



Capacity of the Fashion Retail Value Chain to Scale Circular Economy Business Models

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DESCRIPTION

The fashion business is not only one of the largest and most important in the world. Additionally, it is among the most resource- and pollution-intensive. According to the European Environment Agency (EEA), the textile sector is the world's fourth greatest user of raw materials and water. The circular economy has been recognized as a means to ameliorate the current environmental concerns by shifting away from a take make dispose system as it has grown in popularity. Therefore, the fashion industry should be able to break the cycle of pollution and overproduction and progress toward becoming environmentally sustainable by adopting Circular Business Models (CBM). Resources maintain their peak worth for a longer period of time when business models are based on rental, reuse, or resale.

However, in order for systemic shifts toward a circular economy to occur, CBMs must not only be adopted but also have the potential to overtake the currently preeminent linear business models in terms of market share. According to the European Environment Agency (EEA), one of the primary causes of the European textile industry's sluggish adoption of a circular economy is the lack of scalability of CBMs. Other research has discovered that the gradual shift is due to the CBM's inability to scale, even though a significant demand for these circular models is anticipated. Thus, it can be concluded that while if pilot projects and start-up activities are crucial for the shift to a circular economy since they foster innovation and the creation of new technologies, they also require the potential to scale in order to be effective. However, there is currently little information in the body of literature describing the kinds of tactics that can be effective for scaling CBMs. In light of this, a fundamental claim is made that CBMs will continue to be niche or side projects that are disconnected from the core business

model until the concept of scalability is understood in both specific and general terms. Therefore, it is necessary to strategically and logically explore the underlying assumptions.

CBMs frequently work in one or more of the following areas like product takeback, rental, resale, repair, redesign, or use of recycled materials. These CBM sectors focus on maintaining the value of the product as the primary circular aspect, with the exception of the usage of recycled materials. Redesign and recycling, to a lesser extent, function lower on the waste hierarchy and preserve the material value. The CBM may include a variety of design elements to support product life extension and/or recycling. This can involve actions like employing more mono-material, planning for disassembly and quicker repair, maximizing the use of materials, or enhancing durability. Both industry and policymakers have identified the scalability of these business models as an issue. The European Environment Agency (EEA) and the Ellen MacArthur Foundation acknowledge the industry's current abundance of activities. In their sustainability reports, the majority of well-known fashion brands and retailers routinely mention circularity and CBMs and experiment with various circular activities like clothing collection and resale programs.

However, the Ellen MacArthur report also notes that these initiatives present solutions and show encouraging advancement in a number of areas, but that they are dispersed and frequently only successful at a small scale. CBM activities are mostly managed as a distinct and specialized sustainability activity, and they are not permitted to have an impact on the main linear business model. In a similar vein, Franco discovered when researching businesses creating "cradle to cradle" items that, despite popular belief, the demand for these goods was still rather low, making it difficult to benefit from the economies of scale that come with bulk.

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