

SAARIKA AS A SUSTAINABLE BRAND

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Abstract: *The circular economy (CE) is an alternative paradigm to the current “take-make-dispose” linear economy paradigm. Research shows that there are many examples of CE as a possible way to achieve decoupling in large companies in different industries. However, solutions from smaller companies that are closer to consumer needs, have been less studied. The fashion industry is one of the most important value-creating industries with a long supply chain, and one of the industries with the most significant environmental and social problems in the world. As part of a comprehensive research project on circular solutions in the fashion industry, our research explores how sustainability is reflected in the circular business model of a small fashion company. The research methodology is a qualitative case study method. The main findings from the study of Saarika, a company*

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that sells flat skirts made from used Indian saris, are that its recycled solution is environmentally friendly. On the other hand, it has a social value by providing jobs for Indian dressmakers and has built a consumer community around the brand, where sustainability is discussed alongside other themes, including femininity, reinforced by the use of materials and colours that are different from European culture.

Keywords: *circular economy, fashion industry, sustainable business model.*

INTRODUCTION

Changing the unsustainable logic of the global economy is the most important challenge of our time. The constantly and rapidly changing climate, and the tensions arising from growing inequality on the human side, make the responsibility of all economic actors evident (IPCC, 2022).

The circular economy (CE) as a possible way to achieve decoupling has been discussed in great depth in the literature. In this approach the circular economy is an alternative paradigm to the current “take-make-dispose” linear economy paradigm (Bocken et al., 2022). Circular economy promises to achieve sustainability by decoupling economic growth from resource extraction and environmental losses. However, it requires a systemic change in the design of products, business models and supply chains (Bocken et al., 2022, Zilahy, 2016). The schemes of larger companies are promising, but bear some pitfalls (Körtvési, 2022), and beyond, it cannot be left to the big players and states alone to find the pathways to sustainability. It is essential that smaller businesses and consumers also take their responsibilities (Körtvési, 2021, UN, 2015).

Literature review

The transition toward a circular economy requires large societal changes. Companies are key actors within this transition, since they can develop and implement sustainable, even circular business models (SBM, CBM), thereby contributing to altering production patterns (Vermunt et al., 2019). One of the most widely used definitions of business model (BM) is provided by Teece (2010:179), who defines BM as “... design or architecture of the value creation, delivery, and capture mechanisms it employs”. Sustainable

Business Models (SBM) are innovative designs of value creation that put environmental and social goals at the heart of business and orient firms' activities. SBMs have the potential to address social and environmental problems in new and more efficient ways by creating competitive advantage and value for society (Alonso-Martinez et al., 2021).

Circular Business Models (CBM) are one form of potential SBMs, where the essence of the value creation is the closing the material loop, to circularly use energy and materials. Companies experiment with new CBMs to respond to environmental and competitive pressures. CBMs help companies to conserve and reuse products and materials over time while providing unique customer service. (Han et al., 2022).

CBMs innovation in ventures is about including circular economy practices in the business model design process from the business idea stage. In large corporations this is about transforming existing linear economy production and innovation processes and characterized by significant experimentation towards an ambitious circular value creation goal. In the case of smaller companies, it is essential to know that businesses do not necessarily need to close resource loops by themselves, within their own internal system boundaries, they can also be part of a system of business models that together close a material loop, and work towards a 'circular' goal (Das et al., 2022).

The fashion industry is one of the most important value-added industries with a long supply chain (EURATEX, 2020). In addition to its complexity, it is also one of the most polluting industries in the world, causing environmental and social problems (Abbate et al., 2023). To illustrate the significant environmental challenges, globally the fashion industry is responsible for about 8% of CO₂ emissions (Bailey et al., 2022), 85% of textiles end up in landfill annually (EPA, 2022), and its water demand is outstanding. According to UN data, it accounts for more than 20% of wastewater worldwide, using around 93 billion cubic metres of water, enough for five million people to survive (United Nations, 2019).

The specificity of the European textile industry is that it is dominated by SMEs, while 60% of production takes place outside Europe, with significant environmental and social challenges along the value chain (European Commission, 2020). Around 62% of textiles placed on the market in the European Union become waste, with only 38%, around 2.1 million tonnes of

consumer clothing and home textiles, collected separately for recycling or sale in global reuse markets (Köhler et al., 2021).

The current basic model of the industry reflects the principles of linear economy and fast fashion: produce the most in the shortest possible time (Gazzola et al., 2020, Szegedi et al., 2022). Among other things, the transition to a circular economy can address these environmental and social dilemmas, but according to (Jia et al., 2020), much of the research focuses on the relationship between environmental sustainability and the circular economy, overshadowing the role of social sustainability. The latter aspect is equally important for sustainable supply chain management and sustainable business model operation in industry (Muttingi, 2013). Solutions from smaller companies that are closer to consumer needs seem to be better able to integrate environmental and social issues (Szigeti et al., 2022). Mukherjee et al. (2023) point out that existing systems do not sufficiently involve collaboration between different stakeholders, whereas joint planning is needed, with resources, feasible processes and roles being considered. This is the only way to achieve true circularity, where the production and consumption processes are considered in an integrated way, in effect as a single process.

Methodology

In our on-going research we will map the different schemes of the corporate players, the solutions of individual consumers and consumer groups as well as the possibilities of connecting corporate and consumer activities. This paper is one of the first steps of the research project, where we identify the sustainability and circularity connections of the business model in the case of a Hungarian fashion brand, Saarika. We used the information from their website (Saarika, 2024a, 2024b and 2024c) and magazine articles (Jung, 2023), as well as the results of three consumer interviews conducted on 16.07.2023 during a second-hand clothing swap in Balatonakarattya. These semi-structured interviews asked responsible consumers about their motivations, knowledge, attitudes and behaviour related to responsible, sustainable consumption, as well as questions about sustainability related to fashion, and especially about the products and brand, image of Saarika.

Yin (1984, p.23) defines the case study research method as an empirical investigation that “as an empirical inquiry that investigates a

contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used". His main claim is that by examining a specific example, a general picture of a topic can be gained. "It can be considered a robust research method particularly when a holistic, in-depth investigation is required" (Zainal, 2007, p. 1), as it helps to examine a topic from different perspectives (Baxter, 2008).

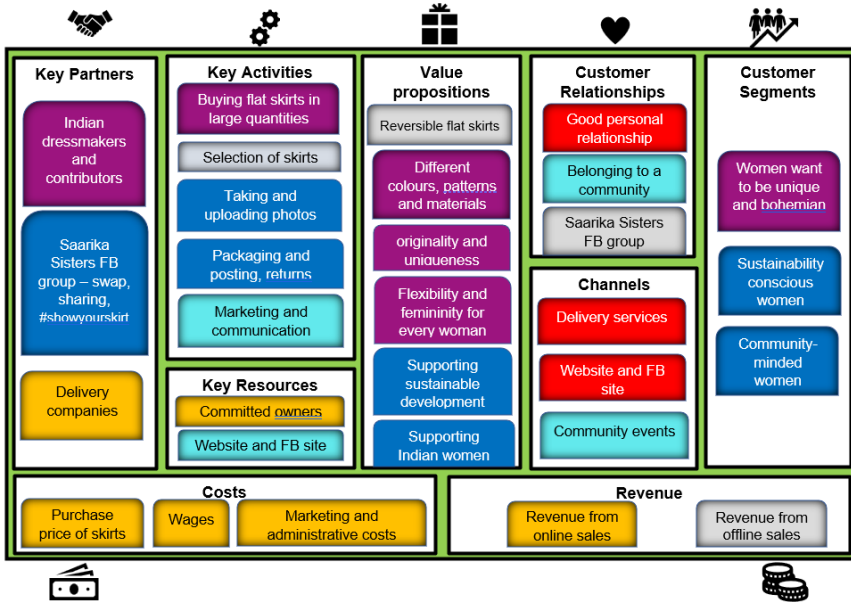
Results

Of the many modelling tools, we have chosen Business Model Canvas (BMC) (Osterwalder and Pigneur, 2010). By formalizing a business model with the use of BMC we can see the structure, the value creation logic of the enterprise, the nine building blocks (value proposition, customer segments, customer relationships, channels, key activities, key resources, key partners, revenue streams and cost structure) and their interdependences.

In the case of the Saarika, we could identify the following business model structure (Figure 1.)

Saarika as a brand was established in 2021 and deals with the distribution of flat skirts made from used Indian saris. As a value proposition, this activity is both environmentally friendly (support sustainable development) and provide work for Indian dressmakers. In addition, they have also built a consumer community around the brand, where besides sustainability other issues are discussed, including femininity which is reinforced by the use of materials and colours that are different from the European culture. Wearing these skirts, women can feel their originality and uniqueness as every sari skirt is different in patterns, size and length. As one customer said, *"Well, they're very nice. They have a good feel. But maybe that's where it starts for me, getting used to a skirt at all. That's where it all starts. It's also a good steppingstone to dress, skirt, more feminine, to open up a little bit, to colour up."*

Figure 1. Business model canvas of Saarika, source: own research



In a strong connection with such a value proposition, the customers of Saarika are women who have a consciousness towards sustainability and community, and who want to be unique and bohemian as think that fashion and clothing is a mean of defining and expressing one's identity. Another customer said, *"I also like the concept of recycling, I've been interested in the theme of reuse for a long time, so we try to use what we already have, repair it, transform it, sew it."* The entrepreneurs connect the value proposition to the customers by online and offline channels (website sales and community events with purchasing possibility) and the above-mentioned consumer community, a Facebook group (Saarika Sisters) where skirt-owners proudly show off their new skirts to each other under the #showyourskirt initiative, and sell or swap pieces that they no longer want to wear for any reason. That is how the customers themselves become part of the value creation, as key partners for the business. The third interviewee said, *"it's extremely practical in my opinion, and the other thing is that they don't make a dozen things for me, but something that already belonged to someone else"*. Other key partners include Indian dressmakers and contributors, and delivery companies helping online sales. Key activities are processed by the owners (members of one family) via the FB site and group and own website. After wholesaling the skirts, entrepreneurs select and photograph them,

carry out marketing and marketing communication activities, as well as send out the skirts purchased and deal with any returns - of which there are not many, since skirts that are not to the consumers' liking are mostly resold within the Saarika Sisters group. Revenues from online and offline sales exceeds the costs from the beginning of the operation, as entrepreneurs build their businesses slowly, step by step, reinvesting profits, not buying too much at once, but rather seeking security for the enterprise and a certain degree of exclusivity feeling for consumers.

CONCLUSION

As presented, even in the case of this microenterprise, sustainability and circularity should be based on the whole complexity of value creation, including not just the entrepreneurs', but also consumers' motivations, attitudes and behaviour towards sustainability. This SBM successfully integrates environmental and social values, taking into account and combining the interests of very distant stakeholders, like Indian dressmakers and European woman who want to live their femininity. Besides ecological benefits, dealing with circular, slow fashion solution of a small company can have more social impacts, like job-creation, community connections for consumers and the so-called "skirt therapy" where the special materials and patterns provide a wearing experience that contributes to the well-being of consumers.

In the next phase of our research taking into account the limitations of this study, further case studies of small and larger firms will be carried out, based not only on consumer interviews but also on interviews with entrepreneurs. In addition, we will explore specifically consumer (individual and community) solutions and their possible links to sustainable, circular activities of smaller or even larger firms.

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SAARIKA KAO ODRŽIVI BREND

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Sažetak: *Cirkularna ekonomija (CE) je alternativna paradigma aktuelnoj paradigmi linearne ekonomije „uzmi-uradi-odlaži”. Istraživanja pokazuju da postoji mnogo primera CE kao mogućeg načina da se postigne razdvajanje u velikim kompanijama u različitim industrijama. Međutim, rešenja manjih kompanija koja su bliža potrebama potrošača, manje su proučavana. Modna industrija je jedna od najvažnijih industrija koje stvaraju vrednost sa dugim lancem snabdevanja i jedna od industrija sa najznačajnijim ekološkim i društvenim problemima u svetu. Kao deo sveobuhvatnog istraživačkog projekta o kružnim rešenjima u modnoj industriji, naše istraživanje istražuje kako se održivost odražava u kružnom poslovnom modelu male modne kompanije. Metodologija istraživanja je kvalitativna metoda studije slučaja. Glavni nalazi iz studije Saarike, kompanije koja prodaje ravne suknje napravljene od polovnih indijskih sarija, su da je njeno reciklirano rešenje ekološki prihvatljivo. S druge strane, on ima društvenu vrednost tako što obezbeđuje poslove za indijske krojače i izgradio je potrošačku zajednicu oko brenda, gde se o održivosti raspravlja zajedno sa drugim temama, uključujući ženstvenost, pojačanu upotrebom materijala i boja koje se razlikuju od evropskih. kultura.*

Ključne reči: *cirkularna ekonomija, modna industrija, održivi poslovni model.*