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CIRCULAR BUSINESS MODELS AS A MODERNISATION STRATEGY FOR THE FASHION INDUSTRY IN THE REPUBLIC OF MOLDOVA

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Abstract: *This article examines the relevance of circular business models for the fashion industry in the Republic of Moldova, with particular attention to the structural advantages of a small market and the practical implications for local firms. It proceeds from the premise that circular business models can reduce dependence on the continuous production of new garments by extending product life, retaining material value, and generating revenue through repeated use. The analysis focuses on the suitability of such models within the Moldovan context, where geographic proximity, shorter logistics loops, the persistence of tailoring and repair skills, and the operational flexibility of small and medium-sized enterprises create favourable conditions for gradual circular transition. While the article remains primarily conceptual, it is supplemented by illustrative observations from local apparel practice, which help to ground the discussion of repair, remaking, take-back, and controlled resale in the context of a small economy. The article argues that the most feasible entry points for local companies are repair services, the remaking of deadstock materials, brand-led take-back schemes, and controlled resale formats. By contrast, rental models are considered more appropriate for narrowly defined segments characterised by occasional use or rapid product turnover. In this sense, circular business models are presented not only as an environmental response, but also as a practical pathway for market modernisation and improved resource efficiency.*

Keywords: *circular economy; circular business models; fashion industry; repair; remaking; resale; small market.*

1. INTRODUCTION

The fashion industry is increasingly confronted with the need to reconcile economic performance with environmental responsibility. For several decades, the dominant model of growth in the sector has been based on high volumes, rapid turnover, and short product lifecycles. This linear logic of production and consumption has generated significant environmental pressures, including resource depletion, textile waste, and the loss of value embedded in garments after relatively limited use. In response, circular economy thinking has gained prominence as a framework through which the fashion sector may reduce waste, extend product lifespans, and generate value through more efficient systems of use, recovery, repair, and redistribution.

Within this broader context, the Republic of Moldova presents a particularly relevant case. The Moldovan fashion market is currently at a point of transition, positioned between a strong industrial legacy and the growing need to adapt to contemporary sustainability imperatives. Although

the domestic market is relatively small, it remains dynamic and structurally complex. Its current configuration is marked by a pronounced duality: on the one hand, local brands, including those promoted under the DININIMA umbrella, have succeeded in drawing upon local identity, domestic production, and cultural authenticity; on the other hand, international fast-fashion retailers continue to dominate sales volumes through aggressive pricing strategies and wide product accessibility.

At the same time, the structure of the market remains highly fragmented. A clear contrast exists between official distributors operating in modern retail environments and the extensive network of small independent traders supplying a more informal and often weakly regulated segment of the market. In this setting, consumer behaviour in Moldova reflects a persistent contradiction. Limited purchasing power constrains access to premium products, yet there is also a strong aspiration to align with global fashion trends. This combination reinforces dependence on a linear consumption model characterised by frequent purchase, short-term use, and disposal.

These conditions generate several pressing challenges, including the accumulation of unsold stock and the inadequate management of textile waste, both of which place increasing pressure on local infrastructure. However, the Republic of Moldova also possesses two strategic advantages that deserve closer consideration. The first is proximity. Owing to the country's small geographical scale, activities such as collection, sorting, repair, and redistribution may be organised more quickly and at lower cost than in larger markets, where reverse logistics are usually more complex and resource-intensive. The second is cultural capital. Moldova retains a living culture of repair, supported by a dense network of tailoring and alteration workshops and by longstanding practices of mending and reconditioning garments. Rather than being regarded as residual features of the past, these capabilities may serve as an operational foundation for the development of circular business models.

From this perspective, the transition to circularity should not be understood solely as an environmental obligation. In the Moldovan context, it may also be interpreted as a practical strategy for improving resource efficiency, strengthening local competitiveness, and modernising a market that already possesses important human and organisational preconditions for more extended and intelligent forms of product use.

Against this background, the present article examines the relevance of circular business models for the fashion industry in the Republic of Moldova. It proceeds from the premise that such models can reduce dependence on the continuous production of new garments by keeping products and materials in use at their highest possible value. Particular attention is given to the advantages associated with a small market, the barriers that may constrain implementation, and the most realistic entry points for local companies. The article argues that repair services, remaking based on deadstock, brand-led take-back schemes, and controlled resale formats are especially promising for the Moldovan context, whereas rental models appear more suitable for narrowly defined categories characterised by occasional use or rapid turnover. Although the analysis is conceptual rather than empirical, it proposes a structured framework for understanding how circular business models may contribute to the modernisation of the local fashion sector.

Methodologically, the article combines conceptual analysis of circular business models with brief illustrative observations from local apparel practice in the Republic of Moldova. These observations are not presented as a full empirical dataset, but as grounded examples intended to test the practical plausibility of repair, remaking, take-back, and resale strategies in a small-market context.

2. CONCEPTUAL FRAMEWORK OF CIRCULAR BUSINESS MODELS

In a circular economy, economic value is preserved by keeping products and materials in use for as long as possible and at the highest feasible level of utility. Circular business models decouple

revenue streams from the continuous production of new goods and from the intensive consumption of virgin resources. Their logic is not merely to sell more units, but to generate value through repeated use, prolonged use, repair, redistribution, and transformation [1], [6].

For the fashion sector, four models are especially important. Resale transfers a product to a new user after its first phase of ownership. Rental provides temporary access instead of permanent ownership. Repair extends the useful life of a product already in circulation. Remaking creates new products or product components from existing garments or materials. These models are best understood not as marginal add-ons, but as alternative ways of organising revenue around the same material base [1]. The economic potential is substantial. According to the Ellen MacArthur Foundation, resale, rental, repair, and remaking represented a market of approximately USD 73 billion in 2019 and, under favourable conditions, could grow to nearly USD 700 billion by 2030 [1]. Their environmental relevance is also considerable. If these models reached 23% of the global fashion market by 2030, they could contribute to an overall reduction of up to 16% in fashion-sector CO2e emissions, which would amount to roughly one third of the abatement required for a 1.5 degrees Celsius pathway [1], [3]. In a small-market context such as Moldova, these general advantages may be reinforced by shorter logistics loops, closer customer contact, and the continued presence of repair-oriented skills.

The benefits of circular models are not automatic. The Ellen MacArthur Foundation warns that models such as resale and rental may fail to reduce pressure on resources when they remain only superficial extensions of a core linear business that continues to incentivise the sale of new garments at high volume [1]. Three conditions are therefore decisive. First, performance indicators must reward longer use, customer retention, recovery rates, and value recapture rather than simple sales volume. Second, products must be designed for multiple use cycles, which means physical durability, emotional durability, reparability, and the ability to be remade or recycled at the end of use. Third, companies need service and logistics networks able to support collection, inspection, cleaning, repair, redistribution, and data tracking [1], [4], [5].

3. THE RELEVANCE OF CIRCULAR BUSINESS MODELS TO A SMALL MARKET

For small economies, the strongest argument in favour of circular business models is *proximity and shorter logistics loops*. Shorter geographical distances can reduce the cost and complexity of collection, sorting, cleaning, repair, and redistribution. In practical terms, this means that the time between return, refurbishment, and re-entry into the market may be shorter, whilst inventory that would otherwise remain idle can be recirculated more efficiently. What is logistically difficult in a large territory may be commercially manageable in a compact one.

A second advantage concerns *skills and operational flexibility* already present in the local economy. Repair, alteration, and the transformation of garments are not entirely new activities in Moldova. The continued existence of tailoring workshops, small sewing businesses, and alteration services means that at least part of the practical infrastructure for repair and remaking is already available. Circularity, in this sense, does not begin from zero; it formalises and scales practices that are already familiar to both firms and customers. A third advantage is the *flexibility* of small and medium-sized enterprises. SMEs can usually test new services more quickly than large mass-market chains. They can adjust collections, collaborate with local partners, and refine pilot programmes on the basis of customer feedback without redesigning an entire global supply system. For a market such as Moldova, this capacity for limited experimentation is highly relevant, because circularity is more

likely to succeed when introduced through staged pilots than through large, capital-intensive transformation from the outset.

Customer knowledge and closer market feedback is another advantage. Small markets also allow firms to stay closer to their customers. Circular models rely on understanding why products are returned, which defects occur most often, how frequently repairs are requested, and what levels of quality, style, and hygiene customers expect. In a compact market, these signals can be collected and translated into product and service decisions more rapidly. This creates favourable conditions for iterative business model development.

4. PRIORITY CIRCULAR MODELS FOR LOCAL COMPANIES

For Moldovan companies, *repair and remaking* appear to be the most realistic entry points. They require less behavioural change from the customer than rental and less brand repositioning than large-scale resale platforms. A firm can begin with after-sales repair, paid alterations, warranty-linked mending, or the transformation of slow-moving and deadstock items into limited capsule products [7]. Actually, such small workshops present in Malls. These activities extend product life, recover value from unsold materials, and strengthen customer trust in product quality. Remaking is especially relevant where deadstock fabrics, unsold garments, or returned products accumulate in storage. Instead of writing these items off entirely, firms can redesign them into accessories, revised garments, or small experimental collections. This is not merely an environmental measure; it is also a margin-protection strategy for businesses operating with limited financial buffers.

A second promising direction is the development of *take-back schemes* linked to controlled resale. In this model, the brand retains greater control over product condition, hygiene, presentation, pricing, and customer experience than it would have in the informal second-hand market. The *resale* offer can therefore be presented not as a low-status residual channel, but as a curated and quality-assured extension of the brand. In the Moldovan context, however, such schemes should be designed carefully. If customer incentives are structured only as discounts on new products, the programme may stimulate additional new consumption rather than genuine displacement of virgin production. A better approach is to link take-back to retention and loyalty, to offer controlled store credit, and to use recovered products selectively where inspection, repair, and cleaning can be performed to a reliable standard [1].

***Table 1**: Recommended directions for integrating circular models*

Model	Why it is suitable for Moldova	Recommended first step
Repair	Local workshops would reduce loss of value after sale.	Launch of after-sales service with repairs.
Remaking	Dead stock would turn into new products.	Small capsules made from deadstock
Resale	Take advantage of brand proximity.	Own buy-back program
Rental	Occasional and high price categories.	For ceremonial attire or children's clothing.

Rental should be approached more cautiously. The model can be effective where garments are used only occasionally but carry a relatively high purchase price, such as occasion wear, formalwear, or selected childrenswear categories (for example wedding clothes, children carnaval clothes). In such segments, the number of wears per item can increase substantially, making the model more viable both economically and environmentally [1]. By contrast, rental is less suitable as an immediate mass-

market strategy where garments are not designed for repeated cleaning and repeated handling, or where customers are reluctant to share everyday clothing. For local firms with constrained resources, a narrow rental is more prudent.

5. MAIN BARRIERS AND RISKS

One barrier remains cultural because of *consumer perceptions and the stigma of second-hand use*. Although attitudes are changing, some consumers still associate reused garments with lower status, lower quality, or hygiene concerns. This means that circular offers must be framed carefully. Language such as 'pre-owned', 'archive', or 'restored' may be commercially more effective than labels associated with low-value informal trade.

A second barrier is *weak infrastructure and limited policy incentives*. Moldova does not yet have a mature textile collection, sorting, and recirculation system at national scale. As a result, much of the organisational burden falls directly on the company. In addition, fiscal and regulatory incentives for repair and textile recovery remain limited, even though European policy is increasingly moving in the direction of circularity and product longevity [4], [5].

A third barrier is strategic *as a risk of poorly designed incentives*. A circular initiative can fail if it is measured by the wrong indicators. When firms reward take-back primarily through discounts on new products, or when they count success only in terms of gross sales, the programme may reinforce rather than reduce the linear flow of production and disposal. This risk is particularly important in small markets, where margins are already narrow and poorly designed promotions can quickly erode profitability [1].

6. RECOMMENDATIONS FOR LOCAL COMPANIES

Start with small pilots and measurable targets. Local firms should begin with limited pilots rather than with a full-scale transformation. A pilot repair service, a deadstock capsule, or a small take-back scheme provides operational evidence at relatively low risk. Each pilot should be linked to measurable indicators, such as repair rate, resale conversion, recovery rate, average number of uses, margin per recovered item, and customer retention.

Formalise partnerships with local workshops. Where internal repair capacity is limited, brands should build structured partnerships with local tailoring workshops. Such partnerships can lower logistics costs, shorten service times, and preserve quality through clear specifications and simple service-level agreements. In a small market, these local service networks may become a core competitive asset.

Use take-back as a retention tool, not as a discount engine. Take-back schemes should not be designed simply to accelerate the sale of new items. They should be used to retain customers, recover products fit for recirculation, and create data about product durability and customer behaviour. Store credit may still be appropriate, but its role should be to support recirculation and loyalty rather than indiscriminate volume growth.

Introduce simple digital product tracking. Even modest digital tools can improve circular operations. QR codes, basic product passports, or internal item histories can record collection date, repair actions, material composition, and care requirements. This is particularly useful for resale and rental, where trust depends on traceability and condition management.

Align circularity with brand positioning. Circularity should not be presented as a detached ethical add-on. For local firms, it is more effective when linked to quality, craftsmanship, durability,

and smart value. This is especially relevant in Moldova, where customers may respond better to arguments about quality and economy than to abstract environmental claims alone.

Build cross-sector collaborations. Where direct recirculation is no longer possible, firms should seek cross-sector uses for textile remnants and unusable returns. Partnerships with design studios, interior applications, educational workshops, or social enterprises may create secondary outlets for material that would otherwise become waste. Such collaboration will not solve the whole problem, but it can reduce losses and stimulate local circular ecosystems.

7. CONCLUSIONS

In the case of the Republic of Moldova, circular business models represent a practical route towards greater resilience, improved stock management, stronger customer retention, and closer alignment with the broader European transition towards circularity. At the same time, the revised analysis suggests that their relevance is not only conceptual. Illustrative observations from local apparel practice indicate that repair, alteration, limited-batch remaking, and direct customer relationships already provide part of the operational basis from which gradual circular experimentation may develop. Small markets require specific analysis, since their scale, logistics, retail structure, and consumer behaviour shape the feasibility of circular strategies in distinctive ways. The Moldovan case suggests that such markets may also possess underexplored advantages. Geographic proximity can reduce the cost and complexity of collection, repair, redistribution, and other reverse-logistics activities, while the continued presence of tailoring and alteration skills provides a strong basis for product-life-extension models. More broadly, the example of the Republic of Moldova may be relevant for other small markets with similar structural features. However, such applicability depends on careful contextual analysis rather than direct replication. For this reason, the transition to circularity should remain gradual, evidence-based, and commercially disciplined. When combined with stronger service design, clearer performance indicators, and modest digital support, circular business models can become not only an environmental objective, but also a viable strategy for market adaptation and modernisation.

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