Value Proposition and Value Creation in Circular Economy Business Models: a study of micro and small fashion retail companies in Brazil

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Introdução

While the traditional approach concerning environmental issues has been on achieving efficiency to reduce, avoid, minimize or limit the impacts of companies' activities, new ways of dealing with sustainability can extend the benefits to society and reduce the harm to nature, such as Circular Economy (CE). In pursuit of ambitious circular economy objectives, companies have initiated trials of innovative circular business models (Bocken & Konietzko, 2022). Additionally, the fashion industry – focused on this study – is under great pressure to become more circular.

Problema de Pesquisa e Objetivo

Therefore, based on the sustainable practices of small companies in the fashion sector, the general objective of this paper is to identify how the concept of circularity has been applied to fashion companies' business models.

Fundamentação Teórica

According to Lüdeke-Freund, Gold and Bocken (2019), it is necessary to refine the variety of structures that propose new business models for companies in a way that adheres to the principles of the Circular Economy. The analysis structure of Lüdeke-Freund et al. (2019) goes back to the main dimensions of the business model structure proposed by Teece (2010) - value proposition, value creation, value delivery and value capture. As a result, they propose the outline of six main patterns of circular economy business model (CEBM) with the potential to support the flow-through cycles of resources.

Metodologia

We analyzed five micro and small companies in the retail fashion industry which have included sustainable - and potentially circular - principles in their communication. The selection was made considering different types of circular strategy studied by the literature. As research sources, we used both primary data, through interviews and secondary data, documents and articles available over the internet. We have followed Miles et al. (2014) recommendations for qualitative data analysis by using the AtlasTi software.

Análise dos Resultados

We have identified an example of a company for each model proposed by the typology of circular business models of Lüdeke-Freund, Gold and Bocken (2019), identifying the main value proposition and creation. We have identified that some companies have more than one strategy aligned with their business, for example, Pantys with Repair & Maintenance and Organic Feedstock. However, there is always a predominant model in brand communication and strategy. It is possible to identify which one is the focus during the interview.

Conclusão

In this way, the study contributes academically by reducing the gap of the literature on circular businesses from the clarification of the main characteristics and implications of a CEBM. Besides it, the paper will contribute to explore the characteristics of the CEBM operating in a specific sector of a developing country such as Brazil. In this qualitative research, we have used the multiple case-study method. The cases are micro and small fashion companies identified as using circular practices in their business models.

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Palavras Chave

Circular Economy, Sustainable Business Model, Textile and clothing industry