

Circular Economy at the Core of Levis & Co.'s Success: The Circular Business of Denim

Riccardo De Lucia

IGT Lottery S.p.A., Italy

Armando Iavazzi

Luiss University, Italy

Ilaria Combatti

Aglaia Capital Partners, Italy

Benedicta Quarcoo

IFAD, Ghana

EXECUTIVE SUMMARY

The chapter aims to gather information and analyze the new business model developed by Levi Strauss and Co. First, it analyses the network that LS&Co. has set up and how the business works. Then, it will investigate the context in which LS&Co. operates by looking at values, drivers, stakeholders, barriers. Subsequently, a careful analysis of the performance indicators that LS&Co. has adopted including the GRI's material report will be conducted. The technologies and developments that LS&Co. has adopted in its business will be explained; particular attention will be given to emerging partners in the new business model and the value they bring. There will be space for an ambitious project based on blockchain technology as a tangible tool for their products and suppliers. Some recommendations on how LS&Co. could improve its circular economy in the context of the growing smart cities will be given in the last paragraph.

INTRODUCTION

The secular adoption of a linear production system adopted by almost all the companies (resource, manufacturing, use, disposal, and incineration) (Kenniskaarten, 2013) in the economic environment has demonstrated its large limits and boundaries. The unsustainable carbon footprint and waste of value are no longer socially accepted and harmful.

This social movement has led many companies to adapt their business to the new value drivers required (Economic benefits, pollution risk, resource recovery, waste management), adopting new technologies and business models to remain competitive in the market. Some of these companies such as LS&Co. were far-sighted and adopted these changes early on. Today, LS&Co. is among the most innovative companies in the apparel industry and the most involved in the circular economy, its involvement is well documented since 2015 (Duhaylongsod & De Giovanni, 2018).

The fashion industry is among the most impactful industries globally. The social impact makes it the focus of major issues with employment levels close to 1.7 million and an industry worth 512 billion only in the EU area (Fashion United, 2016). While the environmental impact is the cost that must be paid for such a large industry, much of the materials used are plastic and the useful life of the product has been reduced over the years. Fast fashion brands are among those most responsible because of the business model adopted, with a new collection every week. Specifically, given the low cost of production, the most used material in the low-price bracket of the market is polyester, which has overtaken cotton in global demand (Rinnovabili e Risparmio, 2019). The use of polyester material exposes the risk of dispersion of micro-fibers into the environment during washing.

Based on a McKinsey report (Berg et al., 2020) the fashion industry is responsible for 2.1 billion tons of CO₂ emissions in 2018 with a CAGR of 2%, while the water consumption currently is around 93 billion cubic meters per year (Social Share, 2021). In addition, the fast fashion industry has changed consumer behavior, leading consumers to buy more frequently throughout the year and to wear less clothing, thus reducing the time of use and bringing closer the end-of-use. These 4 main underlined factors are the identified general concern and priorities that LS&Co. has identified for structuring its Circular economy system.

LS&Co. has approached each of these issues individually and with different activities. LS&Co. has implemented operations for the recovery of resources

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