



## Circular Business Strategy of Early Stage Fashion Brand in Indonesia

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**ABSTRACT:** Business with a purpose has become a very popular thing lately. The intended goal is not just profit but what impact a business can have on society. This was agreed collectively at the world level by the UN by implementing the Sustainable Development Goals (SDGs) in 17 sub-values. This has an impact on shifting the mindset of consumers who are more concerned with the environment and sustainable business and this has occurred in the fashion industry, both global and local brands. The market value for sustainable fashion is increasing, global brands are adopting campaigns and competing to make circular products, local brands are also joining in with various approaches to adopting sustainable fashion. This is of course an opportunity for businesses on a micro scale or for brands in the early stage. GNDT as a local fashion brand in Indonesia that presents clothing solutions for obese or plus size men has implemented inclusivity in clothing, in line with existing trends and opportunities, business transformation must be carried out to make it more circular. With limited resources and a small business scale, GNDT must determine what approaches and strategies are most effective in turning their business into a more circular one and how to implement it. Value hills are used as a framework for this research in carrying out the stages of business transformation and adoption of a circular business strategy. Focusing on three stages, namely pre-use, use and post-use, businesses are expected to be able to map their business model position on the value hill to be able to identify the initial position of their business (uphill), how to optimize the products they sell (tophill) and how far what is the possibility that the product can be returned after use. Furthermore, businesses can identify gaps and opportunities in value hills and determine what strategic options are fit that can be carried out at this time in accordance with the resources they have. This research was conducted qualitatively using observation and brainstorming methods with business owners. The results of the business model assessment and placement on value hills indicate that GNDT must implement a circular strategy at each stage. At the uphill stage, circular design is determined as the most effective strategy, followed by a product as a service strategy for the tophill phase and upcycling for the downhill phase. All of this is wrapped up in a fundamental network organization strategy where GNDT must prepare internal organizations and potential collaboration with partners to realize this strategy.

**KEYWORDS:** Circular Business Strategy, Circular Economy, Sustainable Fashion, SDG, Sustainable Development Goals

### I. INTRODUCTION

The Sustainable Development Goals (SDGs), sometimes referred to as the Global Goals, were enacted by the United Nations in 2015 as a global call to action to eradicate poverty, safeguard the environment, and guarantee that by the year 2030, peace and prosperity would be experienced by everyone. The 17 SDGs understand that development must balance social, economic, and environmental sustainability and that actions in one area will have an impact on results in others [1]. The circular economy as a manufacturing model has acquired a lot of traction in recent years among academics, entrepreneurs, and policymakers worldwide. The Sustainable Development Goals in the fashion industry focus on (SDG) 12 goal, which concerns sustainable production and consumption, also indirectly mentions it.

In reference to the SDG objectives, the Sustainable Fashion movement's methods and activists do not just target well-known global fashion brands like H&M, Uniqlo and others. Proponents of sustainable fashion are actively educating the public about the need of purchasing high-quality, long-lasting goods. They contend that if there is a market for green products, companies will alter their business practices to be more sustainable. Additionally, the campaign encourages people to choose locally produced goods over those from abroad because they are produced in smaller numbers and have a lower carbon impact.

The idea of fashion with value seeks to increase consumer and producer awareness of the need to protect the environment and promote social welfare. There are currently many businesses that operate in a circular method in industrialized nations, and several developing nations have also shown symptoms of similar movement. Accenture specifically highlights that Indonesian fashion future pays significant attention to sustainability in fashion in the trend study Future of Sustainable Fashion 2022 [2]. The Indonesian



Fashion Forward Program, part of Jakarta Fashion Week 2016, is praised for its goal of identifying the future of fashion that values creativity, business, and the environment equally. In the meanwhile, businesspeople have already made strides in developing a more sustainable fashion sector. Fashion-sharing, second-hand merchants, and ethical and sustainable designers are a few instances of the circular business model in Indonesia.

The global recycled textile industry was pegged at \$5.3 billion in 2018, and is expected to reach \$8 billion by 2026, growing at a CAGR of 5.2% from 2019 to 2026 [3]. Changing KPI from unit sold to times used, is the best practice circular business models for brands and retailers [4]. Young millennials and Gen Z are sensitive to personal and planetary health, paying particular attention to eco products. 63% of consumers support sustainable products, up from 29% in 2019. Millennials and Gen Z are hungry for circular products, swaps and recycling of materials. 55% avoid using plastic whenever possible [4].

There are at least five local Indonesian brands that apply sustainable and circular concepts in their fashion lines. That is described on table 1 below.

**Table 1.** List of circular fashion brand in Indonesia, primary data

Brand Name	Consumer Target	Circular Concept
Sare Studio	Woman	<ul style="list-style-type: none"> <li>• Certified EU ecolabel</li> <li>• Only using sustainable wood produced from Austria, LENZING.</li> </ul>
Osem	Woman	<ul style="list-style-type: none"> <li>• Using waste for upcycling to another clothing brand</li> <li>• Using natural material for tie-dye. Indigofera Tinctoria</li> </ul>
Sukkha Citta	Woman	<ul style="list-style-type: none"> <li>• Empower local crafter</li> <li>• 100% natural dye from fruits</li> </ul>
Imaji Studio	Woman	<ul style="list-style-type: none"> <li>• Utilize tenun fabrics containing natural fibers as clothing material</li> <li>• Upgrading product thru upcycling</li> </ul>
Rentique	Woman	<ul style="list-style-type: none"> <li>• Provides clothing rental services as one of the business services</li> </ul>

Based on table 1 there are several brands that implement circular concepts, but all of the brands are targeting women as their main consumer target, and also available in regular size. so for the fashion brand that focuses on the male market, and more specifically for the plus size market is very wide open.

GNDT (pronounced: G-N-D-T) founded in 2021 came as a local plus size brand for men in Indonesia. Made with a hyper-empathy process for plus size men, available with size options up to 5XL and are adapted to any body type of plus size men in Indonesia. GNDT offers clothes with the best-fit and prices with size charts, and using comfortable materials for plus size body shape to use during activities both in daily life and special occasions. Based on the current condition on the previous paragraph, considering the potential of market size, global consumer trend, local-indonesian fashion brand movement, GNDT as a local fashion brand in Indonesia needs to take the opportunity to transform into sustainable fashion and implement the circular business strategy. This research was conducted to answer a research question (RQ) : what circular business strategy approach should be adopted by GNDT (Local Indonesian Fashion Brand) to take the business opportunity?

**II. LITERATURE REVIEW**

A Value Hill diagram is a circular strategy tool that dissects business activities into three core circular domains- uphill, tophill, and downhill [5]. Each of these domains has unique circular characteristics; a business entity could incorporate circular strategies by choosing any of the circular strategies on the basis of resources it has. There are two implementations of the value hills , which are in linear economy and circular economy. In their Circular Business Value Hill, [5] Achterberg states that to preserve a product’s value and to sustain control of resources, several business activities have to occur. These multiple circular possibilities can be

classified into four classes on the Value Hill framework, namely: Circular Design, Optimal Use, Value Recovery, and Network Organization are shown in Figure 4 [5].



Figure 1. Value Hill Diagram Illustrating Circular Strategies

Considering figure 1 to maintain control over resources and a product's value, a variety of commercial processes must be conducted. For these activities to be successful, cooperation amongst the parties in the circular value network is essential. These numerous business procedures are classified by the four Value Hill categories which are; the first is Uphill Stage and Circular Design, includes commercial activities that take place during a product's pre-use, design, manufacture, and distribution phases. These activities, which are located on the Value Hill's upward slope, are concentrated on extending the use phase (e.g., product lifetime), taking end-of-life appropriateness into consideration (e.g., modularity), reducing resource-intensiveness, and reusing existing goods, parts, or materials [5]. The second one is Tophill Stage and Optimal Use is the in-use stage of a product that is covered by the second category, Optimal Use. These business models aim to maximize the usage of the product by offering services or add-ons to increase product productivity or extend the product's lifespan. The product-service-system (PSS) business model has been extensively researched [5]. The third one downhill and value recovery the post-use stage of a product is covered by the third category, Value Recovery. These business ideas make money by extracting value from worn goods (formerly known as waste or by-products). Utilizing recovered resources, offering refurbished goods, selling used goods, and promoting recycling and remanufacturing are all aspects of value recovery [5]. The last one is Network Organization, The successful Network organization is the final category, which includes commercial operations involving the administration and coordination of circular value networks. This calls for the

management and coordination of resource flows, as well as the optimization of incentives and other supporting actions in a circular network [5].

This research's conceptual framework developed a thinking model that is connected to pertinent theories and to support and test the suggested business solutions. The framework will also show how the research will go from the beginning to the finish.

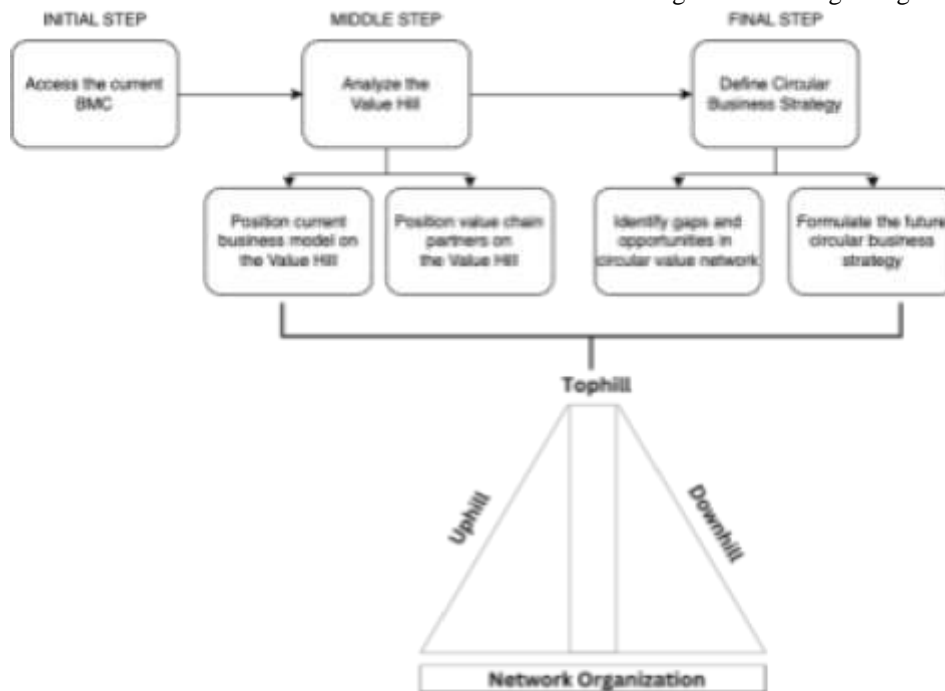


Figure 2. Conceptual Framework: Steps for accessing circular strategies for business entity, (Upadhyay, 2020)

Figure 2 illustrates the overall process and steps a business entity could undertake to analyze its circular transition. While the first step and middle step focus on the assessment of the circular resources and circular strategies, the final step concentrates on decision making. This framework is made by Upadhyay [6], adapted from Osterwalder and Pigneur [7], Lewandowski [8], and Achterberg et al. [5]. Figure 2 illustrates the overall process (Steps First, Middle and Final) a business entity could undertake to analyze its circular transition. While the first step and middle step focus on the assessment of the circular resources and circular strategies, Final step concentrates on brainstorming and prioritization [6]. The Value Hill framework provides insight on how to continue developing the circular business strategy, the following steps may be taken are ; The Initial Step for Access the current Business Model Canvas (BMC) and describe the current BMC, as detail as possible with the business condition. The next step is the middle step to Analyze the Value Hill, the company should choose the circular approach that best fits their organizational design. It is recommended that the last stage of the process, the transition to a circular economy, be made at this time. The final step is to define circular business strategy. A firm would reach the stage where it would need to assess whether or not circular economy modalities were reachable and practicable for it after finishing Steps 1 and 2 (see Figure 2). The firm would enter the last phase of applying circular modalities, as depicted in Figure 2.5, if the shift is feasible and advantageous. The last stage consists of four sub-steps. Starting with situating the current business model and value chain partners on the Value Hill map, the new circular business plan is then developed by identifying the gaps in the circular networks.

### III. METHODOLOGY

This research will be conducted using two types of source for data collection, primary and secondary. In primary data, the author collected a certain topic by itself through observation and brainstorming while secondary data means research was published by someone else through desk study but being utilized by the author to achieve the research objectives. This research use qualitative research method with descriptive analysis to see the observation, brainstorming and using idea prioritization canvas results in order

to be elaborated using descriptive analysis to see the insight and identifying patterns in the data to answer questions about who, what, where, when, and to what extent.

**IV. ANALYSIS AND RESULT**

In this study, to answer research question, the author collecting primary data from GNDT founder to analyze use conceptual framework that refer to value hill for circular business strategy with 3 main steps namely, initial step ; access the current BMC, middle step ; analyze the value hill, and the final step ; define circular business strategy. Brainstorming and idea prioritization canvas will be used to work on the final step and to be able to answer the research questions described in the previous chapter

**A. Current Business Model Canvas**

The business model canvas, developed by Alex Osterwalder of Strategyzer [7], illustrates the rationale behind how a firm aims to provide value and generate revenue. The BMC serves as a roadmap for a strategy that will be put into practice by means of organizational structures, procedures, and systems.

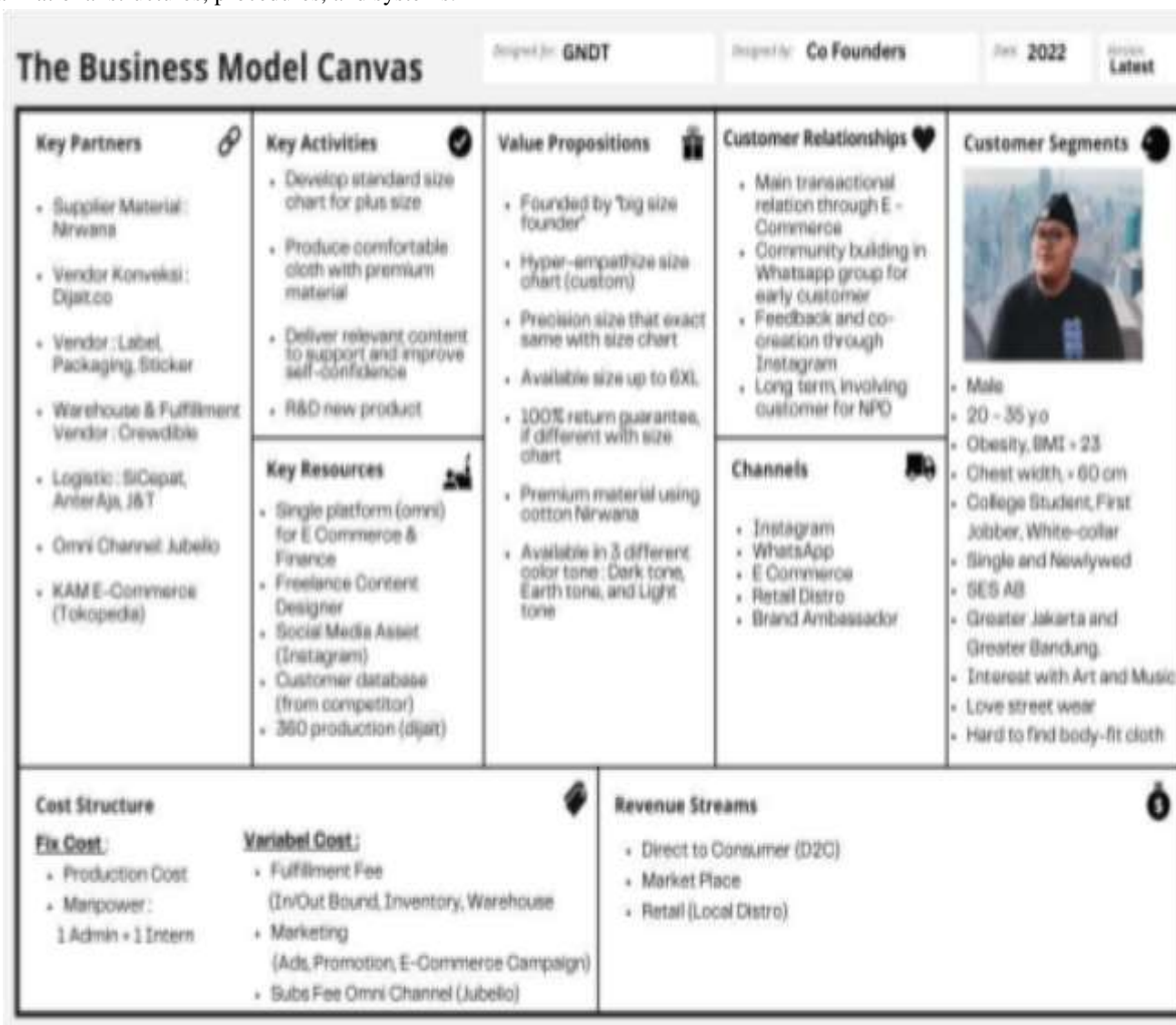


Figure 3. Business Model Canvas GNDT, Primary data

In this process, with primary data collected by the business owner, the author describes each block that represents the current condition of GNDT business with verbal confirmation from the business owner to validate the make precision interpretation in every detail.

**B. Analyze The Value Hill**

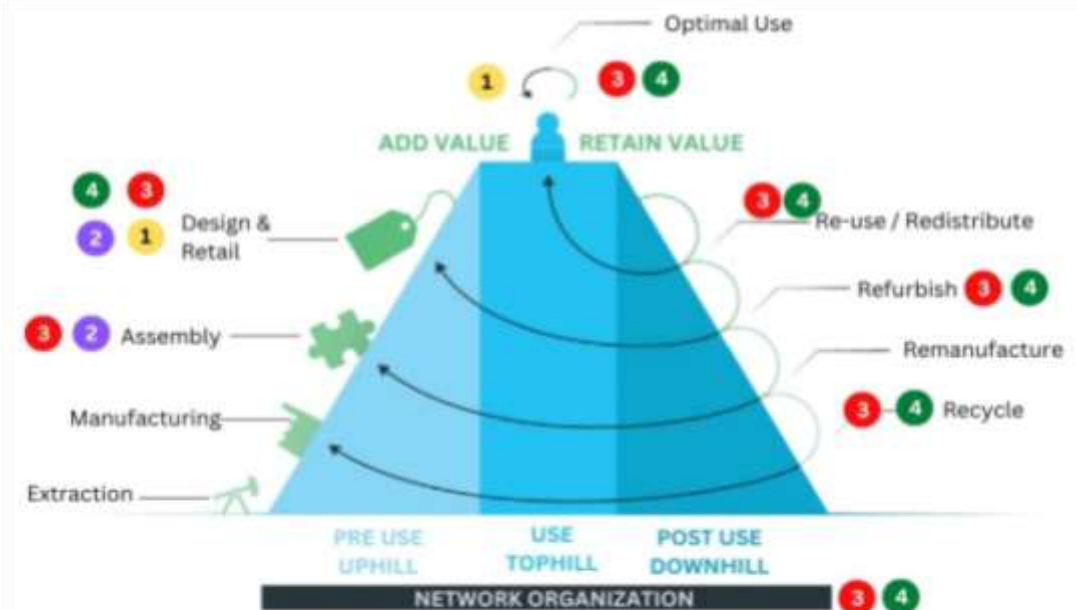


Figure 4 Formulate the Future Circular Business Strategy, Primary data

Currently, GNDT is responsible for designs, retail, and distribution of its products (uphill phase; see digit 1 on Figure 4). Clothing products are hard to repair, reuse, and recycle (downhill phase: impact of circular design on value recovery), and this leads to limitation of product utilization since customers would not able to repair the products and choose to replace them, ultimately after the optimal use (top hill) the product is can't give value anymore and shorten the product life time cycle. The business must coordinate and cooperate with its value chain partners in order to complete the circular transactions. GNDT is working closely with several partners. As manufacturing partner they collaborate with Nirwana textile as a main supplier of material , and for the production and manufacturing partner they collaborate with Dijait. Even for selling their product either D2C or Retail they collaborate with Logistic partner, Fulfillment partner and e-commerce platform. The sign of number 2 is the position value chain partner existing of GNDT in circular value hill.

Their existing partners such as Dijait, Nirwana, Crewdible, and others partners only have transactional relations with GNDT. GNDT has no access and authority to make sure a circular business process that might not happen in their partner. So, in this position, the business focus is only for the thing that GNDT can control, namely during the production, fulfillment and delivery of GNDT products. GNDT also needs to improve the relation between those partners to inlining their core value in order to represent the business activity including third party processes handled by the partner. It is also very important to GNDT to have established close relationships with their partner. After auditing the level of circular business involvement and supply chain cooperation for the circular business, a company would identify the gaps of opportunity. The gap between current condition and opportunity to improve in a circular way represented by Figure 4 displays these gaps with number 3. Organizations in the uphill, tophill, downhill, and network sectors all exhibit the disparities.

Following GNDT's vision and to answer research questions of implementing circular business strategy, after identifying the gap and opportunity, using brainstorming and prioritization canvas, we set the priority of several options that can possibly be implemented by referring to a circular value hill. As represented by number 4 on Figure 4 for possibilities circular business strategy focus on design and retail (uphill), optimal use (tophill) and re-use, recycle, refurbish on (downhill) with fundamental network organization transformation.



**C. Transformation Into Circular Business Strategy**

After doing analysis of the current business model, To answer the research question (RQ), What circular business strategy approach should be adopted by GNDT to take the business opportunity. Can answered with these value hills of GNDT for circular business strategy below. Instead of dividing circular activities into rigid forms in each phase. So the author mixes and categorizes the circular strategy into three activity groups which include uphill, tophill and downhill that are covered by circular product design and material, product as a service, and also upcycling. In the beginning GNDT as an early stage fashion brand already had a business model and strategy existing. Using the circular business framework this current condition is named linear economy. GNDT business activity has not considered recovery value and let their product achieve the optimum use and there's no effort to maintain the value and prevent the product becoming unutilized waste. Not only the product but the production activity and the design implement linear strategy.

**Table 2.** Transformation linear to circular business strategy

Activity	Linear Strategy	Circular Strategy
Design	Basic Design, fast fashion	Exploring sustainable design: 1. Trucker 2. Vest 3. Shirt 4. Suit
Material	Regular Material : Cotton	1. Organic cotton 2. Recycled Polyester 3. Tenun / Songket / Batik
Production	Massive production from material	1. Upcycling 2. Utilize reject product 3. Utilize dead stock product
Revenue	Direct to Consumer and Retail	Product as a service: Rent

After collecting data and using the conceptual framework we can identify this current position and explore the possibility of which part of the business strategy can be transformed into circular business strategy. As per the discussion in the sub chapter before circular product design, product as a service and upcycling become the future strategy for GNDT. The transformation represented in Table 2 above, linear strategy is the current situation, and circular strategy is the future GNDT strategy.

**D. Implementation**

The final implementation to answer the research question is divided into three parts. The first activity is Circular Product Design and Materials, for the next batch of production, the existing article product, namely plain basic t-shirts will use organic cotton and recycled cotton/polyester as main material. To implement this solution GNDT needs to make sure that its material partner, Nirwana textile as main partner, is confirmed to fulfill this new requirement. GNDT also needs to do R&D to build new products using more sustainable products.

The second activity is product as a service, the rent model is the appropriate strategy for the current condition of GNDT. It is also linear with circular product design and material strategy. The upcoming prototype could be rented and get feedback and validation for the new product. Rent models are also considered sides of the revenue stream. The difference between regular products of GNDT is, rent products should be premium and mostly used by customers on incidental events or special events. For the initial project GNDT will provide trucker jackets, suits, vests, and premium tenun-based or batik-based shirts.



The last activity is upcycling, The term upcycling refers to a notion that encompasses a variety of innovative or creative methods for recycling, reusing, repairing, upgrading, remanufacturing, and other processes. Although upcycling may be characterized as adding value, it can also be seen as a fresh approach to design that is tailored to the limits of the globe in which we will live in the future. Often as a result of product obsolescence brought on by swiftly changing trends, fashion firms struggle with overproduction and the unsold inventories of materials and items. GNDT would be focused to build upcycling products sourced by internal (using waste material, product reject) and external Tenun (By Tenunin) and deadstock or potential waste from factory outlet (Episode). The idea is, designing new products based on those materials, and to validate that design acceptance and willingness to pay customers the prototype will be rented to early adopter customers of the brand.

## V. CONCLUSION

From what is formulated in the previous analysis chapter, the answer to the problems that arise in the object of research, through an analysis that has been carried out based on data collection methods and analysis to plan a suggested solution. Using descriptive qualitative research methods supported by data analysis from observation, brainstorming, and desk study. Then it succeeded in collecting material to analyze the problem to identify the right approach for the upcoming opportunity by using circular business value hills and prioritization methods. This review paper outlines a three-step process that would assist a business in determining whether a circular transition is advantageous through analysis of circular resources, expertise, and value chain partners in order to fill the confusion and gap present when it comes to deciding to transition from a linear to a circular economy. In order to develop circular business strategies that work best for a firm, it is crucial to comprehend and evaluate the present business activities using a business model canvas (BMC) and to reconcile these activities along and across the Value Hill map.

We coming up with circular design and material for uphill cycle with using organic material, Do the upcycling for the tophill cycle to extend and give extra value for potential-waste and dead stock product (internal, external) and the last one for the downhill cycle using product as a service option to integrate all the second cycle and give the company competitive advantage and lower risk to implement this strategy. Companies have room to build, measure and learn about this strategy with integrated activity neither separated phase by phase. The result is confirmed to answer the research objectives and questions, which use the circular business strategy that translates to circular product design and material, product as as service and upcycling as the appropriate approach for early stage fashion brands like GNDT to catch the opportunity and achieve the company vision.

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*Cite this Article: Raja Aksana Alrando, Isti Raafaldini Mirzanti (2023). Circular Business Strategy of Early Stage Fashion Brand in Indonesia. International Journal of Current Science Research and Review, 6(1), 507-514*