Measuring the state of circularity in the UK fashion industry

A report from the Circular Fashion Innovation Network

Credit: ERDEM

Credit: LFW CWC AW22

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The Circular Fashion Innovation Network

The Circular Fashion Innovation Network (CFIN) is an industry-led programme managed by the BFC and UKFT in partnership with UK Research and Innovation (UKRI) to accelerate the UK towards a circular fashion ecosystem. The network brings together industry, innovators, NGOs, academia and broader stakeholders through an action-led roadmap. CFIN's framework for change is split across six different themes, namely - Circular Business Models (CBMs), Recycling Infrastructure, Sustainable Manufacturing, Novel Technology, Diverse and Futureproof Workforce, and Green Growth. The Advisory Board spans luxury and high street businesses, as well as representatives from UKRI, Academia and NGOs. CFIN is a key initiative within the Institute of Positive Fashion (IPF)

British Fashion Council

The British Fashion Council is a not-for-profit organisation that aims to further the interests of the British fashion industry and its designer businesses. Based in London and formed in 1983, the British Fashion Council is funded by industry patrons, commercial sponsors and the government including the Mayor of London and the European Regional Development Fund. The British Fashion Council promotes leading British fashion designers to an intensely competitive global market. It is the central co-ordinating body for London Fashion Week, organiser of the British Fashion Awards and has developed several support schemes for emerging design talent in London.

Newton

Newton partners with clients in strategic delivery across the public and private sectors, unlocking complexity to create meaningful and lasting impact. Newton has throughout its 20+ year history shaped and delivered programmes across over 100 public sector organisations, multiple defence and infrastructure organisations, and leading retail and manufacturing supply chains. This work has delivered real and lasting impact, including better value offerings for consumers, over £1.5bn savings on a national defence programme, and over £1.6bn savings in the public sector while also improving outcomes for thousands of people. Newton believes so strongly in what can be achieved together with clients that it stands by the founding idea of Newton – guaranteeing its fees against delivering real, measurable outcomes. This commercial approach is what sets it apart from many others in its field.

About this study

Measuring the state of circularity in the UK fashion industry

In 2024, the CFIN team partnered with Newton to conduct an industry-wide survey aimed at understanding and measuring the state of circularity in the UK fashion retail sector. The survey specifically sought to identify the challenges to scaling circular business models and circular design within the industry.

Credit: PIFERI

1 Surveying industry

The research included 49 fashion organisations in the UK, representing approximately one-third of the UK fashion market based on annual revenue. It covered a variety of markets and business models, with responses from over 10 retailers each generating over £1bn in annual revenue.

2 Interviewing fashion professionals

The survey data was supported by over 20 qualitative insight interviews with business leaders. Interviewees represented nine brands ranging from small boutique brands to multi-billion-pound organisations, were carried out between April and June 2024.

Supported by

3 External research

Desk-based research was conducted, reviewing existing literature, international regulations, and retailer customer propositions. A range of case studies was also prepared, covering various circular initiatives and markets.

Executive summary

This report aims to serve as a foundational resource for organisations seeking to accelerate their circular initiatives. It provides in-depth analysis and insight into the current landscape, identifies three key principles to setting a circular strategy, and outlines four areas that organisations can address to scale up their CBMs initiatives.

Credit: Chylak

Principles to setting a circular strategy

1 **Intention vs. reality**

Despite positive intentions, brands are unable to implement and scale circular business practices.

2 **One size doesn't fit all**

The attractiveness and perceived relevance of each CBM varies across value segments.

3 **No silver bullets**

The blockers to CBMs success are consistent and comprehensive.

Four areas of business impact

1 **Making the business case stack up**

Securing and maintaining a competitive margin on circular goods and initiatives.

2 **Rallying brand support**

Collaborating with Marketing & PR to help customers connect circularity with brand proposition.
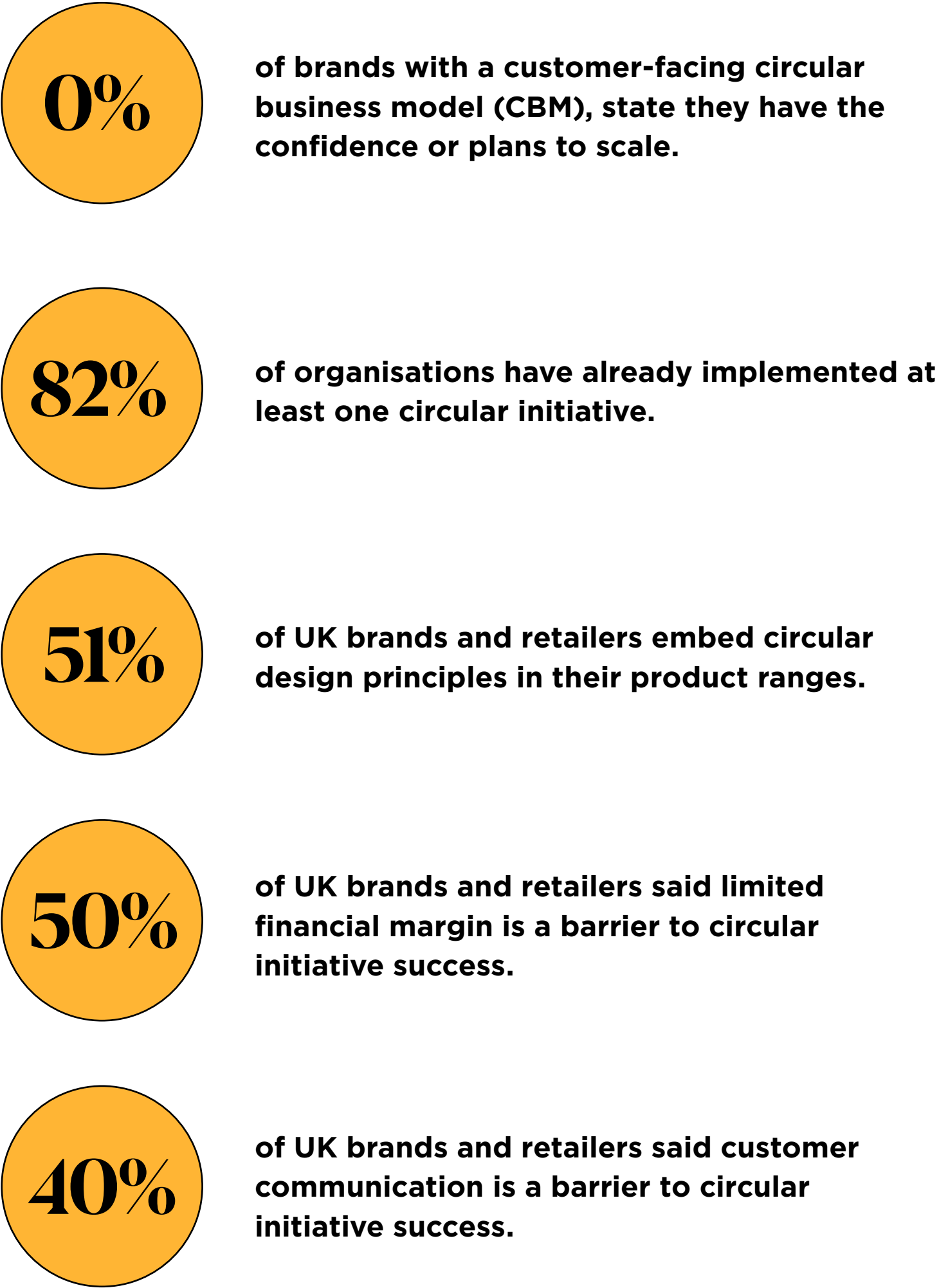
3 **Embracing complexity**

Working closely with third-parties to improve infrastructure and processes to unlock greater agility and profitability.

4 **Weaving circularity into everyday practices**

Integrating sustainability teams with BAU functions to find mutually beneficial solutions and prioritise circularity.

Research findings

0% of brands with a customer-facing circular business model (CBM), state they have the confidence or plans to scale.

82% of organisations have already implemented at least one circular initiative.

51% of UK brands and retailers embed circular design principles in their product ranges.

50% of UK brands and retailers said limited financial margin is a barrier to circular initiative success.

40% of UK brands and retailers said customer communication is a barrier to circular initiative success.
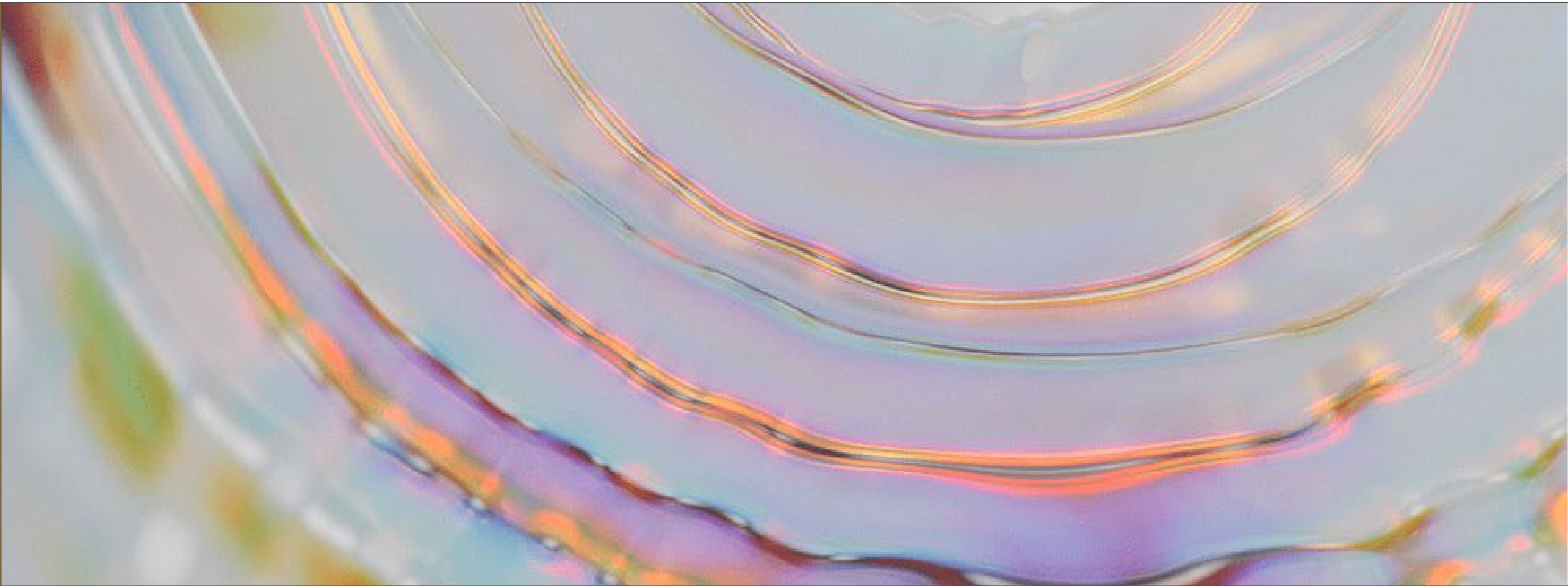
Credit: ERDEM

The research has identified nine actionable recommendations for businesses operating any circularity model to support their ability to scale:

1 Regulatory Requirements and Legislation Change

2 Financial Incentives

3 Brand Campaign Support

4 Customer Education and Awareness

5 Investment in Infrastructure

6 Transparency in Value Chains

7 Shared Learnings and Consolidation of Volume Flows

8 Cross-functional and Capable Teams

9 Organisation-wide Sustainability Reporting

Three key principles: Today's trends in UK circular fashion

The findings of this research reveal three key themes within today's fashion circularity landscape that reflect the position many UK organisations find themselves in. These themes are apparent across the four areas of business impact, relate to the various CBMs and can be addressed with the recommended actions at the end of this report.

1

Intention vs reality

Despite an intention to implement and scale circular business practices, brands are struggling to translate their aspirations into tangible roadmaps; 0% of brands with a customer-facing CBM state they have the confidence or plans to scale. CBMs are of varying maturity, and organisations lack confidence in their organisation's overall plans, and ability to scale.

2

One size doesn't fit all

The attractiveness and feasibility of each CBM varies by value segment. In particular, organisations are hesitant to participate in initiatives that customers might perceive as irrelevant or inauthentic to the brand.

However, brands are open to measures and targets that support choice, flexibility and are relevant to organisations at different stages of their journey; 82% of respondents have already implemented at least one circular initiative. Interventions and standards can provide scope for this flexibility and support further innovation.

3

No silver bullets

Despite varying levels of CBM success and adoption, the blockers to scaling different models are consistent and comprehensive. The biggest barriers are having a limited financial margin (c.50% of respondents) and customer communication (c.40% of respondents).

The crux of the challenge will be in balancing profits with purpose, making circularity a viable business route for retailers and fostering sustainable growth in the ever-evolving industry.

Introduction

Credit: Stefan Cooke

Introduction

The UK fashion and textiles industry is at a pivotal moment of transformation, offering unparalleled opportunities to redefine how clothing is designed, manufactured, and consumed. It contributes £62bn to the UK economy and supports over 1.3 million jobs[1]. The sector holds significant potential to drive innovation in sustainable practices while fostering economic growth. With environmental initiatives gaining traction and consumer awareness of sustainability rapidly increasing, the industry is well-positioned to lead the shift towards more responsible practices.

Circular fashion has emerged as a "megatrend," as highlighted in the Circularity Gap Report 2024[2], with discussions on the concept tripling over the past five years. This growing momentum provides businesses with an exceptional opportunity to unlock new revenue streams and competitive advantages through circular innovation. Circular business models aim to minimise waste and resource use while creating value by designing for longevity, repairability, and recyclability. Strategies such as take-back schemes and service based offerings like renting or sharing are at the forefront of this transformation, enabling companies to align economic success with environmental stewardship.

The linear fashion model, however, remains a significant challenge, driving the fashion and textiles industry's substantial environmental impact. Responsible for an estimated 3–10% of global greenhouse gas emissions[3], the industry is one of the largest polluters. This linear approach—"take, make, use, dispose"—places immense strain on the environment by depleting natural resources, generating excessive waste, and contributing to widespread pollution. Transitioning to circularity is essential to mitigate these harmful effects and build a more sustainable future.

In contrast, circular fashion prioritises sustainability and reuse, extending a product's lifespan and treating disposal as a last resort. By adopting environmentally friendly practices wherever possible, circular fashion seeks to minimise harm, reduce resource depletion, and create a regenerative ecosystem. Businesses that embrace these principles can address growing consumer and regulatory demands for sustainability while fostering resilience and efficiency.
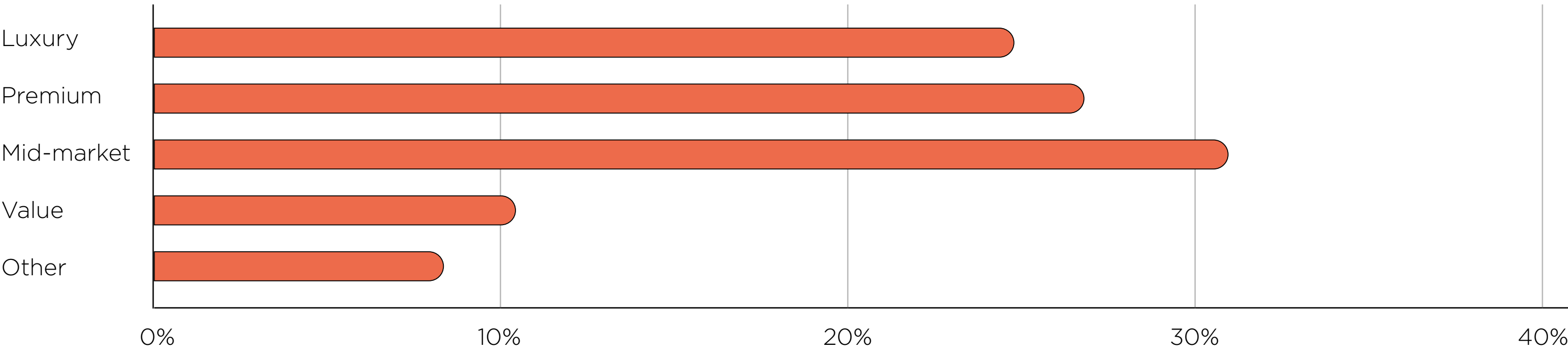
Understanding and measuring the UK fashion industry's progress towards circularity is critical for driving change. CFIN has been established to embed circular fashion ecosystems across the UK. In collaboration with Newton, experts in delivering complex organisational change, CFIN is gathering valuable insights into the current state of circularity. This research seeks to identify barriers faced by organisations and the support needed to transition to more sustainable systems.

Armed with these findings, CFIN aims to empower UK fashion businesses to implement circular practices successfully. By supporting this transformation, the initiative aspires to reduce the industry's environmental impact, foster innovation, and build a sustainable and prosperous future for UK fashion.
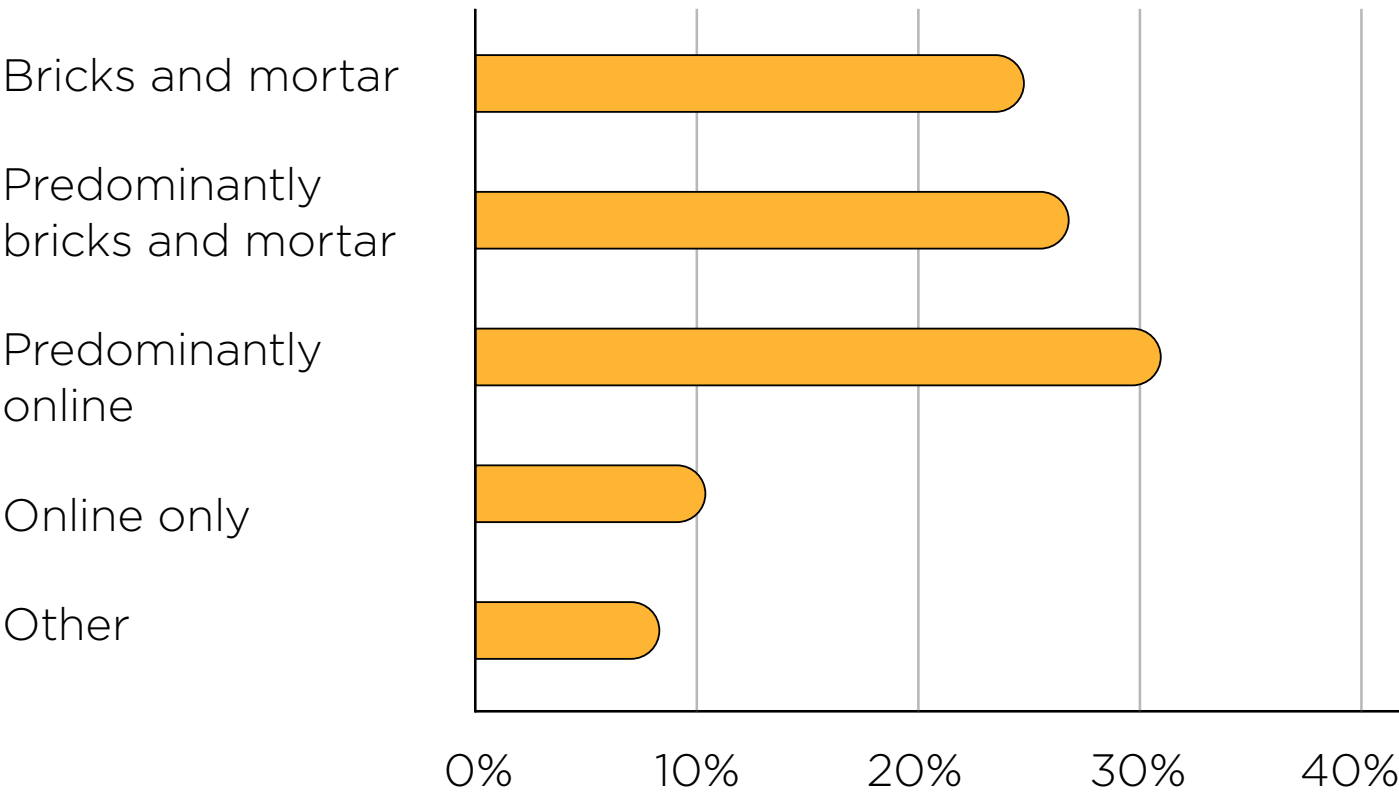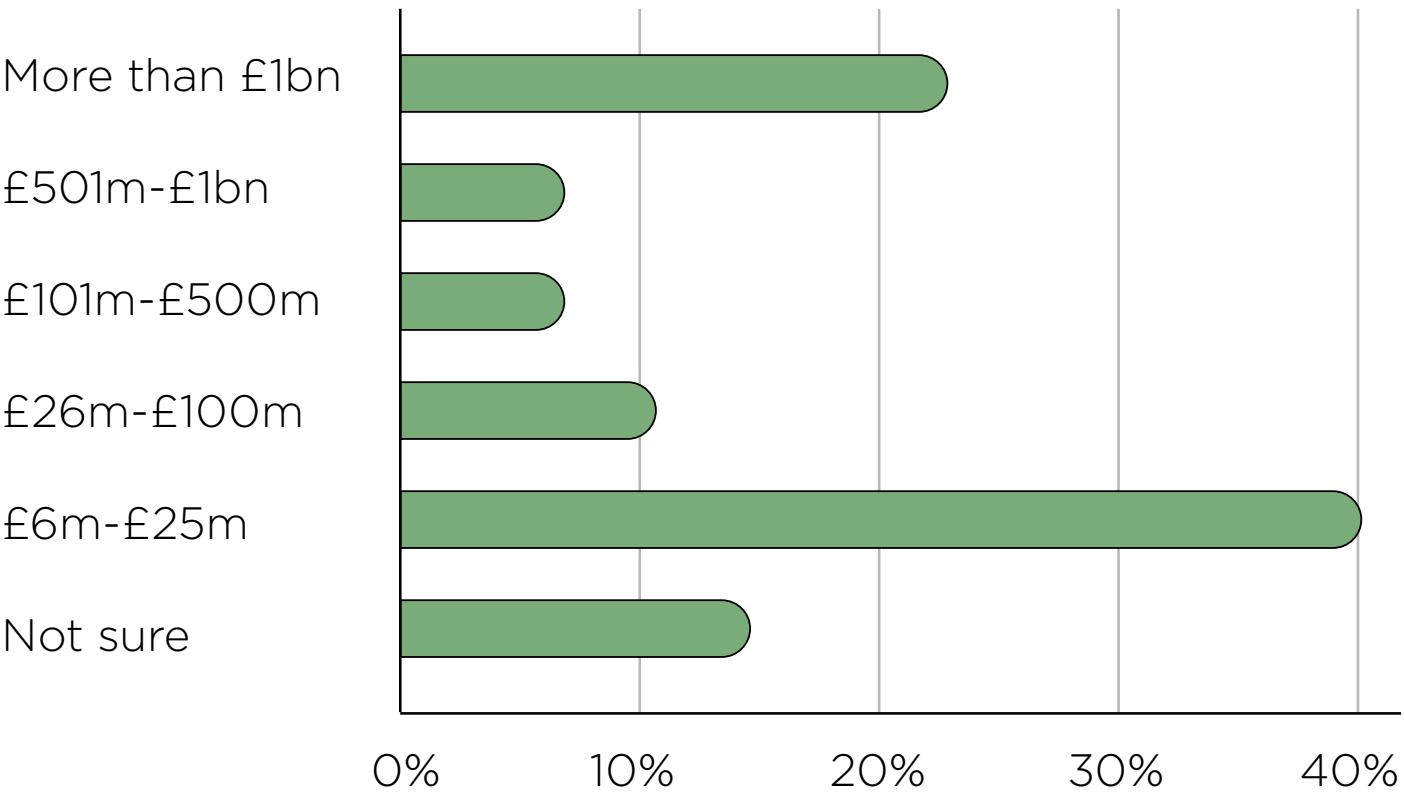
Credit: 16ARLINGTON

Respondents by market

Respondents by business model

Respondents by annual revenue

The following circular initiatives were investigated and will be referenced throughout the report.

CBMs

o Repair: Fixing or refurbishing damaged or worn-out items to extend their lifespan and prevent them from being discarded.

o Rental: Temporary use or leasing of items by consumers instead of purchasing them outright. Includes both pay per item and subscription models.

o Resale: Selling pre-owned or second-hand fashion items to new consumers. Includes organisations own re-sale platforms or use of other platforms or marketplaces to enable individuals to buy and sell used apparel.

o Remake: Involves altering existing garments or materials into new products to extend their lifespan and reduce waste.

o Takebacks: Includes the process of taking back used or unwanted fashion items from customers for re-sale, repurposing, re-cycling or responsible disposable.

Product Design

o Circular design: The process of creating fashion products with sustainability and circularity principles in mind, considering factors such as material selection, durability, recyclability, and end-of-life options.

About this research

To explore and gain insights into the current state of circularity in the UK fashion industry and identify how businesses can capitalise on opportunities in circular innovation, CFIN partnered with Newton to conduct an in-depth study on the adoption, scaling, and implementation of circular business models.

The research included:

o Survey responses from 49 fashion businesses, representing approximately one-third of the UK market by annual revenue.

o Over 20 qualitative interviews with leaders spanning boutique brands to multi-billion-pound companies.

o Extensive desk research into existing literature, international regulations, and retailer strategies.

o Analysis of circular initiatives, including repair, rental, resale, remake, take-back schemes, and circular design.

This report serves as a foundational guide for organisations seeking to advance their circular initiatives. By analysing current practices, scaling strategies, and growth opportunities, it offers practical insights to support the UK fashion sector in achieving both economic success and environmental sustainability.

UK fashion retailers are engaged in various initiatives aimed at reducing the industry's environmental impact, Textiles 2030, managed by WRAP, and Fashion ReModel, led by the Ellen MacArthur Foundation. While these initiatives have driven positive change, the industry has historically faced challenges in sustaining progress towards circularity, hindered by consumer preferences for newness and the constant pressure to prioritise profit.

However, as more government bodies issue legislation to enforce sustainability, the benefits of being a first-mover are becoming difficult to ignore.

The Circular Fashion Innovation Network (CFIN), is in place to embed circular fashion ecosystems in the UK. As part of this effort, CFIN partnered with Newton – experts in helping organisations deliver complex change – to gather insights on the current state of circularity in the UK fashion industry, including barriers faced by organisations and support required for a more circular ecosystem.

With the findings and recommendations from this research, we hope to empower fashion businesses across the UK to successfully implement circular operations, to build a more prosperous and sustainable future for the industry.

The market for circular fashion

Below are notable examples of mature circular fashion ecosystems globally, highlighting a need for international collaboration across the industry.

The EU Strategy for Sustainable and Circular Textiles by 2030[4] contains 16 pieces of environmental fashion legislation with the first coming into force in 2024.

In France, the Anti-Waste for a Circular Economy Law (AGEC)[5] bans 'eco-friendly' and 'biodegradable' claims from product information and gives customers visibility of how garments are made and how easy they are to recycle. France also has a €154m fund to provide discounts to customers repairing apparel and footwear, and is introducing a 'Fast Fashion' surcharge and further marketing regulations in 2025.

In Sweden, the Extended Producer Responsibility (EPR)[6] target aims for a 70% reduction in textile waste sent to landfill by 2028, and the government has cut VAT rates for repaired items.

Developing markets:

o The UK's Best Available Techniques (BAT)[7] framework guides organisations on available techniques to reduce environmental impact.

o In the USA, the Americas Trade and Investment Act[8] proposed $14bn in incentives for circular innovation, reuse and recycling as part of a wider bill promoting US manufacturing over China's.

Immature markets:

China is an example of an immature market as it has no legislation or support for circularity in the fashion industry.

The Centre for Fashion Enterprise (CFE) Target State outlines the proposed target outcomes for a future circular fashion ecosystem, as published in 2021.

It remains as the ideal state and was informed by a deep literature review, stakeholder consultations, and consumer research. CFIN still considers the target state for the circular fashion ecosystem to allow for long-term viability, resilience and prosperity.
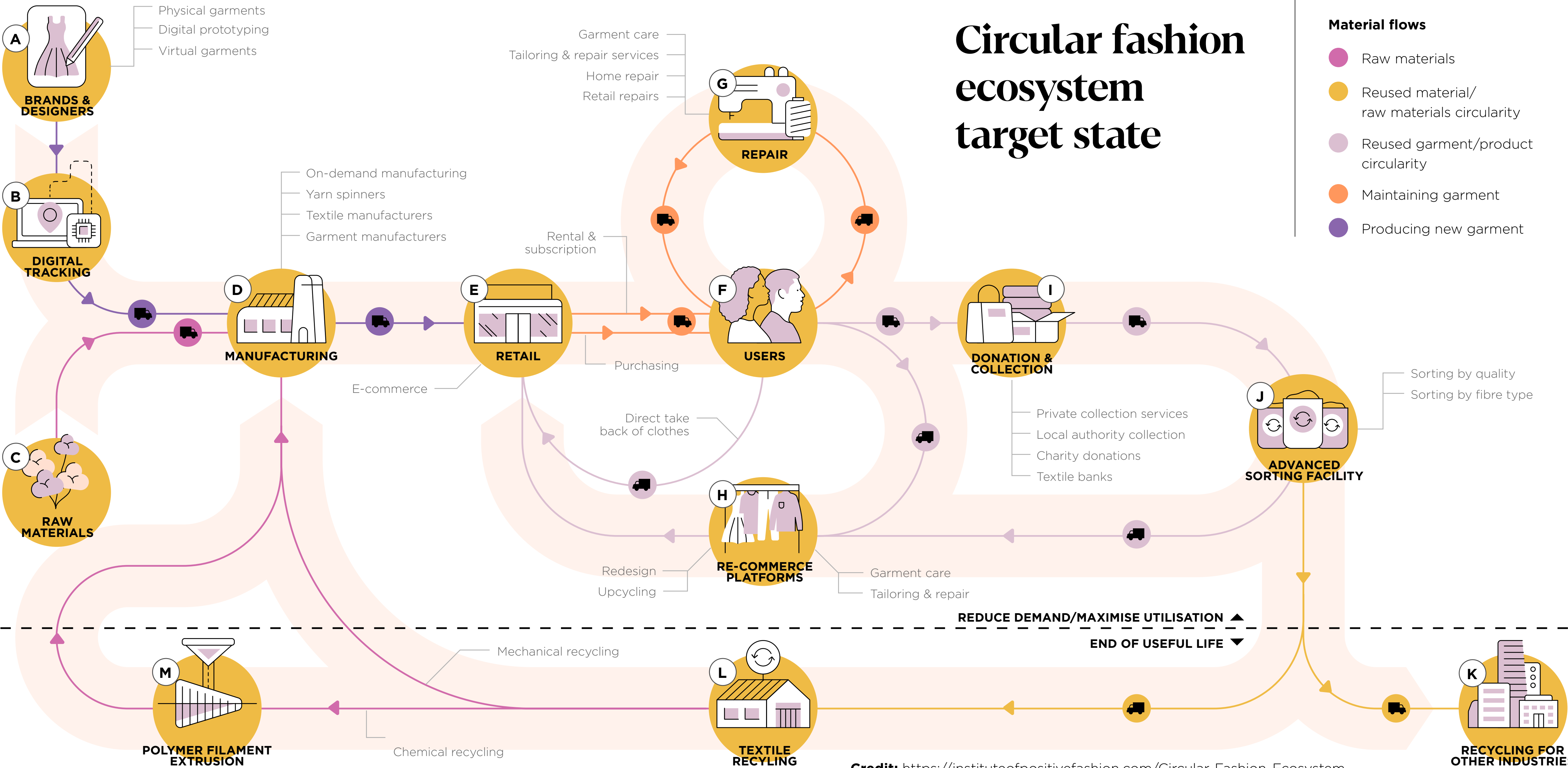
Achieving the target outcomes would entail significant changes to material flows, industry operations and consumer practices across the UK fashion value chain and ecosystem, and is organised along the following parts of the value chain:

A **Brands and designers.** Use of digital prototyping to design both virtual and physical garments with circular design principles in mind.

B **Digital tracking.** The unique characteristics and journeys of garments are tracked from the first stage of the value chain and accessible to stakeholders throughout the ecosystem.

C **Raw materials.** Raw material inputs for manufacturing are either renewable, recycled or both.

D **Manufacturing.** Zero-waste manufacturing and reuse of waste materials, water and chemicals is the norm. On-demand manufacturing and distribution mean that excessive and unsold stock is minimised.

E **Retail.** Provision of pre-owned clothing, virtual clothing, rental clothing, and clothing subscription is mainstream and available through both online and physical retail.

F **Users.** UK consumers buy less clothing overall. When they do purchase, they buy more pre-owned than new, and items of a higher quality and durability. Consumers wear items more often and for longer (or pass them on for reuse).

G **Repair.** Consumers maintain their clothing and repair items at tailors, retailers or at home.

H **Reuse.** Consumers take clothing directly back to retail to be resold or rented to a new user or pass on clothes through recommerce platforms that engage in redesign, upcycling, garment care, tailoring and repair before the item is resold. Consumers also resell clothing to new consumers directly through online trading platforms.

I **Donation and collection.** Consumers have easier and more convenient access to expanded collection and donation channels, including private, kerbside, charity, and via retailers.

J **Sorting.** All used clothing collected in bulk is sorted using sophisticated sorting technologies at efficient sorting facilities and other venues. This allows for optimised determination of the 'next destination' for individual garments, be those channels for reuse or for recovery.

K **Recycling for other industries.** Material outputs in the form of fibres, yarns, textiles, and clothing that cannot be reused in the fashion industry long-term are utilised by other industries such as agriculture, homewares, and construction, as part of a wider material ecosystem.

L **Textile recycling.** In the short- to medium-term, non-wearable garments suited to textile recycling are channelled to existing mechanical recycling facilities. In the long term, the destination will increasingly be facilities for chemical recycling.

M **Fibre manufacturing.** (polymer filament extrusion) In the long-term, improved sorting and scaling of fibre-to-fibre recycling mean an increase in fibre manufacturing from recycled chemical inputs instead of raw materials, including through polymer filament extrusion.

Circular fashion ecosystem target state

Material flows

- Raw materials
- Reused material/raw materials circularity
- Reused garment/product circularity
- Maintaining garment
- Producing new garment

A — BRANDS & DESIGNERS
- Physical garments
- Digital prototyping
- Virtual garments

B — DIGITAL TRACKING

C — RAW MATERIALS

D — MANUFACTURING
- On-demand manufacturing
- Yarn spinners
- Textile manufacturers
- Garment manufacturers
- E-commerce

E — RETAIL

G — REPAIR
- Garment care
- Tailoring & repair services
- Home repair
- Retail repairs

F — USERS
- Rental & subscription
- Purchasing

Direct take back of clothes

H — RE-COMMERCE PLATFORMS
- Redesign
- Upcycling
- Garment care
- Tailoring & repair

I — DONATION & COLLECTION
- Private collection services
- Local authority collection
- Charity donations
- Textile banks

J — ADVANCED SORTING FACILITY
- Sorting by quality
- Sorting by fibre type

REDUCE DEMAND/MAXIMISE UTILISATION ▲

END OF USEFUL LIFE ▼

M — POLYMER FILAMENT EXTRUSION

Mechanical recycling

Chemical recycling

L — TEXTILE RECYLING

K — RECYCLING FOR OTHER INDUSTRIES

Credit: https://instituteofpositivefashion.com/Circular-Fashion-Ecosystem

Part 1

Sustainable fashion, unravelled

Fashion retailers must balance a variety of interlinking pressures that continuously test efficiency, profitability, sustainability and ethics. The continued migration to online shopping exacerbates challenges for brick-and-mortar-focused retailers, while influencer culture and social media generate demand for even faster fashion. At the same time, economic instabilities threaten supply chains across industries and markets.

For circularity to be successful, it must be supported across all areas of the business. Leaders must be confident that initiatives can meet the pressures of margins, marketing, operations and people, and build ongoing momentum.

Credit: Ancuta Sarca

Making the business case stack up

Generating a competitive and stable margin is many organisations' biggest challenge.

Rising material and operational costs are already putting pressure on both top- and bottom-line measures, and many businesses cannot afford the additional costs or risks associated with implementing new models. And, although a fifth (20%) of respondents say they had accessed operational support, inefficiencies are still viewed as a "leaky bucket" for financial sponsorship and increased lead times to profitability. This perpetuates a loop, where siloed initiatives and pilot phases aren't benefiting from economies of scale and are consequently struggling to make an impact.

Revenue opportunity and customer participation are the most tracked KPIs, but customer demand is inconsistent. There is a disconnect between sentiment and behaviour, and shoppers are not yet willing to pay a premium for circular products, forcing retailers to price competitively.

To break this cycle, the fashion sector needs to create more pull factors using marketing, education, alignment with customer needs and market-wide interventions to facilitate behavioural change.

And there's an appetite for regulatory support; retailers perceive government intervention as the biggest enabler to circularity, and feel like existing measures aren't enough. Seven in 10 (71%) want more financial incentives, but just 10% report receiving any to-date.

Only 2% of organisations have so far been impacted by government regulatory requirements, whereas 52% of organisations stated that government regulatory requirements would further support scaling.

Rallying brand support

Businesses need to drive customer buy-in by aligning circular initiatives with their brand proposition – but are facing four major barriers:

o **The newness conflict.** In a crowded market, businesses must prioritise newness and are less incentivised to promote circularity at the expense of higher margin sales.

o **Authenticity.** Brands struggle to navigate how, when and where to communicate initiatives in alignment with their image and in ways that resonate with customer priorities.

o **Low return on investment (ROI).** The cost of additional marketing and PR makes the financial margins of circular initiatives even more limited.

o **Fear of greenwashing.** Watertight sustainability claims are difficult to make due to variable definitions across the industry and varying legislation across geographies. Marketing is closely scrutinised for misleading claims, which can lead to reputational and financial damage. This is having a greenhushing effect on the industry as a whole. Marketing and PR teams can play a pivotal role in circularity messaging and publicity, but engagement is low; just 29% of retailers have accessed marketing or PR support for their circular initiatives, and only a third (33%) said they'd like further support in this area.

Overcoming these challenges is necessary for building external support, and collaboration is the key to devising clear messaging frameworks.

Embracing complexity

Circular models experience different operational complexities than linear models, opening businesses up to a combination of new challenges.

Organisations may need to re-purpose their existing networks – for example, takebacks often utilise retailers' reverse logistics operations. This provides the benefit of reduced set-up costs, but can negatively impact business functions if not managed effectively. Retailers may also need to develop new networks to facilitate repair or tailoring, which have higher set-up costs and typically require independent management.

And complexity is difficult to balance – circularity models aren't viable if garment volumes are too small, but networks can quickly become overwhelmed by volumes that are too high.

The right partnerships can provide the logistics management that's needed for successful operations – and most business recognise this. Two-thirds (67%) of initiatives have partnerships with third-party organisations, and over a quarter (26%) of initiatives are fully run by third-party organisations – around a fifth (21%) of organisations state that further third-party operational support would aid further scaling.

Industry-wide improvements in infrastructure, transparency and organisation agility will unblock both retailers and third parties alike to enable scaling.

Taking stock: An opportunity for cross-functional success

On average, 13% of stock is left unsold after full-price and discounted sales, the majority of which goes into storage, to outlets, or to charity partners.

Collaboration between sustainability teams and buying & merchandising teams to improve forecasts could result in a win-win: reducing unsold half (from 13% to 6.5%) in the UK would result in an annual reduction of up to 80,000 tonnes of CO_2 emissions[9] and up to £2bn in cost savings for retailers.[10]

Credit: E.STOTT

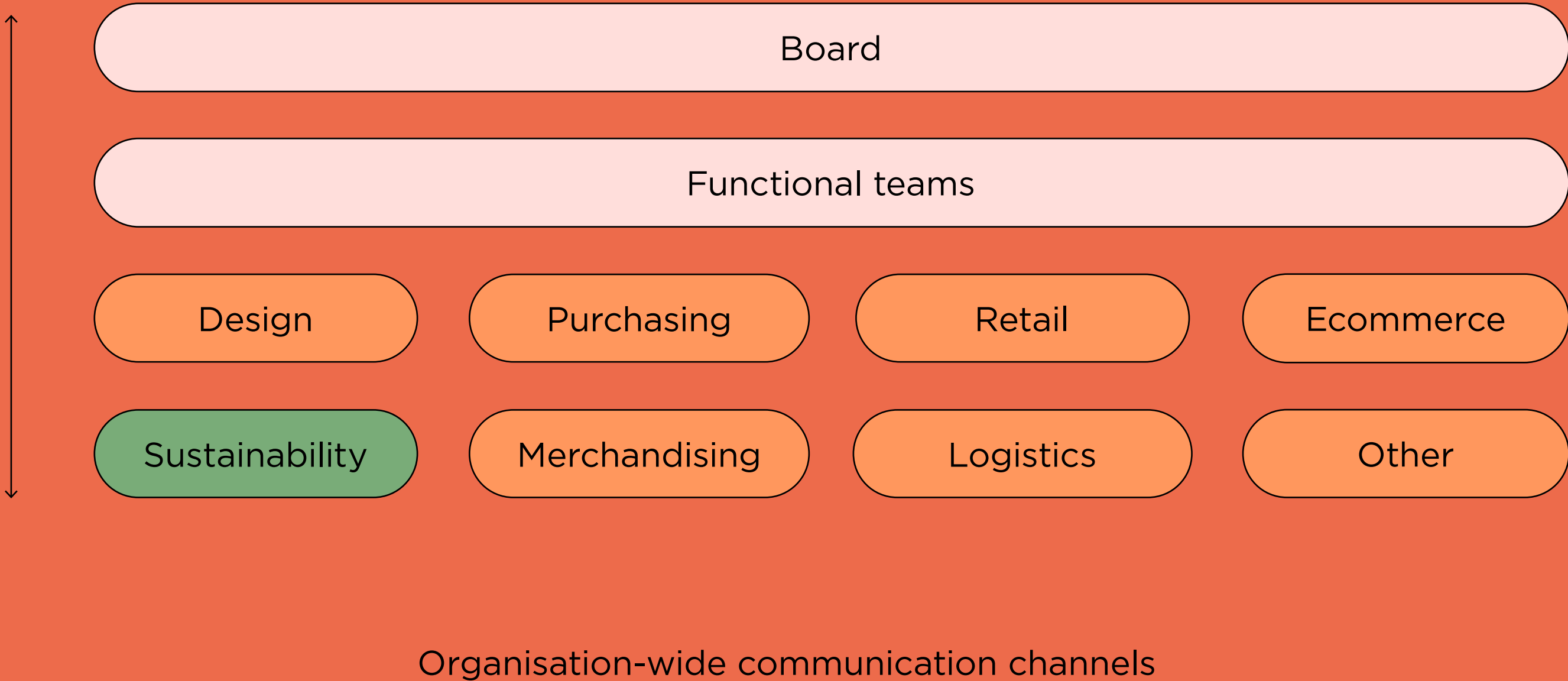# Weaving circularity into everyday practices

Sustainability teams are not typically integrated into BAU functions, creating performance siloes and knowledge gaps within a business.

Although circularity initiatives benefit from organisation-wide synchronisation, efforts are often disjointed. Sustainability leads aren't given decision-making power within commercial or logistics functions with a sustainability impact, limiting their ability to embed initiatives end-to-end.

A lack of experience in mature circular models means that many organisations are unclear on the next steps or capability requirements. Where businesses do understand these gaps, third-party organisations are frequently recruited rather than upskilling current employees, a solution that's less sustainable and less accessible to smaller brands.

Across a business, prioritisation of larger revenue streams frequently leads to employees in non-sustainability-focused teams with little time or capacity for circular initiatives. Combined with poorly defined circularity key performance indicators (KPIs) and incentives, and a lack of accountability mechanisms for circularity success (with the exception of circular design initiatives), these initiatives rarely become a priority.

Implementation of circular initiatives is often carried out by isolated teams

Board

Functional teams

Design	Purchasing	Retail	Ecommerce
Sustainability	Merchandising	Logistics	Other

Organisation-wide communication channels

Part 2

The circular initiative

Credit: GeeGee Collection

The circular initiative

This research finds that, despite core business challenges, brands are actively looking to adopt circular initiatives, but are struggling with implementation and scaling. Although four in five (81%) organisations claim that circularity is a part of their five year strategy (and 82% of these have already implemented at least one circular initiative), just under two thirds (63%) of their customer-facing CBMs are in a low maturity pilot phase.

A lack of tangible roadmaps is a key issue – retail leaders have mixed confidence in the future of circular practices. In fact, no organisations

with an existing customer-facing circular business model claim to have a clear route to scale, with the plans and resources to get there successfully.

But this doesn't deter retailers altogether, and despite challenging market conditions and a lack of strategy, participation in all types of CBM is expected to increase.
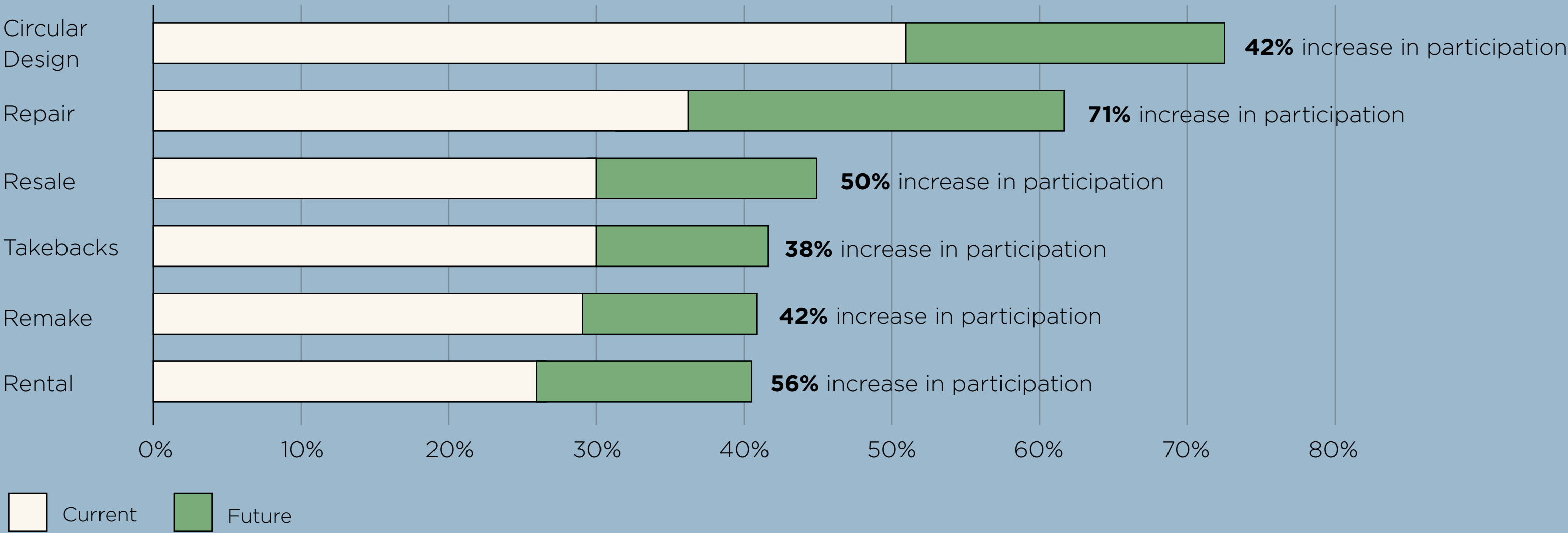
Another reality is that one size does not fit all, as the attractiveness and perceived feasibility of circularity models varies by value segment. Premium and luxury customers expect longevity from high-cost items, so circular design and repair models are considered more central to brand propositions and are therefore more mature. However, rental, remake and resale are met with hesitation as they pose a threat to brand

equity, value perception and exclusivity.

On the other hand, mid-market and value retailers are working with higher margin pressures and customers with different perceptions of value. Retailers that offer new products are afforded a much lower average selling price, particularly for rental, resale and repair. These businesses are able to leverage their reach to drive takebacks and recycling schemes, but financial incentives are critical for non-revenue generating initiatives and organisations contend with added operational complexity within stores and supply chains.

Ultimately, each CBM comes with its own set of benefits and challenges.

Current CBM participation vs future plans

CBM	Current / Future
Circular Design	**42%** increase in participation
Repair	**71%** increase in participation
Resale	**50%** increase in participation
Takebacks	**38%** increase in participation
Remake	**42%** increase in participation
Rental	**56%** increase in participation

0%   10%   20%   30%   40%   50%   60%   70%   80%

☐ Current   ■ Future

Circular Initiative Landscape

% of respondents with an initiative by market segment

	Premium & Luxury	Mid-market & Value
Circular Design	**71%**	**31%**
Repair	**57%**	**15%**
Resale	**29%**	**31%**
Takebacks	**21%**	**38%**
Remake	**36%**	**23%**
Rental	**21%**	**31%**

Circular design

The process of creating fashion products with sustainability and circularity principles in mind, considering factors such as material selection, durability, recyclability, and end-of-life options.

Credit: Stefan Cooke

The numbers at a glance

Presence within retailer market	**51%**
Proportion of product range with some circular design attributes applied	**70%**
Proportion of initiatives accessing third party support	**46%**
Most common circular design business model	**Approved material lists**
Most tracked KPIs	**Environmental impact reduction**
Most frequently accessed support	**Industry initiatives and support from SMEs, academic bodies and consultants**

Circular design is the most prevalent, most highly scaled and most supported circular initiative in the industry. Unlocking further value will require industry-wide collaboration and alignment on definitions in this space, certifications or accreditations to display progress and regulation enforcing improvements in textile supplier transparency.

The most prevalent circular initiative, just over half of survey respondents stated they embed circular design principles within their product ranges. However, there is misalignment in the definition of this initiative, with each retailer sharing a different definition of a 'circular product'. While strong in execution and future expansion, there is great opportunity for retailers to embed circular principles into products.

Design tools

Well-utilised: Only 7% of respondents stated they hadn't accessed any circular design tools or toolkits. The most frequently used tools are approved material lists, circular design guides and training programmes.

Room for improvement: Retailers stated that centralisation or standardisation of tools and recommendations across the industry would make design tools easier to use and better suited to their business cases.

Circular design

The process of creating fashion products with sustainability and circularity principles in mind, considering factors such as material selection, durability, recyclability, and end-of-life options.

Credit: Stefan Cooke

Barriers to growth

1 **Complexities in the supply chain**

Transparency issues with suppliers make it challenging for brands and customers to have confidence in a 'circular product'.

2 **Increased cost of materials and difficulty sourcing materials**

Smaller companies stated the impact to margin on increased cost of materials and high minimum order quantities (MOQs) required to source materials is a blocker to entry for this market.

3 **Lack of alignment on a circular product definition**

The industry is flooded with different definitions of a 'circular product'. Different circular design principles are practical for different product types and retailers. An aligned industry-wide definition of these terms is required for progress.

4 **Difficulty communicating initiative to customers**

The lack of alignment on a circular product definition leads to fears of greenwashing and reputational damage creating hesitancy around marketing and PR on this topic.

5 **Support**

More retailers have accessed support for circular design than for any other circular initiative. However, there is a discrepancy between the support available and the support required for further expansion in this space.

Case study spotlight

Mass/mid-market apparel retailer

To become a circular fashion brand, you have to start with the basics: a strategy. A popular high street brand did this by creating a framework for circular products, and unifying buyers under a common definition. They began by creating a Circular Product Standard, which was then the blueprint for a single range and company-wide training across product teams. The brand has gained support from employees, suppliers, and sponsors due to this strategy, which continues to grow.

> "We launched our collection to show everyone what we're doing isn't impossible, it's really tangible. The minute the launch went live, attitudes completely flipped. There's more appetite than we have capacity for now."

Anonymous survey respondent

Key takeaways:

1 Clear from the beginning

The involvement of cross-functional teams through regular working groups and other forums ensured everyone was aligned behind a common goal. By establishing feedback loops and fostering a collaborative and iterative environment from the offset, everyone was working towards the same goal from day one.

2 A team that 'speaks buyers' language

The delivery team assembled with a range of previous buying and commercial experience. This granted the team vast knowledge of the pressures encountered by purchasing teams. Using this as an advantage, the team facilitated close collaboration with buyers, and an empathetic approach to ensure solutions are effective for both buyers and delivery teams.

3 Robust, sequential, considered planning

Initiatives were carefully road mapped, and business cased, and sequentially released to build momentum. The launch of the circular range was accelerated as a proof of concept and was immediately followed by training whilst employee interest was high.

4 Senior sponsorship and advocacy

Buy-in from sponsors was crucial to getting the business case sign off, despite the increased margin pressure. Through senior management advocacy and the promotion of circular concepts, colleagues and suppliers were granted the time to drive progress due to belief in the mission.

Repair, replenish, revive

Fixing or refurbishing damaged or worn-out items to extend their lifespan and prevent them from being discarded.

Credit: ERDEM

The numbers at a glance

Presence within retailer market	**36%**
Proportion of initiatives in pilot phase	**53%**
Proportion of retailer customer base accessing initiatives	**25%**
Proportion of initiatives accessing third party support	**62%**
Most tracked KPIs	**Revenue and number of customers**
Most frequently accessed support	**Marketing and PR Support**

Credit: Huishan Zhang

Existing initiatives demonstrate a stronger presence of repair in the premium and luxury market. Retailers are keen to further set up and scale up repair initiatives, but to do this, they must overcome the barriers of limited revenue streams and low customer demand.

In luxury and premium markets, repair is additive to business models and drives sales conversions by enabling high-cost items to 'last a lifetime'. In these markets, repair is often a mature proposition pre-dating sustainability. But in mid-value markets, repair is less common and less effective – due to lower item average selling prices (ASPs), repair is often seen as 'not worth it' by customers and retailers alike.

With many repair initiatives in early pilot stages of development, there are few plans or resources in place to scale operations. Despite this, repair has the highest proportion (25%) of customers accessing initiatives out of all customer-facing circular business models.

Repair, replenish, revive

Fixing or refurbishing damaged or worn-out items to extend their lifespan and prevent them from being discarded.

Credit: ERDEM

Barriers to growth

1 Not a major revenue stream

Revenue is the most-tracked KPI of circular business models. Most repair initiatives today create very little revenue, and at best where successful are often lossleading loyalty-drivers. This makes it hard to get the business case to stack up.

2 Current customer attitudes

There is low customer demand for repair services, particularly in the mid-value market as competitive pricing means it is easier for a customer to replace items than repair them.

3 Logistics and operational complexity

Additional business channels (in-store or online) and garment touchpoints to operate a repair service add operational complexity to an organisation, particularly when items are sent elsewhere for repair. Minimising repair turnaround time by optimising the efficiency of these processes is an extra business challenge.

4 Availability of skillset

The availability of a skilled workforce for repair is diminishing as the demographic shifts. Repair work needs to be carried out to a high quality to retain product value.

Resale: preloved profits

Selling pre-owned fashion items to new consumers. Includes organisation's own re-sale platforms or use of other platforms or marketplaces to enable individuals to buy and sell used apparel.

Credit: Huishan Zhang

The numbers at a glance

Presence within retailer market	**30%**
Proportion of initiatives in pilot phase	**78%**
Proportion of retailer customer base accessing initiatives	**13%**
Proportion of initiatives accessing third party support	**88%**
Most common business model	**B2C resale service through partnership online platform**
Most tracked KPIs	**Revenue and number of customers**
Most frequently accessed support	**Marketing and PR support, consulting support and support from SMEs**

The resale market has consistent popularity across the spectrum of retailers. Initiatives vary significantly in maturity and are heavily dominated by third parties. Again, customer communication and margin pressures are the biggest blockers to further expansion of resale.

A consistent and moderately popular circular business model, this study finds 'product authenticity' as a top issue in luxury and premium resale markets, compared to 'value retention' and 'customer demand' in the mid-value market. Retailers struggle with a heavy dependency on third parties for set-up and running, along with competition with non-retail organisations (e.g. Vinted, Depop).

Credit: ERDEM

Resale: preloved profits

Selling pre-owned fashion items to new consumers. Includes organisation's own re-sale platforms or use of other platforms or marketplaces to enable individuals to buy and sell used apparel.

Credit: Huishan Zhang

Barriers to growth

1 **Difficulty communicating initiatives to customers**

From B2C 'vintage' platforms to C2C resale platforms, different communication styles are required, but all involve a constant marketing push to gain traction, with the pay-off of customer usage still being a challenge.

2 **Limited margin**

Second-hand clothing typically offers a lower profit margin than new products due to lower Average Sale Price (ASPs) and additional operational and logistics costs – this limits feasibility for B2C initiatives for certain categories and value segments.

3 **Cannibalisation of existing sales**

Resale of second-hand clothes at lower ASPs is in direct competition to full priced sales. Some organisations are disincentivised to set-up or scale-up resale platforms due to this.

4 **Operational or logistical complexity**

Different resale platforms have different operational and logistical implications. However, at a minimum, customer communication and customer touchpoints are required.

Takebacks

Includes the process of taking back used or unwanted fashion items from customers for re-sale, re-purposing, re-cycling or responsible disposable.

Credit: TOVE

The numbers at a glance

Presence within retailer market	**30%**
Proportion of initiatives in pilot phase	**50%**
Proportion of retailer customer base accessing initiatives	**10%**
Proportion of initiatives accessing third party support	**88%**
Most common takebacks business model	**Online takeback service**
Most tracked KPIs	**Revenue**
Most frequently accessed support	**Third party infrastructure support**

An opportunity to scale within mid-market and value retailers is enabled by higher garment volumes, shopper frequency and less risk to brand execution. Scaling further requires investment into infrastructure, front-end mechanisms and awareness to drive customer participation alongside incentives for businesses to implement non-returning schemes.

Takebacks are not attractive for luxury and premium retailers or customers, with products having greater longevity and value retention. In the mid-value space however, takebacks offer good alignment to customer needs, higher garment volumes and accessibility.

This model's greatest challenge is the demand of higher garment volumes on operations and supply chain logistics. Most takeback schemes surveyed involved takeback of wearable items to be re-sold. However, schemes in which garments are responsibly disposed of, recycled or re-made into alternative products also exist.

Takebacks

Includes the process of taking back used or unwanted fashion items from customers for re-sale, re-purposing, re-cycling or responsible disposable.

Credit: TOVE

Barriers to growth

1 Difficulty communicating initiative to customers

There is a proportional relationship between marketing spend and consumer uptake. When initiatives are promoted consumer uptake increases, but it falls away without ongoing communications.

2 Not a revenue stream

Many takeback initiatives are not a source of revenue, particularly for non-wearable takebacks, meaning businesses are not financially incentivised to progress.

3 Insufficient customer demand

There is low customer demand for takebacks in the premium and luxury markets as consumers less frequently 'donate' more expensive garments. In the mid-value markets, consumer interest can be high, but conversion rates of customers sending garments can be low.

4 Infrastructure and mechanism of takeback

Current reverse logistics infrastructure (particularly for non-wearables) doesn't avoid damage (e.g. development of mould). This results in high dependencies on third parties for infrastructure. Longer-term innovation will require greater expertise in this field with resources a limiting factor.

Remake: old meets new

Involves altering existing garments or materials into new products to extend their lifespan and reduce waste.

Credit: E.STOTT

The numbers at a glance

Presence within retailer market	**29%**
Proportion of initiatives in pilot phase	**70%**
Proportion of retailer customer base accessing initiatives	**13%**
Proportion of initiatives accessing third party support	**44%**
Most tracked KPIs	**Profit margin and number of customers**
Most frequently accessed support	**None**

Remake has a stronger presence in the luxury and premium markets due to garment value retention and the rise of 'vintage'. A limited market for remade items driven by low customer demand is the biggest challenge faced by remake initiatives.

> **"Remake is the most difficult model to get internal buy-in from – especially from designers"**
>
> Anonymous survey respondent

The luxury and premium markets are aligned in that remake models offer better product value retention. With high durability and longer-lasting value, the biggest concerns are in brand equity. In mid-value markets, remake is less common as items are less frequently designed for durability and struggle to compete with newness. Remake initiatives are the least well supported amongst CBM types, low in maturity and low in customer engagement. This means scale-up in the future is unlikely without support across the value chain actors.

Remake: old meets new

Involves altering existing garments or materials into new products to extend their lifespan and reduce waste.

Credit: E.STOTT

Barriers to growth

1   **Low customer demand due to competition with newness**

Easy customer access to new products with low ASPs in the mid-value markets reduces the demand for re-made items, which often when branded as 'retro' or 'vintage' adds to their price tag.

2   **Limited market size**

The scale of available financial return for remake initiatives is low driven by limited customer demand.

3   **Limited margin**

Additional labour cost of remake drives up the price point of remade items. To compete with newness and drive sales (see above), competitive pricing comes with a hit to margin.

4   **Sourcing high-quality materials for remake**

To be remade, products must be somewhat durably designed and designed for disassembly. Often garments do not fall into these categories, and typically where they do customers are less likely to part with them.

Case study spotlight

Creating responsible products from the ground up

RÆBURN, a UK fashion design studio, placed the ideology of 'Remade, Reduced, Recycled' at the core of its design principles allowing the brand to create truly responsible products.

RÆBURN brought these principles to life through three key actions:

1 Learning from the best

By utilising an industry partnership, designers were able to take on learnings and considerations from previous attempts and experience. The partnership was brought together under an industry ambition for responsibility, not just one brand in silo. Multi-national brands can tend to want to do it all themselves, or in-house, when significant expertise lies within SME's and specialists that can be tapped into, creating a springboard for larger brands on their circularity journeys.

2 Genuine intention

The right partner must be a harmonious meeting of identities and individuals. By taking time to learn where each person and brand can bring value, the opportunity arises to understand the motivations behind creations. When aligning values and execution, brands can begin to make true headway in this area. It is critical that the intention isn't tokenistic or siloed, it has to run throughout he organisation.

3 One step at a time

By breaking down each component of the original products, designers can work from the ground up to be circular. Using the information that is already available to the brand meant it could use sustainably sourced materials in production and that the product was designed with remake in mind: it could be disassembled into its constituent parts, to replace sections of the product, rather than the whole thing. Designers need to think more holistically about their products and challenge industry norms to ensure they are planning for each step of a product's lifecycle.

Fashion on loan: rental revenue limits

Temporary use or leasing of items by consumers instead of purchasing them outright. Includes both pay-per-item and subscription models.

Credit: DIPETSA

The numbers at a glance

Presence within retailer market	**26%**
Proportion of initiatives in pilot phase	**63%**
Proportion of retailer customer base accessing initiatives	**13%**
Proportion of initiatives accessing third party support	**75%**
Most common rental business model	**Pay per item**
Most tracked KPIs	**Revenue**
Most frequently accessed support	**Marketing and PR support**

Rental business models are challenging and less attractive for retailers across all markets. Demand for rental services is inconsistent, with customers typically opting to use rental for one-off occasions rather than on a regular basis or for everyday items, and brand-led models are particularly unattractive as limited range creates a further barrier for frequency.

For retailers, immature rental models coupled with a high dependency on third parties has left rentals with no clear route to scale in the future, bringing it low on the priority list.

Barriers to growth

1 **Rental struggles to compete with 'fast-fashion' for customer demand**

Particularly in the mid-value markets, the impact of changing consumer tastes and 'fast-fashion' retailers enables consumers to quickly access new products at low price points without added rental logistics.

2 **Limited margin**

Additional logistics costs incurred by rental initiatives further degrades financial margin. Where items are not 'designed for durability', they are less suited to rental schemes as the number of times they can be rented is low.

3 **Lack of business capacity**

The intersection of several business functions is required for a rental business model to operate, such as cleaning, logistics, insurance, customer support, etc. These capabilities are typically less complementary to core business and many retailers stated they do not have the business capacity to enable this.

Part 3

Closing
the loop

Recommendations for building the business case

Ensuring a stable margin by driving customer demand and limiting costs.

Credit: Joao Maraschin

1   **Regulatory requirements**

The business case for circularity must stack up for it to be a success. Many organisations see regulatory requirements as the key to driving this change, as it has the potential to accelerate customer demand and "create a level playing field" in terms of investment and overall costs. Governments must support brands and retailers by implementing regulation that ensures a competitive and stable margin.

The most impactful regulation will build brand confidence by providing consistency in definitions, criteria, and reporting. Brands are open to regulation that supports choice and flexibility and is relevant to each organisation. It needs to be end-to-end, and most importantly tap into businesses at the right level.

CBMs	• Challenge the fast fashion concept of newness to improve the appeal and competitiveness of rental options. E.g. France's Fast Fashion marketing regulations.
Takebacks	• Introduce legislation, such as Sweden's ERP, to reduce waste and consolidate reverse logistics.
Circular design	• Ensure industry alignment on circular design principles and reporting standards. • Introduce industry-wide certification or accreditation of a circular product. • Develop customer-focused legislation such as the anti-waste for a circular economy law (AGEC). • Enforce improvements in the transparency of the value chain.

Recommendations for building the business case

Ensuring a stable margin by driving customer demand and limiting costs.

Credit: Joao Maraschin

2   **Financial incentives**

Financial incentives from governments and industry bodies are needed to support retailers' top line and bottom line. Financial incentives have the potential to drive participation in circular initiatives and limit the associated costs. However, all grants will need to ensure the investment is directed towards creating sustainable operations, rather than models dependent on this funding. In 2023, UK Research and Innovation (UKRI) invested £6m[11] for three complementary teams of researchers, working in partnership with industry experts to build data and knowledge to support the sector in adopting sustainable circular business models. However, that is a fraction of the investment needed to support the transition of an industry worth £21bn to the UK economy.

Investment should encourage organisations to develop new and innovative circular fashion operations that are tailored to their organisation and are focused on long-term solutions rather than short-term impact. By focusing grants on long-term solutions, governments and industry bodies can open the door to better practices, rather than quick fixes.

Credit: Qasimi

Repair	• Introduce VAT cuts or discounts to improve the affordability and customer perceptions of repair. • Consider surcharges to be applied to fast fashion practices.
Rental	• Introduce incentives to reduce the impact of limited margins on rental models.
Resale	• Reduce the tax burden on second-hand clothing to ease the margin pressures on resale. • Support accelerators for high-potential resale organisations.
Takebacks	• Design incentives by takeback volume to reduce the financial impact on retailers.
Circular design	• Introduce penalties for threshold breaches on emissions and waste.

Recommendations for rallying brand support

Facilitating high-quality marketing and sales activities that see a return on investment and are brand-aligned.

Credit: SS DALEY

1   Brand campaign support

Brands and retailers need to garner support to develop their brand campaigns with circular fashion in mind. Campaign support can ensure marketing and PR activities are aligned with a brand's needs, provide ROI, and protect brand reputation.

The most impactful support will involve collaboration with government bodies and the Competition and Markets Authority (CMA) to ensure brands are not penalised for their efforts to develop campaigns that highlight the benefits of circularity and cut-through to the desired audience.

Repair	• Engage and sponsor third-party repair operators in a targeted way to support circular brand development.
Remake	• Explore third party sponsorship opportunities to drive customer demand, for example, UK-based design schools.
Circular design	• Ensure brand campaigns are supported through circular design principles and industry-wide certification or accreditation of circular products.

Recommendations for rallying brand support

Facilitating high-quality marketing and sales activities that see a return on investment and are brand-aligned.

Credit: SS DALEY

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2 Customer education and awareness

Government and industry bodies need to play a greater role in increasing customer education and awareness of circular initiatives. At present, education on circularity sits mostly with charities and non-profit organisations for those who actively seek information. Brand-agnostic events and campaigns can help support wider understanding and awareness of circular initiatives and increase the pace of mindset change required by retailers and brands, and as a result increase customer demand.

Broad campaigns to educate customers and increase awareness will require intra-organisational dialogue and accelerated organisational learning. High-quality campaigns should be relevant to all market segments.

Credit: Huishan Zhang

Repair	• Develop campaigns that educate customers on the repair model. • Introduce training courses to teach customers repair techniques.
Rental	• Support and collaborate with third parties who can harness the rental market.
Resale	• Design customer education campaigns to support ROI on resale marketing investment.
Remake	• Design and implement industry initiatives which inform customers of remake retailers and products. For example, sustainable London Fashion Week.
Circular design	• Introduce training courses to teach customers how to recycle fashion products. • Give customers visibility on how garments are made and how they are recycled.

Recommendations for embracing complexity

Managing highly complex operational and logistical processes that underpin circular initiatives.

Credit: Bora Aksu

1   Investing in infrastructure

Even if a product is made from 100% recyclable materials, the effort is wasted if the recycling systems for textiles aren't equipped to handle it. To grow circular business models, the industry must invest in effective recycling infrastructure and reverse logistics. This investment will help address operational challenges and support the creation and scaling of necessary systems.

The most impactful investment should be industry-wide, which will lower costs for retailers by sharing the burden of infrastructure development. By focusing on upgrading existing networks and building new ones, the industry can transition smoothly to a circular economy.

Repairs	• Develop networks for tailoring and transportation of products between customers and tailors.
Takebacks	• Invest and research infrastructure for non-wearable takebacks and recycling to accelerate scale. • Develop initiatives to reduce textile waste and consolidate reverse logistics supply chains (e.g. Sweden's ERP). • Support accelerator programmes to optimise front-end operations, particularly for the mid-value market.

2   Transparency in value chains

To achieve long-term success, transparency is required across brands, retailers and third-party organisations to unblock industry-wide challenges and ensure organisations can find the information and support required. To do this, the UK overnment and industry bodies need to work to ensure transparency across the value chain through new regulations. For example, introducing supplier and stock exit transparency will enable the development of effective operational processes. This could be supported by tech innovation, such as product passport technology.

CBMs	• Collaborate with third party organisations to better understand their operational processes. In particular, organisations with well-established CBMs.
Takebacks	• Facilitate transparency from suppliers to develop front-end mechanisms.
Circular design	• Design financial incentives to support digital product passports to enable transparency in product design and sourcing.

③　　**Sharing learnings and consolidating value flows**

When breaking new ground, knowledge is power. Retailers must share operational learnings and consolidate their volume flows to manage the operational complexity in circular initiatives. Such shared practice will reduce the barrier to entry for new retailers and ensure volumes are viable yet manageable.

Through shared communication channels, retailers will be an enabler in this space and will benefit through increased confidence in the implementation of their ideas. When collaborating retailers should be mindful of market segment differences, to ensure any processes are tailored and relevant. Successful collaboration will tap into the operational differences of the circular business models.

Resale	• Support initiatives to simplify the process of re-sale. • Engage with third-party resale organisations to consolidate volume flows.
Takebacks	• Consolidate reverse logistics supply chains.

Credit: E.STOTT

Weaving circularity into everyday practices

Enabling sustainable circular models by focusing on people and processes.

1   **Building cross-functional and capable teams**

Brands and retailers need to ensure sustainability teams are cross-functional, so circular initiatives are integrated into the everyday. Integrated teams will increase accountability for circular initiatives and enable capability gaps to be identified and addressed through appropriate upskilling.

Integrating teams effectively will be relevant across all market segments. Done well, sustainability leads should have decisionmaking powers in the commercial and logistics space so that initiatives are end-to-end. As a result, in-house capability and development would be more sustainable and accessible to all brands.

Repair	• Grow and futureproof skillsets within the UK repair industry and improve awareness of career paths.
Circular design	• Design and run training on certification or accreditation rules of circular products (e.g. Fair-Trade equivalent in food industry). • Ensure integration of sustainability teams with buying and merchandising to recognise and ensure alignment on KPIs such as waste.

2   **Implementing organisation-wide sustainability reporting**

Brands and retailers need to ensure circularity KPIs are defined and reported across the organisation to drive momentum in circular initiatives. By increasing the accountability to a team level, organisation-wide reporting will ensure circular initiatives are prioritised at a business level.

Implementing effective KPIs will ensure consistent benchmarking can take place to give organisations confidence in progress towards their circular aspirations. In addition, aligning these KPIs with industry-wide standards means success can be measured in organisation-specific terms, as well as at a wider industry level.

CBMs	• Identify effective measures of success in non-competitive retailers with more established rental initiatives (e.g. average rental duration). • Collaborate with third parties to identify effective measures of success.
Circular design	• Support the development of legislation to ensure industry alignment on circular design principles and reporting standards.

Recommendations matrix

Next steps: identifying quick wins and long-term goals

This table gives organisations an indication of which recommendations could be implemented internally and within the bounds of current operations, and which initiatives require longer-term investment, external change or have higher dependencies.

Time to implement

Internal

3 **Brands gain support for their campaigns** via engaging relevant third-parties.

4 **Customer awareness and education** through specifically designed training courses and customer visibility on garment design and manufacturing.

8 **Cross-functional teams** that have integrated sustainability functions and are upskilled through targeted training

9 **Organisation-wise reporting** of sustainability KPIs and using this to ensure accountability and prioritisation.

7 **Share operational learnings** with third-parties and other brands and retailers.

5 **Investment in internal infrastructure** such as reverse logistics and the development of new networks.

6 **Gain transparency across the value chain** through engaging with relevant third-parties.

External

1 **Legislation** to ensure industry-wide consistency on model definition, acceptance criteria and reporting.

2 **Financial incentives** such as tax reductions and penalties for breaching circular standards.

3 **Support for brand campaigns** through third-party sponsorship and collaboration with industry and Government to accelerate high potential pilot schemes or CBMs.

4 **Customer awareness and education** through brand-agnostic campaigns and sponsorship activities.

5 **Legislation** to promote circular principles such as waste reduction and challenging fast fashion.

6 **Transparency across the value chain,** including suppliers and stock-exit processes.

7 **Volume flows consolidated** through logistical changes, such as takeback processes.

Conclusion

Credit: E.STOTT

Conclusion
The intention/action gap

Credit: KHK

CFIN adopts an ecosystem approach to research and insight gathering, and this survey and report are no exceptions. The aim was to step back from an already active segment of the circular economy to better identify challenges and determine actionable steps for the CFIN team. By engaging directly with the industry, the survey insights and this report have established a robust evidence base, providing a solid foundation to build a compelling business case for change to present to the government and wider stakeholders.

Several ongoing initiatives are contributing to the advancement of circular fashion, including efforts to create circular ecosystems, explore system feasibility, and focus on specific processes such as recycling and waste reduction. Legislative developments like Extended Producer Responsibility (EPR) and Right to Repair are fostering progress, while businesses are introducing circular initiatives such as sustainable collections, pre-loved garments, and digital solutions to support circular design.

Despite these positive intentions, both the industry and government must ensure these efforts can scale effectively. This study reveals strong appetite for support across the industry, but scaled action remains limited.

The report identifies four key focus areas to act as a roadmap for change, starting with building a strong business case and addressing current blockers. Achieving this will require collaborative efforts across the industry to turn intent into action. Overcoming challenges demands coordinated efforts and a critical mass of consensus on a shared roadmap.

Collaboration between key ecosystem players—academia, industry, and government—is essential. This collective action can take the form of voluntary participation in initiatives such as CFIN or responses to regulatory pressures. The wave of EU regulations under the Circular

Economy Action Plan is already impacting brands and businesses operating in EU member states, requiring operational changes to meet legislative demands. In the UK, government interventions, including incentives, tax relief, carbon taxes, and other measures, can stimulate green growth in the fashion sector. These steps can reduce resource extraction and reward businesses working to mitigate environmental impacts.

> **"The EU's transition to a circular economy will reduce pressure on natural resources and will create sustainable growth and jobs.
> It is also a prerequisite to achieve the EU's 2050 climate neutrality target and to halt biodiversity loss."**
>
> Anonymous survey respondent

Measuring the State of Circularity in the UK Fashion Industry, highlights the urgency of scaling circular fashion initiatives. While positive efforts exist, significant impact requires collaboration among industry, academia, and government. The report outlines a clear roadmap for action, emphasising the need for coordinated responses to both EU regulations and potential UK interventions. Aligning these efforts will be crucial in advancing the fashion sector towards a sustainable and economically viable future.

Next steps
The intention/action gap

Based on the insights from this survey and analysis, the CBM team pillar within the CFIN programme have determined some key areas to develop and explore to accelerate industry towards the overall goal of a circular fashion economy. The key areas will be based on insights and needs from industry to help to scale Circular design and understand the obstacles associated with scaling CBMs.

Credit: E.STOTT

Scaling circular design: focus on regulatory needs

ESPR is the new regulation from the EU which comprises eco-design and digital product passport

o Recommendation is to develop a pilot which enables the industry to become "eco-design ready", which works alongside the other key themes in CFIN such that the approach for circular design is joined up across the needs of Sustainable Manufacturing and Recycling Infrastructure, For example, how can recycled fibre content be more readily considered as a feedstock and consideration into the design and sourcing stages.

o The Pilot could serve as key insights into UK and EU reg landscape, to help them evolve relevant policy which is industry-relevant.

A Textiles Extended Producer Responsibility tax in the UK can yield multiple benefits.

o Recommendation is to run a small pilot with SMEs to model the different scenarios of an industry-led EPR system with eco-modulation could work, and use these insights to inform both UK government and EU level also.

Scaling circular business models: design an accelerator programme with a difference

o Design an accelerator programme which helps establish circular business models as informed Sustainable manufacturing and recycling needs

o The accelerator will focus on mitigating problems with scale, and look at the business unit needs to embed this across a business.

Next steps
The intention/action gap

Based on the insights from this survey and analysis, the CBM team pillar within the CFIN programme have determined some key areas to develop and explore to accelerate industry towards the overall goal of a circular fashion economy. The key areas will be based on insights and needs from industry to help to scale Circular design and understand the obstacles associated with scaling CBMs.

Credit: E.STOTT

Enabling areas to achieve the previous:

Consistent and common language to citizens including customers:

o　Communicating with customers on sustainability is crucial to cement long-lasting trust and an understanding of how one's purchases can be part of a wider set of solutions when moving to sustainability goals. How can we help gain alignment on language across the industry and simplify language used with customers?

o　This approach can also help brands to understand the approach needed for Green Claims Directive[12] and other relevant regulatory frameworks.

Business readiness/business change:

o　Businesses need to prepare for changes to become a circular business, including new skills and technology required

o　Key blockers to implement circular initiatives at business level is the ability for businesses to change legacy systems and understand how business units no longer operate in silos.

The future of circular fashion requires a fundamental transformation in business strategies and operations, far beyond minor process tweaks.

This shift entails redesigning the entire value chain—from product design and manufacturing to distribution, consumption, and end-of-life management—to integrate sustainability at every stage.

To drive this change, we are fostering a collaborative ecosystem built on cross-sector solutions, partnerships, and innovation. By uniting brands, suppliers, governments, and consumers, and by investing in new technologies and business models, the fashion industry can accelerate its transition to circularity and achieve lasting sustainability.

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POSITIVE FASHION

CIRCULAR FASHION
INNOVATION NETWORK

BRITISH
FASHION
COUNCIL

UK RI
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