From circular intent to operating advantage

The Kearney Circular Fashion Index 2026

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This year's Index reveals that the industry baseline is rising, but execution is still uneven. The question now isn't about whether brands have circular capabilities. It's about how they use them to create value.

Circularity is becoming less optional, but turning it into operating advantage is anything but automatic.

For years, circularity in fashion was optional and selective: a recycled-material target here, a take-back program there, perhaps a resale pilot. In major markets, new rules on product evidence, ecodesign, claims, and post-sale responsibility are making circular capabilities a basic requirement for doing business. While they may arrive at different times and in different forms, they define a broader set of capabilities that brands increasingly need.

Regulations can require better information, tighter controls, and new funding, but those inputs alone don't improve a product or its post-use outcome. A product passport may remain a disclosure layer; producer responsibility may become another fee; take-back may collect volumes with nowhere credible to go.

For management, the tension is clear: these capabilities increasingly require investment, but the return is not guaranteed. Built separately for each rule, these capabilities add cost, but when used across the business, they can reduce excess, secure material supply, and preserve more value before and after the sale.

Three key takeaways: what CFX 2026 shows

The industry baseline is rising, but leadership is still concentrated. Across 241 brands around the world, the average CFX score reached 3.7 out of 10, up from 3.4 in 2025, with a median of 3.5. Across the primary market efforts (circular materials, design, manufacturing, and communication and care) 73 to 84 percent of brands now show moderate activity (scores of 3–7) while only 3 to 7 percent reach extensive activation. More brands are progressing, but deep execution is still concentrated among a relatively small group.

Circular maturity differs materially by category and fashion segment. Outdoor brands continue to lead at 5.9, followed by sports at 4.2 and then premium and affordable luxury at 3.8. The differences point to varying product characteristics, use cases, consumer propositions, and economics and therefore to different opportunities to create value from circularity.

More operationally demanding, service-based circular models are far from mainstream. Sixty-three percent of brands score below 3 (limited activation) for repair and maintenance services, 66 percent for secondhand offerings, and 89 percent for rental and leasing. This indicates that these models remain limited in breadth and maturity across much of the brands. Expanding them depends more directly on consumer demand, viable economics, and the ability to operate services at scale.

What this means for fashion brands

Regulation is turning circular capabilities into a condition of market access. But product data, material commitments, and post-use systems do not create a return by themselves. The opportunity is to use them to make better commercial and operational decisions, not simply to add more initiatives.

Operating advantage comes from improving economics across the entire product life cycle, not from any single circular initiative. Before sale, that means lower excess and markdowns. In sourcing, more secure access to materials. Beyond the first transaction, retained product and consumer value. After use, better recovery. Together, these opportunities broaden the economic and environmental case for circularity.

Capturing that value requires circular capabilities to work across the business. A reusable product record can support sourcing, consumer service, recovery, and compliance. Commercial, sourcing, finance, and operations need to own the relevant decisions and trade-offs, while brands need clear roles and accountability across external partners. Used across functions, capabilities developed in response to regulation can become shared infrastructure for better business decisions.

Broader product economics should shape portfolio and investment priorities. Inventory exposure, material supply risk, regulatory cost, and residual or recovery value add important dimensions to first-sale margins. Bringing these factors together can lead brands to decide what to scale, redesign, invest in, or deprioritize based on the strongest combined business and environmental case.

Regulation raises the floor while advantage concentrates

Now in its sixth edition, the Kearney Circular Fashion Index (CFX 2026) assesses how brands put circularity into practice across the product life cycle on a 1–10 scale (see figure 1). This year, we assessed 241 brands across 21 countries and five product categories, and we expanded the framework from seven to nine dimensions: circular materials, design, manufacturing, communication, care, and repair in the primary market and secondhand, rental, and closing-the-loop models in the secondary market.

CFX 2026 tracks circular execution across nine dimensions spanning the product life cycle.

Figure 1

CFX 2026 deepens the assessment from seven to nine dimensions across the product life cycle

Source: Kearney's Circular Fashion Index 2026

The average CFX score reached 3.7, up from 3.4 in 2025 and around 2.0 when the Index was first launched in 2020 (see figure 2). The median rose from 3.2 to 3.5 over the past year. Europe continues to lead at 3.9, followed by North America at 3.7 and Asia Pacific at 3.4. Circular activity has become much more established since the CFX began, but progress is more visible in a rising baseline rather than broad convergence at the top.

This becomes clearer when looking at where activation is occurring. Across our global sample, 73 to 84 percent of brands now show moderate activity in the primary market dimensions (circular materials, design, manufacturing, communication, and care), up from 69 to 77 percent during the previous year. Yet only 3 to 7 percent reach extensive activation across these dimensions (see figure 3 on page 5). The persistence of this leading group suggests that broad-based progress has not yet translated into much movement at the top.

Figure 2
CFX scores continue to rise, but overall maturity remains moderate

Source: Kearney's Circular Fashion Index 2026

More operationally demanding models are selective: 63 percent of brands still show limited repair activity, 66 percent limited secondhand activity, and 89 percent limited rental activity. Their relevance varies by category, product value, and consumer demand.

The strongest separation is at the top. The threshold for entering the top 20 percent of brands rose from 5.8 in 2025 to 6.0 in 2026, while the bottom 80 percent average rose from 2.9 to 3.1. Movement into the very top is limited: only six brands scored above 7, compared with five brands in 2025. And nine of the top 10 are from the previous edition, with Uniqlo the only new entrant (see figure 4 on page 6).

Figure 3

Most brands now show moderate activity across primary-market dimensions, while extensive execution remains rare

		Limited (<3)	Moderate (3–7)	Extensive (>7)
Primary market	Sourcing and use of circular materials	9%	84%	7%
	Integration of circular design principles	14%	81%	5%
	Adoption of circular manufacturing practices	15%	82%	3%
	Integration of circularity into brand communications	21%	73%	6%
	Accessibility and quality of product care guidance	20%	74%	7%
	Availability and quality of repair and maintenance services	63%	31%	6%
Secondary market	Breadth and maturity of secondhand offerings	66%	30%	4%
	Breadth and maturity of rental and leasing offerings	89%	11%	0%
	Availability of take-back and closed-loop recovery solutions	40%	56%	4%

Note: Percentages might not add up due to rounding.
Source: Kearney's Circular Fashion Index 2026

Figure 4
Circularity leadership remains concentrated, with nine of the top 10 from 2025 still in the leading group

Top 10 circular brands		
	Patagonia	Arc'teryx
	Levi's	Uniqlo
	The North Face	OVS
	Coach	Lululemon
	GUCCI	Decathlon

Note: Order of brands shown does not indicate brand ranking.
Source: Kearney's Circular Fashion Index 2026

CFX 2026 points to a market that is entering a new phase: the baseline is rising, but depth of execution remains uneven. As regulation makes more circular capabilities standard, the question shifts from whether brands have them to how they use them to create value.

"Regulation helps level the playing field. The question is how brands turn that into commercial or brand advantage."

Lars Kissau, General Manager, Samsara Eco

Circularity changes the economics across the product life cycle

Circularity is not only an end-of-life proposition. It also changes where value is created, retained, or lost: in the inventory committed before the sale, the materials secured for future ranges, the product and consumer value retained beyond the initial transaction, and the value recovered after use.

Reduce working capital and margin leakage before the first sale

Excess stock ties up materials and working capital, then erodes margin through markdowns and disposal. Under the EU Ecodesign for Sustainable Products Regulation, large enterprises are prohibited from destroying unsold apparel, clothing accessories, and footwear as of July. The rule limits what brands can do once excess exists, but the bigger economic opportunity is to avoid overcommitting inventory in the first place.

A small group of brands is beginning to tackle excess earlier, using better planning and demand signals before inventory is committed. Mango's integration of merchandise financial, assortment, and demand planning through an enterprise AI platform brings this into decisions on what to buy and how much. C&A is similarly moving assortment planning onto a unified AI-native platform, while H&M plans to begin upgrading its digital infrastructure to improve assortment and stock precision. The strategic point isn't the technology adoption itself, but using better demand and assortment signals to reduce excess while protecting availability and sales.

"If you become smarter about your inventory, you can make the same sales with lower inventory. You don't lose the top line, you don't lose margin, and you improve your working capital—and you are polluting less."

Dario Minutella, Chief Commercial Officer, ACBC Group

Secure access to circular materials before supply scales

Circular materials that are not yet available at scale can constrain future cost, volume, and product choices. Brands that wait until supply is fully established may face limited availability, less attractive economics, or weaker access. Early commitments can help de-risk new capacity, give brands access to learning and supply as technologies scale, and strengthen their position before circular materials become a more contested input.

Lululemon's 10-year offtake agreement with Samsara Eco illustrates this shift. The commitment supports capacity expansion while helping secure future access to circular nylon and polyester as the technology scales. Similar models are emerging elsewhere, including Target's expanded partnership with Syre along with Circulose's planned restart of commercial-scale production backed by a growing network of brand commitments. The commercial test remains the same: quality, volume, and cost must improve together.

Extend product value and consumer relationships beyond the first sale

Repair, resale, and rental create value in different ways. Care and repair can extend use and strengthen the consumer relationship. Resale can preserve value where products are desirable and can be authenticated. Rental works only when repeated use covers the cost of ownership and service.

The strategic role also differs by category. For outdoor and technical brands, care and repair protect performance and support the durability promise. For premium and luxury brands, repair and authenticated resale make longevity visible and preserve residual value. For mass-market brands, stronger opportunities may sit upstream in inventory and material productivity.

For instance, Golden Goose repaired approximately 45,000 items in 2025, illustrating how after-sales services can extend product life while creating additional consumer touchpoints. New Balance expanded its Reconsidered resale platform into apparel after recirculating more than 100,000 pairs of footwear. Dedicated circular business models are also reaching meaningful scale: The RealReal recorded $2.13 billion in GMV in 2025, while Nuuly generated $568 million in fiscal 2026 net sales. Together, these examples show that post-sale services and circular business models can reach meaningful scale. The strategic question for brands is how much of that value (and the associated consumer relationship and data) they want to retain versus leave to third-party platforms.

Recover product and material value after use

Product collection doesn't recover value by itself. Value is retained only when returned products can be routed into a viable next use through reuse, resale, or material recovery. That outcome depends both on decisions made before sale, such as material choice and product construction, and on the sorting, processing, and market capacity available after return.

Where those routes are missing, higher take-back volumes can create stockpiles, increase exports with uncertain downstream outcomes, or disposal costs rather than environmental or economic value. Brands should prioritize the binding recovery constraint rather than collection volume alone; useful outcome metrics include products kept in use, materials returned to productive use, and disposal avoided.

RE.UNIQLO illustrates the first route, connecting collection with repair and remake through 23 studios across Europe and a 2026 campaign targeting up to 50,000 restored cotton garments. Further downstream, Fashion for Good's **Feedstock Activation** Europe project, backed by Adidas, BESTSELLER, and Inditex, is tackling the sorting and pre-processing constraints that limit textile-to-textile recycling.

Turning circular capabilities into operating advantage

Operating advantage emerges when circularity changes the decisions that shape business performance. Consistently capturing the above-mentioned value pools requires capabilities that work across functions, markets, and partners and ultimately inform where management allocates capital.

Integrate circular decisions across core business functions

Circularity becomes repeatable only when it is built into the decisions that shape the business, from range and buying choices to material commitments and after-sales models.

Sustainability teams set the standards, but commercial, sourcing, finance, and operations leaders must own the trade-offs, targets, and results with the same rigor in planning, governance, and performance routines practiced elsewhere. This ensures that circularity shapes how the business allocates resources and measures performance rather than remaining an adjacent sustainability program.

"Sustainability cannot be an alternative to profitability. It has to be integrated."

Lars Kissau, General Manager, Samsara Eco

Build a reusable product record across markets and functions

Overlapping regulations often require much of the same product and supplier information in different formats. Brands need a common process to collect and validate that information, link it to each product, and keep it current as materials, suppliers, and requirements change. A QR code may ultimately provide access to a Digital Product Passport, but the real capabilities sit behind it: reliable product data, supplier documentation, clear ownership, and the routines to keep that information usable over time.

The value comes when this product record moves beyond disclosure. Used across the business, the same data can support compliance across markets while also informing product development, sourcing, consumer service, repair, resale, and post-use decisions. Early examples from **Nobody's Child**, **Lindex**, and **bonprix** show this shift, extending product information beyond transparency into areas such as care, services, and secondhand use.

Build partner models with clear ownership and accountability

Circular materials and post-use systems often depend on capabilities that no single company controls. Brands will need to work with partners across the value chain to determine who sets specifications, who operates each part of the model, how performance and outcomes are tracked, and who remains accountable to the consumer.

The **Re-Calvin program** illustrates this division of roles. Developed with Trove and Debrand, the program uses Trove's Takeback Plug-In to support item intake, routing, and transparency through Calvin Klein's US website, while Debrand brings sortation and circular logistics capabilities. Calvin Klein retains the consumer promise and the outcomes it communicates.

Use whole-life economics to shape portfolio choices

The capabilities described above allow management to assess products on more than first-sale margin. Two products with similar margins may warrant different decisions once excess stock exposure, material-supply risk, and residual or recovery value are considered. Over time, a product that repeatedly creates excess, relies on constrained inputs, or lacks a viable route after use may be less attractive than one that supports longer use, retains consumer value, or enables material recovery.

This broader view can lead to different responses:

— **Scale or protect products** where broader life-cycle economics strengthen the first-sale case and reduce future risk.

— **Redesign products** where materials, construction, or buying decisions create avoidable cost, excess, or recovery barriers.

— **Invest selectively in products** or models where securing circular materials, building services, or enabling recovery improves future cost, resilience, or consumer value.

— **Deprioritize or stop products** or circular offerings where the economics are weak or the environmental outcome is not credible.

Each response should have a clear commercial case and a credible environmental outcome before capital is committed or the model is scaled. Results should then inform the next range, sourcing, and buying cycle.

What’s next: from compliance to advantage

Regulations will keep raising the baseline, but meeting those requirements won’t determine the value that brands ultimately capture. The capabilities required can play two very different roles: they can remain a cost of compliance or become part of the operating infrastructure that enables better commercial and environmental decisions.

The next phase will depend on how well brands integrate those capabilities into the decisions that shape performance: what they design and buy, where they invest, and how they manage value beyond the first sale. The opportunity isn’t simply to add more circular initiatives, but to use what regulations increasingly require to run the business better and improve the economics and environmental performance of the portfolio.

Compliance is now the price of entry.
Advantage is still earned.

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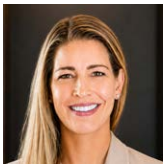

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Appendix

Figure a

The 2026 panel provides a broad view of circularity maturity across fashion markets and business models

Panel composition of the CFX 2026

241
Fashion brands

21
Countries

5
Categories
(Fashion, underwear/lingerie, sports, outdoor, footwear)

4
Segments
(Luxury, premium/affordable luxury, mass market, fast fashion)

Source: Kearney's Circular Fashion Index 2026

Figure b

Europe remains ahead, while Asia Pacific records the fastest year-on-year improvement

Average (1–10)	**Europe**	**North America**	**Asia Pacific**
2026	3.9	3.7	3.4
2026 vs. 2025	+0.3	+0.3	+0.6

Degree of improvement: Lower – Higher

Source: Kearney's Circular Fashion Index 2026

Figure c

CFX performance increased across all product categories and fashion segments from 2025 to 2026, led by sports brands, with the strongest activation in primary-market levers

Circular maturity by product category and fashion segment

Average (1–10)	Score 2026	2026 vs. 2025	CFX dimensions: 1 Circular materials	2 Circular designs	3 Circular manu-facturing	4 Circular comms	5 Care	6 Repair	7 Second-hand	8 Rental/ leasing	9 Closing the loop
Mass market	3.5	+0.2									
Luxury	3.7	+0.3									
Premium and affordable luxury	3.8	+0.2									
Fast fashion	3.4	+0.4									
Underwear and lingerie	3.4	+0.3									
Sports	4.2	+0.8									
Outdoor	5.9	+0.3									
Footwear	3.2	+0.1									

Rating: Lower — Higher

Source: Kearney analysis

Figure d

Circular maturity is strongest among emerging brands and at both ends of the company size spectrum

Circular maturity by brand archetype

Average (1–10)	Score 2026	2026 vs. 2025	CFX dimensions: 1 Circular materials	2 Circular designs	3 Circular manu-facturing	4 Circular comms	5 Care	6 Repair	7 Second-hand	8 Rental/leasing	9 Closing the loop
Global incumbent	4.6	+0.4									
Legacy/established	4.1	+0.4									
Niche	3.2	+0.3									
Scaled/challenger	3.4	+0.3									
Start-up/emerging	4.8	+0.2									

Circular maturity by company size

Average (1–10)	Score 2026	2026 vs. 2025	CFX dimensions: 1 Circular materials	2 Circular designs	3 Circular manu-facturing	4 Circular comms	5 Care	6 Repair	7 Second-hand	8 Rental/leasing	9 Closing the loop
Very small	4.7	+0.1									
Small	3.2	+0.3									
Mid	3.5	+0.3									
Large	4.0	+0.3									
Very large	4.6	+0.4									

Rating: Lower – Higher

Source: Kearney analysis

Interviews

Dario Minutella

Chief commercial officer at ACBC Group

A boutique consulting firm focused on innovation and transformation in the fashion, luxury, and lifestyle industries with broad experience in circular solutions

Many brands have established circularity strategies. What distinguishes those creating real business value from those that are not?

One reality has remained remarkably consistent. Consumers rarely choose fashion products because they are circular or sustainable. Purchasing decisions are still driven primarily by product design, quality, brand equity, and desirability. That means circularity alone rarely creates competitive advantage.

Today, the strongest business case comes from regulation rather than consumer demand. Brands are increasingly focused on solving end-of-life challenges, including manufacturing waste, unsold inventory, and post-consumer products, as new regulations make these issues impossible to ignore. As a result, circularity is shifting from a sustainability initiative to an operational capability that enables compliance while creating opportunities for greater efficiency and resource recovery.

Where do you see the greatest opportunity for brands to create both commercial and environmental value?

One of the biggest opportunities lies in inventory management. Better forecasting and lower inventory reduce working capital requirements while simultaneously decreasing waste and environmental impact. Unlike many sustainability initiatives, there is no inherent trade-off between commercial performance and environmental performance.

At the same time, brands need to move beyond measuring impact only at the material level. The real opportunity is understanding environmental impact at the product level, accounting for how materials are assembled, manufactured, and produced at scale. While more complex, this provides a far more accurate picture of where meaningful improvements can be achieved.

How should brands work with ecosystem partners as circularity becomes more operational?

The industry's expectations of partners are changing rapidly. Traceability, supply chain transparency, and verified working conditions have become essential capabilities rather than differentiators. Upcoming requirements such as Digital Product Passports will require brands to demonstrate the origin, composition, and environmental profile of their products with much greater confidence.

At the same time, brands increasingly need partners that help bridge the gap between innovation and execution. Material suppliers, technology providers, and product development specialists all have an important role in making circularity commercially scalable, particularly where new materials, recycling technologies, and product design capabilities are required.

Looking ahead, which circular capabilities will create the greatest competitive advantage?

In the near term, brands will continue investing in recycling and end-of-life solutions as regulation accelerates. Over time, however, the industry will increasingly shift upstream toward eco-design, developing products that are easier to disassemble, recover, and recycle from the outset.

Commercially, the greatest opportunities lie beyond product design alone. Brands should strengthen after-sales services such as repair and maintenance to deepen consumer relationships, while also developing stronger positions in the secondhand market. Both capabilities extend consumer lifetime value, generate new revenue streams, and reinforce circularity as a core part of the business model rather than simply a sustainability initiative.

Lars Kissau

General Manager at Samsara Eco

A circular materials company developing enzyme-based recycling technology to turn end-of-life textiles and plastics into new polyester and nylon

Many brands have committed to circularity, yet relatively few have scaled circular materials across their business. What is the biggest barrier today?

This gets to the heart of the challenge. The technology is increasingly capable, but scaling requires much more than proving a concept. Brands need commercially viable supply chains, reliable feedstock, and cost structures that work at industrial scale.

Today's pilots demonstrate that recycled materials can perform, but they don't necessarily prove that they can support global supply chains. The real challenge is moving from successful demonstrations to commercially representative production, where brands have confidence in quality, availability, and long-term economics.

Our 2024 partnership with lululemon to bring the packable anorak jacket, made from our recycled polyester, to market was an important milestone. It demonstrated how this new circular model could work commercially and gave both sides valuable lessons on its real-world viability.

What role should brands play in accelerating the adoption of circular materials?

Scaling circular materials is fundamentally a shared investment. No recycler wants to build large facilities without committed demand, and no brand wants to rely on infrastructure that doesn't yet exist.

The companies making the fastest progress are willing to collaborate early, testing materials, building long-term road maps, and providing demand commitments that allow new recycling capacity to be financed. Those partnerships reduce risk for everyone involved and ultimately accelerate adoption across the industry.

From your experience working with leading brands, what differentiates companies that are successfully embedding circularity into their business?

The biggest difference is that sustainability is no longer treated as a standalone reporting function. In the leading organizations, it has become part of commercial decision-making. Rather than viewing circularity as a compliance exercise, these companies integrate it into sourcing, product development, supply chain resilience, and long-term growth strategy. They evaluate circular materials not only for their environmental benefits, but also for the resilience, security of supply, and competitive advantage they can create.

Looking ahead five years, how do you expect supplier relationships and circular business models to evolve?

We will see much closer collaboration between brands and material innovators. Circular supply chains require relationships that extend far beyond traditional procurement, connecting brands directly with upstream material producers and recyclers.

At the same time, circular materials will increasingly compete on commercial merit rather than sustainability alone. As technologies scale and costs improve, the conversation will shift from whether brands should adopt circular materials to how quickly they can integrate them into their core business. Regulation will continue to provide direction, but long-term adoption will ultimately be driven by strong business cases and competitive advantage.

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