not been an issue for the fashion industry until recently and it has mainly been dependent on consumers' awareness of textiles recyclability, cultural aspects and available infrastructure for textile reuse, recycling and disposal. At the same time, clothing retailers have a significant role to play in relation to influencing and improving consumers' approach to the sustainability of clothing since they are strategically positioned between primary manufacturers and end consumers (Goworek *et al.* 2012). Bringing the fashion industry into the discussion of textile waste and making producers accountable for future disposal of their products changes the logic of clothing production, distribution and sales and extends the activity focus of producers beyond the upstream manufacturing chain to include downstream actions, resource flows and future consumer behaviour (Fletcher and Grose, 2012).

The engagement with reuse and recycling of garments provides several benefits, such as an opportunity to strengthen the relationship with existing customers and to reach new market segments, as an income source through different resell platforms for used garments or new raw material for upcoming collections through closed-loop production (Kant Hvass, 2014). Currently, two broad strategies can be distinguished of how companies address the downstream value chain issues through business model innovation (*ibid*). First, implementing in-store product take-back schemes for fibre recycling purposes and allowing consumers to drop off their used garments often in exchange for a discount voucher. Such take-back initiatives have recently been implemented by H&M, WEEKDAY, Name It, and PUMA where the reverse logistics system

is managed in collaboration with global collection company, I:Collect. While this strategy seems to be a convenient solution for global retailers to set up a take-back scheme, it can create concerns if the rewarding discount voucher is stimulating more consumption rather than guiding consumers in more sustainable choices.

The second broad strategy is developing resell/reuse platforms for prolonging the life of garments and thereby capturing the resell value they offer. Examples of this can be US female brand Eileen Fisher's Green Eileen Initiative, where donated and used Eileen Fisher products are sold in Green Eileen second hand stores together with upcycling workshops for customers, or the Swedish brand, Boomerang, where consumers can donate their used garments in the store, which are resold in Boomerang stores or upcycled into other Boomerang products (Kant Hvass, 2014). Developing new resell/reuse channels is mainly chosen by premium and high fashion brands with higher quality products as this strategy requires the highest quality possible to ensure that garments retain their value and can be re-bought many times (Fletcher and Grose, 2012). This article looks into one of these examples.

Generally, in Western societies, the second hand clothing trade in both domestic and foreign markets is dominated by not-for-profit organisations and textile recycling firms (Hansen, 2004), but over the years other actors have entered the market, such as privately owned consignment and vintage stores, online reselling platforms and clothing libraries. While the history of second hand retailing of clothes dates back centuries, fashion brands' engagement with their used products is a new phenomenon. From a sustainability perspective, reusing a garment as-it-is is considered to bring significant environmental savings and the energy used to collect, sort and resell second hand garments is between 10 to 20 times less than that needed to make a new item (Fletcher, 2008). Reuse should therefore be one of the first steps in a fashion company's strategy to take responsibility for the end-of-life of their products.

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## Case company Filippa K

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Filippa K is a high-quality, leading Swedish fashion brand started by Filippa Knutsson and Patrik Kihlberg in 1993 with the ambition to design, manufacture, communicate and sell fashion with its own timeless style. Filippa K's owners value responsibility with long-term perspectives and the company philosophy is built around core values such as style, simplicity and quality. These values are widely understood and followed across the organisation, which are supported by a corporate culture that cares highly for both people and products.

Filippa K currently operates in 20 markets around the world with seven core markets in Scandinavia and Northern Europe. Retail activities are organised via 50 Filippa K stores and 740 selected retailers served by one distribution centre in Sweden. Turnover of the company is approximately €70 million with the production of 1 million pieces per year. One informant described a conventional