ELLEN MACARTHUR FOUNDATION

CIRCULAR ECONOMY GROWTH POTENTIAL BY SECTOR

Fashion and textiles

Introduction

The circular economy is built on three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature. A circular economy gives us the tools to tackle climate change and biodiversity loss together. It can scale fast across industry to create value and jobs, while increasing the resilience of supply chains and delivering massive economic growth potential.

Circular economy opportunities can be found in nearly every sector in the global economy. The plastics, fashion, and food sectors stand out as some of the most likely to be significantly impacted or even disrupted by the circular economy in the near term, driven by innovation, regulation, and evolving customer preferences. The electronics, transport, and technology sectors also have high circular economy growth potential.

Moving from a linear to a circular economy is not only about financing perfectly circular companies or turning away from extractive ones. This transformation will require all sectors to shift fast and at scale to achieve climate targets and build a resilient economy.

This document provides a qualitative assessment of circular economy growth potential across fashion and textiles.

A full sector-by-sector analysis can be found in our paper Financing the circular economy: capturing the opportunity.

Fashion and textiles

Key circular economy strategies

- Adopt new business models to increase utilisation (e.g. resale, rental)
- Extend useful life through reuse and repair
- Ensure clothes are made from safe and renewable materials
- Ensure textiles are collected, sorted, and reused or recycled

Drivers of circular economy growth potential

Innovation and corporate action	
Industry action	• Growing number of fashion brands committing to and acting on reuse or rental models, and design for durability, material health, recyclability, and traceability (e.g. The Jeans Redesign project)
Innovation	• Ongoing innovation across the value chain, including reuse models, packaging design to increase recycled content and reusability, recyclability and compostability, development of renewable feedstocks, and chemical recycling

Policies and regulation	
Increasing policies and regulation	• Increasing regulation, e.g. new EU circular economy Action Plan, and French Circular Economy Law banning the destruction of unsold or returned consumer products, affecting luxury goods brands
Political priorities	• Increasing interest from global platforms like the UN (through UNEP, UNFCCC) and the OECD • Policy Hub has proposed the need for green recovery principles boosting circularity in the Textile, Apparel, and Footwear industry for the EU Green Recovery Plan

Customer preferences and macrotrends	
Changing preferences and behaviour	• Growing awareness of the current fashion system's drawbacks, is driving the shift to, e.g. safer chemicals and regenerative sourcing • Disappearing stigma around buying second-hand and increased convenience of resale and rental due to enabling digital platforms

Types of circular economy opportunity areas

- Circular design and innovation
- Circular business models
- Reuse, repurpose, and redistribute
- Repair, remanufacture, and refurbish
- Collect, sort, and recycle
- Regenerative and renewable practices and materials
- Enabling digital technologies

Current circular economy opportunity areas

Clothing resale business models
(e.g. consignment or peer-to-peer)

Clothing and textiles collection and sorting infrastructure

Digital enabling tech
(e.g. tracking and tracing)

Clothing rental business models

Fibre-to-fibre recycling technologies

Materials innovation
(e.g. fibres from regenerative sources / by-products)

Examples: **Large corporates**

H&M Group
has committed to '100% Circular and Renewable' by 2030, including use of recycled materials in all its products, and reusable, recyclable or compostable packaging by 2025

Lojas Renner
launched a collection of recycled clothing using technology to recycle discarded textiles from their suppliers

GAP Inc
committed to circular design and exploring circular business models (e.g. with thredUP, a leading fashion resale platform)

The RealReal
sells authenticated second-hand luxury goods and was valued at over USD 1 billion at IPO

Rent the Runway
offers one-off or subscription clothing rental and has been valued at over USD 1 billion

Examples: **Innovators**

The Renewal Workshop
turns unsellable apparel into renewed products, made from used or recycled materials feedstock

Stuffstr
partners with retailers to buy back and recirculate used clothing, increasing clothing utilisation

YCloset
is a fashion rental platform, with more than 15 million customers across China (it has partnered with H&M to test the subscription model)

AHLMA
sources over 80% materials from leftover fabric, open sources designs, and has a repair lab

Lizee
helps brands set up a rental service model using their logistics and managed service solution

Depop
is a peer-to-peer vintage and pre-owned fashion marketplace and online community

HireStreet
offers a clothing rental service for high street apparel

The Ellen MacArthur Foundation, an international charity, develops and promotes the circular economy in order to tackle some of the biggest challenges of our time, such as climate change, biodiversity loss, waste, and pollution.

We work with our network of private and public sector decision-makers, as well as academia, to build capacity, explore collaborative opportunities, and design and develop circular economy initiatives and solutions.

Increasingly based on renewable energy, a circular economy is driven by design to eliminate waste, circulate products and materials, and regenerate nature, to create resilience and prosperity for business, the environment, and society.

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