CCES 2025
Textiles & Apparel Track Session Summary

Scaling Circular Business Models: Rethinking Revenue Generation

Boosting revenue doesn't have to mean increasing production. To foster a circular economy in fashion, it's essential to decouple revenue from production and resource use by embracing circular and innovative business models. Discover how H&M, in collaboration with the Ellen MacArthur Foundation and The Fashion ReModel project, is leveraging circularity to redefine how value is created in the industry.

Speakers

- **Randi Marshall**, H&M
- **Danielle Holly**, Ellen MacArthur Foundation

April 15, 2025, Montreal, Canada

SUMMARY

Critical Issues in Textile Waste

Danielle Holly began by outlining the critical issue of textile waste: millions of tons of clothes are produced and discarded annually, with the equivalent of a garbage truckload going to landfill or incineration every second. Clothing production doubled between 2000 and 2015, while utilization decreased by 36%, indicating that the industry is growing by producing more and using less. The goal of circular business models in fashion is not to reduce revenue but to decouple it from production. The EMF's vision for a circular fashion economy involves clothes being used more, made to be remade, and sourced from safe, recycled, or renewable inputs. This vision is supported by three key components: product design (e.g., the Jeans Redesign initiative), infrastructure (policy and collection systems), and crucially, circular business models that embed circularity into the core of fashion businesses.

H&M's Approach to Circularity

As the world's second-largest fashion retailer, H&M leverages its scale to drive responsible and sustainable material sourcing, benefiting the entire industry. Their commitment to sustainability is integrated across the H&M Group, including its venture capital arm (H&M Group Ventures) and the H&M Foundation. H&M Group focuses on circularity in products, packaging, supply chain, and processes, aiming for continued growth without relying on virgin material extraction.

Marshall highlighted several initiatives:

- H&M Group Ventures: Investments in innovative startups like Syre, a joint venture creating textile-to-textile circular polyester for various industries, including automotive and home goods.
- H&M Foundation (Global Change Awards): An annual incubator program providing seed money and support to early-stage entrepreneurs innovating in sustainable materials.
- Business Optimization: Using AI to inform design decisions based on real-time customer data, moving away from subjective design choices.
- Waste Prevention: The long-standing garment collection program in all 4,450 stores globally, with a reverse logistics system and a 50% ownership in Looper, a B2B circular business model for sorting collected clothes.

A key focus was H&M's "extending consumer use" strategies, particularly their "Pre-Loved" initiatives developed in partnership with EMF:

- In-store Pre-Loved: H&M curates pre-loved items, to complement their new collections and displays them side-by-side in stores across seven markets in the US and EU. This exposes new and existing customers to secondhand options as a normal shopping experience.
- Pop-up Stores: Used for testing markets and curation strategies.
- Pre-Loved Digital: Online platforms, including integration with Sellpy (a majority-owned secondhand platform) in the EU and partnerships with third-party platforms like ThredUp in the US.
- Pre-Loved Archive: A highly successful marketing activation celebrating 20 years of H&M's designer collaborations by sourcing and reselling iconic archive pieces, which quickly sold out.

Marshall emphasized that H&M's goal is to make resale feasible for more affordable brands, not just luxury. She noted that the in-store model, by making preloved readily accessible, has attracted new customers and normalized secondhand purchasing.

A significant revelation was H&M's public disclosure of revenue from circular business models, a rare move in the industry. Randy Marshall acknowledged that their 0.6% net sales share from resale is small but highlighted its doubling in two years and the importance of transparency to demonstrate the challenges and progress in shifting to a circular business. This public reporting aims to encourage other industry players to follow suit.

Questions

In response to audience questions, Marshall elaborated on H&M's support for suppliers in transitioning to sustainable materials through setting targets, measuring progress, and investing in compliant suppliers. She also reiterated H&M's vision for the future of fashion: diversifying offerings and services beyond simply producing new garments, encompassing investment, collection, sorting, and recycling, to enable growth without increased material extraction. The "Pre-Loved Archive" received overwhelmingly positive feedback, with no significant backlash.