

**TOPIC: A STUDY ON CIRCULAR ECONOMY TRANSITION IN THE FASHION INDUSTRY THROUGH
BUSINESS MODEL INNOVATION**

ABSTRACT

Circular economy (CE) has emerged as a potential alternative to the current linear fashion. However, transitioning to a CE poses significant challenges for many companies, requiring systematic changes throughout the fashion value chain. This shift demands extensive collaboration among industry players and fashion startups offering closed-loop innovations through unique business models (BMs). The current literature on business model innovation (BMI) has focused on key stages of the BMI process, its implications, and challenges but lacks defining a strategic framework required to construct and extend the CE network among the key supply chain players. Therefore, the main purpose of this paper is to examine the role of circular startups in supporting the CE transition in the fashion industry through their innovative BMs.

This qualitative study employs a combination of individual interviews with the startups and survey questionnaires among stakeholders of the fashion value chain to explore how startups create and deliver value, emphasizing the development of unique product biographies essential in building business value propositions for their clients. Further contributing to the academic and practical understanding of circular business models (CBMs), the study explains the critical elements required to redefine BMs to support CE transition. It also presents a structured framework articulating clear strategies for developing and expanding CE networks, fostering synergistic collaborations between startups and established firms.

The study found that CE-based startups in the fashion industry operationalize value creation and delivery within the seven elements of the BMI dimensions. Furthermore, it highlights the efficacy of distinct networking strategies (Push, Pull, and Synced) followed by the startups in fostering and expanding CE-centric collaborations with established industry players. This strategic networking enhances the scalability of CE practices and integrates incumbent firms into the CE, marking a significant step toward sustainable fashion evolution.

The study also provides valuable insights for existing fashion companies and new entrants planning to collaborate with value chain stakeholders to develop and execute CBMs to support CE transition. Moreover, the networking strategies can offer actionable insights for practitioners seeking to navigate the complexities of sustainable transformation and can significantly boost the overall circularity goals. The policymakers could also use the insights to understand the long-term business potential of circular startups and support them in scaling up by enhancing market demand for their products and services.