



The story of Tom Duhoux and HNST

In this case, we focus on **Tom Duhoux** as a social entrepreneur, which means that keeping the balance between being mission-driven and running a successful company is a constant focal point. We first zoom in on Tom Duhoux's early years and find out how he came up with the idea of founding a sustainable jeans label. Next we focus on the intrinsic social motivation of Tom Duhoux and have a look at the production and selling process of HNST jeans. Because HNST is a mission-oriented for-profit organization we analyze the business model and zoom in on some strategic decisions of Tom Duhoux as an entrepreneur.

The early years



























Tom Duhoux was one of the first to spread circular ideas in Flanders. As a young commercial engineer, he started working in the waste management sector in 2008. Initially, as a management trainee at the Van Gansenwinkel group, but soon he became project manager Cradle -to-cradle, a concept that was gaining ground worldwide at the time.

During several interesting collaborations on sustainable innovation, Tom met Stefaan Vandist and Bart Jansens. Bart was an eco-designer and expert on supply chain cooperation, sustainable material cycles, and new business models. Stefaan previously worked as a brand and communication strategist in the advertising and internet sector. They wondered whether there was room for an agency that approached sustainabilityin a cross-disciplinary way. The only way to find out was to set up their own agency. In 2010 Tom quit his job and in January 2011 he became the co-founder of Studio Spark. A consultancy firm that guided organizations in the development and marketing of sustainable innovations.

In 2016 Tom continued with Blue Box, a creative thinking agency in which sustainable innovation and creating a positive impact were central. He made countless innovative work maps for companies and organizations, but in his work as a circular waste solution consultant, he found that his advice was rarely acted upon. After 10 years in the circular economy and guiding numerous organizations, he wanted to set something in motion himself. One of the projects he had done was in the textile sector. Duhoux saw that there was a lot of potential and that the ideas were barely implemented. The resulting frustration spurred him to launch his own business tackling one of the most wasteful industries - fashion.

Motivation



On the subject of the slow transformation of the dirty denim industry in the face of current and growing environmental damage, Tom's lack of preconceptions of how a fashion product should be designed and created meant he could very openly question every step of the denim jean process without considering pre-existing operational systems. Most brands currently focus on costs and







optimising their current supply chain, but his opinion is that "making that linear system into a circular system is just not possible".

" I am a man with a mission and an idea. I want to innovate the economy and make it more sustainable, in every sector. "

"Some optimisation is possible", for example, choosing sustainable fibres or collecting waste, but "you can only change that if you start from a white sheet and grow a new business that cannibalises the old ones." He goes on to say it "won't work from inside out, and smaller satellites will be setting the standard." He comments that fashion designers are "stuck in their own paradigms", which he believes hold them back from innovating and transforming traditional, wasteful methods of design and creation.

"Someday we'll run out of resources if we don't use them wisely. You don't have to be smart for that. Nothing is linear in nature and the concept of waste doesn't exist because it is not sustainable. I want to extend that knowledge to the way we do business. I want to make sustainable innovation more attractive in many areas than it is now. Sustainability has nothing to do with the negative or naive associations people often make with it. There is really nothing unrealistic or economically uninteresting about it. I want to question the current way of thinking and formulate answers to the problems."

Putting circular innovation into practice is Tom's passion, so denim jeans were an obvious starting point. In explaining his choice to completely reinvent the denim business model he said "all the pain points exist in denim". These relate to the resource intensive raw material (cotton), the intensive chemical processes generally used for dyeing and finishing denim and the throw-away nature of today's consumer culture. Denim is also a prime material for recycling due to the high cotton content, with feasible technologies existing today to recycle it to high quality levels and feed it back in at the beginning of the product creation stage - fibre preparation. The resulting frustration spurred him to launch his own business, HNST Jeans.





The quest to make the most sustainable jeans









Collaboration and innovation

The innovative, sustainable HNST jeans collection is the result of the collaboration between Tom and many other partners.

The story starts with the raw material. A HNST jeans is made out of 56% recycled denim fibers, 21% Tencel® and 23% Greek cotton. The recycled denim fibers were sourced from HNST's 'time to harvest' collecting campaign, where more than 6000 pairs of old denim were collected in the Antwerp region. For this campaign HNST has worked with De Collectie, a partner of the Antwerp Kringwinkels, and with Opnieuw&Co.

Half of the jeans went into the second-hand market (as they were in great condition) and the unwearable half were shredded and mixed with Tencel fibres®, then spun to create a new yarn locally in Belgium. For the production of the textile yarns, HNST worked together with textile company <u>ESG</u> that produces textile yarns for different markets and applications and <u>Texperium</u>, an open innovation centre that innovates in the field of high-quality post-consumer textile waste and recycling. ESG had already developed a yarn collection from discarded clothing (cotton or denim) that is used in various textile applications and is promoted within their <u>#hackyourjeans co-creation project</u>, but the composition did not entirely meet Tom's (strict) requirements in terms of circular design.

ESG embraced this challenge to develop a yarn that would be suitable for the HNST jeans collection. HNST itself gathers the discarded materials with the help of social partners (recycling shops) via the #timetoharvest campaign and uses <u>Centexbel</u> to check them for the presence of harmful chemicals. After having processed the collected jeans into fibres in Germany, they end up in the expert's hands of the West-Flemish <u>European Spinning Group (ESG)</u>. At Tom Duhoux's suggestion, ESG developed and spun a yarn made for 50% from the discarded jeans supplied by HNST and for 50% from Tencel® made from wood pulp, mostly from eucalyptus trees, which is very sustainable.

In the spinning mill the material of various ragged pieces is first mixed, and made into slivers on the preparation line. In order to guarantee a consistent quality, the slivers are mixed a couple of times. Then the spinning machines get to work to spin the sliver into our ultra-thin but super-strong HNST yarn!

'If you wear jeans long enough, and then recycle them a few times, the cotton and eucalyptus trees needed to produce a new pair of trousers can grow back in the meantime'









Circular and local

The production of the HNST jeans had to be transparent and take place in the EU and entirely in accordance with the rules of the circular economy. HNST knocked on the door at ItalDenim (Italy) with the request to weave a cloth combining the ESG Green yarn as weft with a warp yarn from ItalDenim itself. Initially, Tom was looking for a denim producer closer to home. In Belgium, however, jeans are no longer woven and tinted. Belgian producers are also not keen on working with other scissors, let alone that the yarn consists of post-consumer recycled materials, which always has a perception of poorer quality, but is not the case.

The innovative dyeing process for the yarn at ItalDenim is another important part in which no harmful chemicals or heavy metals are used. In the textile industry, the dyeing process of jeans is one of the greatest burdens for the environment. This is because the indigo powder, which we need to make the yarn blue, needs to be dissolved in water. Only one problem: the powder naturally doesn't dissolve in water. Nothing that mankind couldn't solve, because with polluting, toxic chemicals and heavy metals, it does work. Those harmful substances come on the skin of the textile workers and later on ours. Through the industrial washing process, it ends up in the sewers and thus in the oceans. Later, through our washing machines, the same thing happens.

Instead of the traditional indigo dye-solution that contains metals and chemicals, HNST uses Smart-IndigoTM powder. This is made soluble by applying electricity to the powder to allow it to dissolve in water. When fixing the indigo colour onto the yarn, PVA is traditionally used, which then results in microplastics being expelled into wastewater during clothes washing, contributing to the catastrophic levels of microplastics in our waterways and oceans.

Instead of using toxic materials to fix the colour Italdenim makes use of chitosan for this, a substance which is extracted from <u>shellfish shells</u>, a residual product of the food industry. By dissolving it in water and applying it to the jeans fibres, a kind of filter is being created, which ensures a higher resistance of the indigo colour. It therefore sticks better onto the yarn.

The lobster substance chitosan helps HNST, apart from the dyeing process, also in attaining their sustainable challenges in terms of weaving. Before there is even one thread in the weaving loom, the yarn is strengthened with a kind of paste. Generally, a starch paste with minuscule microplastics is being used. These pieces of plastic unfortunately can't be filtered (yet) and so while washing the denim fabric, they inevitably end up in our oceans. In chitosan, Italdenim found a perfectly ecofriendly substitute, which applies the same layer on the yarns. This way, nature is quite a big help in the production of HNST jeans.







Some clever innovations

In Italy, the denim fabric is further processed into trousers and then washed, a process that again focuses on working conditions and environmental impact.

Together with designer Ellen Robinson, Tom looked for ways to incorporate as few disposable products as possible into the jeans. They came up with a few innovations or hacks. For example, you can unscrew the buttons of a HNST jeans and reuse them in the next pair of jeans. The rivets - those metal plates initially intended as reinforcement for heavy work material - are embroidered on the jeans in copper colour

The brand label above the back pocket is made of jacron, a paper fake leather. It is made of cellulose from wood pulp and is thus renewable. The jacron labels are also made in Europe with wood pulp from FSC-certified forests. The inside pockets are made from recycled white t-shirts, on which all the information is silkscreened, which normally ends up on a label. Each pair of jeans is finished with a serial number. The first two digits represent the year of harvest of the trousers brought in, which are processed in the denim thread.

But that is not enough to become the most sustainable jeans. Because maintenance accounts for 25% of the total environmental impact, HNST launched the Morning After Spray, a probiotic spray that refreshes jeans completely naturally without the use of chemicals or the need to put them in the washing machine. Because they see this as part of the product design, the customer receives the spray when purchasing the jeans.

To close the chain, the purchase price includes a guarantee, that customers receive back as a discount when they buy a new pair of HNST jeans, if they return the old jeans. This then gives HNST another opportunity to valorise the jeans to the highest possible quality together with partners from the social economy.

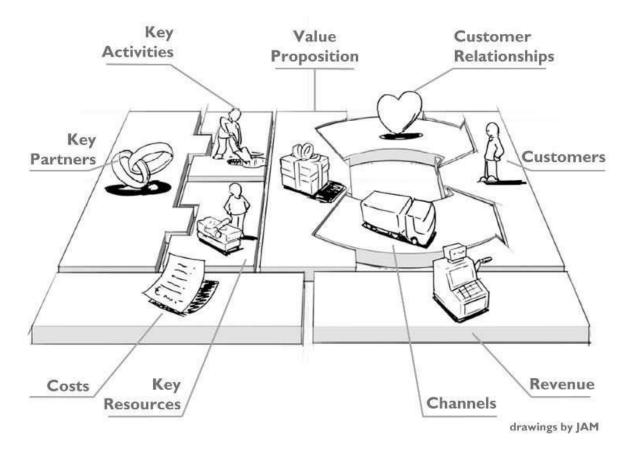








The business model



At the first interview, we were 1.5 years after the start-up of HNST, a critical point following Tom, where a lot of decisions need to be considered. But also during the start-up phase, Tom had to make a lot of choices as an entrepreneur.

Company form

In order to limit the risk, Tom opted for a private limited liability company (in dutch: BVBA). In the beginning, he considered setting up a cooperative, but his accountant advised him not to do so after all.

Tom: "On paper, this seems like a very nice idea to make everyone involved in a cooperative, but in practice, this means that you have to hold a shareholders' meeting once a year. You have to find a room that is big enough and offer coffee and tea. Everyone has a say and that is a very unworkable model."

Sanne van den Dungen sits in the BVBA for 10 percent, she does the R&D. Tom knew her from when he had a consultancy firm. She worked part-time at EPEA, an international network founded by Michael Braungart, one of the founders of the Cradle-to-cradle philosophy. This way she has a lot of knowledge about textiles and chemicals. Tom Duhoux had done a joint project with her and knew what her expertise was.







Financing

To finance the start-up Tom took out a loan from <u>Trivident</u>, the Flemish Participation Fund for the Social Economy. Trivident invests, via subordinated loans or capital participation of up to 150,000 euros, in socially engaged enterprises and organizations. No crowdfunding was used, but HNST worked with pre-order. In addition, there was also a subsidy from <u>Circular. Flanders</u>.

A year and a half after its establishment, HNST was back in the phase that there was a need for money. That's why Tom is looking whether it would be fiscally interesting to write out a win-win loan. With this type of loan, the Flemish government encourages private individuals to provide a subordinated loan to SMEs. A private individual can lend up to € 50,000 to a Flemish SME for a term of 8 years.

Products and services

On the <u>website of HNST</u> we see that there are three different jeans models available for both men and women, of which two models are available in 2 color variations blue. The jeans cost € 135.. The men can also order a jeans jacket (€ 279) and for the women there is also a salopette (€ 269). For maintenance a free 'Morning after Spray' is included with each pair of jeans. This is to freshen up the jeans completely naturally, without having to put them in the washing machine.

SPINDLE / SKINNY FIT Non-stretch skinny jeans met hogere taille, aansluitend aan de heupen en iets losser aan de enkels. Beschikbaar in 2 kleurvarianser SPINDLE / CLEAN SLATE SPINDLE / FAITHFUL €135,00 €135,00

1 - There are three different jeans models available in 2 color variations blue.

With each product you get a thorough description of the complete circular design. In the figure below you see the description for the skinny fit jeans men. At each step in the life cycle of jeans, the impact on people and the environment is described and an attempt is made to minimize the negative impact. We see that 1 tree is planted per jeans via WeForest and that the CO2 impact is compensated by purchasing Carbon Credits from WeForest.







CIRCULAR DESIGN

MATERIALS

- Denim fabric made out of 56% recycled denim, 23% cotton, 21% Tencel® (read more)
- Pocket fabric made out of 20% recycled white T-shirts, 60% cotton and 20% Tencel®

DESIGN FOR RECYCLING

- · Reusable and replaceable buttons made from Zamac-3 alloy (zinc, aluminum, magnesium, copper)
- Back pocket label made from FSC® (view) and OEKO-TEX® certified jacron (view)
- Embroidered rivets
- · No unnecessary labels on the inside

HEALTH

- Yarn made from recycled denim fibres meets the highest OEKO-TEX® standards (Category 1: baby) (test results available upon request)
- . No hazardous substances or heavy metals used in the dyeing and finishing process, complying with the Greenpeace Detox guidelines (read more)
- GOTS-certified and PVC-free silk screen print on the pockets (view)
- Chlorine-free process

DESIGN FOR LONGEVITY

- · Enforced crotch
- Refresh your HNST jeans without washing by using our Morning After Spray included with every purchase

END OF USE

- The jeans is 100% designed for next use
- When worn out, please return it and get a € 15 discount on your next purchase

IMPACT

- CO2-impact of 5,6 kg to produce this jeans is offset 3x through the purchase of carbon credits through WeForest (read more)
- · For every jeans produced, I tree is planted through WeForest (view)
- EIM-score below 33 (low impact process)

1 - With each product you get a thorough description of the complete circular design.

Besides the circular design, HNST also strives for a transparent production chain. On the website, you get an overview of all production partners involved. The entire production takes place within the EU and all partners also subscribe to HNSTs code of conduct.

HNST offers free worldwide shipping within 3 working days. The jeans are shipped in reusable and recyclable packaging from RePack. When you return the empty RePack (free of charge), you will receive a voucher worth € 10 discount when you purchase the next HNST jeans or 10% discount from various other sustainable brands. You can find the overview here. If you are not satisfied with the purchase, you can return or exchange the jeans free of charge up to 14 days after delivery. Returning is free in all countries of the E.U.. For other parts of the world, HNST charges a € 20 return fee.

Market segmentation

Although sustainability is key in everything HNST is doing, the brand doesn't want to profile itself that way. Tom prefers to describe HNST as a radically different pair of jeans. This also triggers the consumer.

Tom: "The thing that attracts people the most is the story. People only find sustainability important in the second place. I don't want to sound disrespectful but there are a lot of people who want to act sustainably as long as it doesn't cost anything more. Despite the fact that I wanted to keep my







initiation price reasonably affordable, for some people that price still remains too expensive. However, I am very transparent in my price structure. I really can't do it for less than this."

Tom wants to go for the higher segment. He believes you can make a big impact. He assumes that if you have a sustainable product and if you go for that sustainable position, that you target a consumer segment where sustainability is an emotional argument. They're going to make a sustainable choice anyway. So that's not where the great potential for improvement lies. It's better to aim for people who don't necessarily look at it, but who think it's important where the product is made. That way you can bring the sustainable and circular into their lifestyle', says Tom. He describes his segment as follows: "People who are willing to give money to beautiful things and who find quality and design important (but discreet). Secondly, those people also attach importance to sustainability. "

Pricing

The skinny and straight jeans for men and women are offered on the website for € 135, but Tom is thinking about raising his price 1.5 years after the start. This should also give him opportunities to collaborate with retailers. According to Tom the segment of HNST is stuck in the middle. People who find the pants too expensive will find €20 cheaper still too expensive.

Tom states: Why do people buy clothes? First of all it should be comfortable and second it contributes to the sense of status and self-esteem. That's why people buy clothes. The price is subordinate. The sustainable argument is a rational argument and not an emotionalone. People make buying decisions on an emotionallevel and not on a rational level. Rationalhelps to rationalize afterward whether the decision was right. That is the right way of working. So the prices we have now are introductory prices to see the first reactions. People who buy jeans now, especially when I didn't have a physical selling point, were people who sincerely believed in the story and couldn't fit the jeans yet. In that respect, it's a concession to the first people who step into the story and believe it. We also get valuable information from it and this gives me the opportunity to take the next step. In the future the products will probably be more expensive

You can ask yoursel why aren't all denim manufacturers using the clean and completely non-toxic approach of HNST? Cost, Tom tells us. This clean production is more expensive, so it then comes down to brands either committing to prioritising profits, or the health and well being of those producing and living near the production of these textiles. HNST's higher costs mean they need to work hard on customer engagement and storytelling. They share information on how to take care of their jeans, providing free 'morning after' spray with every pair of jeans purchased to reduce the need for washing. They stay in touch with their customer through every life cycle step. Tom explains that storytelling is something that they need to do as customers do not fully understand the real cost of making their ethical and sustainable jeans. HNST is fully transparent on pricing and he says some of their customers have engaged with that, but on the flip-side, being transparent makes brands vulnerable and opens up discussion on subjects like profit margin. A couple of months ago it was easy to find the price structure of each product on the website, but now it disappeared.









1 - Price structure

Channels

HNST has a showroom at the EDO collective store in the centre of Antwerp. This is a temporary space devoted to supporting and showcasing conscious Belgian designers, providing them a platform to sell and present their collections, and work in a more collaborative way. You can find an overview of the other brands located at EDO here.

Besides the showroom, HNST has a well-developed <u>website an webshop</u>. They are active on Instagram and Twitter and Tom tells his story to a lot of national and international media. Articles about Honest were published in ELLE, Forbes, Marie Claire, MO*Magazine Weekend Knack and Rivets. On youtube you can find some movies about the production and story of HNST jeans.







Collaboration



A year and a half after the start Tom tells us that HNST is at a critical point. There is the first stock and it has to be sold now. At the same time you have to guarantee continuity. Another collection campaign was done for the new collection and so money is needed to guarantee that continuity.

Tom wants to move away from collections. The collection they are releasing now is actually just to carry on throughout the year. In order to expand the existing collection, he is aiming for additional products (such as the jacket or salopettes) or a different wash of the jeans.

At the time of the interview, Tom had plans to enter the B2B market. After all, HNST has everything under their own management, so they control the entire chain. Because they now have the denim fabric anyway, they looked at how they could sell the fabric further.

Meanwhile, HNST entered into a collaboration with the Belgian women's brand Ginger and launched a 'sustainable capsule collection' on December 5th 2020. Three designs from the Ginger line were given a circular makeover. Over the past year, the fashion brand Ginger took up the challenge of sustainability and entered the Close The Loop trajectory of Flanders DC and Flanders Circular. The platform wants to motivate the industry to move away from a linear system (take-make-waste) and embrace the circular model. This is how they ended up at HNST and Tom Duhoux.





Our aim with Ginger is to bring high-quality, long-lasting garments to the market,' says Catharina Bossaert, Head of Design at the Belgian label. In that respect, sustainability has always been present in our DNA. By entering into the Close the Loop process, we committed ourselves to go a step further and learn about closing the chain. A collaboration with HNST was already on our wish list for some time. We joined forces and learned a lot from it. In the future, we will continue to work with the lessons we learned during this collab'.

Three iconic pieces of the Belgian fashion brand Ginger have been reproduced using the HNST denim fabric and applying their circular design principles., A pair of trousers (€ 229.95), a skirt (€ 189.95) and a dress (€ 349.95) were produced entirely from recycled fabrics and biodegradable yarns. Just like the HNST jeans, each piece is designed to be recycled in the best possible way after its length, with biodegradable labels and reusable buttons.







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Go to this Sway

