

Between Lack of Cooperation and Funding Gaps

An Exploratory Study of Business Insolvencies in the Sustainable Fashion Industry

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Challenges in Sustainable Fashion

This chapter examines the insolvency of sustainable fashion brands. This topic is particularly important in the context of the clothing sector, as with 1.66 trillion Euro in sales worldwide in 2024, it represents an important market. Projections indicate that the clothing market volume will reach 1.91 Euro trillion by 2029, reflecting a compound annual growth rate (CAGR) of 2.85% from 2024 to 2029. The estimated market volume in terms of units is expected to be approximately 198.4 billion items by 2029. Additionally, sales within this sector are anticipated to rise by 1.3% in 2025. In terms of consumption, the average per capita purchase in the clothing market is forecasted to be 24.06 items in 2024 (Statista 2024). In a global comparison, Germany ranks fourth in the clothing and footwear market. The market size in 2021 was approximately 66.8 billion Euro (Euromonitor International, a market research provider, cited by Fashion United 2024). German consumers are characterised by a high consumption of clothing, but they spend less on average per garment compared to other nationalities (Fashion United 2024). In 2020, average per capita spending on clothing in Germany amounted to 640€. In comparison, Luxembourg spent 1,130€, Austria 810€, the Netherlands 770€, Denmark 750€, and Italy 740€ (European Textile and Clothing Industry by Euratex 2022).

At the same time, the textile sector in 2020 was the third largest cause of water pollution and land consumption. In 2020, an average of nine cubic meters of water, 400 square meters of land, and 391 kilograms of raw materials were required to produce clothing and shoes for each EU citizen. However, only 1 percent of used clothing is recycled, and 87 percent of clothing is burned (European Parliament 2020). The European Commission is attempting, with its Circular Economy Action Plan 2022, to “make textiles more durable, repairable, reusable, and recyclable [and thus] combat ‘fast fashion’ and promote innovations within the sector” (European Parliament 2020).

However, there is also potential in the free market to further promote the preservation of sustainable fashion brands. The share of textiles with *Fairtrade* certification in Germany amounted to approximately 196.5 million Euro in 2023. Compared to the previous year, sales increased again by around nine percent (Statista 2024). However, this does not include those sustainable fashion companies defined by Elkington's Triple Bottom Line approach (1998), but only companies that carry a *Fairtrade* label. According to this approach, there are three pillars of sustainability: ecology, social issues and the economy. A company that operates socially and economically engages in Fair Trade. A company that operates ecologically and economically is viable. Only in the combination of all three dimensions—social, ecological, and economic—can sustainability be truly discussed. A sustainable company includes employee participation, democratic leadership style and social plans, as well as Fair Trade, social projects, transparent supply chains, and post-growth economies (Elkington 1998). Fashion brands are often considered sustainable if they primarily use organic cotton in production, utilise alternative ecological raw materials such as organic linen, cork, algae, or recycled/upcycled materials, offer vegan products, dye their textiles under environmentally friendly conditions, specifically source raw materials from fair trade, ensure socially fair production through labels, seals, or certifications, and/or support social projects (Utopia GmbH n.d.).

Nevertheless, the social aspect is often addressed too superficially through projects in developing countries, and the economic dimension, such as regional, sharing and post-economy, is omitted. These dimensions should be considered equally in sustainability [see Sark and Gotthardsen's chapter in this volume]. Nevertheless, to strengthen sustainable fashion brands in contrast to Fast Fashion, there must be a greater engagement with the business practices of sustainable fashion brands in general. This also raises the question: What are the reasons why sustainable fashion brands must cease their operations? To answer this question, a theoretical engagement with the industry's structure is necessary.

The Market of Sustainable Fashion Brands

To understand the potential threats to sustainable fashion brands, Porter's industry structure analysis provides a useful framework with its Five Forces: rivalry among existing competitors, threat of new entrants and substitute products or services, and the bargaining power of suppliers and buyers (Porter 1980). Studies by Pacchera et al. (2024), Chalapathi and Rajini (2024) and Riesgo et al. (2022) highlight that price and perceived benefits are closely linked, with consumer awareness of sustainability being a prerequisite for purchasing decisions. In relevant market segments, from baby boomers to Generation Z, there is a more pronounced positive attitude towards sustainable fashion than is reflected in actual purchasing behaviour: The study by

Taborecka et al. (2023) indicates that while fitting, design and durability are critical for consumers, these factors may often outweigh the 'sustainable production' aspect when it comes to actual purchasing decisions. Although younger generations express positive attitudes toward sustainable clothing, their purchase behaviour reveals a preference for qualities like style and longevity over purely environmental or ethical production standards. This suggests that sustainable fashion brands may need to emphasise these qualities to better align with consumer preferences (Taborecka et al. 2023).

Regarding suppliers, there are studies that encourage increasing collaboration with suppliers to better utilise the expertise and resources of supply chain partners to overcome technological, financial, and organisational barriers to sustainable innovation (Jean 2024). Long-term relationships and geographical proximity play a crucial role in this (Talay et al. 2020). The study by Qian (2024) shows that several established companies have gained significant market share through their long-term commitment to sustainability and their innovative approaches in fashion production. The market is fast-growing and dynamic, requiring quick responses to new technologies and consumer needs. As a result, there are many new entrants in the fashion market, but also established non-sustainable fashion companies that have recognised sustainability as a lucrative source of income and are introducing 'sustainable' product lines (Qian 2024).

In the field of qualitative research, the study by Su et al. (2021) can be highlighted. It impressively demonstrates the challenges faced by sustainable fashion companies in the USA. The results were divided into three dimensions:

(a) Limited opportunities: government regulations lead to the availability of only a few sustainable dyeing facilities; there is a lack of sustainable producers and qualified workers in the clothing industry. Overall, there is a lack of options in all areas of the sustainable clothing supply chain, as eco-friendly materials and natural organic fibres are limited.

(b) Price considerations: Compared to traditional clothing companies, sustainable companies invest more in sustainable raw materials and operations. Similarly, emphasis is placed on regionality and therefore speed in resource procurement. However, this drives up the price compared to the non-sustainable clothing industry.

(c) Additionally, there is the need to change consumer thinking: Besides educating consumers about the reasons why higher prices are necessary, the image of sustainable clothing products must also be improved, as they are perceived as less aesthetically appealing (Su et al. 2021).

Thorisdottir et al. (2024) examined the Nordic sustainable fashion market. The interviewed experts see the need for cooperation among competitors to develop better technologies and materials for the market (Thorisdottir et al. 2024). Moreover, certifications provide a guarantee and independent verification of compliance with

sustainable practices. However, according to the interviewed experts, these are very expensive, and obtaining these seals is complex. This poses a particular challenge for small sustainable manufacturers and suppliers. The experts further highlight that transparency within supply chains needs improvement. Good supplier relationships are needed for this, but they have remained unstable after COVID-19. The experts also point out that governments often respond too late to challenges or implement EU laws and regulations for promoting the circular economy in the fashion market too late. The challenge lies in the lack of collaboration between governments and the sustainable fashion industry in developing sustainability solutions (Thorisdottir et al. 2024).

So far, this chapter has examined the sustainable fashion industry and presented the Five Forces of industry structure based on selected studies. As shown in Table 1, these forces reveal key opportunities and risks:

Table 1: Opportunities and risks in the sustainable fashion brand sector

Dimension	Contents of the Selected Studies
Rivalry Among Existing Competitors	Dynamics and rapid growth of the market
	Advantage for established companies due to available resources for new materials and technologies
	Necessity for long-term work on sustainability
	Technology-driven nature of the industry
	Shortage of qualified labour
	High costs for raw materials and operational processes
	Importance of regionality and speed
	Need for cooperation and collaboration among competitors to improve technologies and materials
	Necessity and effort required for certifications and labels
	Slowness of government and legislation in promoting sustainable circular economy
Threat of New Entrants	High market entry of new competitors
	Recognition by non-sustainable companies of the market's profitability
	Creation of sustainable product lines by non-sustainable companies
Threat of Substitute Products or Services	Second-hand
	Rental models

Dimension	Contents of the Selected Studies
Bargaining Power of Suppliers	Necessity of close and long-term collaboration
	Pandemic-induced instability in relationships
	Requirement for knowledge transfer between suppliers and fashion companies regarding technology, finance, and organization to encourage innovation
	Advantage of geographical proximity between both parties
	Scarcity of dyeing facilities
	Limited availability of sustainable materials
	Necessity for cooperation and collaboration among competitors to improve technologies and materials
	Need for supply chain transparency
	Few producers
Bargaining Power of Buyers	Price sensitivity of buyers
	Necessity of transparent price communication
	Awareness about sustainability as a prerequisite for the target group
	Existence of an attitude-behavior gap within the target group despite awareness
	Importance of fitting, design, and durability to the target group
	Necessity of image improvement (aesthetically unappealing)

The next section focuses on the insolvency of sustainable fashion companies. Why do sustainable fashion brands have to cease operations in a growing and lucrative market?

Reasons for Insolvencies

The definition of insolvency and the associated legal procedures are subject to different regulations in each country. In general: “Insolvency means inability to pay creditors” (Armour 2001: 3). Fundamentally, Armour (2001) refers to the inability to pay creditors as “cash flow insolvency” (ibid: 3). He distinguishes this from the term ‘financial distress’, i.e., “depending on the structure of the repayments under outstanding debt obligations, and the nature of the assets available to satisfy them” (ibid: 3). Accordingly, there is no cash flow insolvency if a company in a growing market, which receives a repayment option over several years, could be able to overcome its financial distress and settle its debts (ibid: 3). According to the definition of the

Federal Ministry of Justice in Germany, from which the case studies in this article are drawn, it also depends on the liquid assets and time: “Insolvency is defined as a situation in which a participant in legal and economic transactions is no longer able to meet their financial obligations in a timely and complete manner” (Insolvency law n.d.).

The study by Patel et al. (2022) was conducted for the construction industry but offers ten generally applicable reasons for insolvency: cash flow problems, underbidding, poor business management skills, poor financial control, overtrading, domino effect, diversification, illegal phoenix activity, overwhelming contract claims, predominance of trade credit (Patel et al. 2022). Although these results originate from the construction industry, it was suggested that parallel structures exist concerning the length of supply chains and mutual dependence. Both the construction industry and the fashion industry are characterised by long supply chains and dependence on various supply partners.

In the scientific community, most articles have focused on insolvency within national borders. For example, on insolvency in Germany (Seehaus/Peráček 2024), Egypt (Khalil et al. 2022), Kenya (Mbila 2022) or India (Patel et al. 2022). Methodologically, most studies are in the quantitative field, such as modelling through secondary data analyses, among others (Khalil et al. 2022) and surveys (Patel et al. 2022). A qualitative study about insolvency is the study by Ghio and Thomson (2023): ‘Is insolvency stigmatised?’ Although none of the newly interviewed managers had experienced insolvency or business distress, they were asked about the stigmatization of insolvency, which the study found to be insignificant (Ghio/Thomson 2023).

This chapter, therefore, is particularly relevant as it was able to secure interview partners who are in the post-insolvency phase or have successfully overcome business distress. Furthermore, it represents one of the few qualitative studies on this topic and focuses on sustainable fashion brands. The following will discuss the method and results.

Methodology

The primary aim of this exploratory-qualitative research is to explore the challenges that caused sustainable fashion brands to face insolvency or business distress. The interview guides were developed deductively, informed by theories from Porter (1980) and Patel et al. (2022), and analysed through both deductive and inductive approaches (Mayring 2022). The cross-case, qualitative content analysis was evaluated using a coding guide. Participants were required to have been directly involved in the company’s financial challenges and part of its upper management. All interviewees are German, and their companies are small or medium-sized enterprises based in Germany. Table 2 presents the structure of the participants and includes

their post-insolvency actions or recovery strategies. The three participants provide subjective accounts of their experiences, reflecting events recalled retrospectively from varying time periods. Consequently, representativeness of these events cannot be assumed. The interview participants have the following structure:

Table 2: Structure of the interviewees

Interview partner	Position in the company and existence of the company in years	Insolvency Year / Year of business distress	Behaviour after insolvency or distress
A	Management and owner (company has existed for 15 years)	2024	Insolvency / No re-establishment / Entry into employment relationship
B	Management and owner (company has been on the market for 12 years)	2023	Is involved in insolvency proceedings
C	Management (company has been on the market for 25 years)	2020	Rescue from insolvency

Results

The results are partially presented based on the dimensions of the Five Forces Model, while another section examines the reasons for insolvency according to Patel et al. (2021). The first results focus on the challenges faced by sustainable fashion brands in the industry. Here, three (Rivalry Among Existing Competitors, Bargaining Power of Suppliers and Bargaining Power of Buyers) of the five dimensions of Porter's Five Forces Model were identified as challenges. The Threat of New Entrants and Threat of Substitutes can be relevant; however, for this analysis, the interview partners did not emphasise these two dimensions.

1. Rivalry Among Existing Competitors

In general, the industry offers low profit margins (IP C), combined with cost-intensive production (IPA, B, and C). Banks are reluctant to invest in this industry because it is not lucrative enough (IP C). Additionally, there is a behaviour among buyers (retailers) that leads to planning uncertainty. This arises partly because orders are not paid on time (IP B and C), leading to payment delays. Furthermore, order quantities

from retailers are declining due to decreasing demand (IP C). This is accompanied by cost-intensive pre-financing of goods, which, when payment is delayed, leads to liquidity shortages (IP B). On the other hand, there are developments within the sustainable fashion market. One established sustainable fashion brand is particularly highlighted here. Interviewee A:

“[...] we are never really on sale before the end of January [in the winter sale], because [...] winter [is...]. So why should I sell winter jackets at a discount before then? That doesn't make any sense at all. But of course, you are quickly under pressure when your competitors start their sales earlier” (IP A).

Although winter jackets bring higher margins, they are sold less frequently due to the mild winters of recent years and climate change (IP A). It is also criticised that there is a lack of cohesion in the sustainable fashion industry. In cases of insolvency or business distress, there is no support from industry colleagues (IP A and IP B). One interviewee explained:

“In such phases [...] you are dependent on other people. You are also somewhat dependent on people reaching out to help you. Which, strikingly, rarely happens, I've found” (IP A).

Simultaneously, the political context is subject to criticism. There is a lack of support and regulations to make conventional clothing production more sustainable (IP C). Additionally, there is a lack of promotion for sustainable fashion brands (IP A). The certifications by the government are also considered insufficient (IP B).

2. Bargaining Power of Suppliers

There is a dependence on supply chains that reduces the flexibility of sustainable fashion brands (IP A). Additionally, the prices for sustainable products are higher than for conventional brands because production is often done in Europe (IP A). At the same time, large purchase quantities, customizations for the products, and the management of supply chains tie up valuable resources (IP B). A tension arises because customers desire aesthetic design, yet it is evident that increased design demands lead to higher costs for customers. IP B highlighted another aspect of already cost-intensive procurement: customizations. Unique buttons, yarns, and fabrics tailored to the brand's style further increased production costs. These customizations not only posed a challenge for young companies in cost management and production but also in self-marketing. Every customization caused additional costs (IP B).

3. Bargaining Power of Buyers

The change in consumer behaviour presents a challenge for the industry. Particularly the target group that consumes sustainably is showing a decline in consumption, especially of new products (IP C).

“So, we had a meeting with our SEO agency last year, and they told us: ‘Well, you shouldn’t be surprised. The search volume on Google for sustainable fashion has dropped by 38 percent’” (IP A).

Purchases are primarily driven by aesthetic considerations. The sustainability aspect of clothing is seen more as an additional bonus. It is only a secondary influence in the purchase decision (IP C). Moreover, society is polarised; besides those interested in sustainability, there are also those who ‘bash’ on ‘green’ politics and lifestyle (IP A).

Reasons for the insolvency or business distress

All interview partners state that it was an interplay or a chain of internal and external factors that led to the insolvency. Figure 1 provides an overview of the reasons mentioned. One aspect that has been inductively identified from the results is the influence of the COVID-19 pandemic. The empirical analysis revealed that COVID-19 was also a significant factor contributing to the insolvency of sustainable fashion brands. IP C highlighted that obtaining bank credit to buffer declining revenues during the pandemic posed a challenge for fashion brands. IP B emphasised that the issues with unreliable B2B payments had already existed before the pandemic but were intensified by COVID-19. Many supply chain partners were unwilling to accept ordered goods after the lockdown (IP B). This indicates a connection between COVID-19 and the lack of cohesion within the supply chain. Moreover, the government measures to mitigate the impact of COVID-19, such as the implementation of the 3G rule, led to significant revenue declines, particularly in the physical stores of these brands. State regulations thus emerged as a central challenge (IP B).

Figure 1: Internal and external reasons for the insolvency or entrepreneurial distress of sustainable fashion brands; own presentation

Internal Factors	External Factors
Lack of cost reduction potential with simultaneous investment in new products and innovations	Outstanding payments from B2B customers meant the company could not pay its suppliers
High costs due to an expensive inventory management system	The accountant could not deliver the annual financial statement on time, therefore a bank loan could not be granted
Limited forecasting and planning capabilities for order volume	Low customer loyalty
	High minimum purchase quantities from suppliers
	Long lead times from suppliers
	Lack of support from banks
IP A	A ransomware attack led to a high ransom payment and increased investment in IT security systems
IP B	
IP C	

Discussion

The application of the Five Forces analysis according to Porter (1980) has proven to be effective in this study, even though the focus was mainly on competition within the market itself and the bargaining power of suppliers and buyers. These factors seem to have represented the greatest challenges in this context. The Five Forces analysis,

while effective in this study, offers only a snapshot and lacks dynamic considerations. Positioned at the meso level, it does not account for macro-level regulations such as government subsidies or legal conditions, which can be subject to change and significantly impact market dynamics.

Rivalry Among Existing Competitors

In this dimension, the views of the studies and the empirical work do not align, as this study exclusively involved companies that were insolvent or in business distress and not established sustainable fashion brands, which might perceive the market as less threatening. According to Qian (2024), the sustainable fashion market is an opportunity to gain significant market share. It is emphasised that these are established companies that have shown a long-term commitment to sustainability and innovation. This means they are companies that have either reached a certain size or are not suffering from the factors leading to insolvency as outlined by Patel et al. (2022).

Qian (2024) further argues that the market is fast-growing and dynamic, requiring early adaptation to new technologies and consumer needs. Here, the study's findings partially contradict this statement, as buyers of sustainable fashion brands show a declining behaviour (IP A and C). Thus, the market grows through new fashion brands entering (Qian 2024), but not through an increase in buyers. Expanding to consumers of conventional fashion brands, which could be achieved by increasing the marketing budget, becomes even more important. Not least, this is to educate consumers and clarify the differentiation between 'sustainable' product lines of conventional brands and 'genuine' sustainable fashion brands, in the sense of Elkington (1998).

The studies do not address the 'discount promotions' by established sustainable fashion brands (IP A). These intensify the competition and, due to low profit margins (IP C), combined with cost-intensive production (IP A, B, and C), lead to an existentially threatening mix. Additionally, banks are reluctant to invest in this industry because it is not lucrative enough (IP C). Similarly, the relationship between sustainable fashion brands and retailers, which should be examined more deeply in further research, remains unaddressed by the studies. Here, the planning uncertainty due to inconsistent order quantities and order frequencies and the payment delays are mentioned (IP B and C). This could also indicate an asymmetry in the relationship. This is accompanied by cost-intensive pre-financing of goods, which, when payments are delayed, leads to liquidity shortages (IP B).

Thorisdottir et al. (2024) criticise, as do the interviewees (IP A, B, and C), the reluctance of politics to promote sustainable fashion brands. Both sides (studies and empirical work) express a desire for collaboration and support. The measures of the French government, which plans to introduce environmental taxes for Ultra-Fast

Fashion in 2024, could be pioneering. According to Thorisdottir et al. (2024), the certifications available in the sustainable fashion market are very expensive and complex. These statements are not confirmed by the interviewees in this study, but they would also lead to a bottleneck in financial and human resources. The interviewees merely point out that government certifications are considered inadequate (IP B). Ultimately, the study by Thorisdottir et al. (2024) sees a need for cooperation among competitors to develop better technologies and materials for the market. There were no statements on cooperation in the interviews, but the 'lack of solidarity' was criticised. It was highlighted that there is no support from industry colleagues in the event of insolvency or business distress (IP A and B). This statement should be examined more closely in further research.

Bargaining Power of Suppliers

The studies mentioned above speak less about the problem of supply chain dependency, which reduces the flexibility of sustainable fashion brands. Reliance on external suppliers introduces significant risks for sustainable fashion brands, as it limits flexibility within the supply chain. Heavy dependence on a small number of producers or distributors heightens vulnerability across procurement and distribution operations. To address this, brands often implement risk-splitting strategies, diversifying their suppliers and distribution channels. Such diversification is essential to reduce operational instability, which can arise when a brand relies on a limited group of partners (IP A). Here, there seems to be an asymmetry in the relationship that needs further investigation. Due to their small and medium-sized scale, these companies have lower purchasing volumes, creating an asymmetry of power between the brands and their suppliers. To address this imbalance and strengthen their bargaining position, brands should consider collaborating and making joint purchases (IP A; IP C). Several challenges are highlighted in implementing crowd buying in the sustainable fashion industry. These include difficulties in aligning order volumes, differing production timelines, varying product specifications among brands, and a lack of transparency in certain supply chains, all of which complicate collaboration efforts (IP C).

However, the dependency is also reinforced by the study by Su et al. (2021), which points out that there is a lack of dyeing facilities, materials, sustainable producers, and qualified workers in the sustainable clothing industry. This limits the options and thus leads to dependency on the few available in the market. In addition, the higher prices of sustainable products, often more expensive than conventional brands due to their predominantly European production (IP A), are further supported by the findings of Su et al. (2021).

If we acknowledge the existence of a power imbalance and asymmetry in the relationship between suppliers and sustainable fashion brands, the requirement

for large purchase quantities (IP B), which further constrain valuable financial resources, becomes a logical consequence. Moreover, the customizations in orders and the management of sustainable supply chains further tie up valuable financial and human resources (IP B) and create a barrier to switching to other suppliers.

For this reason, a solution could be the approaches of Jean (2024), who encourages increasing collaboration with suppliers so that the expertise and resources of supply chain partners can be better utilised to overcome technological, financial, and organisational barriers to sustainable innovations. Long-term relationships and geographical proximity (Talay et al. 2018; Thorisdottir et al. 2024) present an opportunity for the industry.

Bargaining Power of Buyers

One of the biggest problems concerning consumers is the decline in consumption of new sustainable products (IP C). One explanation could be that buyers of sustainable fashion brands are more likely to turn to alternative products such as second-hand and rental models (Riesgo et al. 2022). Thus, this avoidance behaviour, which is good for the environment but unfavourable for the industry, would lead to the expansion of the target group. Target groups of conventional brands would need to be addressed. Since buyers of sustainable fashion primarily purchase based on aesthetic considerations (IP C), as already mentioned in the studies by Taborecka et al. (2023) and Su et al. (2021), additional challenges arise for buyers of conventional fashion, such as price sensitivity. According to Su et al. (2021), education and image maintenance should already take place among buyers of sustainable brands, and these should be more intense compared to buyers of conventional brands. The fact that society is polarised and tends to 'bash' on 'green' politics and lifestyle was not investigated in studies and offers an approach for further research (IP A).

Reasons for Insolvency or Business Distress

The study by Patel et al. (2022) identified ten reasons for insolvency. Although these were the results for the construction industry, it was believed that there are parallels in the length of supply chains and dependency on each other. The study identified internal and external factors for insolvency or business distress. External factors far outweighed internal factors, which speaks even more for a thorough examination of environmental factors based on a risk and opportunity assessment. However, it is necessary to critically assess the statements, as it remains unclear to what extent the management has critically and reflectively analysed the internal challenges. It is possible that mistakes were sought externally rather than within the company. The study showed that there are hardly any parallels between the two industries (construction and fashion).

The domino effect (Patel et al. 2022) leads to insolvency or business distress among upstream and downstream actors in the value chain when a partner is unable to deliver or pay. This chain reaction was also mentioned in the context of sustainable fashion brands. Outstanding payments from B2B customers led to the inability to pay their suppliers (IP B). This also includes when the accountant fails to deliver the annual financial statement on time to secure a bank loan (IP B). These reasons are linked to cash flow problems (Patel 2022). It suggests that the situation of these fashion brands must be so precarious that the slightest delay leads to insolvency, indicating a lack of liquid funds.

The factors mentioned by Patel (2022) could not be identified in this context. Instead, the following categories can be derived:

1. Lack of cost-saving potential (IP A)
2. High investments in innovations, marketing, and software solutions (IP A and C)
3. Rapid product life cycle (investment in new products) (IP A)
4. Market dynamics make forecasting difficult (IP C)
5. Power of suppliers leads to high costs and inflexibility (IP C)
6. Lack of support from banks and stakeholders (IP C)

This leads to an apparent contradiction: On the one hand, the industry market requires substantial investments in innovation, marketing and software systems. On the other hand, more and more brands are entering the market. These high investments do not act as a barrier to entry but develop into a relevant factor only during market presence.

Thus, at the end of this discussion, the empirical findings can once again be compiled in the Five Forces analysis (see Table 3) to create a comprehensive picture along with the previous overview of the opportunities and risks in the sustainable fashion industry.

Table 3: Overview of the empirical results

Dimension	Contents of the Empirical Study
Rivalry Among Existing Competitors	Established companies can gain market share
	The market is growing due to newly entering fashion brands
	There are early discount promotions by established sustainable fashion brands
	Low profit margins
	Cost-intensive production
	Banks are reluctant to invest in the industry
	Dependence on retailers
	Planning uncertainty due to fluctuating order quantities and frequencies from retailers
	Payment delays by retailers
	Cost-intensive pre-financing of goods
	Reluctance of policymakers to promote sustainable fashion brands
	Government certifications are insufficient
	Lack of support from industry peers
	Possible domino effect
	Lack of cost reduction potential
	High investments in innovations, marketing, and software solutions
	Fast product life cycle (investment in new products)
Market dynamics make forecasting difficult	
Bargaining Power of Suppliers	Supply chain dependence
	Power of suppliers leads to high costs and inflexibility
	High costs for materials, customization, administration, software
	High purchase quantities
	Barrier to switching to other suppliers
Bargaining Power of Buyers	Decline in consumption of new sustainable products
	Target group expansion to buyers of conventional brands
	Aesthetics and price are relevant
	Marketing budget needs to be increased
	Polarized society: "bashing" of "green" politics and lifestyle

Limitations and Further Research

The main limitation of this study lies in its exclusive focus on interviews with managers, who retrospectively identified external factors as primary reasons for insolvency or business distress. Internal factors mentioned included ‘no cost-saving potential’, ‘high investments’ and ‘planning uncertainties’, though these were often attributed to external influences. As a result, few own failings were acknowledged. Incorporating additional perspectives, such as those of former employees from different positions, could have provided a more holistic understanding and strengthened the explanatory power of the findings.

Additionally, the study highlighted asymmetries in the relationships between sustainable fashion brands and their suppliers or retailers. Smaller brands, unable to purchase in large volumes, face limitations in sales power and economies of scale [see Anderson et al.’s and Ladiges’s chapter in this volume]. Future research should investigate how these asymmetries vary by company size, as this study did not consider differences between small and large sustainable fashion brands. Including larger brands would likely yield additional insights into power imbalances.

Research is also needed to explore solutions for alignment challenges in crowd buying, specifically regarding order volumes, timelines, product specifications and supply chain transparency. Furthermore, macro-level influences, such as crises and conflicts, contribute to a polarization between ‘green’ and ‘not green’ policies, affecting sustainable fashion brands. Future studies should examine the extent and specific impacts of this polarization.

An unexpected finding was the lack of solidarity within the sustainable fashion industry, challenging the stereotype of social entrepreneurship dominating the sector. Investigating expectations, cooperation, networks and informal support could provide valuable insights. Pal and Gander (2018) noted that sustainable fashion brands often develop individualistic business models focused on exclusivity and competition, hindering industry-wide collaboration and reinforcing isolated efforts.

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