

Exploring Circular Business Models

Wrap-Up Report

asos

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Foreword

About ASOS

ASOS was founded in 2000 and has become a top fashion destination for 20-somethings around the world. It has more than 85,000 ASOS and branded products on site, with 5,000 new items added each week. It also offers fashion-related content through its websites, mobile apps, the ASOS Magazine and its social media accounts, which have more than 23 million followers. It serves 19.2 million active customers from fulfilment centres in the UK, US and Europe, delivering ASOS packages to almost every country in the world.

About London Waste and Recycling Board

The London Waste and Recycling Board (LWARB) is a statutory Board established by the GLA Act 2007. It works in conjunction with the Mayor of London and London Councils to provide a strategic approach to improving resource management in London. For more information on LWARB visit www.lwarb.gov.uk.

About QSA Partners

QSA Partners is a team of leading circular economy business consultants who use strong commercial, financial and sustainability expertise, alongside practical and experienced project management to create and implement successful circular business models. It works hands-on with businesses to help them take fledgling business propositions to commercial reality, including repair, lease, and service provision. The team has more than 50 years combined experience in low carbon economics, resource efficient business models, innovation and financial modelling.

With thanks to:



In November 2017, ASOS began a project in partnership with London Waste and Recycling Board (LWARB) and QSA Partners (QSA) to assess the commercial viability of circular business models, funded by the European Clothing Action Plan, a European LIFE project.

After considering a wide range of circular business models for this project, we decided to investigate how a resale proposition might function within a retail business.

This report summarises our research into a resale proposition and the results of this project. Our intention in sharing these results with industry colleagues is to offer insight into the processes we used, the models we considered, and our takeaways from the project.

While we are still in the early stages of work in this area ourselves, we hope that by sharing our experience we might help other retailers that are looking to explore circular models for their own business.



Tara Luckman,
Head of Sustainable Sourcing, ASOS

ASOS' Fashion With Integrity Programme

We are committed to making our products as sustainable as possible, as part of our core Fashion With Integrity (FWI) programme.

FWI epitomises how we approach our work. It's about managing our business transparently, minimising the negative effects of the fashion industry and using our influence to make socially responsible choices every day.

FWI has four pillars: our products, our business, our customers, and our community.

Our FWI pillars:

- **Our products:** Respecting people and the planet with products that our customers can trust;
- **Our business:** Achieving growth in a way that adds social value and prevents or minimises environmental impacts now, and in the future;
- **Our customers:** Giving young people the confidence to be whoever they want to be;
- **Our community:** Investing time and resource to make a real difference in our communities.

Circularity is a fundamental part of our work in making our products more sustainable. In May 2017, ASOS signed Global Fashion Agenda's call to accelerate the transition to a circular fashion economy.

As a signatory, we've committed to the following:

- **By 2020, we will train all of our design teams on circular design techniques and best-practice.**
- **By 2020, we will train all of our relevant product teams on circular principles and best-practice for packaging.**
- **By 2020, we will launch a garment collection scheme and recycling programme for apparel for customers located in the UK and Germany, our two biggest markets. We will support this programme by engaging customers, through social media, on garment care, repair and recycle.**
- **Each year from 2018 - 2020 we will publish external targets for increasing post-consumer recycled textile materials in our products whilst eradicating those that cannot be cycled. We will report on our progress and continue this initiative past 2020.**

In 2018, we launched a circular design pilot training programme in partnership with London College of Fashion's Centre for Sustainable Fashion. Fifteen designers progressed through a series of workshops and discussions where they explored concepts, case studies and practical applications of circular design.

We are making our first steps into circularity and are committed to doing more in this area.

The project

In November 2017, ASOS began a project in partnership with London Waste and Recycling Board (LWARB) and QSA Partners (QSA) to assess the commercial viability of circular business models, funded by the European Clothing Action Plan, a European LIFE project. The project included a number of stages:

1. Circular economy workshops

While ASOS' internal sustainability experts were familiar with the circular economy, the project required cross-functional support across the business. Experts from QSA Partners on behalf of LWARB led innovation sessions to help inform and educate ASOS people, drawn from sustainability, marketing, IT, operations, financial, legal and more, on circular principles.

The participants in these sessions explored a range of different 'circular business models' that retailers, in particular online retailers, might adopt. These included footwear and apparel subscription services, rental and leasing, resale via online marketplaces, buy-back of customer products, and customers selling their pre-owned products to each other through "peer to peer" sales.

2. Refining the project topic

After these discussions, the team opted to focus on exploring how a resale proposition might function for an online apparel retail business. This decision was made because participants could draw on their experience at ASOS, and also because of the relative ease of integration of this circular business model. Alternative options such as clothing hire or subscription services, on the other hand, would require substantial alterations to existing business practices for ASOS as they would for most retailers.

Instead, a resale model hinges on transactional deals between a customer and a retailer, which fits in well with typical retail processes – in short, buying stock, selling this to customers, and handling returns (which in this business model functions as the collection of used stock for later resale).

3. Refining the business model

Working with LWARB and QSA, the team then defined various customer resale propositions – peer to peer, business to customer business, business to customer, etc. – and the behind-the-scenes operations that would be needed to be implemented to make each of these journeys work. This was part of a scoping exercise to help understand how each model would fit with existing business models and the level of change required to make them function.

Part of this scoping also hinged on defining financial models. These would underpin the level of pricing needed for the proposition to appeal to customers.

4. Researching customer appetite

The final part of the project revolved around investigating the level of interest and appetite among customers for a resale proposition. We used our established online research community, ASOS Front Row, to ask close to 1,200 ASOS customers questions about their current behaviour and shopping habits around used and second-hand clothing, and their level of interest in such propositions if ASOS were to launch one. The results of this research are outlined in the next section.

5. Possible further steps

From here, it's possible for a retailer looking into a resale proposition to take a number of follow-up steps. For example, based on the research, it might be useful to return to the scoping stage and redefine how their model might work; or, if the research holds up the value of the original proposition, they might want to take the project to pilot if commercially feasible. ASOS was not able to launch a pilot within the timeframes of this project, however the research and engagement around resale and circular business models proved useful to catalyse internal conversations on the topic.

Research results

To conduct our research, we surveyed 1,126 ASOS customers in the UK, US, Australia, France and Germany. These customers were representative of ASOS' 20-something customer base, and the following results are reflective of the views and behaviours of that 20-something audience.

The results illustrated that ASOS customers are already engaged in the buying and selling of used and second-hand clothing, and that customers would be interested in similar propositions launched by retailers.

Across the markets, 57% of customers are already buying pre-owned clothes from a range of sites, for example on marketplaces such as Depop or eBay and on social media platforms such as Facebook marketplace.

A large portion of our customers already buy (27%) and sell (31%) ASOS clothing once it's been used.

As part of our research we have uncovered more behavioural information about why our customers buy and sell clothes.

How ASOS customers sell clothes:

- **75% of ASOS customers give old clothes to charity**
- **59% give to friends and family**
- **44% sell old clothing**
- **31% give to a clothing bank**
- The research also revealed some regional differences. Customers in France and Germany are more likely to give clothes to friends and family, while in the UK, customers are more likely to sell items.

Why ASOS customers buy pre-owned clothes:

- The main reasons customers want to buy pre-owned clothes are **price, style, and uniqueness**
- Customers are **happy to buy across most product ranges**, including dresses, bags, shirts and tops, jeans, and jackets.

If customers were able to buy second-hand clothes from ASOS' website, their main considerations would be:

- **Price** – aligned to price expectations from the main proposition
- **Free delivery and returns with each purchase.** This is in line with ASOS' existing customer delivery propositions. Retailers need to ensure any resale model matches the experience they are already offering customers.
- **Range of sizes available**
- Whether it fits into **existing fashion trends.**

Selling from a resale platform:

If customers were to sell from a retailer's resale platform, using a voucher system (one of the resale propositions explored), their main considerations would be:

- **Convenience of the selling process**
- **Voucher value offered**
- **Positive impact on personal budgeting**
- **Making room for new items**
- **Environmental considerations.**

Key lessons and advice for other retailers

Our intention in sharing these results is to offer insight that might assist other retailers that are looking to explore circular business models.

With that in mind, here are our key takeaways, lessons and advice for those retailers embarking on a similar exploration of circular business models:

- 1. Draw on the engagement and commitment of your people.** It was encouraging to see people from across ASOS involve themselves in the project. Their enthusiasm helped maintain momentum, even though the project was not part of most people's "day job". We also relied on a great deal of goodwill and time commitment from our teams. We dedicated a project manager to creating the team and keeping it running, informed, and keeping actions in progress to make sure that the project got the right resources. This person was also the point of contact for QSA and LWARB, managing external reporting and communications for ECAP.
- 2. Senior stakeholder engagement is key.** We ensured project progress was regularly communicated and shared with senior stakeholders and that their feedback and views were being incorporated in the project in an iterative way. This helped to ensure the senior stakeholders were advocates and that any models being considered would be more in line with existing business processes.
- 3. Make full use of existing business processes to maximise circular potential.** During the team's scoping work, it proved useful to draw on existing models and knowledge from within the business and more widely, and to fit a circular proposition around these – for example, using existing returns infrastructure to facilitate a resale function.
- 4. Overestimate your timelines.** As with many large businesses, we had a packed implementation schedule for everything from research to new technology systems and features or business-wide change programmes. The team had to implement customer research, operations work and more around parallel projects which can skew timelines. This also meant the team had to be nimble and find ways to test its assumptions outside ASOS' core sales platform. If the scoping work also reveals that additional business processes need to be set up or investigated, then additional time will prove beneficial to implement or explore these.
- 5. Take advantage of external advice.** The external advice and support provided through ECAP by QSA and LWARB was essential in keeping the team on track, upskilling and sharing knowledge, and advising on individual propositions and business models. This external expertise was vital throughout the project and also gave us a great mechanism for talking with teams across the business and generating engagement and interest around circular business models.

Additional activity and next steps

Alongside this project, ASOS launched an internal takeback and recycling trial with our people in our London HQ and our Customer Care centre in Leavesden. We were able to collect close to 1,500 items of disused clothing through this pilot, which helped us test some of our assumptions within the resale model, like cost, and sorting and separating product sent back for return or recycling. The results of this trial were taken back into the discussions around circular business models.

ASOS is also undergoing a re-engineering of its sales platform to make sustainability a more visible part of its customers' shopping experiences. These changes will support the integration of circular propositions in the future.

Next steps

We recognise that we've just started our journey on circular business models, and we're excited to be involved in the changing nature of the retail industry and the evolving preferences of our customers. The ECAP project has given us a clear and structured way to assess our first small steps in this area so we can understand what will be required in the future.

As part of this progress we are also participants in the Ellen MacArthur Make Fashion Circular programme. Make Fashion Circular is a collaborative industry initiative that connects some of the world's largest brands with an aim to stimulate the level of collaboration and innovation necessary to create a new textiles economy, aligned with the principles of the circular economy. We are proud to be members of the 'New Business Models' work group within the Make Fashion Circular initiative.

We are excited to be taking these first steps into circular business models at ASOS and look forward to finding new opportunities to collaborate and share our work with our colleagues in the industry in future.

"We would like to thank QSA Partners, the London Waste & Recycling Board, the European Clothing Action Plan and EU Life for their support and for making this project a possibility for ASOS."

- Tara Luckman, Head of Sustainable Sourcing, ASOS

"Working with ASOS has been an illuminating process. We have been encouraged by the active participation of teams across the business in exploring circular business models and are excited about the learnings that can be shared with other retailers through this wrap-up report."

- Wayne Hubbard, CEO at London Waste and Recycling Board

