



Innovative and sustainable business models in the fashion industry: Entrepreneurial drivers, opportunities, and challenges

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Abstract New and existing companies are looking for ways to thrive in a competitive environment with innovative business models while respecting society and avoiding actions that harm the planet. Trends such as circular economy, fair trade, lowsumerism, and sharing economy are some of the many emerging entrepreneurial approaches that address this issue, but there is still a gap between what theory argues and the levels of environmental and social sustainability realized when theory is put into practice. In fact, most research on the topic of sustainable business models is still exploratory and does not fully acknowledge these emerging approaches, whose definitions, boundaries, and defining characteristics are still somewhat vague. This study seeks to contribute to the understanding of the inner entrepreneurial dynamics of innovative sustainable business models. In particular, we focus on the fashion business, a resource-intensive industry in which opportunities to reduce environmental impacts and to innovate business models abound. The aim of our research is to investigate innovative business models in the fashion industry that have sustainability as their defining characteristic, especially in terms of value proposition. In order to do that, we combine a systematic review of the literature with empirical research comprised of six interviews with specialists in sustainability, business model innovation, and the fashion industry, along with eight case studies on innovative fashion startups we define as ‘born sustainable.’ As a result, we propose a synthesizing framework that discloses trends and drivers of innovative and sustainable business models in the fashion industry. We also highlight opportunities and challenges for researchers and entrepreneurs interested in this topic.

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1. Fast fashion: Are there alternatives?

The fashion industry underwent a remarkable expansion in the last 2 decades, especially with the consolidation of the fast fashion approach, which emphasizes an entrepreneurial modus operandi of rapid acquisition and disposal of mass-produced, homogeneous, and standardized fashion items (Fletcher, 2010). However, by stimulating widespread consumption of easily replaceable garments, fast fashion has a significant downside in terms of environmental and social sustainability.

Consumers seem to be aware of these issues, as evidenced by growing interest in green products. As a response, large-scale retailers such as H&M and Zara have recently invested in sustainable actions and there are reasons to believe this trend will grow. At the same time, cultural and socio-economic macro-trends such as circular economy and sharing economy are challenging traditional mass production paradigms, driving the need for new and innovative business models that consider sustainability not as an afterthought, but as a crucial design element. Moreover, technological innovation in garment materials and manufacturing processes enable a new way to think about business models that goes beyond scale economies and scope advantages generated by fast fashion. It is a time of opportunity for fashion entrepreneurs to build innovative business models that explore these trends while pursuing not only economic but also social and environmental value creation.

There is still much uncertainty about how innovative and sustainable fashion business models should be structured, as research about the inner dynamics of successful models is still scarce and largely focused on individual cases. No systematic approach that synthesizes the drivers of success for innovative and sustainable business models in the fashion industry has been put forward. That is precisely what we set out to do in this research. First, we identify the large-scale, socioeconomic, and cultural trends that are pressuring the current dominant fast fashion approach. Second, we explore innovative business models in the fashion industry that have sustainability as their defining characteristic, especially in terms of value proposition. By doing so, a number of generic building blocks are identified that describe key working elements (drivers) of such business models. We investigate the interplay between these drivers in eight case studies with innovative and sustainable fashion firms. The final objective is to generalize the findings in a set of challenges and opportunities

to innovate and to put forth sustainable business models that could orient academics and entrepreneurs interested in sustainable fashion.

2. Research strategy

Although there are studies dealing with sustainable business model innovation (BMI) in the fashion industry (e.g., Beh, Ghobadian, He, Galliar, & O'Regan, 2016; Kozłowski, Searcy, & Bardecki, 2015; Lueg, Pedersen, & Clemmensen, 2015), they usually lack an integrative, holistic perspective. To address this gap, we combined (1) a comprehensive systematic review of literature; (2) interviews with experts in sustainability, BMI, and fashion; and (3) a wide search on the specialized press that covers fashion businesses. As a result, we identified the main trends and drivers of sustainable BMI in the fashion industry. Next, we studied eight fashion startups that illustrate the entrepreneurship implications of the trends and drivers. Finally, we used these cases to frame a discussion of opportunities and challenges for researchers and practitioners interested in this topic.

The first step of the research was a systematic review of the literature (Hallinger, 2013). Sources of data were articles published in academic journals and conference proceedings that included these keywords: business model, innovation, and sustainability (and variants, such as sustainable). These keywords were combined with at least one of the following terms: fashion, garment, or apparel. Three academic databases were searched (Web of Science, Scopus, and Science Direct), resulting in 177 articles. Not every article addressed the issue of interest. Thus, the authors independently evaluated the 177 articles and a restricted sample of the 53 more relevant articles was obtained and subjected to full analysis. In this analysis, concepts that drive sustainability in fashion, as well as examples of innovative business models that make use of these concepts, and direct or indirect mentions of potential challenges and opportunities for sustainable fashion entrepreneurship were identified. Next, the review was complemented with empirical research through interviews with six specialists in the fashion industry and a comprehensive search of news outlets covering the fashion business such as FFW and Fashion Revolution. We also conducted eight case studies with Brazilian and Italian fashion startups. In selecting these cases, we prioritized interesting entrepreneurial stories that illustrate multiple challenges and opportunities and whose inner workings involve multiple drivers.

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