Consumers' Moral Beliefs on Corporate and Individual Responsibilities
for Circular Fashion Co-creation

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Fashion industry has been condemned as the world's second most polluting industry after the oil industry. Some argue that this is mainly attributable to the economic system it has been adopting—a linear economy's (LE's) *take, make, dispose* system, in which large amounts of raw materials are extracted to make products, used by consumers, and disposed to landfill or incinerations (Lieder & Rashid, 2016). To tackle this, circular economy (CE)'s *take, make, use, reuse again and again* system, which endorses a restorative economic system by promoting continual use of resources, has recently emerged as an innovative alternative (Doppelt, 2003). Fashion companies' *take-back programs*—an initiative to collect used clothing from consumers to recycle and put them back into the supply chain—are one of the key CE initiatives that we can see today. Despite the industry efforts to make circular fashion (CF), it is not easy to make fashion truly circular because fashion supply chain is extremely fragmented. Further, given that CF stands for reusing materials again, a true circularity cannot be achieved without consumers' engagement, e.g., to return their used clothes for firms' reuse. Yet, less is understood about whether consumers even care for CF. Moreover, the literature lacks of indicating whether and how fashion firms can achieve true circularity by sharing their CF philosophy with consumers.

Moral responsibility theory of corporate sustainability (Ha-Brookshire, 2017) provided the conceptual lens for our study as it proposes three specific ways in which a corporation can perform truly sustainable. First, a firm can make truly sustainable performance depending on *how it sees sustainability within the moral responsibility (MR) spectrum—from imperfect to perfect*. Perfect MRs refer to the duties that a firm "must fulfill" at all times and circumstances, whereas imperfect MRs refer to the duties that are "not necessarily a must" to the firm but would be "a nice thing to do" if it did. Thus, the more a firm perceives CF as its perfect MR, the more the firm will institute strict CF practices, which will ultimately lead the firm to generate truly CF outcomes. However, although a corporation views sustainability as its perfect MR, it still may not be successful in achieving truly sustainable performance unless its supply chain members (e.g., consumers) regard sustainability as the same perfect MR. Thus, *corporate MR and its supply chain members' MR interact and affect the firm's sustainability outcomes simultaneously*. Lastly, when a firm's goals for creating CF and its actual practices do not match, people may perceive *corporate hypocrisy, which affects the firm's CF endeavors negatively.*

Indeed, individuals are found to shape their attitude toward a sustainable product/service based on their moral beliefs. Frist, Vahdati et al. (2015) show that the more consumers see that a company is taking the MR to perform in a sustainable way, the propensity for them to value the company's sustainable offerings is higher (**H1:** The more consumers believe fashion firms to bear perfect, vs.

imperfect or no, MR (CorpMR) for creating CF, the more positively they shape their attitudes toward firms' take-back programs). Second, individuals' own MR plays an equally important role in shaping their attitude. Gule et al. (2017) show that the more people believe that it is their MR to protect the environment, the more positively they evaluate green products (**H2**: The more consumers believe they should bear perfect, vs. imperfect or no, MR (ConsMR), the more positively they shape their attitudes toward fashion firms' take-back programs). Third, the identification of a true CF requires a combination of both supply- and demand-side measures. Thus it is important to understand how the supply and demand sides of a fashion company's activity interact and affect the firm's CF performances simultaneously (Seuring & Müller, 2008) (**H3**: Consumers' beliefs toward corporate and consumer MRs for creating CF (CorpMR x ConsMR) have an interaction effect on consumer attitude toward fashion corporations' take-back programs). Fourth, Alhouti et al. (2016) show that the lesser consumers perceive the gap between what a firm says and acts, the more they perceive the firm to be authentic, shaping positive attitudes toward the firm's offerings (**H4**: The more consumers perceive that fashion firms are hypocrite in terms of what they say and do about CF, the more negatively they shape their attitudes toward corporate take-back programs). Fifth, Park and Ha (2012) show that the more consumers evaluate recycling to be a favorable thing to do, the more they engage in recycling (**H5**: The more positively consumers evaluate companies' CF offerings, the more they intend to engage in fashion corporations' take-back programs).

An online survey was launched through Dynata. We adapted the measurement items from previous studies. For CorpMR and CorpMR, respondents rated their perceptions on a 5-point Likert-type scale from "*no duty*" (1), "*imperfect duty*" (3) to "*perfect duty*" (5). For other items, from "*strongly disagree*" (1) to "*strongly agree*" (5). With 351 usable responses from U.S. consumer dataset in fall 2019, we tested structural equation modeling (SEM) and ordinal probit regression (OPR) model. The measurement model showed a good fit (χ^2_{199} = 393.604, CFI = .96, TLI = .95, NFI = .92, RMSEA = .05). The convergent and discriminant validities were also statistically confirmed. The structural model fit was satisfactory (χ^2_{220} = 452.86, CFI = .95, TLI = .94, NFI = .90, RMSEA = .06). The hypothesis test results via SEM supported all our Hs (H1: β = .48, p < .01; H2: β = .20, p < .10; H3: β = -.09, p < .10; H4: β = -.12, p < .05; H5: β = .86, p < .01). OPR helped us test the Hs involving both latent and observed variables (demographic information). Including both latent and observed Vs, the results show that respondents believe fashion corporations (M= 3.83; SD=.74) should bear more perfect MR than consumers (M= 3.51; SD=.68) should. The paired sample t-test results showed that the two condition means are statistically different (Δ= 0.32; *p* < .01). Further, the OPR model confirmed the robustness of our Hs (H1: β = .68, p < .01; H2: β = .30, p < .01; H3: β = -.10, p < .05; H4: β = -.19, p < .05; and

Figure 1. Interaction effect of CorpMR and ConsMR on consumer attitude

H5: β = 1.38, p < .01). Figure 1 provides the interaction effect, showing the positive effect of CorpMR on consumer attitude was stronger in low ConsMR group than in high ConsMR group.
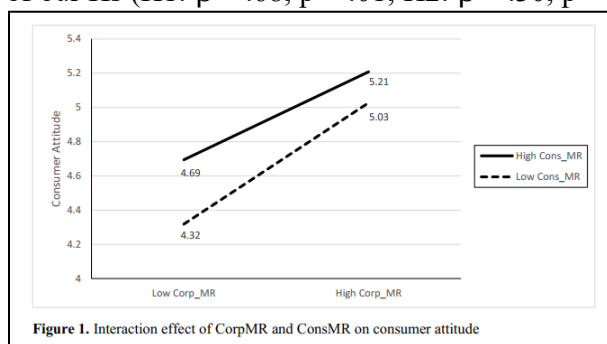
This study is the first to provide empirical evidence on consumers' moral stance toward the CF phenomenon. First, our findings show consumers are indeed projecting moral values toward CF. Second, we show that CorpMR is a critical precedent affecting consumer attitude toward corporate CF offerings—even if it is something that consumers see as the corporation's imperfect MR. Third, we show that individuals' own sense of ConsMR plays an equally critical role

in shaping positive attitudes toward corporate CF offerings. Fourth, we provide more nuanced insights to the literature by showing that increased ConsMR for CF weakens the positive relation between CorpMR and consumer attitude. Fifth, we also find corporate hypocrisy as another morally-grounded trait negatively affecting consumer attitude in terms of CF. Lastly, our findings indicate that the more consumers shape positive attitude toward fashion companies' CF offerings, the more they show the intention to engage in the companies' CF endeavors. Future research is recommended to investigate how fashion business can successfully co-create CF together with its supply chain members and contribute to a truly sustainable development.

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